DATE: December 14, 2016
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 16-66
Authorizing the Terms of a Land Transfer Agreement to Convey 0.84 Acres of Real Property in the Lents Town Center Urban Renewal Area to the City of Portland Housing Bureau

BOARD ACTION REQUESTED
Adopt Resolution No. 7218.

ACTION DESCRIPTION
This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will authorize the Executive Director to execute a land transfer agreement (Transfer Agreement) between PDC and the City of Portland Housing Bureau (PHB), conveying 0.84 acres of land (Property) from PDC to PHB. The transfer reconciles payment previously contributed by PHB for the land’s acquisition and facilitates affordable housing redevelopment. The two parcels constituting the Property subject to this action are located at the southwest corner of SE 72nd Avenue and SE Foster Road in the Lents Town Center Urban Renewal Area (URA); see an aerial view and photo of the Property in Attachment A. Upon execution of the Transfer Agreement, PHB intends to make the Property available for construction of affordable housing by REACH Community Development (REACH), including approximately 100 multifamily rental units (Project).

BACKGROUND AND CONTEXT
Acquisition. On April 13, 2011, the PDC Board through Resolution No. 6864 approved the acquisition of the Property as part of a larger three-parcel purchase totaling $1,400,000. The purpose of the acquisition was to support PDC’s efforts to promote and stimulate revitalization on SE Foster Road. At the time, PHB contributed $450,000 for the purposes of securing land for future affordable housing. Subsequent to the acquisition, PDC engaged in redevelopment efforts on the eastern parcel, which led to the opening of the Portland Mercado in 2014. Since the Portland Mercado did not include affordable housing, PHB’s original $450,000 contribution was allocated to the Property. The value of the Property at the time of acquisition was $510,000, resulting in a PHB ownership stake of 88 percent.

PHB Notice of Funds Available (NOFA). In an effort to address a critical lack of affordable housing across the city, in October 2015 PHB issued a NOFA for the disposition and development of multiple city-owned parcels, including this Property. REACH submitted a proposal for the Property and was selected by PHB to move forward into feasibility. The proposed Project is a mixed-use building with approximately 100 affordable apartment units on upper floors and resident services and other non-profit programming on the ground floor. PDC will not be a financial participant in the Project.
Disposition. A February 2016 appraisal valued the Property at $950,000. Accordingly, PDC will transfer the Property to PHB at the appraised value but will recognize an $809,909 credit against the price to account for PHB’s ownership interest in the Property; net of PDC’s holding costs. Additionally, PDC will conduct minor environmental remediation as a condition of closing and will be reimbursed by PHB for the additional cost, estimated to be no more than $60,000. Because this action is a reconciliation of an investment already made by PHB, rather than a new land sale, PDC policies typically associated with land sales will not apply. However, PHB policies regarding Business and Workforce Equity will apply to subsequent construction. While PHB does not currently have a policy similar to PDC’s Green Building Policy, PHB is actively working to put guidelines in place that codify the goal of attaining high levels of energy efficiency in future projects. Once the transaction is complete, PHB and PDC will amend their Intergovernmental Agreement to reflect the reconciliation of PHB’s original contribution.

Lents Five-Year Action Plan. In May 2014, the PDC Board and Portland City Council adopted the Lents Town Center Five-Year Action Plan (Action Plan) which lays out a strategy for the next five years that focuses investments where they will have the most impact while ensuring benefit to existing residents and businesses. The Action Plan is a collaborative effort between public and private sectors as well as non-profit partners. It builds upon previous plans and efforts for this neighborhood, including the 1998 Lents Town Center URA Plan (amended 2008), the 2009 Lents Town Center Redevelopment Feasibility Study, the 2010 Lents Business District Strategy, and the 2011-13 Foster/Lents Integration Partnership. The proposed action is consistent with and delivers on the desired outcomes of all of these strategies.

COMMUNITY AND PUBLIC BENEFIT

This proposed action will generate multiple community benefits, most notably by providing much-needed affordable housing units, revitalizing and activating SE Foster Road, and complementing existing businesses such as the highly successful Portland Mercado.

PUBLIC PARTICIPATION AND FEEDBACK

PHB has led all recent public outreach as part of the 2015 NOFA process. PDC staff participated in a selection committee for all Lents NOFA-related projects and provided input on the prioritization of proposals. Staff recommendations then went to a community-based selection committee for further review before a final decision was rendered.

BUDGET AND FINANCIAL INFORMATION

The Lents Town Center URA fiscal year (FY) 2016-17 Revised Budget includes the projected proceeds from this transfer (see Attachment B).

RISK ASSESSMENT

Risks related to these PDC Board actions include:

1. **PHB may terminate the transaction prior to closing.** There is a risk that PHB, after completing due diligence, will terminate the transaction. The likelihood of this risk is low.
2. **REACH may fail to construct after conveyance of the Property.** In this event, we would anticipate PHB would remarket the Property at a later date for another affordable housing project.
ALTERNATIVE ACTIONS

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

ATTACHMENTS

A. Aerial and Property Photos
B. Lents Town Center URA FY 2016-17 Financial Summary
Aerial and Property Photos

Site Aerial

View from Foster Road, Looking South
## URA Financial Summary

### Five-Year Forecast

<table>
<thead>
<tr>
<th>Resources</th>
<th>Revised 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>Beginning Fund Balance</td>
<td>21,846,770</td>
<td>248,609</td>
<td>4,057,406</td>
<td>5,500,042</td>
<td>19,567,946</td>
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<table>
<thead>
<tr>
<th>Revenue</th>
<th>31,111</th>
<th>31,402</th>
<th>3,539</th>
<th>4,107</th>
<th>3,390</th>
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<td>Loan Collections</td>
<td>5,111,18</td>
<td>172,490</td>
<td>167,830</td>
<td>301,365</td>
<td>158,002</td>
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<td>TIF - Short Term Debt</td>
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<td>10,966,000</td>
<td>10,067,061</td>
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<td>TIF - Long Term Debt</td>
<td>8,000,000</td>
<td>26,000,000</td>
<td>-</td>
<td>11,989,114</td>
<td>-</td>
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| Property Sales        | 3,802,233 | 180,000  | -       | 1,345,000 | -       |
| Rent and Property Income | 111,386  | 56,874   | 56,874  | 2         | 1       |
| Reimbursements         | 73,050   | 81,593   | 81,593  | 81,593   | 81,593  |
| Total Revenue          | 27,371,062 | 37,514,084 | 39,421,404 | 24,034,422 | 315,937 |
| Total Resources        | 49,226,852 | 37,760,903 | 14,478,516 | 29,534,164 | 19,883,883 |

### Requirements

**Administration**
- A00026-Debt Management-LTC: 20,000
  - Administration Total: 20,000

**Economic Development**
- A00113-Business Development LTC: 20,000
- A00380-Lean Manufacturing-LTC: 30,000
- A00121-Community Development-LTC: 50,000

**Business Lending**
- A00328-BL-General-LTC: 700,300
  - Economic Development Total: 800,300

**Housing**
- A00170-Affordable Housing-LTC: 12,537,946
  - Housing Total: 13,571,255

**Infrastructure**
- A00240-Leach Botanical Greens-LTC: 1,890,989
- A00243-Foster-S2nd to S22nd-LTC: 1,488,096
  - Infrastructure Total: 3,379,945

**Property Redevelopment**
- A00325-Lents Little Lge Fld-LTC: 7,500
- A00326-Bakery Block-LTC: 106,000
- A00327-LTC II Parking Lot-LTC: 6,200
- A00328-Metro/Auto Whl WLot-LTC: 9,500
- A00329-Metro/Auto Bldg & Ln-LTC: 50
- A00330-ArchitectPractBldg-LTC: 12,100
- A00332-Real Estate Mgmt-LTC: 33,000

**Commercial Property Lending**
- A00355-CFRL-General-LTC: 25,551,770

**Redevelopment Strategy**
- A00323-LTC Town Ctr Redevelopment-LTC: 5,000
- A00331-Project Development-LTC: 195,000
## Financial Summary

**Five-Year Forecast**

<table>
<thead>
<tr>
<th>Lents Town Center URA Fund</th>
<th>FY 2016-17</th>
<th>FY 2017-18</th>
<th>FY 2018-19</th>
<th>FY 2019-20</th>
<th>FY 2020-21</th>
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<td>Redevelopment Grants</td>
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<td>A00501-Prosperity Investment Program (PIP) Grant-LTC</td>
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<td>Property Redevelopment Total</td>
<td>27,496,120</td>
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<td>Total Program Expenditures</td>
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<td>Contingency</td>
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<td>5,500,042</td>
<td>19,867,946</td>
<td>10,007,927</td>
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<tr>
<td>Total Fund Requirements</td>
<td>49,226,852</td>
<td>37,793,693</td>
<td>14,478,810</td>
<td>29,534,164</td>
<td>19,883,863</td>
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