

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: May 14, 2008

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 08-64
Authorize Acquisition of Property at 5916 SE 91st and 5933 SE 92nd in the Lents Town Center Urban Renewal Area

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6588

ACTION SUMMARY

This action will authorize the Executive Director to negotiate and purchase 5916 SE 91st and 5933 SE 92nd, comprised of four lots in the middle of the Lents Town Center, from property owners Gerald Grantz and Larry Parker, for up to \$1,800,000. Purchase amount is based on fair market value appraisal conducted by RSP & Associates LLC (5933 SE 92nd Avenue appraisal dated August 14, 2007, and 5916 SE 91st Avenue appraisal dated October 17, 2007) and prior acquisition negotiations. The parcels are located in Block 1, bound by SE 91st and 92nd Avenues between SE Woodstock Boulevard and Foster Road. The combined parcels are .68 acre in size. A gas station exists on the remaining lot on Block 1. Staff is designating this acquisition parcel as Lents Town Center South for reference purposes.

This action will support the Lents Town Center revitalization and redevelopment efforts set forth in the 1998 Lents Urban Renewal Area plan. The Portland Development Commission (PDC) currently owns property across SE Foster Road to the north of the subject site, now designated as the Lents Town Center North. Additionally, development plans for Phase II of the Assurety Northwest headquarters project are being finalized adjacent to the northwest of the subject site.

Upon acquisition, PDC will coordinate relocation of commercial uses, and plans to purchase a billboard and eventually demolish existing improvements, with input from the community, to provide a cleared site for redevelopment. PDC intends to dispose of the property through a competitive solicitation process in order to select a developer to implement revitalization efforts for commercial and/or mixed-commercial/residential use as set forth in the Lents Town Center Plan.

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.

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 four lots in the middle of the Lents Town Center at a very visible intersection. Current building improvements consist of two buildings, one used as commercial storefront and the other a restaurant/tavern, and surface parking lots. Other businesses and redevelopments in the area will benefit by more compatible and intense uses at this important intersection. Additionally, redevelopment will improve the value of the site.

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 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

PDC is paying fair market value of \$1,573,000 plus a negotiated increase of \$227,000 for a total of \$1,800,000 for the four properties. The negotiated 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 a recently awarded \$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 92nd Street Club are \$20,000. This amount could increase based on whether certain workers are employees or independent contractors of the 92nd Street Club. Edmonds Drapery is being offered continuation of their lease for up to 9 months and on a month to month basis thereafter, and will be eligible for relocation benefits when they vacate.

RISK ASSESSMENT

There are unknown potential environmental issues with proximity of all parcels to the adjacent gas service station located at the southwest corner of SE 92nd Avenue and SE Foster Road. An Environmental Assessment Phase I and II Report has been conducted, with the results outlined in Attachment C.* Any final purchase price resulting from impacts of the Environmental Assessment and further due diligence shall be negotiated by the Executive Director within the parameters of this Report and Resolution.

Staff anticipates completion of final negotiations, if necessary, by a June 6, 2008, closing date. However, two 30-day extensions are permitted by the Purchase and Sale Agreement to extend the closing dates to July 6 or August 6, 2008, respectively, to resolve these matters.

** [Attachment C to be added prior to the May 14 Board of Commissioners Meeting. The results of the environment assessments may result in re-negotiation of the final purchase price to be less than \$1,800,000 and a decision by the Executive Director to finance some or all of the clean-up costs, or the termination of the Purchase and Sale Agreement. These options will not require a change to these documents.]*

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 acquisition, resulting in forfeiture of \$20,000 earnest money and missing a key opportunity to revitalize and redevelop a key site in the Lents Town Center.

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

The site's current uses include a commercial storefront (Edmonson's Drapery Inc.), surface parking, a restaurant/tavern (The 92nd Avenue Club), landscaping, and a billboard. Property owners were approached in 2004, along with all Lents Town Center area properties, concerning sale of their property, but PDC withdrew their offer once negotiations broke down over price. That year, the PDC Board put a temporary halt to further property acquisitions in the Town Center, but reauthorized staff to negotiate with property owners in 2006. 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 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 approached PDC in 2007 regarding their interest in selling the property. Negotiations and the appraisal process have proceeded apace 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
- C. Results of Environmental Assessment Phase I and II Report

- CC:**
- L. Bowers, Interim Development Director
 - B. Estes, Senior Development Manager
 - A. Miller Dowell, Development Manager
 - S. Lewis, Senior Project/Program Specialist
 - D. Elott, Interim General Counsel
 - J. Jackley, Executive Operations Manager

URA FINANCIAL SUMMARY

Financial Summary

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>
Lents Town Center URA						
Resources						
Beginning Fund Balance	3,677,407	1,226,204	1,021,497	5,644,603	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	12,237,750	3,969,383	0	0	0
Tax Increment - S-T Debt	5,485,256	5,937,966	6,201,033	982,525	0	0
Total Fund Resources	14,479,687	19,668,391	14,158,384	6,893,599	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	2,126,642	0	0
12212 - Johnson Creek Industr Area Revit	75,000	175,000	0	0	0	0
12213 - LTC DOS Commercial Corr Revit	100,000	500,000	400,000	0	0	0
13125 - Lents Parks Public Improve	1,033,000	211,000	0	0	0	0
26714 - Lents Streets/Sidewalks LID	50,000	0	0	0	0	0
26715 - LTC Neigh Transp Saftey Impvts	375,000	800,000	440,000	0	0	0
60008 - LTC SE 92nd Redev	100,000	200,000	1,100,000	0	0	0
60009 - Foster School Hsg Reuse	60,000	640,000	0	0	0	0
Development Total	4,489,000	4,351,000	3,638,000	2,126,642	0	0
Economic Development						
70018 - LTC Business Finance	1,600,000	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	2,075,382	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	225,000	5,890,000	0	0	0	0
32110 - Pardee Schools/Family Housing	500,000	0	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	2,114,651	0	0	0	0	0
33424 - Lents Homebuyer Assist	600,000	250,000	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	3,922,555	9,670,000	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	10,576,937	15,431,000	6,238,000	2,849,506	0	0
Personal Services	31,791	0	0	0	0	0
Indirect Cost	2,644,755	3,215,894	2,275,781	1,800,000	0	0
Total Fund Expenditures	13,253,483	18,646,894	8,513,781	4,649,506	0	0
Contingency	1,226,204	1,021,497	5,644,603	2,244,093	0	0
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	14,479,687	19,668,391	14,158,384	6,893,599	0	0

PROJECT SUMMARY

Project Name: Lents Town Center Acquisitions

Description: 5916 SE 91st and 5933 SE 92nd Avenues

Locations:

Tax Roll	MT SCOTT PK; BLOCK 1, LOT 7-9 EXC E 23.9' EXC PT IN ST, LAND & IMPS ALSO SEE R221706 (R58750-0271)	Use	SR
Lot	7-9 EXC 23.9'-EXC PT IN	Use	RESTAURANT TAVERN
Tax Roll	MT SCOTT PK; EXC PT IN WOODSTOCK AVE LOT 5 BLOCK 1; LOT 6 BLOCK 1		
Lot	5,6	Use	RESTAURANT TAVERN
Tax Roll	MT SCOTT PK; LOT 3 BLOCK 1		
Lot	3	Block	1
Tax Roll	MT SCOTT PK; EXC PT IN WOODSTOCK AVE LOT 4 BLOCK 1	Use	RESTAURANT TAVERN
Lot	4	Block	1

URA: Lents Town Center

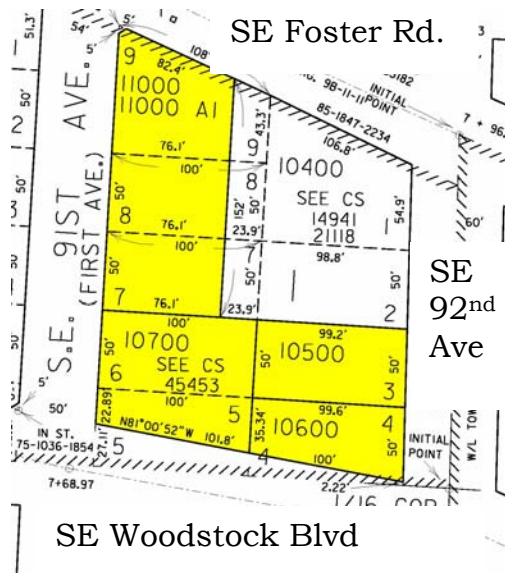
Current Phase: Board Authorization to Acquire Properties

Next Milestone: Finalize Due Diligence

Completion Target: June 6, 2008 Closing Date (with potential of two 30 day extensions)

Outcome: PDC Ownership

Site/Project Map:





Property acquisition of MT. SCOTT PK, Lots 3 and 4, Block 1.

Board Report No. 08-64
May 14, 2008

Attachment "C"

Results of Environmental Assessment Phase I and II Report

To be added prior to May 14, 2008