

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: November 12, 2008

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 08-133
Disposition and Development Agreement with Blanchet House of Hospitality for property at the SW corner of the intersection of NW Glisan Street and NW Third Avenue; and providing \$2 million dollars in financial assistance.

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6651

ACTION SUMMARY

This action would authorize the Executive Director to enter into a Disposition and Development Agreement (DDA) between PDC and the Blanchet House of Hospitality (BHH). The DDA provides the terms and conditions for financial assistance and for conveyance of a 9,500 square foot property with building, located at 314-316 Northwest Glisan Street and 421, 429 & 439 Northwest 3rd Avenue (the "Property") in the River District Urban Renewal Area (River District URA). The building is often referred to as the "Dirty Duck" after a long-term commercial tenant.

Blanchet House of Hospitality will acquire the Property at no cost. PDC will provide \$2 million dollars in financial assistance to BHH in the form of a grant provided, among other things, BHH raises the balance of funds needed to construct its new building (estimated total cost of \$8 million dollars).

In addition, before transferring the Property and closing the financial assistance to BHH, the DDA requires the execution of an Option Agreement giving PDC the option to acquire, at no cost, the existing BHH-owned 2,500 square foot improved property (340 NW Glisan Street) after the construction of BHH's new facility.

PUBLIC BENEFIT

Blight Removal

The Property was purchased by PDC for redevelopment in 1991. The single story masonry structure was built in 1917 as several attached structures and has had very little renovation or capital improvement since that time. The building is functionally and physically obsolete and would require major capital expenditures in order to extend its useful life including accessibility improvements, fire and safety upgrades, renovated systems and finishes.

Employment Training/Jobs

The Blanchet House program provides employment training and increases job readiness for homeless men. In the new facility, approximately 50 participants will be required to work six hours a day in the meals program in exchange for meals and living accommodations.

Housing

Blanchet House currently provides second floor dormitory style living accommodations for up to 32 men. The new Blanchet House is proposed as a 40,000 square foot building, including the basement, with three residential floors of housing over the first floor cooking / feeding spaces. The three residential floors will provide housing for 50 - 62 low income, homeless men participating in the Blanchet program in single rooms with 1-2 beds per room. One residential floor is expected to be a “transitional” floor for “graduates” of the basic Blanchet program. On that floor approximately 12 men will live for up to one year with continuing support from the Blanchet program after they begin employment outside of Blanchet House.

Social Services / Meal Program

The BHH is a (501(c) 3) non-profit corporation that operates the Blanchet House. Blanchet House has been located in the Old Town/Chinatown neighborhood on Block 25 since 1952 and typically serves 800 meals a day to homeless and other low income men and women. The new facility is expected to serve the same number of people as the current facility but will be a more appropriate and adequate space for the no-cost meals program including adequate bathrooms. Additionally, client queuing on the sidewalk will be reduced in the new facility by two means; a larger dining area will allow more people to be seated at one time and the new design includes an internal queuing area. The reduction of client queuing on sidewalks was a goal of many stakeholders.

This action will support the following PDC goals:

- Develop healthy neighborhoods
- Provide access to quality housing
- Help businesses to create and sustain quality jobs
- Support a vibrant Central City (urban core)
- Contribute to a strong regional economy

PUBLIC PARTICIPATION AND FEEDBACK

In late 2007 community interest in the siting of Blanchet House was high, partially due to the simultaneous public focus on the proposed Resource Access Center being considered for development on Block 25. From November 2007 to February 2007, the Old Town/Chinatown (OT/CT) Visions, Neighborhood Association, and Joint Land Use Committee met to consider siting options. Stakeholders consistently supported the redevelopment plan of BHH to develop a new facility on the Dirty Duck site on Block 25, the home of the Blanchet House for more than fifty years.

The *North Old Town Chinatown Implementation Strategy (N OT/CT Strategy)* was initiated by PDC in 2006 in part to address BHH's interest in building a new facility on Block 25. The *N OT/CT Strategy* was prepared with the participation of a 17-member

stakeholder advisory committee, as well as members of the OT/CT Visions Committee and Neighborhood Association, and other interested parties. Representatives of the Bureau of Planning and the Office of Transportation participated in the design charrette and the development of the strategy. This study allowed stakeholders and adjacent property owners to look at the Blanchet House proposal within the context of the surrounding development opportunities and priorities. That study informed, and ultimately supported, the Feb 2008 PDC decision to use the Property for the construction of a new facility by BHH.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The Ten Year Plan to End Homelessness (10-year Plan), adopted by City Council on December 21, 2005 (Resolution No. 36367), states the City's intent to focus resources on the chronically homeless. Blanchet House serves the chronically homeless and other low income people with meals, empowerment services, job training, and housing.

The Old Town / Chinatown Development Plan, adopted by the City Council in December 1999 gave the following recommendation for immediate action regarding Block 25: "Acquire most of the block bounded by Glisan, Flanders, 3rd and 4th, undertake predevelopment work and prepare a development offering for a block that would include parking, housing, first floor retail and accommodation of the Blanchet House functions."

PDC Resolution No. 6563 adopted on February 27, 2008 resolved to provide two million dollars for project funding, and to move forward on an agreement for the acquisition of Blanchet property by PDC and the conveyance of the Dirty Duck site to BHH.

The North Old Town / Chinatown Development Strategy, adopted by the PDC Board of Commissioners on September 24, 2008 (Resolution No.6637), contemplated the Blanchet House development as described in this report including the demolition of the Dirty Duck.

FINANCIAL IMPACT

Since Fiscal Year 2005-06 the Downtown Waterfront budget forecast has included \$2 million dollars for Blanchet House. In July 2008, Urban Renewal Area (URA) plan amendments removed Block 25 from the Downtown Waterfront URA and moved it into the expanded River District URA. The Amended River District Fiscal Year 2008-09 Adopted Budget and Five-year Forecast includes \$2 million dollars for this effort

In addition to the \$2 million dollars for financial assistance, approximately \$400,000 is needed for PDC project expenses including relocation, appraisal and environmental due diligence. This amount is not currently included in the River District budget forecast.

Funding to BHH (includes any predevelopment loan)	2,000,000
PDC's environmental/appraisal costs	30,000
<u>PDC's relocation obligations</u>	<u>370,000</u>
PDC Costs	2,400,000

PDC Costs	2,400,000
<u>Value of Property to be conveyed at no cost by PDC</u>	<u>1,300,000</u>
Total PDC Investment	3,700,000
Total PDC Investment	3,700,000
<u>LESS value of site to be acquired at no cost by PDC</u>	<u>-600,000</u>
Net PDC Investment	3,100,000

RISK ASSESSMENT

Amended River District Appeal

The satisfactory resolution of the Appeal to the main River District URA is a condition of all PDC's obligations under the DDA. However, PDC staff is working with BHH on a predevelopment loan application for \$215,000. The predevelopment loan is not conditioned upon resolution of the Appeal as it will not be funded with TIF funds.

Demolition

The Dirty Duck building was built in 1917 and is a contributing structure in the New Chinatown / Japantown Historic District, a federal designation. Demolition is subject to a Type IV land use review by City Council after an advisory opinion from the Landmarks Commission. Although most community stakeholders support the demolition of the existing building for the redevelopment of Blanchet House; there is some opposition to the demolition. The balance between preservation interests and the evolution of the district with appropriate densities and facilities to support other interests was discussed in many *NOT/CT Strategy* public meetings. Specifically, the demolition of the Dirty Duck site for the redevelopment of Blanchet House was supported by the strategy advisory committee and the vast majority of other interested parties. Although some preservationists are expected to oppose the demolition, the fact that the demolition decision was considered within the context of a community planning process provides the basis for the City Council to allow the demolition under a Type IV land use process.

Relocation

There are three long-term commercial tenants in the PDC-owned building, the Dirty Duck Tavern, Crack Press, and Old Town Glass. Each tenant occupied the building when PDC acquired the site in 1999. At that time, each tenant was given notice of PDC's relocation obligations and PDC's intention to redevelop the site. Under the PDC Relocation Policy, PDC must provide relocation assistance to the current tenants whenever they chose to leave voluntarily, or when they are required to leave after appropriate notice. Under the DDA, PDC's relocation obligation is tied to two BHH performance benchmarks. PDC will not send notices to vacate until (i) a benchmark level of fundraising is achieved by BHH (50%), and (ii) a preliminary determination on the probability of the Type IV demolition permit is obtained. This minimizes the risk of an unnecessary disruption of the current tenancies, and of an extended vacancy if the project is not proceeding as planned.

Glisan Plaza

Improvements to the NW 3rd Avenue and Glisan Street intersection through the removal of the eastbound lane on Glisan Street for the creation of a public plaza and northern gateway into the Chinatown district has long been contemplated by neighborhood stakeholders. The improvements were recommended in the 1999 Old Town/Chinatown Development Plan, were further defined in the 2002 3rd & 4th Avenue Streetscape Plan, and were reaffirmed in the recently adopted 2008 North Old Town / Chinatown Redevelopment Strategy. The area is adjacent to the PDC-owned site and the Blanchet House development on the Dirty Duck site adds coordination issues to the plaza concept. It is staff's intention to work with BHH to coordinate plans in order to mitigate any negative impacts to either Blanchet House or the plaza concept through joint planning and attention to ground floor uses. Under the DDA, PDC has approval rights over Blanchet's exterior design elements that relate to the urban and pedestrian environment, and neighborhood compatibility. This would include design features that might impact the potential plaza design.

WORK LOAD IMPACT

Work required by adoption of this resolution is included in staff work plans.

ALTERNATIVE ACTIONS

The Board of Commissioners could elect not to authorize the execution of the DDA moving away from the commitment made in the February 2008 Resolution. Or, the PDC Board might direct staff to make modifications to the DDA or provide additional information.

CONCURRENCE

North Old Town / Chinatown Strategy Stakeholder Advisory Committee

Old Town / Chinatown Neighborhood Association

Old Town / Chinatown Visions Committee

Old Town / Chinatown Joint Land Use Committee

BACKGROUND

Block 25 is the block bounded by NW Flanders and NW Glisan between NW 3rd and NW 4th. PDC owns 1/4 of the block (9,500 sf), BHH owns 1/16 of the block (2,500 sf), and the City of Portland owns the remainder of block. Pursuant to a lease agreement with Northwest Natural Gas Company (NWG), the City of Portland is obligated to provide NWG the permanent daytime use of 130 parking spaces. This parking obligation resulted from the City's acquisition of NWG land that is now home to the Classical Chinese Garden. This parking obligation does not impact the PDC-owned portion of the block or the Blanchet-owned portion of the block. Attachment B provides information about Block 25.

History of Blanchet House

Blanchet House began as a social club at the University of Portland in 1938. The Blanchet House of Hospitality, located at 340 NW Glisan Street, was founded in 1952 and continues to offer free meals, beds, jobs, and empowerment to the poor. Two additional Portland properties were acquired over the years to complement the original Blanchet House. The Blanchet Farm in Carlton, Oregon produces some of the food used at the Blanchet House and serves as a safe site for men to recover from addictions while productively engaged in farming. Mr. Riley's Place at 615 NW 18th in Portland offers affordable living accommodations for several low income men including graduates of the Blanchet House program.

Although named for the first Archbishop of Oregon and directed primarily by a board of Catholic laymen, the BHH is not a religious organization. Almost all staff are unsalaried volunteers and most staff have been recruited from among those served at Blanchet House. The staff members live in the House and perform all of the daily tasks involved in its operation, thus contributing to their own self-esteem, increasing employment readiness, and providing a service for others.

Project Financing

BHH depends on charitable contributions for all of its current operations and will depend on a charitable capital campaign for this project. Fundraising starts when BHH gains site control from PDC under a DDA. Developing a four-story, 40,000 square foot building is expected to cost \$8 million dollars. BHH is exploring the possible use of New Market Tax Credits which may bring in \$1 million dollars to complement the charitable fundraising. There may be a short term bank loan required to bridge funding commitments and pledges during construction and into the initial years of operation at the new facility. Realization of pledges over the loan term would be the source of repayment.

Proposed Development

The Blanchet House of Hospitality will acquire the Property, seek demolition approval for the existing structure, and build a new 40,000 square foot wood frame structure including a basement of 9,500 square feet. Ground floor uses include a commercial kitchen, storage, several small administrative offices, bathrooms, an indoor queuing area, and a dining area for up to 70 clients. A loading area and parking for two vehicles is proposed. Two of the residential floors will offer single rooms with one or two beds, and a single common bathroom, laundry area, and living room. These floors will house up to 50 men who will work six hours a day in the Blanchet meals program in exchange for housing. One floor will have 12 studio units. This floor will house up to 12 men who have "graduated" from the traditional Blanchet program and who work outside of the house. It is anticipated that they will pay minimal rents and will be allowed to stay for up to one year while continuing to receive support services from the Blanchet House.

Option to Purchase

As a condition precedent to closing, Blanchet and PDC have agreed to enter into an Option Agreement that will allow PDC to acquire the BHH property at 340 NW Glisan Street after the development of the new facility at the Dirty Duck site. The terms and conditions of that agreement have not been fully negotiated and will be presented to the Commission at a meeting in mid-2009 along with an update on Blanchet fundraising. Under the Option Agreement, PDC shall have the option to acquire the BHH property for ZERO DOLLARS (\$0.00) and shall stipulate that any relocation benefits from PDC that may be due to BHH as a result of PDC's acquisition of the BHH property shall be deemed satisfied by PDC's payment of the Grant to BHH.

Schedule

If approved by the Board of Commissioners, the execution of the DDA will trigger the start of the Blanchet fundraising campaign. The DDA allows for a capital campaign of up to two years. The DDA's schedule of performance requires a closing by November 2010 and occupancy by February 2012.

ATTACHMENT:

- A. URA Financial Summary
- B. Project Summary

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Fund Summary - Five-Year Budget Projections

	<i>Revised FY 2007-08</i>	<i>FY 2008-09 Proposed</i>	<i>FY 2009-10 Forecast</i>	<i>FY 2010-11 Forecast</i>	<i>FY 2011-12 Forecast</i>	<i>FY 2012-13 Forecast</i>
River District URA						
Resources						
Beginning Fund Balance	10,316,420	7,528,942	1,105,393	5,705,529	3,281,769	5,054,390
Interest - City Invest Pool	300,000	50,000	50,000	50,000	50,000	50,000
Loans - Interest Earned	285,000	335,000	335,000	335,000	335,000	335,000
Loans - Principal Collection	300,000	290,000	290,000	290,000	290,000	290,000
Real Property Sales	1,500,000	1,000,000	0	0	0	0
Reimbursement	200,000	125,000	125,000	125,000	125,000	0
Rent and Property Income	0	0	200,000	200,000	200,000	200,000
Tax Increment - L-T Debt	0	23,889,583	30,975,913	18,478,370	24,262,385	27,346,355
Tax Increment - S-T Debt	10,112,492	15,437,684	12,891,901	13,215,548	14,627,908	10,139,049
Total Fund Resources	23,013,912	48,656,209	45,973,207	38,399,447	43,172,062	43,414,794
Requirements						
Project Expenditures (does not include Personal Services or Indirect Cost)						
Development						
10225 - RD Retail Loan Program	200,000	750,000	750,000	750,000	750,000	515,000
10226 - Meier&Frank Redevelopment	3,000,000	0	0	0	0	0
10227 - RD Historic Preservation	75,000	0	0	0	0	0
10234 - RD Park Ave Redev	100,000	0	0	0	0	0
11263 - RD Public Site Imprv	250,000	0	0	0	0	0
11264 - RD Burns/Couch Trans	500,000	0	0	0	0	0
13104 - RD Centennial Mill	800,000	1,650,000	4,500,000	4,000,000	0	0
13112 - RD North Pearl Planning	200,000	0	0	0	0	0
13113 - RD One Waterfront	500,000	8,000,000	0	0	0	0
13115 - RD Station Place Redev	50,000	0	0	0	0	0
13117 - RD Dev Loan Program	500,000	0	0	0	0	0
13119 - RD Neighborhood Park	500,000	3,500,000	1,500,000	0	0	0
13135 - RD Seismic Loans	350,000	0	0	0	0	0
13136 - RD DOS Program	100,000	0	0	0	0	0
13137 - RD Eastside Streetcar Connect	0	0	0	0	0	17,000,000
13138 - RD Post Office	2,750,000	1,250,000	2,000,000	2,000,000	25,500,000	0
13143 - RD Environmental	125,000	0	0	0	0	0
13144 - RD Pedestrian Bridge	150,000	0	0	0	0	0
60005 - RD Transit Mall Redev	500,000	0	0	0	0	0
60017 - RD Signage & Lighting	88,000	0	0	0	0	0
60020 - Union Station Mgt & Crit Impr	0	2,150,000	3,150,000	2,500,000	0	0
60021 - RD 10th & Yamhill	0	8,000,000	0	0	0	0
60024 - RD Multnomah County	0	0	0	0	0	10,000,000
60026 - RD Satellite Districts	0	0	0	0	500,000	4,500,000
Development Total	10,738,000	25,300,000	11,900,000	9,250,000	26,750,000	32,015,000
Economic Development						
13088 - RD Storefront Grants	401,499	150,000	150,000	150,000	150,000	150,000
70003 - RD Business Finance Tools	2,673,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
70013 - RD Business Retention	107,000	0	0	0	0	0
70753 - RD Target Industry Devel	0	0	0	2,000,000	3,000,000	3,000,000
Economic Development Total	3,181,499	1,250,000	1,250,000	3,250,000	4,250,000	4,250,000
Housing						
32129 - RD Rental/Preservation	128,143	7,000,000	3,750,000	0	0	0
37923 - RD Hsg Policy/Planning	10,000	0	0	0	0	0
37926 - RD HSP Affordable Rental Hsg	0	500,000	0	0	1,000,000	0
37927 - RD Station Place - Lot 5	250,000	0	0	0	0	0
37935 - Yards at Union Station	0	3,700,000	0	0	0	0
37937 - Access Center/Aff Hsg	0	750,000	10,250,000	17,000,000	0	0

Fund Summary - Five-Year Budget Projections						
	<i>Revised FY 2007-08</i>	<i>FY 2008-09 Proposed</i>	<i>FY 2009-10 Forecast</i>	<i>FY 2010-11 Forecast</i>	<i>FY 2011-12 Forecast</i>	<i>FY 2012-13 Forecast</i>
River District URA						
37938 - Blanchet House Redev	0	1,000,000	1,000,000	0	0	0
37939 - Fairfield Preservation	0	0	0	0	500,000	0
37940 - New Avenues For Youth	0	1,200,000	0	0	0	0
60014 - RD Affordable Homeownership	500,000	0	6,500,000	0	0	0
60015 - RD Community Facilities	600,000	0	0	0	0	0
Housing Total	1,488,143	14,150,000	21,500,000	17,000,000	1,500,000	0
Central Services						
59156 - RD Debt Management	50,000	50,000	50,000	50,000	50,000	50,000
Central Services Total	50,000	50,000	50,000	50,000	50,000	50,000
Executive						
60002 - RD Westside/Central City	202,209	200,000	0	0	0	0
Executive Total	202,209	200,000	0	0	0	0
Total Project Expenditures	15,659,851	40,950,000	34,700,000	29,550,000	32,550,000	36,315,000
Personal Services	31,791	0	0	0	0	0
Indirect Cost	2,499,164	6,600,816	5,567,672	5,567,672	5,567,672	5,567,672
Total Fund Expenditures	18,190,806	47,550,816	40,267,672	35,117,672	38,117,672	41,882,672
Contingency	1,200,000	1,105,393	5,705,535	3,281,775	5,054,390	1,532,122
Ending Fund Balance	3,623,106	0	0	0	0	0
Total Requirements	23,013,912	48,656,209	45,973,207	38,399,447	43,172,062	43,414,794

November 12, 2008

PROJECT SUMMARY

- Project Name:** The new Blanchet House of Hospitality on the Dirty Duck site
- Description:** New construction of four-story building (40,000 square feet including basement) for social service facility with ground floor meals/feeding program for homeless and other low income people and 3 upper floors of related low income program housing for homeless, low income men.
- Location** The Property is at the southwest corner of the intersection of NW Glisan and NW 3rd Avenue with addresses of 314-316 Northwest Glisan Street and 421, 429 & 439 Northwest 3rd Avenue.
- URA:** Amended River District Urban Renewal Area
- Current Phase:** Disposition and Development Agreement
- Next Milestone:** Return to Commission in late 2009 for authority regarding Option Agreement for PDC acquisition of the BHH property at 340 NW Glisan Street
- Completion Target:** November 2012
- Outcome:** Redeveloped Blanchet House of Hospitality

Block 25 with the PDC-owned Property in northeast corner (1/4 block), Blanchet property in northwest corner (1/16th block), and balance of block owned by City of Portland and used for parking.

