

**CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS
Acting as the Board of Directors of the Housing Authority**

Study Session Worksheet

Presentation Date:	Approximate Start Time:	Approximate Length:
Nov. 20, 2012	10:00 am	30 minutes

Presentation Title: Option Agreement for further Due Diligence – Elks Site

Department: Health Housing and Human Services, Housing Authority

Presenters: Cindy Becker, Trel Anderson, Scot Sideras

Other Invitees

Mike Sommers

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Approval of the Option Agreement with the Milwaukie Elks in order to perform further due diligence and to make a funding application; while considering the acquisition of the Elks property.

EXECUTIVE SUMMARY (why and why now):

In early 2011, representatives of the Milwaukie Elks Lodge approached the County to consider the acquisition of their Lodge located at 13121 SE McLoughlin Boulevard in Milwaukie, Oregon.

Due to the size, location, and potential fund sources for the property, the Development Agency and the Housing Authority staffed this project together. Two study sessions were held with the Board of County Commissioners - May, 2011 and November, 2011 - to consider acquiring the property. Both resulted in the BCC directing staff to continue negotiations with the Elks. The Elks have provided a signed Option Agreement. A study session was held in August, 2012 to but a decision was not reached at that meeting. Staff were asked to come back for another session to discuss the Agreement.

Site Description

The Elks Lodge is located at 13121 SE McLoughlin Boulevard, Milwaukie, Oregon. The site is 7.47 acres in size and includes a three-story, 61,340 square foot building. The property is located to the south of the intersection of SE McLoughlin Blvd. and SE Park Avenue, and just south of the City of Milwaukie in unincorporated Clackamas County. The property consists of two tax parcels totaling 325,392 square feet and features 250 feet of frontage on SE McLoughlin Blvd, and additional egress via SE 27th Place to SE Park Ave. The estimated Fair Market Value is \$6,500,000, which equates to \$870,147 per acre or \$19.98 per square foot.

The Elks Lodge property is located in a C-3 General Commercial District zone designation. The C-3 zone permits all uses allowed in a Retail Commercial District, Business Park District, service and retail uses, senior housing, institutional uses and cultural or public uses. Under the Retail Commercial District, retail, office and multi-family housing are permitted outright, and these uses can be combined into a mixed-use development.

Financing

HACC has been in discussion with the Community Development Department to use the Community Development Block Grant Section (CDBG) 108 Loan to finance the acquisition of the site. The CDBG 108 Loan is granted by the U.S. Department of Housing and Urban Development (HUD) and conditioned against future CDBG allocations. Terms of the loan are set by the local entity (the County) and are generally much more favorable than private market loans. This would be the first time the County's Community Development Department has considered the use of this tool. The Community Development Department will submit a CDBG Section 108 Loan to HUD for review and consideration. During the application process, there must be a public hearing and public comment period before the Board of County Commissioners may consider the loan application. The HUD review period may last nine months before the Board is notified of a loan approval.

If the Section 108 Loan is approved by HUD, and if through HACC's due diligence process the property is determined to be financially feasible, then the Board of County Commissioners may approve a Section 108 Loan to the Housing Authority. The Board of Commissioners as the Housing Authority may subsequently agree to the loan terms and execute the final purchase of the Elks property. It is expected to be a twelve-month process before these final decisions to acquire the site are made.

Public Process

While the Housing Authority is interested in developing workforce housing on part of the property; it has consistently supported a community-based public process – in addition to the hearings and comment period required by HUD for the 108 Loan application - to determine how best to use the rest of the site. This could include such uses as a community center, retail, professional, and/or other commercial development.

It is HACC's intent to engage the local community in such a process once the Board approves final acquisition of the property.

FINANCIAL IMPLICATIONS (current year and ongoing):

The proposed Option Agreement requires a \$10,000 payment to the Elks for the sole and exclusive option to subsequently purchase the property for \$4.3 million. Execution of the Option Agreement is the first step to seriously consider the acquisition of the property. After the Option Agreement is executed, HACC will have a year to begin and complete the appropriate level of due diligence, especially in terms of an environmental review and determination of financial feasibility.

The Option Agreement's \$10,000 payment is funded with HACC Local Project Development funds. No County General Funds are involved. County Counsel has reviewed and approved the Option Agreement.

LEGAL/POLICY REQUIREMENTS:

HACC is not bound by legal requirements to enter into this Option Agreement. Funding sources for the eventual acquisition (108 Loan) will include guidelines and regulations that govern the Community Development Block Grant (CDBG) program.

PUBLIC/GOVERNMENTAL PARTICIPATION:

Tri-Met is currently finalizing plans for the Park Ave station area and new parking structure. The site of the parking structure is adjacent to the Elks property. With site control of the Elks property, HACC and the County can fully engage with Tri-Met to plan road access and egress of both sites.

OPTIONS:

- A. Approve the Option Agreement as signed by the Elks Lodge Board Chair and direct staff to undertake further due diligence including but not limited to environmental testing, financial feasibility, and the submittal of a Section 108 Loan application to HUD.
- B. Amend the Option Agreement and direct staff to negotiate further with the Elks Lodge Steering Committee.
- C. Do not approve the Option Agreement.

RECOMMENDATION:

Staff respectfully recommends the approval of this Option Agreement as signed by the Elks Lodge Board Chair (Option A above), and that Cindy Becker be authorized to sign the Agreement on behalf of the Board of County Commissioners.

ATTACHMENTS:

- 1. Option Agreement signed by the Elks

SUBMITTED BY:

Division Director/Head Approval _____
Department Director/Head Approval Cindy Becker
County Administrator Approval _____

For information on this issue or copies of attachments, please contact Trell Anderson @ 503-655-8506

Fiscal Impact Form – Instructions

RESOURCES:

Is this item in your current work plan and budget?

YES

NO

START-UP EXPENSES AND STAFFING (if applicable):

N/A

ONGOING OPERATING EXPENSES/SAVINGS AND STAFFING (if applicable):

N/A

ANTICIPATED RESULTS:

N/A

COSTS & BENEFITS:

Costs:							
	Item	Hours	Start-up Capital	Other Start-up	Annual Operations	Annual Capital	TOTAL
	Capital purchase: Option Agreement			\$10,000			\$10,000
	Environmental Tests			\$20,000			\$20,000
	Financial Feasibility			\$10,000			\$10,000
	Submittal of 108 Loan App/Consultant Fee and Standard and Poors Rating			\$50,000			\$50,000
	Total Start-up Costs			\$90,000			\$90,000
	Ongoing Annual Costs						
Benefits/Savings:							
	Item	Hours	Start-up Capital	Other Start-up	Annual Operations	Annual Capital	TOTAL
	Productivity increase	XXX			\$\$\$		\$\$\$
	Training savings over time				\$\$\$		\$\$\$
	Technology replacement svgs				\$\$\$		\$\$\$
	Total Start-up Benefit/Savings						
	Ongoing Annual Benefit/Savings				\$\$\$		\$\$\$