

**DATE:** April 8, 2015  
**TO:** Board of Commissioners  
**FROM:** Patrick Quinton, Executive Director  
**SUBJECT:** Report Number 15-16  
Authorizing the Executive Director to Sell Transportation System Development Charge Credits

**BOARD ACTION REQUESTED**

Adopt Resolution No. 7104

**ACTION DESCRIPTION**

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) would authorize the PDC Executive Director to sell citywide Transportation System Development Charge credits (TSDC credits) to Gerding Edlen Development (GED) at a 1:1 value for \$520,000, the balance of \$1,000,000 of TSDC Credits that PDC acquired from Oregon Health & Science University (OHSU) on March 23, 2010, as a result of an Agreement of Assignment and Assumption for the disposition of certain PDC-owned property rights on Block 33 in the South Waterfront Central District of the North Macadam Urban Renewal Area (URA).

**BACKGROUND AND CONTEXT**

Systems Development Charges (SDCs) are fees assessed by the City of Portland (City) to new development and changes in use. These fees are collected to help offset the impact that projects have on the City's infrastructure of storm and sanitary sewer systems, parks and recreation facilities, water, and street systems. The charges that the Portland Bureau of Transportation (PBOT) assess, which cover the cost for transportation facilities needed to serve new development and the people who occupy or use the new development, are known as Transportation SDCs .

PBOT may provide TSDC credits when a property owner or user constructs certain types of street improvements or changes a building use to one that reduces trips by more than 15 percent. PBOT may allow for the transfer of TSDC credits, which are good for a period of ten years, to other parcels or persons who may use them as credit for payment of TSDCs on their projects.

On March 23, 2010, PDC acquired \$1,000,000 in TSDC Credits from OHSU in lieu of cash for relinquishing certain PDC-owned property rights on Block 33 in the South Waterfront Central District of the North Macadam URA. While PDC acquired the credits in 2010, the credits were issued by the City to OHSU in 2006; therefore, the 10-year period of eligibility expires in October 2016. Since 2010, PDC has utilized \$480,000 of the TSDC Credits with projects in the North Macadam URA, and a balance of \$520,000 remains to sell prior to expiration. Should PDC not sell the TSDC Credits prior to their expiration, the credits will become void and of no value. While the TSDC Credits are eligible for use citywide, revenues

PDC receives as a result of the transaction benefit other immediate priorities within the North Macadam URA, including infrastructure, redevelopment, and affordable housing opportunities.

While the face value of the TSDC credits owned by PDC is \$520,000, the estimated market value is substantially less. Buyers of TSDC credits generally offer a discounted price given that they could easily satisfy TSDC obligations with an equal cash payment to PBOT. PDC staff, in fact, has already received an offer for PDC's TSDC credits discounted 20 percent against face value.

GED has several pending projects that require either the payment of TSDCs or the use of TSDC credits. Since PDC's TSDC credits expire soon, GED has offered to pay PDC the full face value of the TSDC credits. While this purchase has no value to GED (since they can directly pay PBOT a like amount for required TSDCs), it provides above market income to PDC which it can use for other urban renewal activities in the North Macadam URA. GED's offer is intended to assist PDC in maximizing its public investment in urban renewal projects.

Since there is no financial benefit that will be realized by GED, PDC legal counsel has opined that the sale of the TSDC credits generates no conflict of interest for GED managing partner and PDC Commissioner Mark Edlen.

#### **COMMUNITY AND PUBLIC BENEFIT**

By selling the TSDC credits, PDC will be able to liquidate an asset in an above-fair-market-value sale that may be applied to initiatives in the North Macadam URA.

#### **PUBLIC PARTICIPATION AND FEEDBACK**

There has been no public participation related to this proposed sale. However, a recent URA amendment process, approved by the PDC Board and Portland City Council, involved significant community feedback to ensure maximum resources are available for immediate North Macadam URA priorities, including infrastructure, redevelopment, and affordable housing.

#### **BUDGET AND FINANCIAL INFORMATION**

The TSDCs are not geographically limited and may be applied to a project anywhere in the city. The resources generated by the sale of the TSDCs must be returned to the North Macadam URA. Therefore, proceeds from the proposed sale will be recognized as a new resource in the fiscal year 2015-16 Proposed North Macadam URA Budget (see Attachment A) and can be programmed to meet additional redevelopment, infrastructure, or affordable housing goals.

#### **RISK ASSESSMENT**

The TSDC credits expire in October 2016. If not used or sold prior to October 2016, these credits expire and are no longer valid for use, and the \$520,000 value would not be available to PDC, either in credit form or as cash. Given the market for such credits, if not sold in the current transaction, it is likely that any future transaction would require a discounted price, thus reducing the value PDC would receive in such a transaction.

#### **ALTERNATIVE ACTIONS**

The PDC Board could choose to not approve the sale of the TSDC credits to GED and direct staff to offer the sale of the TSDC credits to a broader market. However, as noted above, it is expected that the broader market for TSDC credits would likely result in a transaction at a reduced value.

**ATTACHMENTS**

- A. URA Financial Summary

**URA Financial Summary**

**Five-Year Forecast Program Requirements Detail**

	Revised-2 FY 2014-15	Requested FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20
<b>North Macadam URA</b>						
<b>Resources</b>						
Beginning Fund Balance	6,829,038	7,582,246	6,462,766	4,833,450	9,112,913	6,778,909
Fees and Charges	343,341	353,641	364,251	375,178	386,433	0
Interest on Investments	5,000	20,000	30,000	30,000	30,000	0
Loan Collections	21,433	27,239	27,238	12,387	0	0
Miscellaneous	0	17,000	17,000	17,000	17,000	17,000
Property Income	160,514	160,600	157,600	157,600	157,600	157,600
Reimbursements	141,000	0	0	0	0	0
Short Term Debt	2,593,000	2,193,000	6,993,000	7,756,764	7,802,533	8,457,057
<b>Total Resources</b>	<b>10,093,326</b>	<b>10,353,726</b>	<b>14,051,855</b>	<b>13,182,379</b>	<b>17,506,479</b>	<b>15,410,566</b>
<b>Requirements</b>						
<b>Program Expenditures</b>						
<b>Administration</b>						
<b>Financial Administration</b>						
A45101325 Debt Management-NMC	42,500	20,000	20,000	20,000	20,000	20,000
<b>Total Administration</b>	<b>42,500</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Business Development</b>						
<b>Business Lending</b>						
L00210325 BL -General-NMC	500,000	0	0	0	0	0
<b>Total Business Development</b>	<b>500,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Housing</b>						
<b>PHB Housing</b>						
H15430325 Affordable Rental Hsg-NMC	0	2,000,000	2,000,000	0	341,728	2,756,982
H15900325 PHB Staff & Admin-NMC	2,652	0	0	0	0	0
<b>Total Housing</b>	<b>2,652</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>0</b>	<b>341,728</b>	<b>2,756,982</b>
<b>Infrastructure</b>						
<b>Parks</b>						
N32511815 Central Dist Greenway-NMC-Adm	141,000	0	0	0	0	100,000
<b>Transportation</b>						
N32530315 South Portal Design-NMC-Adm	50,000	0	0	0	0	0
N32530615 Central Dist Infra-NMC-Adm	166,000	0	0	0	0	0
N32530715 Trans Strategy Dev-NMC-Adm	50,000	0	0	0	0	0
N32534115 Trans Initiatives-NMC-Adm	369,000	700,000	1,450,000	2,400,000	3,650,000	0
N32539915 Streetcar/Scapes-NMC	149,000	0	0	0	0	0
<b>Total Infrastructure</b>	<b>925,000</b>	<b>700,000</b>	<b>1,450,000</b>	<b>2,400,000</b>	<b>3,650,000</b>	<b>100,000</b>
<b>Property Redevelopment</b>						
<b>Commercial Property Redevelopm</b>						
P32560135 South Wtfrnt Lot 3-NMC-Adm	5,616	5,616	5,616	5,616	5,616	5,616
P32592015 Real Estate Mgmt-NMC-Adm	11,100	3,316	3,316	3,316	3,316	3,316
P32590015 Project Development-NMC-Adm	500,000	0	0	0	0	0
P32556315 RiverPlace Lot 3 Rdv-NMC-Adm	150	0	0	0	0	0
P32552315 N Distr Partnershp-NMC-Adm	0	0	2,500,000	0	0	0
P32552215 CC 2035-NMC-Adm	69,294	0	0	0	0	0
P32550015 Lincoln Station-NMC	0	0	2,000,000	0	5,000,000	4,600,000
P32560155 RiverPlace Prking -NMC-Adm	33,016	33,016	33,016	33,016	33,016	33,016
<b>Total Property Redevelopment</b>	<b>619,176</b>	<b>41,948</b>	<b>4,541,948</b>	<b>41,948</b>	<b>5,041,948</b>	<b>4,641,948</b>
<b>Total Program Expenditures</b>	<b>2,089,328</b>	<b>2,761,948</b>	<b>8,011,948</b>	<b>2,461,948</b>	<b>9,053,676</b>	<b>7,518,930</b>
Personal Services	217,399	188,225	197,636	207,518	217,894	228,789