

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: December 10, 2008

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 08-138
Acquisition of Real Property at 9231 SE Foster Road in the Lents Town Center Urban Renewal Area.

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6654

ACTION SUMMARY

This action will authorize the purchase of real property located at 9231 SE Foster Road, comprised of two lots in the middle of the Lents Town Center, from property owners Oleg and Liudmila Kovalenko, for \$1,200,000. The purchase amount is the fair market value from an appraisal conducted by Integra Realty Resources - Portland (dated July 30, 2008). Lot numbers 12 and 13 are located on the southeast side of Block 1, bounded by Interstate 205 and SE 92nd Avenue between SE Foster Road and SE Ramona Street (Attachment B). The combined parcels are 0.76 acre in size. A 6,000 square foot storefront with attached storage building and asphalt parking lot are located on these parcels. The zoning code designation for this property is Central Employment with a design overlay (EXd).

PUBLIC BENEFIT

Acquisition of this property will further facilitate implementation of the Lents Town Center revitalization strategy by redeveloping, or causing redevelopment of, blighted and/or underutilized land and buildings to help create jobs, business and housing opportunities while capitalizing on the addition of the new MAX Green Line station.

Revitalizing the Lents Town Center has been a high priority for the community since the inception of the Lents Urban Renewal Area in 1998. The proposed property acquisition is comprised of two lots at the entrance of the Lents Town Center at a very visible location. Current site improvements consist of two lots, one (Lot 12) includes a 6,000 building with commercial storefront with frontage along SE Foster Road and a large attached storage warehouse. The second (Lot 13), has a small 3,000 square foot asphalt surface parking lot. Additionally, redevelopment of the site will improve the value of future developments and surrounding businesses at the entrance to the adjoining Lents Town Center MAX station.

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

Public participation in the adoption of the 1998 Lents Town Center Urban Renewal Area Plan (Plan) identified the need for property acquisition from willing sellers to achieve the objectives of the Plan. Acquisition of the site meets the objective of investing public funds to increase the vitality and economic health of commercial areas within the area. The Lents Town Center Urban Renewal Advisory Committee and the Neighborhood Advisory Community Chair are supportive of the acquisition.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The 1998 Lents Town Center Urban Renewal Plan specifically authorizes property acquisition from willing sellers for rehabilitation or redevelopment of the property to achieve the goals of the Plan. The Plan supports the goals and policies of the *Outer Southeast Community Plan* (1996) stated in Community Wide Goals ED12, “consider maintaining an accessible inventory on vacant and redevelopable commercial sites,” a Policy “to foster the development of a Lents Town Center that attracts employment opportunities, residential density, and recreational activities while reducing adverse environmental impacts,” and objectives for “assembling land for development around the I-205/Foster interchange.” The *Lents Neighborhood Plan* (1998) supports the Plan in Policy 7 to “restore Lents identity as a friendly, safe, attractive neighborhood for everyone in our historic community.”

FINANCIAL IMPACT

The Portland Development Commission (PDC) is paying the appraised fair market value of \$1,200,000. This amount is justified for use of public funds because of the property’s proximity to PDC-owned sites and planned redevelopments within the area, and the need to reduce the impact of blighted and under-utilized property and increase the value of existing and future developments. Acquisition of the site will also provide better leverage in relation to adjacent transportation infrastructure improvements, which include \$5 Million Dollars in Tax Increment Financing (TIF) for the Green Line MAX station, a \$1,900,000 federal Metropolitan Transportation Improvement Project grant, and PDC matching investment of \$200,000.

Existing commercial tenants will be eligible for relocation benefits once PDC exercises the Purchase and Sale Agreement as required per PDC policy and Oregon State Law. The estimated relocation expenses for the Architectural Ironworks are not expected to exceed \$100,000. Architectural Ironworks is being offered continuation of their lease for up to 6 months and on a month-to-month basis thereafter, and will be eligible for relocation benefits when they vacate.

RISK ASSESSMENT

With the current economic climate, PDC may be at risk of a longer than normal holding period until the financial and real estate markets make future redevelopment efforts feasible. During this time, PDC will be afforded the opportunity to complete redevelopment planning efforts in anticipation of market turn around.

A Phase 1 and Phase 2 Environmental Site Assessment dated October 2008 by URS Corporation indicated that there were no known or recognized environmental soil or groundwater conditions at the site. A Hazardous Building Materials Assessment dated September 2008 identified an estimated \$30,000 of cleanup, principally asbestos, which is typical of buildings of this age. Therefore, staff believes the overall risk of environmental issues is low. A Building Inspection/Condition Report indicated that some repairs to the existing structure will be necessary to continue tenancy, principally roof and minor electrical; these costs will be recovered under the lease back provisions.

WORK LOAD IMPACT

PDC Development staff will manage the disposition and construction process in coordination with Real Estate, Finance, Economic Development, Housing, Legal and Professional Services staff. The work load impact of this acquisition and resulting disposition may result in additional staffing requirements or consultant services in the Lents Town Center Urban Renewal Area.

ALTERNATIVE ACTIONS

The PDC Board of Commissioners (Board) could decline to approve the acquisition of the property at 9231 SE Foster Road and/or direct staff to renegotiate the terms of the transaction.

CONCURRENCE

Acquisition negotiations and specific terms were approved by the PDC Investment Committee. The PDC Lents Town Center Urban Renewal Team discussed and supports the acquisition.

BACKGROUND

This action will support the Lents Town Center revitalization and redevelopment efforts set forth in the 1998 Lents Urban Renewal Area Plan and Amendment #1. PDC currently owns property nearby to the north, northwest and southwest of the subject site, now designated as the Lents Town Center North and South. Additionally, redevelopment of Phase II of the Assurety Northwest headquarters project is expected to occur to the west of the subject site.

Upon acquisition, PDC will coordinate a lease back and the future relocation of the current commercial user, Architectural Ironworks. PDC will also coordinate future redevelopment efforts with input from the community in order to implement revitalization efforts for commercial and/or

mixed-commercial/residential use as set forth in the Lents Town Center Plan. After closing, PDC anticipates disposing of the property through a competitive solicitation process.

Staff has been active in seeking acquisition opportunities that fit the vision of the town center as a transit-oriented development opportunity given the arrival of light rail, scheduled for completion in fall 2009. In addition, the neighborhood is designated a Town Center under Metro's 2040 Regional Growth Plan, which calls for appropriate densities and urban amenities as the area redevelops.

The current negotiations were initiated by the property owners when they listed their property for sale and PDC responded. Negotiations and the appraisal process have proceeded quickly and a mutually agreeable price and terms have been set. Due diligence activities are completed with results outlined above. Redevelopment with a commercial and/or mixed-use commercial/office/residential project is planned for the site, based on the Town Center Urban Renewal Plan.

ATTACHMENTS:

- A. URA Financial Summary
- B. Project Summary and Site Map

URA FINANCIAL SUMMARY

Financial Summary

Fund Summary - Five-Year Budget Projections

	<i>Revised FY 2007-08</i>	<i>Adopted FY 2008-09</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>
Lents Town Center URA						
Resources						
Beginning Fund Balance	3,677,407	330,640	369,365	1,188,180	0	0
Interest - City Invest Pool	250,000	250,000	250,000	250,000	0	0
Loans - Interest Earned	21,980	16,471	16,471	16,471	0	0
Real Property Sales	0	0	2,700,000	0	0	0
Tax Increment - L-T Debt	5,045,044	14,235,750	0	0	0	0
Tax Increment - S-T Debt	5,485,256	6,118,916	6,441,125	2,412,420	0	0
Total Fund Resources	14,479,687	20,951,777	9,776,961	3,867,071	0	0

Requirements

Project Expenditures (does not include Personal Services or Indirect Cost)

Development						
12209 - LTC Town Center Redev	2,696,000	1,825,000	1,698,000	2,025,000	0	0
12212 - Johnson Creek Indstr Area Revit	50,000	200,000	0	0	0	0
12213 - LTC DOS Commercial Corr Revit	70,000	300,000	400,000	0	0	0
13125 - Lents Parks Public Improve	284,000	1,021,000	15,000	0	0	0
26714 - Lents Streets/Sidewalks LID	5,000	0	0	0	0	0
26715 - LTC Neigh Transp Saftey Impvts	170,300	270,000	500,000	500,000	0	0
60008 - LTC SE 92nd Redev	100,000	200,000	1,100,000	0	0	0
60009 - Foster School Hsg Reuse	0	640,000	0	0	0	0
Development Total	3,375,300	4,456,000	3,713,000	2,525,000	0	0
Economic Development						
70018 - LTC Business Finance	1,500,000	1,100,000	270,000	511,432	0	0
70101 - LTC Storefront Grants	338,382	200,000	70,000	100,000	0	0
70251 - LTC Business Retention	137,000	100,000	0	0	0	0
Economic Development Total	1,975,382	1,400,000	340,000	611,432	0	0
Housing						
31209 - Lents Liv Home Rehab	300,000	50,000	0	0	0	0
32109 - Lents Aff Rental Hsg	5,000	5,910,000	0	0	0	0
32110 - Pardee Schools/Family Housing	500,000	200,000	0	0	0	0
32131 - Lents REACH Home Rehab	125,000	125,000	0	0	0	0
33417 - Lents Land Trust Homebuy	53,000	0	0	0	0	0
33418 - New Homeowner Dev	700,000	1,414,651	0	0	0	0
33424 - Lents Homebuyer Assist	600,000	350,000	250,000	101,432	0	0
37920 - Lents Hsg Policy/Planning	4,904	5,000	0	0	0	0
37929 - LTC Scat. Site Homeownership Ac	0	2,700,000	0	0	0	0
37930 - LTC Scat. Site Homeownership In	0	650,000	0	0	0	0
60010 - LTC Foster School Hsg Dev	0	0	2,000,000	0	0	0
Housing Total	2,287,904	11,404,651	2,250,000	101,432	0	0
Central Services						
59165 - Lents Debt Management	10,000	10,000	10,000	10,000	0	0
Central Services Total	10,000	10,000	10,000	10,000	0	0
Executive						
60016 - Lents URA Study	80,000	0	0	0	0	0
Executive Total	80,000	0	0	0	0	0
Total Project Expenditures	7,728,586	17,270,651	6,313,000	3,247,864	0	0
Personal Services	31,791	0	0	0	0	0
Indirect Cost	2,644,755	3,311,761	2,275,781	1,800,000	0	0
Total Fund Expenditures	10,405,132	20,582,412	8,588,781	5,047,864	0	0
Contingency	4,074,555	369,365	1,188,180	0	0	0
Ending Fund Balance	0	0	0	-1,180,793	0	0
Total Requirements	14,479,687	20,951,777	9,776,961	3,867,071	0	0

PROJECT SUMMARY

Project Name: Architectural Ironworks Acquisition
Description: Owner occupied commercial property
Location:

Property Description			
Tax Roll	BERNHARDT PK; LOT 12 BLOCK 1	Use	SR
Lot	12	Block	1
Tax Roll	BERNHARDT PK; EXC SWLY 4' LOT 13 BLOCK 1	Use	VACANT LAND
Lot	13	Block	1

URA: Lents Town Center
Current Phase: Board Authorization to Acquire Property
Next Milestone: Finalize Due Diligence
Completion Target: Closing date prior to December 28, 2008 per the Purchase and Sale Agreement
Outcome: PDC Ownership

Site/Project Map:





Property acquisition of Bernhart PK, Lots 12 and 13, Block 1.