

DATE: July 21, 2016
TO: Board of Commissioners
FROM: Faye Brown, Interim Executive Director
SUBJECT: Report Number 16-43
Update on Acquisition of the United States Postal Service Processing and Distribution Center at 715 NW Hoyt Street in the River District Urban Renewal Area

BOARD ACTION REQUESTED

No action requested; information only.

SUMMARY

At the July 21, 2016, Portland Development Commission (PDC) Board of Commissioners (Board) meeting, PDC staff will provide an update on acquisition of the United States Postal Service (USPS) Processing and Distribution Center (P&DC) at 715 NW Hoyt Street, Portland, Oregon (Downtown Property). The Downtown Property is located in the River District Urban Renewal Area (URA) and is bounded by NW Hoyt Street, NW 9th Avenue, NW Lovejoy Street, and NW Broadway (see project summary in Attachment A). As described below, the project is currently on time and on budget, with a projected closing date of early August 2016.

BACKGROUND AND CONTEXT

The Downtown Property has been identified as perhaps the most significant redevelopment opportunity within Portland's Central City through multiple Portland City Council (City Council) adopted land use and development plans. On January 13, 2016, and February 10, 2016, the PDC Board approved key terms for a Purchase and Sale Agreement (PSA) for PDC to acquire the Downtown Property. Key elements of the overall transaction include:

- PDC to acquire the Downtown Property for a Purchase Price of \$88,000,000, at least \$14,500,000 of which will be contributed by the Portland Housing Bureau (PHB) for future affordable housing development rights;
- USPS to acquire a replacement site (Colwood Property) and construct a replacement P&DC facility near the airport;
- After the projected August 2016 closing, USPS to lease back from PDC the P&DC portion of the Downtown Property for a nominal fee until the USPS has completed and moved to the replacement P&DC facility; and
- After the projected August 2016 closing, USPS to lease back from PDC the retail portion of the Downtown Property for a nominal fee until such time as PDC has provided USPS with temporary or permanent replacement retail premises.

Purchase and Sale Agreement. PDC and USPS executed the PSA on May 5, 2016, for PDC to acquire the Downtown Property.

PDC made two payments to USPS upon execution of the PSA: (1) a \$2,500,000 non-refundable payment to be used by USPS to make an option payment to the owner of the Colwood Property to enable USPS to acquire the Colwood Property by August 1, 2016, without extensions and by September 30, 2016, with extensions; and (2) a refundable \$3,025,892 payment to enable USPS to pay the owner of the Colwood Property to complete surcharge preloading which will expedite the completion of the replacement facility by approximately six months. To date, PDC has advanced approximately \$7,200,000 to USPS, inclusive of the payments described above. All of these payments are applicable to the purchase price.

PDC has not identified any objectionable conditions through the due diligence period and currently anticipates closing on the Downtown Property by August 1, 2016, or shortly thereafter. The status of key due diligence items and conditions to closing associated with the PSA and Option Agreement are described below.

Option Agreement. USPS and Trammell Crow executed the Option Agreement on May 5, 2016, for USPS to acquire the Colwood Property. Both USPS and the Colwood Property owner, Trammell Crow, have proceeded with due diligence tasks and the satisfaction of pre-closing obligations. Trammell Crow has been unable to complete certain work that the Option Agreement requires to be completed prior to closing due to a conflict with a below-grade water line. USPS and Trammell Crow are in the process of amending their agreement to permit completion of this due diligence item after closing.

Design-Build Documents and Bidding. The final approval of USPS is dependent upon selection of a general contractor to construct the replacement facility within USPS' budget. USPS has proceeded with the preparation of design-build documents, the solicitation of bids, and selection of a general contractor for the replacement facility. The design-build package was completed and issued to pre-qualified contractors on May 6, 2016; a pre-proposal conference was held on May 18, 2016; and bids were received on June 16, 2016. The proposals are under review and USPS is moving forward with the selection of a general contractor and anticipates completion of that process by August 1, 2016.

National Environmental Policy Act (NEPA) Process. Satisfactory completion of the NEPA process is a condition of closing. USPS is evaluating the environmental impacts of the relocation facility in conformance with NEPA. This has included publication of a Notice of Intent on March 9, 2016, in *The Oregonian*; preparation of a Section 106 State Historic Preservation Office consultation letter issued on April 1, 2016; and the preparation of a preliminary Environmental Assessment, which was completed on May 12, 2016. USPS is currently preparing the final Environmental Assessment and anticipates signing the Finding of No Significant Impact by July 15, 2016, which will conclude the NEPA process.

Prospective Purchaser Agreement (PPA). The satisfactory completion of a PPA is a condition of closing. The final PPA, which is an agreement between PDC and Oregon Department of Environmental Quality, was approved by Multnomah County Circuit Court in June 2016. The PPA sets an agreed methodology for addressing environmental cleanup and establishes a limit to PDC's obligations. The PPA allows cleanup to be conducted in concert with redevelopment of the Downtown Property. The PPA has been approved by PDC and USPS and will be recorded against the Downtown Property at closing and will bind and benefit all future owners of the Downtown Property.

Broadway Corridor Redevelopment. A number of activities are underway in advance of a master plan for the Broadway Corridor (Master Plan) area and in anticipation of future redevelopment, including the following:

- **Entitlement Changes for the Downtown Property:** The Bureau of Planning and Sustainability (BPS) recently released the Central City 2035 Proposed Draft (CC2035 Proposed Draft). The

CC2035 Proposed Draft includes an increase in Floor Area Ratio from 4:1 to 7:1 for the Downtown Property. The CC2035 Proposed Draft also considers opportunities for height increases, and PDC staff is continuing to coordinate with BPS on this recommendation. The Planning and Sustainability Commission will hold hearings on July 26, 2016, and August 9, 2016, to consider oral and written testimony, and make its recommendation to City Council in the fall. City Council is anticipated to hold public hearings and make its decision in spring 2017. New regulations will not go into effect until the Comprehensive Plan is acknowledged by the State of Oregon, which is expected to be early 2018. PDC staff continues to coordinate with BPS on this schedule and the upcoming Master Plan process.

- **Union Station Transportation and Public Realm Concepts:** PDC staff is coordinating with TriMet, Greyhound, Amtrak, and other transportation providers servicing Union Station and the immediate vicinity to evaluate options for enhancing transportation functions and circulation. This effort is also exploring how to best integrate and activate the public realm between Union Station and the Downtown Property in coordination with the multi-modal functions. PDC staff anticipates briefing the PDC Board in September 2016 on this work as well as on the Union Station facility assessment and preliminary design concept currently underway.
- **Racial Equity Impact Analysis:** The project team, in coordination with members of the PDC Equity Council, is conducting a Racial Equity Impact Analysis (REIA) of the Broadway Corridor redevelopment area. The REIA is intended to provide the project team with the ideas and potential tools for addressing racial equity at the front end of this large scale, long-term project so that as major project decisions are made, racial equity is an important consideration for the project team. The project team can then use these tools and ideas in future phases of the project and Equity Council members can use this experience to inform and work with other project teams.

Master Plan Process. PDC staff is evaluating the preferred approach, scope, schedule, and process for public engagement for the upcoming Master Plan for the Broadway Corridor study area. The Master Plan will build upon the Broadway Corridor Framework Plan and the activities noted above. PDC staff anticipates commencing the Master Plan in 2017, in partnership with PHB. PDC staff will brief the PDC Board on this process prior to commencing work and/or issuing any solicitations for consultant teams and/or development partners. Based on the PSA with USPS, PDC will begin conveying portions of the site to a development partner no earlier than 2019.

BUDGET AND FINANCIAL INFORMATION

The executed PSA and associated payments do not change any of the budgetary or financial information previously described in the April 20, 2016, PDC Board report.

ATTACHMENTS

- A. Project Summary
- B. River District URA and Business Management Fund Financial Summaries

PROJECT SUMMARY

| | |
|---------------------------|--|
| Project Name: | USPS Purchase and Sale Agreement |
| Description: | Acquisition of USPS property for \$88,000,000 |
| Location: | 715 NW Hoyt Street, Portland, Oregon |
| URA: | River District |
| Current Phase: | Acquisition |
| Next Milestone: | Closing |
| Completion Target: | August 2016 |
| Outcome: | Redevelopment of underutilized industrial site to include high-density, mixed-use development, affordable housing, public parks, and extension of public street network. |



Downtown Property



Colwood Property

RIVER DISTRICT URA AND BUSINESS MANAGEMENT FUND FINANCIAL SUMMARIES

**Financial Summary
 Five-Year Forecast**

| River District URA Fund | Revised FY 2015-16 | Adopted FY 2016-17 | Forecast FY 2017-18 | Forecast FY 2018-19 | Forecast FY 2019-20 | Forecast FY 2020-21 |
|---------------------------------------|-------------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Resources | | | | | | |
| Beginning Fund Balance | 52,655,293 | 82,465,148 | 27,320,799 | 17,900,648 | 34,640,158 | 20,177,482 |
| Revenue | | | | | | |
| Fees and Charges | 10,000 | 7,579 | 11,203 | 10,244 | 6,686 | 2,110 |
| Grants - Federal except HCD | 1,969,511 | 1,088,734 | 630,248 | - | - | - |
| Interest on Investments | 200,000 | 200,000 | - | - | - | - |
| Loan Collections | 5,359,380 | 235,823 | 1,040,599 | 768,830 | 438,228 | 457,132 |
| TIF - Short Term Debt | 19,948,515 | 24,447,133 | 20,017,456 | 20,680,039 | 10,637,477 | - |
| TIF - Long Term Debt | 39,968,145 | 19,605,906 | - | - | - | 204,427 |
| Other Debt | 11,497,639 | 13,342,901 | 143,950 | 9,500,000 | - | - |
| Miscellaneous | 4,834 | - | - | - | - | - |
| Property Sales | 7,142,500 | 4,500,000 | - | 4,000,000 | - | - |
| Rent and Property Income | 2,406,249 | 2,314,264 | 2,466,015 | 2,466,015 | 2,466,015 | 2,466,015 |
| Reimbursements | 179,235 | - | - | - | - | - |
| Transfers In | 21,440 | 474,360 | 474,360 | 474,360 | 40,107,030 | 207,030 |
| Total Revenue | 88,707,448 | 66,216,700 | 24,783,831 | 37,899,488 | 53,655,436 | 3,336,714 |
| Total Resources | 141,362,741 | 148,681,848 | 52,104,630 | 55,800,136 | 88,295,594 | 23,514,196 |
| Requirements | | | | | | |
| Administration | | | | | | |
| A00025-Debt Management-RVD | 652,317 | 1,307,027 | 65,000 | 65,000 | 65,000 | 65,000 |
| Administration Total | 652,317 | 1,307,027 | 65,000 | 65,000 | 65,000 | 65,000 |
| Economic Development | | | | | | |
| Traded Sector | | | | | | |
| A00056-Cluster Development-RVD | 50,000 | 50,000 | 50,000 | 50,000 | - | - |
| Community Economic Development | | | | | | |
| A00084-OT/CT Action Plan-RVD | 145,000 | 65,000 | 65,000 | 65,000 | - | - |
| Business Lending | | | | | | |
| A00204-BL -General-RVD | 500,100 | - | - | - | - | - |
| Economic Development Total | 695,100 | 115,000 | 115,000 | 115,000 | - | - |
| Housing | | | | | | |
| A00166-Affordable Housing-RVD | 7,930,070 | 21,055,906 | 13,003,533 | 928,468 | - | 5,500,000 |
| Housing Total | 7,930,070 | 21,055,906 | 13,003,533 | 928,468 | - | 5,500,000 |
| Infrastructure | | | | | | |
| Parks | | | | | | |
| A00232-Nbrhd Prk(The Fields)-RVD | 0 | - | - | - | - | - |
| Transportation | | | | | | |
| A00234-Pearl District Cir-RVD | 1,128,738 | - | - | - | - | - |
| A00436-District Parking-RVD | 0 | 2,500,000 | 2,500,000 | - | - | - |
| Public Facilities | | | | | | |
| A00233-Union Station Grant-RVD | 1,439,503 | 1,439,503 | 719,752 | - | 3,500,000 | - |
| Infrastructure Total | 2,568,241 | 3,939,503 | 3,219,752 | - | 3,500,000 | - |
| Property Redevelopment | | | | | | |
| Real Estate | | | | | | |
| A00278-4th and Burnside-RVD | 46,400 | - | - | - | - | - |
| A00283-RD Enviro Reimb-RVD | 4,500 | - | - | - | - | - |
| A00285-Block Y-RVD | 45,400 | 45,100 | 45,100 | 45,100 | 45,100 | 45,100 |
| A00286-Union Station-RVD | 1,368,757 | 892,971 | 1,363,757 | 1,363,757 | 1,363,757 | 1,363,757 |
| A00287-Grove Hotel-RVD | 0 | - | - | - | - | - |
| A00288-Centennial Mills-RVD | 10,706,976 | 9,853,355 | 48,355 | 48,355 | - | - |
| A00289-Station Place Lot 5-RVD | 204,000 | 504,000 | - | - | - | - |
| A00290-Station Place Prkng-RVD | 424,924 | 255,356 | 266,811 | 266,811 | 266,811 | 266,811 |
| A00291-Block R-RVD | 9,800 | 9,800 | 9,800 | 9,800 | - | - |
| A00292-One Waterfront North-RVD | 8,400 | 508,400 | - | - | - | - |
| A00293-Old Fire Station Mgmt-RVD | 23,000 | 18,000 | - | - | - | - |
| A00295-Real Estate Mgmt-RVD | 10,550 | 10,250 | 10,250 | 10,250 | 10,250 | 10,250 |
| A00405-PNCA Contract-RVD | 585 | - | - | - | - | - |
| Commercial Property Lending | | | | | | |

**Financial Summary
 Five-Year Forecast**

| River District URA Fund | Revised FY 2015-16 | Adopted FY 2016-17 | Forecast FY 2017-18 | Forecast FY 2018-19 | Forecast FY 2019-20 | Forecast FY 2020-21 |
|--|-------------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| A00361-CPRL-General-RVD | 3,500,000 | 5,502,000 | 8,502,000 | 562,604 | - | - |
| Redevelopment Strategy | | | | | | |
| A00276-Post Office-RVD | 2,192,318 | - | - | - | 20,795,580 | - |
| A00277-Dtwn Retail Strat-RVD | 30,000 | 30,000 | - | - | - | - |
| A00279-Broadway Corridor-RVD | 310,000 | 590,000 | - | - | - | - |
| A00280-10th & Yamhill Redev-RVD | 1,750,000 | 3,250,000 | - | - | - | - |
| A00281-CC 2035-RVD | 32,772 | - | - | - | - | - |
| A00284-Multnomah County-RVD | 16,948,460 | - | - | 9,500,000 | - | - |
| Redevelopment Grants | | | | | | |
| A00390-CLG-General-RVD | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| A00134-DOS-General-RVD | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | - |
| A00141-SIP-General-RVD | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | - |
| A00148-GFGP-General-RVD | 25,000 | 50,000 | 50,000 | 50,000 | - | - |
| Property Redevelopment Total | 38,141,842 | 22,019,232 | 10,796,073 | 12,356,677 | 22,981,498 | 1,785,918 |
| Total Program Expenditures | 49,987,570 | 48,436,668 | 27,199,358 | 13,465,145 | 26,546,498 | 7,350,918 |
| Personnel Services | 624,464 | 630,035 | 590,529 | 603,535 | 625,320 | 638,452 |
| Debt Service | 0 | - | 1,249,224 | 1,724,224 | 35,346,602 | - |
| Total Fund Expenditures | 50,612,034 | 49,066,703 | 29,039,111 | 15,792,904 | 62,518,420 | 7,989,370 |
| Interfund Transfers - Indirect Charges | 5,085,559 | 4,694,346 | 5,164,870 | 5,367,074 | 5,599,692 | 5,761,738 |
| Interfund Transfers - Cash Transfers | 3,200,000 | 67,600,000 | - | - | - | - |
| Contingency | 82,465,148 | 27,320,799 | 17,900,648 | 34,640,158 | 20,177,482 | 9,763,087 |
| Ending Balance | 0 | - | 1 | - | - | 1 |
| Total Fund Requirements | 141,362,741 | 148,681,848 | 52,104,630 | 55,800,136 | 88,295,594 | 23,514,196 |

**Financial Summary
 Five-Year Forecast**

| Business Management Fund | Revised FY 2015-16 | Adopted FY 2016-17 | Forecast FY 2017-18 | Forecast FY 2018-19 | Forecast FY 2019-20 | Forecast FY 2020-21 |
|--------------------------------------|-------------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Resources | | | | | | |
| Beginning Fund Balance | 3,121,581 | 10,379,279 | 9,853,861 | 9,534,635 | 9,136,968 | 9,064,324 |
| Revenue | | | | | | |
| Fees and Charges | 0 | - | - | - | - | - |
| Interest on Investments | 25,000 | 69,541 | 69,066 | 95,599 | 91,749 | 91,149 |
| Other Debt | 0 | - | - | - | 8,000,000 | - |
| Property Sales | 7,262,500 | - | 7,600,000 | - | 39,900,000 | - |
| Rent and Property Income | 0 | - | - | 900,000 | 1,800,000 | 1,800,000 |
| Transfers In | 3,200,000 | 98,200,000 | - | - | - | - |
| Total Revenue | 10,487,500 | 98,269,541 | 7,669,066 | 995,599 | 49,791,749 | 1,891,149 |
| Total Resources | 13,609,081 | 108,648,820 | 17,522,927 | 10,530,234 | 58,928,717 | 10,955,473 |
| Requirements | | | | | | |
| Economic Development | | | | | | |
| Traded Sector | | | | | | |
| A00072-Mayor's Business Awards-BMGT | 25,000 | - | - | - | - | - |
| Economic Development Total | 25,000 | - | - | - | - | - |
| Property Redevelopment | | | | | | |
| Real Estate | | | | | | |
| A00355-PO Reloc Svc Agreement-BMGT | 3,200,000 | 67,600,000 | - | - | - | - |
| A00449-Convention Center Garage-BMGT | 0 | 30,600,000 | - | - | - | - |
| Property Redevelopment Total | 3,200,000 | 98,200,000 | - | - | - | - |
| Total Program Expenditures | 3,225,000 | 98,200,000 | - | - | - | - |
| Personnel Services | 4,802 | - | - | - | - | - |
| Debt Service | 0 | - | - | - | 450,096 | 900,192 |
| Total Fund Expenditures | 3,229,802 | 98,200,000 | - | - | 450,096 | 900,192 |
| Interfund Transfers - Cash Transfers | 21,440 | 576,870 | 7,988,292 | 1,393,267 | 49,414,297 | 1,178,468 |
| Contingency | 10,357,839 | 9,871,950 | 9,534,635 | 9,136,967 | 9,064,324 | 8,876,813 |
| Total Fund Requirements | 13,609,081 | 108,648,820 | 17,522,927 | 10,530,234 | 58,928,717 | 10,955,473 |