

DATE: March 8, 2017
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 17-09

Authorizing the Terms of an Option to Purchase Agreement to Convey 0.99 Acres of Real Property in the Interstate Corridor Urban Renewal Area to Transition Projects, Inc.

BOARD ACTION REQUESTED

Adopt Resolution No. 7229

ACTION DESCRIPTION

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will approve the terms and conditions (Term Sheet) whereby the PDC Executive Director shall execute an Option to Purchase Agreement (Agreement) between PDC and Transition Projects, Inc. (TPI), for the conveyance of a property located at 2221 N. Argyle Way (Property), located in the Interstate Corridor Urban Renewal Area (URA). A map of the Property can be found in Attachment A. Upon execution of the Agreement, TPI intends to secure financing and construct 72 units of affordable, permanent housing for individuals who are transitioning from, or are at risk of, homelessness, and veterans (Project). The Project's location will provide residents with access to transportation, commercial, and recreational services – all of which are essential elements of successful housing for low-income, formerly homeless, residents. Assuming full funding can be secured, TPI intends to break ground on the Property in 2018.

The purchase price for the Property shall be established by an appraisal of the highest and best use of the Property. In February 2016, a market positioning and pricing analysis estimated the value of the Property at \$1,339,523.

At the March 8, 2017 PDC Board meeting, staff, will also discuss a distinct, near-term use permit for the Property that will allow for a different user to use the Property to provide temporary shelter known as a Tiny House Community. This use permit, which does not require PDC Board approval, would allow for a 12-month temporary use prior to the permanent TPI Project.

BACKGROUND AND CONTEXT

Property Description. The Property is an irregularly shaped, unimproved 43,287 square feet (0.99 acres) lot. The south end of the site slopes away from N. Argyle Way. A retaining wall defines the east property line. Access to the site is from an unimproved cul-de-sac on the west side of the site. The site is zoned R1.

History. On May 11, 2011, the PDC Board approved Resolution No. 6872, authorizing the acquisition of four properties, referred to as the Nelson Sites, for a total purchase price of \$3,657,000. The purpose of this acquisition was to promote and stimulate commercial revitalization within the Kenton business

district. Three of the four properties were improved with buildings. PDC leases the buildings to tenants including Spar-Tek Industries, which manufactures production machinery, and Figure Plant, a design and fabrication studio.

In December 2015, PDC, in coordination with TriMet, commissioned the “Argyle Properties Development Study,” which recognized major constraints on the Property due to topography, adjacent industrial parking lots, and poor pedestrian connectivity to the heart of the Kenton business district.

Housing and Homelessness Crisis. Portland is experiencing a crisis of housing affordability and homelessness. Homeless service providers identified the Property as a desirable site for temporary and permanent housing for people exiting homelessness. There are both a permanent transitional housing proposal and a temporary housing proposal for the Property.

Project. The Project is comprised of 72 studios and single-room occupancy (SRO) units. The SRO units are designed in groups of six units that share a common kitchen and bathrooms (see Attachment B for a Project Site Plan and Attachment C for a Project Aerial Rendering). The site design includes three small buildings of two pods each, for a total of 36 SRO units. The studios, manager’s unit, and a large community room are in a separate three-story elevator building. All of the units at the Project will be affordable to persons earning no more than 60 percent median family income.

Based upon a cohousing model and employing a modular system of prefabricated units, the Project is designed to: reduce upfront and operating costs; make optimal use of available land; promote a sense of community among residents; and provide a replicable model of cost-effective housing to serve low-income individuals across Oregon.

In December 2016, TPI, in its efforts to advance the Project towards reality, executed a letter of intent for TPI to acquire the adjacent Ferguson property and to cooperate to vacate a dead-end unimproved right-of-way. In January 2017, Meyer Memorial Trust awarded TPI a \$500,000 capital grant for the Project. Even with this momentum, TPI will need more than a year to secure approximately \$11,200,000 necessary to finance, design, and permit the Project.

Option to Purchase Agreement. Key terms of the Agreement include:

- Within 120 days of execution of the Agreement, the Purchase Price for the Property shall be established by an appraisal commissioned by PDC and conducted by an appraiser mutually agreed upon by the parties.
- The Agreement term shall be 545 days.
- TPI accepts responsibility for the environmental condition of the Property and for compliance with all environmental laws.

TPI will construct 72 units of housing for low income people exiting homelessness.

Temporary Shelter. The City of Portland, the Joint Office of Homeless Services, Catholic Charities, and the Village Coalition have proposed a temporary “Tiny House Community” on the Property. Fourteen tiny houses were designed by local professional architects and students of the Portland State University architecture program and then constructed at various sites, including two at the ReBuilding Center. The tiny houses were displayed at the Pacific Northwest College of Art in December 2016 and now are being stored on PDC property in the Oregon Convention Center URA. The Tiny House Community would operate on the Property for a minimum of 12 months. Catholic Charities will manage the Tiny House Community under a contract with the Joint Office of Homeless Services. Services to residents will include permanent housing placement assistance, integrated case management, addiction treatment referrals, and mental health treatment referrals. PDC will grant the City of Portland a use permit. Use permits and leases of less than five years do not require PDC Board approval.

COMMUNITY AND PUBLIC BENEFIT

The Project will provide 72 units of much-needed housing for low-income individuals for a period of 99 years. TPI will comply with and implement PDC's Equity and Green Building policies.

PUBLIC PARTICIPATION AND FEEDBACK

TPI met twice with the land use committee of the Kenton Neighborhood Association (KNA) in February 2016. A letter from the land use committee chair states that the committee believes the proposal does not contradict revitalization efforts in Kenton. The committee would like to reengage with TPI as the proposal moves closer to being realized.

The proponents of the Tiny House Community have also engaged the neighborhood. A charrette was held in January 2017, and information about the proposal is on the KNA website. KNA is expected to take a formal position on the proposal at its general meeting in March 2017.

BUDGET AND FINANCIAL INFORMATION

The Adopted Fiscal Year (FY) 2016-17 Interstate URA Budgets and Five Year Forecasts includes funds for ongoing ownership and maintenance of the Property (see Attachment B). Upon execution of the Agreement and subsequent progress by TPI to secure funding for the Project, the forecast would be revised to reflect anticipated proceeds from sale of the property.

RISK ASSESSMENT

Entering into the Agreement creates minimal risks, as PDC is selling the Property at fair market value and does not have financial resources at risk. Risks related to these PDC Board actions include:

1. TPI may terminate the transaction prior to closing. There is a risk that TPI, after completing due diligence, will terminate the transaction.
2. TPI may fail to construct after conveyance of the Property. TPI will have to demonstrate to PDC's satisfaction that the Project is fully financed, and PDC will retain a right to repurchase the Property for the same sale price should TPI fail to construct the Project.

ALTERNATIVE ACTIONS


The PDC Board may elect to specify alternative terms or reject the proposal in its entirety and direct PDC staff to discontinue the disposition process.

ATTACHMENTS

- A. Property Map
- B. Project Site Plan
- C. Project Aerial Rendering
- D. Interstate Corridor URA Financial Summary

PROPERTY MAP



 2221 N. Argyle Way

KEY	COUNT	MIX
STUDIO / DWELLING UNIT [256 SF]	35	49%
ONE BEDROOM [549 SF]	1	
SRO [128 SF]	36	51%
WC + SHOWER	72	
KITCHEN / SHARED SPACE		
STAIR / CORRIDOR [~20% OF AREA]		
OFFICES		
BACK OF HOUSE		

SUMMARY	RESIDENTIAL	CIRCULATION / SHARED	TOTAL
	15,653 GSF	8,239 GSF	23,892 GSF
16 PARKING SPACES			



SITE PLAN
 1" = 40' - 0"

TPI - LISAH
 Portland, Oregon

job no.
 15-090.00

12/05/16

title:
 SITE PLAN

sheet:
 G1.00B



Proposed Design - **Aerial View from North**

Interstate Corridor URA Financial Summary

**Financial Summary
 Five-Year Forecast**

Interstate URA Fund	Revised FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20	Forecast FY 2020-21
Resources					
Beginning Fund Balance	26,176,511	10,241,604	2,934,243	1,382,337	12,278,770
Revenue					
Fees and Charges	4,991	4,498	4,374	4,676	3,468
Interest on Investments	39,901	41,662	622	812	36,051
Loan Collections	397,961	309,606	284,737	345,199	103,557
TIF - Short Term Debt	18,981,000	18,958,972	18,665,851	18,981,000	18,981,000
TIF - Long Term Debt	0	9,000,000	2,200,000	-	28,954,146
Property Sales	502,160	-	-	-	-
Rent and Property Income	265,246	304,209	305,161	306,137	307,138
Reimbursements	71,526	84,644	85,277	85,930	86,602
Total Revenue	20,262,785	28,703,591	21,546,022	19,723,754	48,471,962
Total Resources	46,439,296	38,945,195	24,480,265	21,106,091	60,750,732
Requirements					
Administration					
A00030-Debt Management-ISC	22,532	22,532	22,532	22,532	22,532
Administration Total	22,532	22,532	22,532	22,532	22,532
Economic Development					
Traded Sector					
A00114-Business Development-ISC	5,000	5,000	5,000	5,000	5,000
A00381-Lean Manufacturing-ISC	50,000	50,000	50,000	50,000	50,000
Community Economic Development					
A00122-Community Development-ISC	25,000	25,000	25,000	25,000	25,000
A00106-NPI & Main St Network-ISC	60,000	50,000	50,000	50,000	50,000
Business Lending					
A00209-BL -General-ISC	650,200	650,200	650,200	650,200	200,200
Economic Development Total	790,200	780,200	780,200	780,200	330,200
Housing					
A00171-Affordable Housing-ISC	17,878,902	28,864,651	16,849,525	2,458,688	13,703,965
Housing Total	17,878,902	28,864,651	16,849,525	2,458,688	13,703,965
Infrastructure					
Parks					
A00245-Bridgeton-ISC	0	-	-	-	-
Transportation					
A00249-Killingsworth Stscape-ISC	75,000	-	-	-	-
A00250-Lombard Investment-ISC	1,226,985	1,000,000	-	-	-
Infrastructure Total	1,301,985	1,000,000	-	-	-
Property Redevelopment					
Real Estate					
A00335-Nelson Bldg-Indust-ISC	700,693	73,029	73,029	73,029	73,029
A00336-Spar-Tek Building-ISC	73,287	24,287	24,287	24,287	24,287
A00337-Argyle Lot-ISC	6,700	6,700	6,700	6,700	6,700
A00338-3620 NE MLK Prkng-ISC	10,066	10,066	10,066	10,066	10,066
A00340-Reiss House-ISC	8,692	-	-	-	-
A00342-Real Estate Mgmt-ISC	17,500	17,500	17,500	17,500	17,500
Commercial Property Lending					
A00366-CPRL-General-ISC	1,879,172	1,276,275	1,276,275	1,276,275	1,276,275
Redevelopment Strategy					
A00333-MLK Alberta-ISC	734,375	196,455	199,553	200,858	210,005
A00341-Project Development-ISC	20,000	20,000	20,000	20,000	20,000
Redevelopment Grants					
A00131-CLG-General-ISC	760,000	300,000	300,000	300,000	300,000
A00138-DOS-General-ISC	24,000	100,000	100,000	100,000	100,000
A00146-SIP-General-ISC	350,000	500,000	500,000	500,000	500,000
A00150-GFGP-General-ISC	0	100,000	100,000	100,000	100,000
A00502-Prosperity Investment Program (PIP) Grant-ISC	700,000	-	-	-	-
Property Redevelopment Total	5,284,485	2,624,312	2,627,410	2,628,715	2,637,862

**Financial Summary
Five-Year Forecast**

Interstate URA Fund	Revised FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20	Forecast FY 2020-21
Total Program Expenditures	25,278,104	33,291,695	20,279,667	5,890,135	16,694,559
Personnel Services	413,544	435,236	444,821	460,877	470,556
Total Fund Expenditures	25,691,648	33,726,931	20,724,488	6,351,012	17,165,115
Interfund Transfers - Indirect Charges	2,075,948	2,284,021	2,373,440	2,476,309	2,547,970
Contingency	18,671,700	2,934,243	1,382,337	12,278,770	41,037,647
Total Fund Requirements	46,439,296	38,945,195	24,480,265	21,106,091	60,750,732