



DATE: August 13, 2014
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 14-34

Authorizing a Purchase and Sale Agreement to Convey 0.31 Acres of Real Property in the Oregon Convention Center Urban Renewal Area to the Mortenson Development Company for \$1,300,000

BOARD ACTION REQUESTED

Adopt Resolution No. 7069

ACTION DESCRIPTION

This action will authorize the Portland Development Commission (PDC) Executive Director to execute an Agreement for the Purchase and Sale of Property (PSA) between PDC and The Mortenson Development Company (Developer) for the conveyance of Parcel 47 (Property), a 13,500 square foot (SF) PDC-owned parcel, for the consideration of \$1,300,000. The Property is located in the Oregon Convention Center (OCC) Urban Renewal Area (URA) at the northwest corner of Holladay Street and NE Martin Luther King, Jr. Boulevard (see Attachment A). PDC purchased the Property in 1999 for the express purpose of including the Property as part of the siting of a potential Convention Center Hotel (Convention Hotel). The Developer intends to consolidate the parcel with adjacent properties and develop a 600-room Convention Hotel.

BACKGROUND AND CONTEXT

The OCC URA was formed in 1989. The primary goal identified in the Urban Renewal Plan for establishing the OCC URA was to “recruit at least one headquarters hotel in the immediate vicinity of the OCC to capitalize on the convention center’s capacity.” From 1999 through to 2005, PDC acquired multiple parcels, including the Property, as the first step toward gaining site control of several blocks for a Convention Hotel. Since 2004, PDC, in partnership with Metro, has pursued efforts to build a Convention Hotel to support the OCC and the region.

In May 2012, Metro issued a Request for Proposals for a privately-owned 600-room Convention Hotel which identified the properties directly west of, and adjacent to, Block 47 as potential sites for the development. StarTerra (as owners of the identified properties) and Developer were selected for the hotel development. In June 2014, Metro Council approved a final development agreement with Developer for the Convention Hotel, allowing the project to proceed to the design and pre-construction planning phase. The Convention Hotel is scheduled to begin construction in summer of 2015 with a grand opening in fall 2017.

The key terms of the negotiated PSA include:

- Purchase price of \$1,300,000 for 13,500 SF of real property, which represents a fair market value transaction based on a mediation of two recent appraisals (as described below);

- \$25,000 earnest money deposit in the form of a note, which will be converted to cash upon removal of all contingencies;
- Acquisition is contingent upon closing of the other parcels required for the Convention Hotel and final City of Portland (City) design review approval; and
- Closing to occur within 60 days of design review approval.

COMMUNITY AND PUBLIC BENEFIT

Public benefits of executing the PSA include:

- This transaction will advance the long-desired goal of building a quality destination hotel adjacent to OCC. Completing the property assemblage and final construction of the Convention Hotel will enable the City to achieve the central goal of the OCC URA plan: to maximize the convention center's capacity, increase its vitality, and add significant economic activity to the city and the region.
- Including the Property in the design of the Convention Hotel provides the opportunity for enhanced urban design, greater connectivity to the OCC, expansion of the TriMet Station access, and completion of the frontage along NE Holladay Street across from the OCC.
- Proceeds from the sale will be used to fund other PDC programs in the OCC URA.

PUBLIC PARTICIPATION AND FEEDBACK

Over the past several years, there has been outreach to the community and stakeholders regarding a potential mixed-use development and Convention Hotel on the combined PDC and StarTerra properties. Area stakeholders, including the Lloyd Executive Partnership, Go Lloyd (formerly called Lloyd Transportation Management Association), Lloyd District Community Association, and Metro have been supportive of efforts to develop a mixed-use project at this location. No direct public participation has taken place regarding the proposed sale of the Property to Developer.

PDC has separately pledged to provide a \$4,000,000 loan to support Metro's efforts to develop the Convention Hotel. Metro supports sale of the Property, which will further advance the Convention Hotel.

BUDGET AND FINANCIAL INFORMATION

The proposed sale price of \$1,300,000 reflects the fair market value of the Property based on a mediation of two recently completed appraisals. A PDC-ordered appraisal dated February 7, 2014, valued the Property at \$1,620,000. A Developer-ordered appraisal dated July 6, 2014, valued the Property at \$1,000,000. Conversations between the two appraisers were conducted in August 2014 and an agreement was reached between PDC and Developer that the purchase price would be \$1,300,000.

The OCC URA fiscal year 2014-15 Budget and Five Year Forecast currently include funds for ongoing ownership and maintenance of the Property (see Attachment B). The proposed PSA anticipates that PDC will convey the Property to Developer by fall 2015. Revisions to the budget will be made to reflect both the income from the sale of the Property and the discontinuation of ongoing ownership and maintenance costs as a result of the sale

RISK ASSESSMENT

Entering into this PSA creates minimal risks, as PDC is selling the Property for fair market value and does not have financial resources at risk. The primary risk for PDC is that the Convention Hotel project does not move forward and the Developer terminates the PSA.

ALTERNATIVE ACTIONS

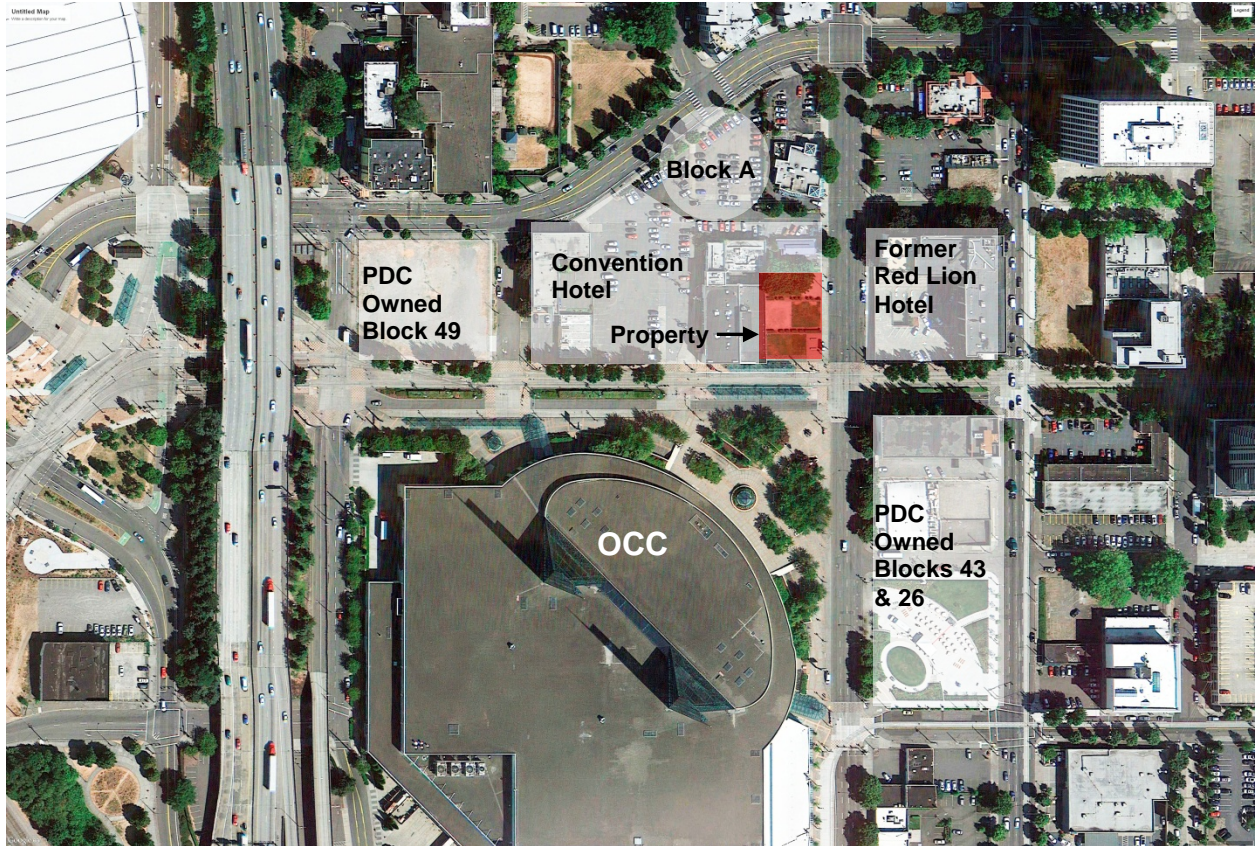
The PDC Board of Commissioners could decide to:

- Direct staff to incorporate new terms or changes to the terms and conditions into the PSA;
- Direct staff to renegotiate specific terms and conditions; or
- Terminate the disposition process.

ATTACHMENTS

- A. Site Map
- B. URA Financial Summary

Site Map



**Oregon Convention Center
 URA Financial Summary**

Five-Year Forecast Program Requirements Detail

	Revised- 3 FY 2013-14	Adopted FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19
Convention Center URA						
Resources						
Beginning Fund Balance	43,224,301	40,036,187	965,481	535,344	2,859,705	2,190,397
Fees and Charges	3,114	1,200	1,965	24,079	1,095	18,521
Interest on Investments	292,000	40,000	30,000	20,000	10,000	5,000
Loan Collections	1,252,513	180,434	385,424	3,049,171	308,228	2,394,091
Property Income	1,159,531	2,335,282	1,159,531	1,159,531	1,159,531	1,159,531
Total Resources	45,931,459	42,593,103	2,542,401	4,788,125	4,338,559	5,767,540
Requirements						
Program Expenditures						
Administration						
Financial Administration						
A45101350 Debt Management-CNV	10,000	30,045	30,045	30,045	30,045	30,045
Total Administration	10,000	30,045	30,045	30,045	30,045	30,045
Business Development						
Business Lending						
L02110350 BIF-Cluster Group-Budget-CNV	110,000	0	0	0	0	0
L00210350 BL -General-CNV	0	275,000	275,000	275,000	275,000	0
L02100350 BIF-General-CNV	150,000	0	0	0	0	0
Traded Sector Business Dev						
B15102350 Site Recruitment-CNV	50,000	50,000	0	50,000	50,000	0
Total Business Development	310,000	325,000	275,000	325,000	325,000	0
Housing						
PHB Housing						
H15430350 Affordable Rental Hsg-CNV	0	4,914,500	0	0	0	0
H15900350 PHB Staff & Admin-CNV	768,885	540,540	84,329	0	0	0
H15902350 MFH - 2nd and Wasco-CNV	4,000	0	0	0	0	0
H15903350 Lloyd Cascadian Phase II-CNV	4,000	0	0	0	0	0
H15042350 OCC Miracles Club-CNV	225,000	7,000,000	0	0	0	0
Total Housing	1,001,885	12,455,040	84,329	0	0	0
Infrastructure						
Transportation						
N35033115 Green Streets-CNV-Adm	141,840	0	0	0	0	0
Total Infrastructure	141,840	0	0	0	0	0
Property Redevelopment						
Commercial Property Redevelopm						
P35050715 ConventionCenter Hotel-CNV-Adm	50,000	4,010,000	10,000	10,000	10,000	10,000
P35051115 Block47-CNV-Adm	13,132	37,732	0	0	0	0
P35060615 Block 49-CNV-Adm	1,885	1,885	1,885	1,885	1,885	1,885
P35050515 Eco District-CNV-Adm	54,427	70,000	0	0	0	0
P35090015 Project Development-CNV-Adm	58,371	0	0	0	0	0
P35060515 Inn at Conv Ctr Mgmt-CNV	1,055,323	1,155,415	1,155,415	1,155,415	1,155,415	1,155,415
P35060415 Sizzler Lot-CNV-Adm	23,592	23,592	0	0	0	0
P35060215 Fmr B&K Car Rental-CNV-Adm	33,870	31,500	13,500	13,500	13,500	13,500
P35060115 910 NE MLK Building-CNV-Adm	67,456	41,933	14,933	14,933	14,933	14,933
P35057915 Eco Distr Implement-CNV-Adm	469,036	2,850,964	0	0	0	0
P35051415 Rose Qtr Master Plan-CNV	75,000	50,000	0	0	0	0
P35051315 Veterans Memorial Coliseum-CNV	100,000	20,000,000	0	0	0	0
P35091015 Public Outreach-CNV-Adm	5,000	5,000	5,000	5,000	5,000	5,000
Commercial Real Estate Lending						