Request to Acquire
The Doubletree Hotel

Located at 4th and Lincoln Streets in Portland
Site Description

- Unique site comprising 4.03 contiguous acres
- Located at corner of Lincoln and 4th Avenue in Portland
- 116,000 sq. ft. facility which includes 235 rooms/450 beds, over 8,000 sq. ft. of conference meeting space, a dining room/kitchen and 230 parking spaces
- Adjacent to campus and multiple public transit options
- Within area designated for University District expansion to be incorporated into Master Plan Update
PSU Needs More Housing and Developable Land

- Enrollment strong and growing – expecting 24,300 students Fall 2003
- Strong demand from non-resident (out-of-state and international) students. These students help diversify student body and enhance tuition revenues
- PSU today has only 1,049 apartments with another 500 apartments provided by housing management company
- Four of PSU’s existing student housing facilities scheduled for demolition due to multiplicity of deferred maintenance and code issues (seismic, electrical, HVAC, roof replacements) well in excess of their value

Continued . . .
• 2003 housing demand study by Anderson Strickler reports immediate demand for 700-900 units and additional demand for 1,400-2,000 units over next ten years

• Acquisition of Doubletree for use as a student housing complex has been previously approved by AMBAC (bond insurer for Broadway Housing project)

• Strong demand for conference activities and food service programs as well as indications of need for faculty/staff housing

• Based on current zoning, this site will support development of new facilities in excess of 800,000 sq. ft.
Doubletree Location
Terms of the Acquisition

- Requires condemnation proceedings due to owner financing restrictions
- PDC to use its condemnation authority to facilitate redevelopment of this parcel
- Owner has agreed to sell property for $22.3M, thus will not contest condemnation
- University requesting authority to sell $25M in Article XI-F Bonds to finance acquisition, renovation and redevelopment planning
- Recurring operating and debt service costs to be repaid by revenues accruing from the property (housing and conference rentals, food service income and parking fees)
- Current owners shared statements of operating costs, etc.—these amounts were used in preparation of operating expense estimates
Financial Proforma

- Projected Annual Operating Revenues:
  - Student rentals $1.2
  - Conference rents $1.1
  - Food Service revenues $0.4
  - Parking revenues $0.4
- Total Projected Annual Revenues $3.1

- Projected Annual Expenses:
  - Operating $0.8
  - Taxes and Insurance $0.2
  - Debt Service (@ 6% for 30 years) $1.8
  - Reserves, etc. $0.2
- Total Projected Annual Expenses $3.0

- Financial estimates vary based on % of facility used for student housing vs. conferencing. The above represents use as a student housing facility
- Note: Should revenues fall below estimates the University will use other auxiliary revenues or reserves to make up any shortfalls.
Due Diligence

- Site appraised by PDC at $19.7M
- Balance of $22.3M acquisition price for improvements and personal property. All furnishings, fixtures and equipment to remain – this includes kitchen appliances, china, flatware, serving apparatus, dining room furnishings, conference equipment, tables, chairs, and room furnishings including furniture, TVs, lamps, etc.
- Structural assessment finds existing structure to be in good condition
- HVAC systems in good working order, yet consultant recommends a reserve of $60,000 for possible repairs in the near term
- Environmental assessment shows:
  - Asbestos containing materials in ceiling tiles and doors
  - An underground oil storage tank was removed by current owners and a small residual of oil was found at this location—estimated cost to mitigate = $5,000
  - Geotechnical reports show soils capable of carrying high rise structures with no extraordinary foundation requirements
Proposed Uses

• Next three-five years:
  – Use facility with minor renovations for:
    • Student housing overflow
    • Conference facility
    • Academic purposes – classrooms, candidate lodging, parent weekend lodging, etc.
• After three-five years:
  – Incremental redevelopment of site for:
    • Student and possibly faculty/staff housing
    • Academic facilities
    • Retail uses
    • Possible transit station
• Will require eventual demolition of existing facility
Compliance and Other Issues

• Proposed contracts and agreements have been negotiated with the assistance of, and will be approved by, DOJ Attorneys.

• Terms of this transaction and future plans, including current and prospective private use issues have been reviewed with OUS Bond Counsel, OUS staff, and DOJ attorneys.

• We have had many meetings with concerned neighbors, urban renewal advisory councils, PDC staff, Portland Business Alliance Housing committee, and City leaders.
Panoramic View of the Site
Neighbor Concerns

• Concern has been expressed about the proposed redevelopment by the residents of the American Plaza Condominium Association

• The concerns stated include:
  – Questions about PDC’s authority to execute this transaction
  – Concerns regarding PSU’s usage of the property
  – Concerns regarding the affect on property values in the neighborhood, view blockage, safety/security, etc.

• PSU has pledged to:
  – Involve neighbors in the redevelopment planning
  – Hold regular meetings with neighbors to resolve any issues
  – Build and maintain high quality buildings that are aesthetically pleasing, environmentally sustainable and with neighborhood support services (retail)

• In addition, we have offered to enter into a formal Good Neighbor Agreement to address concerns such as safety, maintenance, noise and related issues
University District Development
Community Outreach

December 9  – Corbett Terwilliger–Lair Hill Neighborhood Assoc.
April 15   – Corbett-Terwilliger–Lair Hill Neighborhood Assoc.
May 15    – Oregon Pacific Inv. Co. (local property owner)
July 2     – Corbett-Terwilliger–Lair Hill Neighborhood Assoc.
August 7  – North Macadam Urban Renewal Advisory Comm.
August 18 – American Plaza Condo Association Board Meeting
September 10 – Portland Development Commission Board Meeting
September 15 – American Plaza Condo Association–General membership meeting
September 18 – North Macadam Urban Renewal Advisory Committee Meeting
  – Oregon Telco (local property owner)
September 22 – Downtown Community Association Housing Sub-Committee
September 30 – American Plaza Condo Association Board Meeting
October 6  – Neighborhood meeting with representatives from Amer. Plaza Oregon Telco. & Corbett Terwilliger–Lair Hill representatives
PSU/PDC Partnership

- Partners working to build the future of Portland and the development of the University District through:
  - Provision of housing for a variety of income levels
  - Neighborhood revitalization through urban renewal activities
  - Economic development programs aimed at business retention, expansion and recruitment

- Accomplishments to date and plans for the future:
  - Assisted PSU with the financing of the Urban Center Plaza
  - Assisted PSU with the Simon Benson House renovation project

Continued . . .
– Assisted in bringing the Portland Streetcar to the PSU campus
– Assisted PSU with the financing of the Engineering facility
– Assisted PSU with development and financing of the Broadway Housing project approved by OUS March 2003
– Assisting PSU with the proposed acquisition of Doubletree
– Assisting PSU with the establishment of a Business Accelerator in partnership with OHSU, Providence Medical and State Economic Development
– Partner in the redevelopment of the PCAT block – contemplating a joint PSU/PDC mixed use facility
PDC’s Requirements for the Doubletree Acquisition

• Replacement of property taxes through a payment in lieu of taxes (PILOT) equal to current property taxes (~$227,000/yr.) plus inflationary factor

• Reimbursement of PDC’s costs of acquiring the site (estimated at $120,000)

• Redevelopment of the site over next 20 years to include:
  − Development on the site to maximize existing floor area ratios (FAR’s). Current FAR’s are 2:1 with bonuses up to 5:1 for housing
  − Involvement of MWESB contractors in the redevelopment
  − Commitment to build environmentally sustainable buildings on the site
  − All redevelopment subject to OUS, Legislative, obtaining financing, and City permit approvals

• PDC requesting that PSU sign promissory note for $197,000 payable if PSU defaults under this agreement (the only material default would be PSU’s failure to submit further development requests to OUS and Legislature)
Doubletree Acquisition/Redevelopment
Schedule of Events

• **October 2003**
  – OUS Board considers PSU request to acquire Doubletree in partnership with PDC

• **November 2003**
  – OUS seeks Legislative Emergency Board approval of this project
  – PDC Commission considers annexation of site into North Macadam Urban Renewal Area
  – PDC Commission considers acquisition of Doubletree via its powers of eminent domain
  – Portland City Council considers acquisition of site via PDC’s powers of eminent domain
• December 2003
  – PDC Commission approves Disposition and Development agreement (DDA) with PSU to acquire Doubletree

• January/February 2004
  – PDC acquires Doubletree and simultaneously conveys to PSU

• January/February 2004-May/June 2004
  – Boykin Lodging leases Doubletree site from PSU and continues hotel operations

• June/July 2004
  – PSU Converts Doubletree to conference center and overflow student housing

• 2007-2020
  – Incremental redevelopment of the site takes place subject to agreed upon conditions in the PSU/PDC DDA, OUS, and State approvals and available financing
Questions?