DATE: April 11, 2018
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 18-13
Update on the Sale and Redevelopment of Centennial Mills

BRIEF DESCRIPTION OF INFORMATION ITEM
No action is requested; information only.

At the April 11, 2018 Prosper Portland Board of Commissioners (Board) meeting, staff will provide an update on the potential sale and redevelopment of Centennial Mills, a 4.4-acre Prosper Portland owned property in the River District Urban Renewal Area (URA) to Lynd Opportunity Partners, LLC (Lynd).

STRATEGIC PLAN ALIGNMENT AND OUTCOMES
Sale and redevelopment of Centennial Mills will meet several of Prosper Portland’s Strategic Plan objectives. First, it will help create a healthy, complete neighborhood by activating a long-vacant site with commercial activity and residents with a variety of income levels. Second, it will create both short-term construction jobs and permanent employment opportunities on site. Third, it will provide sale proceeds that could be invested in priority initiatives within the River District URA, such as Broadway Corridor or Old Town/Chinatown.

BACKGROUND AND CONTEXT
Acquisition. On February 17, 2000, the Prosper Portland Board through Resolution No. 5397 authorized the purchase of Centennial Mills for the purposes of creating access to, and open space on, the Willamette River. In 2004, Prosper Portland proposed demolishing all the buildings on the site to facilitate development of a park; however, based on public response, the Portland City Council (City Council) through Resolution No. 36320 instructed Prosper Portland to redevelop the property rather than demolish the buildings for a park purpose. It also directed Prosper Portland to develop a plan for future redevelopment. The resulting Centennial Mills Framework Plan (Framework Plan), was adopted by the Board through Resolution No. 6422 on December 13, 2006. Between 2007 and 2014, Prosper Portland solicited for and partnered with private development teams to analyze and identify redevelopment scenarios to align with the Framework Plan. Under each scenario, redevelopment was determined to require significant public investment beyond that available in the River District URA budget, and therefore was infeasible.

Selective Demolition. Given the rapid and dangerous deteriorating condition of Centennial Mills, in July 2015 the Prosper Portland Board through Resolution No. 7137 authorized a multi-phased contract to demolish selected buildings at the site, and then subsequently approved Resolutions Nos. 7177 and 7208 in order to complete the selective demolition. The Flour Mill, Warehouse E, and Riding Arena were not included in the demolition project and are still present on the site at this time. The total approved
guaranteed maximum price for the demolition was $14,276,705. Total actual costs upon completion were accomplished approximately $2,600,000 under budget.

**Full Site Redevelopment.** On March 22, 2017, City Council through Resolution No. 37275 (as amended) adopted Prosper Portland’s recommendation for redevelopment of the full Centennial Mills site. In subsequent conversations with City Council, Prosper Portland agreed to commence a solicitation process to select a developer to redevelop the site with the following basic conditions and in alignment with the Framework Plan and City Council direction:

1. The entire site would be redeveloped, including the former Mounted Police Unit facility, and the iconic Flour Mill would be renovated and reused;
2. As applicable, any City of Portland Inclusionary Housing requirements would be met on site;
3. The sale would capture the full land value of the site;
4. The development project would optimize community benefits in alignment with the Framework Plan, including public access to the Willamette River and the Greenway; and
5. After selection, the selected developer would lead work sessions with community members, including representation from the historic preservation community, to consider the public realm areas and the reuse/inclusion of salvaged mill artifacts and equipment.

Subsequently, Prosper Portland, through its broker, Real Estate Investment Group, listed Centennial Mills for a 60-day marketing period with a call for offers on December 15, 2017. Fourteen Letters of Interest were received in response to the call for offers, which were then screened by staff to identify those that best aligned with City Council’s stated priorities. A short list of five Letters of Interest was provided to an Evaluation Advisory Committee for consideration and discussion.

**COMMUNITY PARTICIPATION AND FEEDBACK**

Staff has conducted significant public engagement related to Centennial Mills over the years. Between 1994 and 2017, City Council passed resolutions directing Prosper Portland to acquire the site pursuant to the River District Investment Plan; relocate the City’s Mounted Patrol Unit onto the property; suspend demolition efforts in order to establish the 2006 Framework Plan; and most recently approved full site redevelopment. Over that time period, Prosper Portland has held numerous public discussions during key project milestones to obtain feedback from the community regarding its priorities for the site. Staff also presented several times annually to the Pearl District Neighborhood Association regarding the status of Centennial Mills as well as the River District URA budget.

After receiving responses to the call for offers, staff convened an Evaluation Advisory Committee to review Letters of Interest for Centennial Mills, including staff from Prosper Portland, the Portland Housing Bureau, the Mayor’s Office, and the following five community members representing diverse perspectives (local neighborhood, historic preservation, social equity, and urban design):

- David Dysert – Pearl District Neighborhood Association
- Nolan Lienhart – ZGF Architects
- Peggy Moretti – Restore Oregon
- Ruth Sorenson – President of Waterfront Pearl Home Owners Association
- Sky Waters – Native American Youth and Family Center

Prosper Portland staff provided the Evaluation Advisory Committee with copies of the Letters of Interest in December 2017 and led a tour of the Centennial Mills property. The Evaluation Advisory Committee met on January 26, 2018 to review the five short-listed Letters of Interest and discuss alignment with City Council, Framework Plan, and Prosper Portland priorities. The Evaluation Advisory Committee narrowed the field down to two preferred proposers, but did not reach a consensus recommendation for a single respondent. The Evaluation Advisory Committee expressed that historic preservation,
connectivity, equity, design, and timeliness of performance should be emphasized with any selected
development partner and in any future disposition agreement. Subsequent to the review process, one
Evaluation Advisory Committee member expressed that they felt none of the proposals were
satisfactory and encouraged Prosper Portland to seek a reduced density concept along with new park
space; this approach does not align with the direction of the 2006 Framework Plan or current Prosper
Portland Board and City Council direction regarding redevelopment of the site.

**Selection of Proposal:** Based on City Council and Prosper Portland Board direction and feedback to date,
the development community responses to the call for offers, the Evaluation Advisory Committee’s
discussions, and Prosper Portland’s Financial Investment Committee recommendation, Prosper Portland
staff and leadership identified the Lynd team and proposal that best exemplifies the priorities for the
site as outlined by City Council and Prosper Portland, presents a compelling development concept, and
possesses the project development experience and the financial wherewithal to successfully perform.

In their submittal, Lynd proposes a mixed-use development concept that would include two new
buildings with approximately 400 residential units meeting on site Inclusionary Housing requirements
together with and preservation and renovation of the existing Flour Mill.

As such, the Executive Director intends to enter into exclusive negotiations with Lynd, and will attempt
to negotiate a binding Disposition and Development Agreement (DDA). If Prosper Portland and Lynd
ultimately reach tentative agreement on a DDA, the terms of the DDA will be brought back to the
Prosper Portland Board for its approval.

**EQUITY IMPACT**

Full development of the Centennial Mills site will generate a number of public benefits and deliver on
social equity objectives. The project will be subject to Prosper Portland’s Business Equity Program
requirements with regard to contracting with minority- and woman-owned firms; the City of Portland’s
Inclusionary Housing requirements will apply with affordable housing units occurring on site; the
development will strengthen community ties to the district’s past through preservation of the iconic
Flour Mill building; and extension of the Willamette River Greenway trail and riverbank setback will
enable greater public connection to the Willamette River.

**ATTACHMENTS**

A. Property Summary and Aerial
**Property Summary and Aerial**

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<th><strong>Project Name:</strong></th>
<th>Centennial Mills</th>
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<tbody>
<tr>
<td><strong>Description:</strong></td>
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<tr>
<td><strong>Location:</strong></td>
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<td><strong>URA:</strong></td>
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<td><strong>Current Phase:</strong></td>
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