

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: April 25, 2007

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 07-53
Disposition of PDC-owned property at 1010-1034 NE Grand Ave (Block 45) in the Oregon Convention Center Urban Renewal Area to Weston Investment Co., LLC

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6476.

ACTION SUMMARY

Authorize the Executive Director to enter into a disposition and development agreement (DDA) with Weston Investment Co., LLC (Weston) for the purchase and redevelopment of PDC-owned property located at 1010-1034 NE Grand Ave, Block 45 (the Property). Pursuant to the terms of the DDA, Weston will redevelop the Property as a mixed-use, high-rise, point-tower with residential condominium, commercial, and structured parking components. The project will be known as the Cosmopolitan Tower.

Key aspects of the DDA include:

- Transfer of the Property to Weston upon receipt of a commitment for private development financing and necessary building permits;
- No PDC subsidy to the project;
- Weston to purchase the Property for approximately \$2.4 million. Purchase price equal to recent appraised value (PGP January 2007; market approach);
- Weston to make a minimum of 10 percent of total residential condominium units affordable to households earning up to 120 percent median family income (MFI);
- PDC and Weston will cooperate on a marketing plan that targets first time and minority homebuyers; and
- PDC will review and comment on all phases of building design.

RELATIONSHIP TO ADOPTED PLANS AND POLICIES

Oregon Convention Center Urban Renewal Plan: The Oregon Convention Center (OCC) Urban Renewal Plan seeks to foster the creation of mixed-use housing and new housing for middle-income households.

Lloyd District Housing Strategy: The Lloyd District Housing Strategy calls for the development of 3,000 new housing units by 2015.

Development Vision for the Oregon Convention Center Blocks: The OCC Blocks Development Vision calls for the creation of a vibrant, sustainable 24/7 urban neighborhood with a distinctive and unique identity.

PUBLIC BENEFIT

The Block 45 redevelopment project is anticipated to achieve the following objectives:

- Provide approximately 200 new residential condominium units, a minimum 10 percent of which will be affordable at prices up to 120 percent MFI;
- Achieve Lloyd District housing goals;
- Fulfill the vision of the Development Vision for the OCC Blocks by significantly increasing density and creating ground floor commercial space near the OCC;
- Improve the retail and pedestrian environment; and
- Contribute to the unique character of the OCC Blocks area with the construction of the first point-tower on Portland's east side.

FINANCIAL IMPACT

Sale proceeds received by PDC upon disposition of the Property will be available for use by PDC as OCC Urban Renewal Area program income. Proceeds from the sale are budgeted as a resource that helps balance total URA resources with requirements.

RISK ASSESSMENT

The principal risks involve Weston's inability to bring the project to fruition. The DDA provides certain design, finance and permitting milestones. There is a risk that Weston may meet certain milestones, but be unwilling or unable to complete all milestone activities. There is also the risk, once property transfer occurs, that Weston may be unwilling or unable to complete construction. These potential risks are addressed in the DDA by, but not limited to, PDC's right of repossession.

WORK LOAD IMPACT

This Project has been incorporated into corresponding staff work plans.

ALTERNATIVE ACTIONS

The Board could elect not to authorize sale of the Property to Weston, which would retain Block 45 in PDC's real estate portfolio as a vacant parcel.

PUBLIC PARTICIPATION AND FEEDBACK

In August 2005, PDC organized a focus group to discuss the potential disposition of Block 45. Ten community members and leaders discussed the Property and its potential uses.

Input from the focus group session was analyzed and incorporated, where appropriate, into the Request for Qualifications (RFQ) to which Weston responded.

Subsequent to receipt of the Weston proposal, PDC staff organized a separate citizen advisory committee (CAC), to provide guidance on the proposal. In recruiting CAC members, PDC staff attempted to create a diverse group, but also one with relevant real estate experience. In July 2006, the CAC unanimously recommended the Weston proposal for exclusive negotiation. During negotiations, CAC concerns were communicated to Weston.

In addition to these structured group meetings, various PDC staff has discussed the property, the RFQ and the Weston proposal with the OCC Urban Renewal Advisory Committee (OCCURAC) as well as the Lloyd District Community Association.

CONCURRENCE

TBD

BACKGROUND

PDC's History with Block 45

In 1998 and 1999 Enterprise Grand, LLC applied to the City of Portland to build two structures on Block 45 (3/4 block), the "Cascadian Affordable Housing" project and the "Cascadian Tower." The Cascadian Affordable Housing project is located at the corner of NE Holladay St. and NE. 6th Ave. It contains over 50 condominium units on nine floors.

The Cascadian Tower, never built, was designed for 20 stories of residential use (over 200 condominiums units), five floors of structured parking, a community club house and exercise facility and ground floor commercial space. Enterprise Grand, LLC was not able to secure financing for the Tower and in fact found itself in financial trouble on the Affordable Housing portion of the site. In part, to provide assistance to Enterprise Grand, in 2000, PDC purchased the Cascadian Tower site from Enterprise Grand for \$1.4M. PDC has owned the west half of Block 45 ever since.

Request for Qualifications

On April 20, 2006, PDC issued an RFQ to solicit development proposals for Block 45. An RFQ was chosen in recognition of PDC's lack of funding for the project. Generally, an RFQ requires lesser detail relative to a Request for Proposals (RFP), which staff and management felt was appropriate. PDC received one response, that from Weston Investment Co., LLC.

The Cosmopolitan Tower

According to Weston's original proposal, the development on Block 45, named the Cosmopolitan Tower, would include a total of 28 stories of residential condominiums in a

“point-tower” format. A three-story podium was proposed to support the tower and provide ground floor commercial space and automobile parking. Initially approximately 220 units were proposed, 40 percent of which were to be smaller than 530 square feet. Weston dubbed these approximately ninety units “affordable” in recognition of their small size. DDA negotiations have confirmed that Weston will provide at least 10 percent of total units at prices affordable to households making up to 120 percent MFI. Due diligence performed during DDA negotiations has revealed Block 45 has a capacity for approximately 200 condominium units, rather than the original 220. Other than the reduced number of residential units, the project concept codified in the DDA remains essentially the same as Weston’s original proposal.

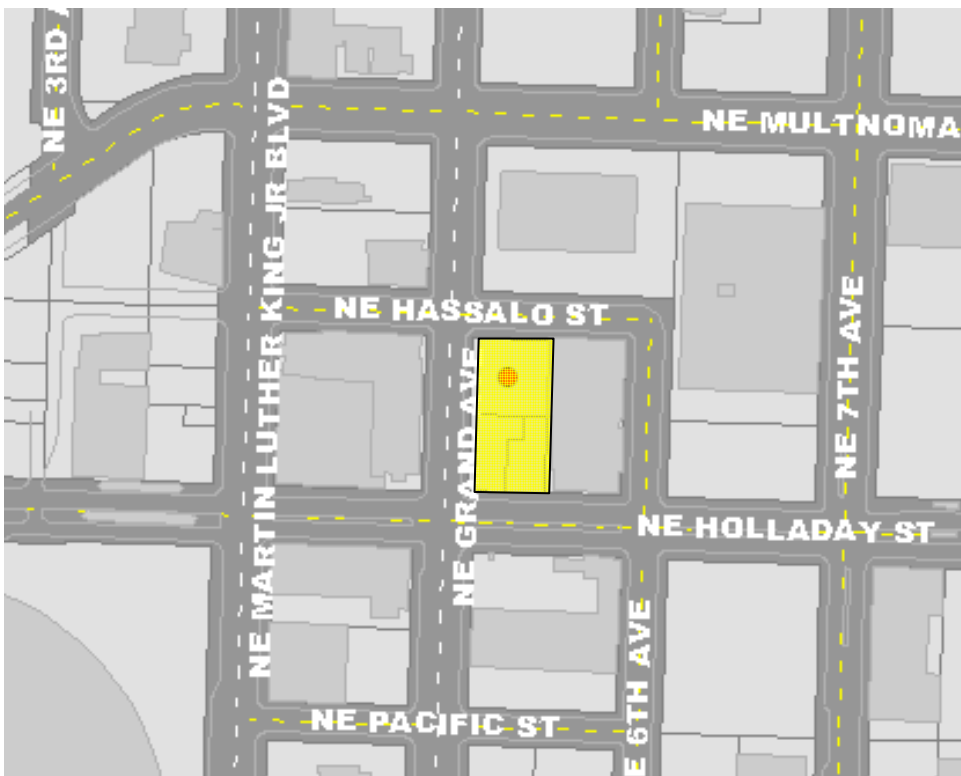
ATTACHMENTS:

A. Project Summary

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

PROJECT SUMMARY

- Point tower. Approximately 325 feet high;
- Approximately 200 residential condominium units in 28 stories;
- Residential unit sizes 425 square feet to approximately 1,600 square feet;
- Several upscale residential units at 2,000-3,000 square feet each;
- 3 story podium: ground floor commercial and two floors of parking (additionally: two floors of below grade parking);
- Ground floor commercial to encompass most of footprint minus required facilities. Minimum 15,000 square feet;
- Approximately 200 parking spaces.





Cosmopolitan Tower, Conceptual Design (view looking southeast)