



PROSPER
PORTLAND
Building an Equitable Economy

DATE: January 15, 2020
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 20-02

Authorizing an Option for the Sale of Prosper Portland's Leasehold Interest in Parcels D and E in the Airport Way Tax Increment Finance District to Trammell Crow Portland Development, Inc.

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7352

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to execute an Option Agreement (Option) with Trammell Crow Portland Development, Inc. (Trammell Crow) for the sale of Prosper Portland's 13.7 acre leasehold interest in Parcels D and E (Property) at Cascade Station in the Airport Way tax increment finance (TIF) district (see a Property Aerial in Attachment A). The Property is currently leased from the Port of Portland (Port) to Prosper Portland and the Port must consent to this assignment. When executed, the Option will allow Trammell Crow to construct up to 415,000 square feet of build-to-suit commercial office space on the Property.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

Executing the Option with Trammell Crow will help deliver on Prosper Portland's Strategic Plan objective to "target expansion and recruitment of private and institutional employers with quality jobs in...the Columbia Corridor." Furthermore, revenue from the Option will allow Prosper Portland to invest in other economic development activities in the Airport Way TIF district.

BACKGROUND AND CONTEXT

In 1999, Prosper Portland partnered with TriMet, the City of Portland (City), the Port, and Bechtel Corporation (Bechtel) to extend light rail service to the Portland International Airport and to facilitate the development of a major retail, hotel, and office development on approximately 120 acres of Port-owned property at what is now known as Cascade Station. Prosper Portland provided \$14,000,000 in tax increment funding in support of the light rail extension and \$14,000,000 to help fund the public infrastructure at Cascade Station (streets, sidewalks, drainage improvements, lighting, etc.). As a condition of the infrastructure funding, Bechtel pledged repayment to the agency once the cash flow reached a certain defined level after other investors were paid off.

TriMet's Red Line light rail service to Portland International Airport began in September 2001. However, because of the economic slowdown from 1999 to 2002 (which adversely affected retail and other commercial development) as well as zoning limitations which prohibited any retail user of more than 60,000 square feet, Cascade Station redevelopment stalled, and no development took place for the next

six years. In 2005, Bechtel approached Prosper Portland, the Port, and the City with a plan to restructure the development requirements and financing. Thereafter, a comprehensive agreement was reached which included i) a change in zoning requirements, and ii) a restructure of \$14,000,000 in debt owed to Prosper Portland. In satisfaction of the loan, the leasehold rights to 36 acres of the 120-acre site (appraised at \$14,000,000) were transferred to the agency. The land today is zoned for office and/or hotel uses only; retail was and remains a prohibited use.

The Property is a part of the Cascade Station Master Plan, comprising 120 acres located just east of Portland International Airport. As described, Prosper Portland acquired a leasehold interest in the Property in 2006 as part of the larger 36-acre transaction, and the properties were partitioned into separate parcels, including the Property. Dispositions of other parcels and subsequent developments within Cascade Station include the Federal Bureau of Investigation Building, Holiday Inn, and Cook Security Headquarters. Due to the restrictions in place by the Cascade Station Master Plan, the only authorized development use on the remaining parcels is for office use. Trammell Crow will be pursuing development opportunities that meet this criterion.

On July 8, 2018, the Prosper Portland Board through Resolution No. 7283 authorized an Option for Sublease of the Property to Trammell Crow, which has since requested a change from a Sublease to an Option to comply with financing and title requirements for development of the Property. The Property is currently leased from the Port of Portland to Prosper Portland and the Port must consent to this assignment.

EQUITY IMPACT

Prosper Portland's Business and Workforce Equity programs will apply to this transaction. Furthermore, development of new office space on the currently vacant land will create additional jobs in the area.

COMMUNITY PARTICIPATION AND FEEDBACK

There was no public participation specific to this proposed transaction. However, the Columbia Corridor Association has historically been supportive of Prosper Portland's efforts in Airport Way, including efforts to stimulate development at Cascade Station.

BUDGET AND FINANCIAL INFORMATION

The Option calls for payments to begin seven months after the Option is signed, and payments will continue through the three-year term unless the Option is exercised and the assignment is purchased, or Trammell Crow terminates the Option. The Airport Way TIF district Fiscal Year (FY) 2019-20 Approved Budget (see Attachment B) does not currently include revenue from this transaction; therefore, staff will seek Prosper Portland Board approval of a revision to the budget in spring 2020 that will anticipate approximately \$24,000 in FY 2020/21; \$96,000 in FY 2021/22; and \$120,000 for FY 2022/23, totaling \$240,000 in potential payments if the Option is not exercised during its term.

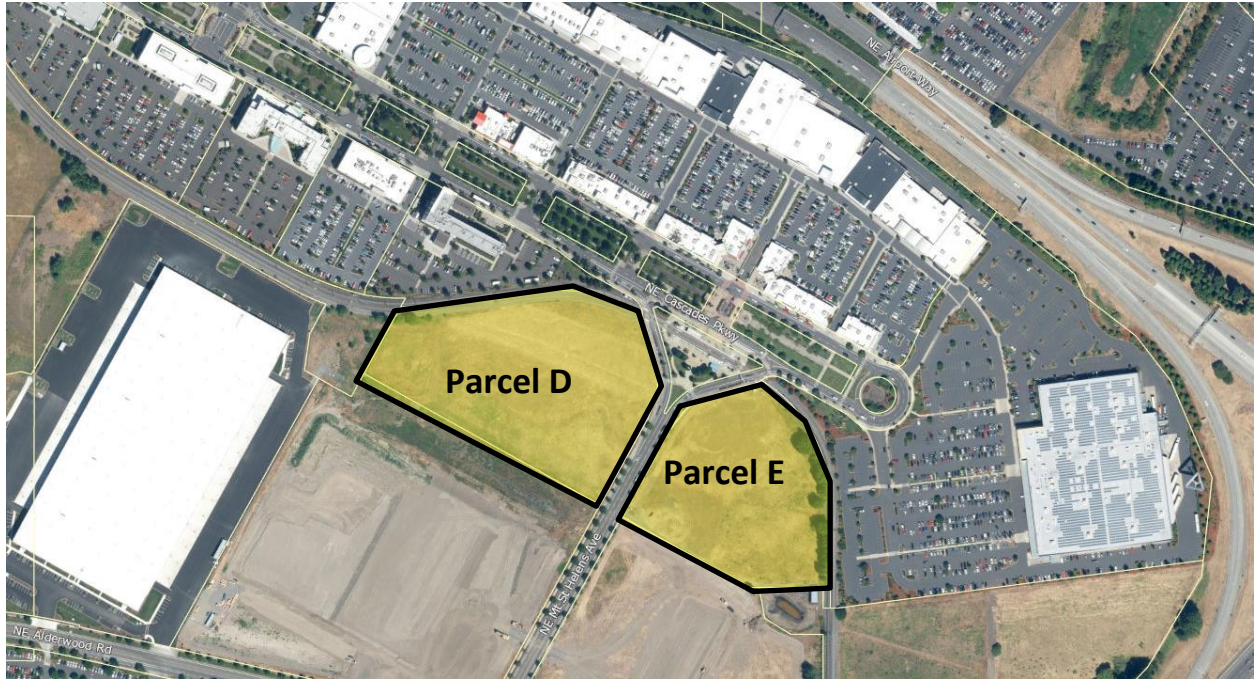
RISK ASSESSMENT

Entering into this Option creates minimal risks. The primary risk for Prosper Portland is that Trammell Crow will not exercise the Option within the three-year term, the Property will not be developed, and it will be kept off the market during the term. Another risk is that Trammell Crow may choose to exercise the Option on only one of the two parcels, which is within their rights according to the Option. Both risks are mitigated by the payments being non-refundable. Finally, there is a risk that Trammell Crow will not succeed in developing the Property as planned.

ATTACHMENTS

- A. Property Aerial
- B. Airport Way TIF District FY 2019-20 Budget

Property Aerial



Airport Way FY 2019-20 Adopted Budget and Forecast

**Financial Summary
 Five-Year Forecast**

<u>Airport Way URA Fund</u>	<u>Revised 2 FY 2018-19</u>	<u>Adopted FY 2019-20</u>	<u>Forecast FY 2020-21</u>	<u>Forecast FY 2021-22</u>	<u>Forecast FY 2022-23</u>	<u>Forecast FY 2023-24</u>
Resources						
Beginning Fund Balance	5,945,781	4,921,037	4,627,806	947,508	660,811	356,192
Revenue						
Fees and Charges	913	362	762	-	-	-
Interest on Investments	98,087	82,364	79,302	43,650	38,694	8,049
Loan Collections	77,504	70,316	70,316	70,316	70,316	70,316
Total Revenue	176,504	153,042	150,380	113,966	109,010	78,365
Total Resources	6,122,285	5,074,079	4,778,186	1,061,474	769,821	434,557
Requirements						
Administration						
A00032-Debt Management-APW	7,821	7,821	7,821	7,821	7,821	-
Administration Total	7,821	7,821	7,821	7,821	7,821	-
Economic Development						
Traded Sector						
A00116-Business Development-APW	25,000	25,000	-	-	-	-
A00383-Lean Manufacturing-APW	15,000	10,000	-	-	-	-
Business Lending						
A00211-BL-General-APW	200,000	-	200,000	-	-	-
Economic Development Total	240,000	35,000	200,000	-	-	-
Property Redevelopment						
Commercial Property Lending						
A00408-CPRL-General-APW	500,000	-	-	-	-	-
Real Estate Management						
A00350-Cascade Strn-Prcl G-APW	144,300	36,300	36,300	-	-	-
A00545-Cascade Station Prcl E-APW	56,600	31,600	31,600	-	-	-
A00547-Cascade Station Prcl D-APW	57,311	28,311	28,311	-	-	-
Real Estate Predevelopment						
A00349-Cascade Station-APW	-	35,000	3,135,000	-	-	-
Real Estate Disposition						
Property Redevelopment Total	758,211	131,211	3,231,211	-	-	-
Total Program Expenditures	1,006,032	174,032	3,439,032	7,821	7,821	-
Personnel Services	58,974	115,362	118,895	119,066	123,830	116,630
Total Fund Expenditures	1,065,006	289,394	3,557,927	126,887	131,651	116,630
Interfund Transfers - Indirect Charges	136,242	156,879	272,751	273,776	281,978	272,058
Contingency	4,921,037	4,627,806	947,508	660,811	356,192	45,869
Total Fund Requirements	6,122,285	5,074,079	4,778,186	1,061,474	769,821	434,557