

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: December 13, 2006

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 06-129
Authorize Transfer of St. Johns properties to the City

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution Number 3

ACTION SUMMARY

This action will authorize the Board Chair and Secretary to execute a Bargain and Sale Deed transferring PDC owned property located at the intersection of N. Lombard Street and Baltimore Ave (Property) to the Bureau of Environmental Services.

These parcels, originally purchased by PDC as part of the St. Johns Urban Renewal Area redevelopment efforts, have remained undeveloped since 1976 due to the presence of environmental contamination and the lack of a funding source.

As a result of conversations between the Portland Development Commission (PDC) and the Bureau of Environmental Services (BES) that began in October of 2004, BES agreed to finance and oversee the cleanup effort in exchange for title to the property. A Brownfield Cleanup grant from the EPA in the amount of \$200,000 was secured in 2005, allowing BES to completely abate all hazardous contamination to residential cleanup standards in preparation for redevelopment of the site.

RELATIONSHIP TO ADOPTED PLANS AND POLICIES

The property has been in PDC's property portfolio for 30 years, is not located within a URA, and is considered a blighting influence upon the St. Johns commercial district and a barrier to its current revitalization activity.

PUBLIC BENEFIT

BES has removed all hazardous materials from the site, thereby improving the area's health and safety as a result. The primary site was originally purchased with Community Development Block Grant (CDBG) funds. The use of such funds requires that various National Objectives be met in order to avoid repayment. Through its cleanup effort BES has fulfilled the Blight On Spot Basis National Objective.

FINANCIAL IMPACT

The transfer will remove significant risk of liability related to the site's previous contamination, resulting in a positive financial impact to the Commission. Cleanup of the site has satisfied the CDBG program's Blight On Spot Basis National Objective, removing yet another source of potential liability for the Commission: repayment of acquisition funds, which would have been required had one of the National Objectives not been met during the period PDC owned the property. The property has been cleaned to residential cleanup standards and will receive a No Further Action letter from the Oregon Department of Environmental Quality upon completion of their administrative review.

Were this transaction not deemed as CDBG eligible by HUD, then the current value of \$450,000, minus the \$200,000 clean up cost, which totals \$250,000, would apply as a cash basis owed to HUD. From an accounting perspective, the transfer of this land to BES under the proposed arrangement will constitute a non-cash basis CDBG program expense.

There is no adverse financial impact. The property is being transferred to the City of Portland without consideration. As a result of this transfer PDC will no longer incur property maintenance, which currently average approximately \$1,000 annually.

RISK ASSESSMENT

The removal of the hazardous materials greatly reduces PDC's potential liability related to the surrounding community's health and safety. Through the transfer, BES will assume responsibility for any future liability associated with cleanup of the property.

Transfer of the property to BES will discontinue the need to include the property under PDC's general liability insurance policy.

WORK LOAD IMPACT

There is nominal impact on PDC's workload. PDC Housing staff, with assistance from Legal, will manage the transfer.

ALTERNATIVE ACTIONS

The Board could elect not to transfer the property to the City of Portland as previously agreed.

PUBLIC PARTICIPATION AND FEEDBACK

As the Commissioner responsible for overseeing BES, Commissioner Adams is currently conducting a public participation process in order to identify the end use of the property. The first meeting was held on November 1, 2006, with subsequent meetings to follow in January of 2007.

CONCURRENCE

The proposed action is being forwarded concurrently with City Council acceptance of the parcels in order to facilitate ongoing revitalization efforts in St. Johns.

BACKGROUND

Lots 9 and 10 were acquired in 1976 for purposes of blight removal during the initial stages of the St. Johns URA, which was subsequently discontinued. This left the site vacant and without funding for redevelopment. While the automotive use on the parcels was demolished prior to the URA's discontinuation, the underground storage tanks were neither removed nor remediated. The northwesterly 20 feet of Lot 8 was acquired from Multnomah County in 1995 as a result of a tax foreclosure.

In 2004, PDC staff approached the Portland Brownfield Showcase, currently housed in BES, in the hopes of remediating and possibly abating the existing environmental contamination in order to facilitate redevelopment. BES agreed to finance and oversee the cleanup effort in exchange for title to the property. A Brownfield Cleanup grant from the EPA in the amount of \$200,000 was secured in 2005, allowing BES to completely abate all hazardous contamination to residential cleanup standards in preparation for redevelopment of the site. BES is currently conducting a public outreach process regarding the end use for the site.

Upon redevelopment, the property will return to the property tax roll. The cleanup has removed significant potential liability issues for the Commission related to human, health, and safety, as well as from a financial perspective as the requirements of the Community Development Block Grant (CDBG) funds (originally used to purchase the site) have been met through the cleanup initiative.

Given the site's location outside of an Urban Renewal Area (URA), hence the absence of a funding source for redevelopment, the site has constituted a liability for the Commission to date. Through removal of the environmental contamination, BES has removed significant risk to the Commission, removed a barrier to redevelopment, and has left the site in a condition that will allow it to be placed back in service to the community. Transfer of the property to BES will further indemnify the Commission from future environmental-related liability while allowing both the City and PDC to meet numerous policy objectives, such as facilitating development, public involvement, without the property being a component of urban renewal activities. This arrangement was formalized in the existing Inter-Agency Agreement between BES and PDC for fiscal year 06-07.

City Council is scheduled to authorize acceptance of the property from PDC On Wednesday, December 13, 2006.

ATTACHMENTS:

- A. Project Summary

CC: A. Wilch, Housing Department Director
R. Moore, Project Coordinator
M. Baines, General Counsel
L. Sundstrom, Central Services Director

PROJECT SUMMARY

- Project Name:** St. Johns/N. Lombard Lots
- Description:** Transfer of three lots to City of Portland for redevelopment.
- Location:** 8733-8739 N. Lombard (at intersection with N. Baltimore Ave.)
- URA:** None
- Current Phase:** Ready for transfer of title.
- Next Milestone:** Authorize transfer of title to City of Portland.
- Completion Target:** BES to complete.
- Outcome:** Transfer of northwesterly 20 feet of lot 8, lot 9, and lot 10

