

DATE: March 12, 2014
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 14-10

Approving a Lease Agreement for Portland Development Commission-Owned Property at 5716 SE 92nd Avenue in the Lents Town Center Urban Renewal Area

BOARD ACTION REQUESTED

Adopt Resolution No. 7043

ACTION DESCRIPTION

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will authorize the PDC Executive Director to execute a ten-year lease agreement with two five-year options to renew (Lease) between PDC and Z. Haus, LLC (Z. Haus), for the 25,000 square foot PDC-owned building (Premises) referred to more commonly as the Bakery Blocks Building located at 5716 SE 92nd Avenue in the Lents Town Center Urban Renewal Area (LTC URA) (see map in Attachment A). This action will revitalize a vacant building in the heart of the Lents Town Center by renovating the Premises into a brewery, pub, and full-service restaurant centered on family-friendly entertainment, German style beer, and quality food. Construction is scheduled to begin May 2014; when complete in fall 2014, the project is expected to create 24 family wage jobs and will help further the transformation of the Lents Town Center.

The PDC Board approval is required for any commercial lease agreement for a term (including any option period) of more than five years. The PDC Financial Investment Committee (FIC) reviewed proposed material Lease terms on February 27, 2014, and recommended Board approval; these terms are summarized in Exhibit A to the Resolution.

In a related action that does not require formal PDC Board approval, PDC will provide Z. Haus a \$250,000 Business Incentive Finance (BIF) loan for tenant improvements and a \$200,000 Economic Development Administration (EDA) loan for working capital.

This action strongly aligns with the Lents Five-Year Action Plan (Action Plan), a comprehensive investment strategy that will guide PDC and its partners' actions in the LTC URA. While the Action Plan addresses the entire LTC URA, PDC is focusing the majority of investment and staff activity on revitalizing the Lents Town Center; as such, the proposed Lease with Z. Haus is a significant step towards immediately implanting the Action Plan. Staff anticipates presenting the Action Plan to the Board at its April 2014 meeting for formal acceptance.

BACKGROUND AND CONTEXT

The PDC Board authorized purchasing the Bakery Blocks Building through Resolution No. 6736 on September 9, 2009, as a strategic acquisition for future development in the Lents Town Center. Subsequent to acquisition, PDC has leased portions of the Bakery Blocks Building to a carpet store, a

painting contractor, and a bakery. The portion leased to the bakery has been vacant for several years and PDC has been eager to find a tenant for this space.

Z. Haus is a locally-owned, start-up business whose owners have extensive brewing and business management experience. PDC business development staff first interacted with representatives from Z. Haus several years ago when they were searching for space in Hillsboro or St. Johns to expand. Staff encouraged them to consider the Lents Town Center and have since worked with Z. Haus to negotiate a lease and loan for the Premises.

COMMUNITY AND PUBLIC BENEFIT

This project has numerous community and public benefits, including:

1. Promotes revitalization by renovating a vacant building on SE 92nd Avenue;
2. Creates 24 jobs;
3. Leverages over \$700,000 in funding from other sources:

<u>Sources</u>		
Owner Equity	\$240,000	13%
Albina Community Bank Loan	\$375,000	21%
Equipment Loan	\$100,000	6%
PDC TI Allowance	\$250,000	14%
PDC BIF Loan	\$250,000	14%
PDC EDA Loan	\$200,000	11%
PDC Life/Safety Improvements	\$389,808	21%
PDC Storefront Grant	\$10,000	1%
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Total Sources	\$1,814,808	100%

4. Provides a reasonably priced, healthy food option in the Lents Town Center;
5. Supports entrepreneurial/startup culture for other small businesses to locate in the Lents Town Center;
6. Encourages direct purchases from local vendors such as the Lents International Farmers Market and other local farms that sell produce and craft products;
7. Draws new visitors and foot traffic to the Lents Town Center, benefitting other local businesses; and
8. Generates property taxes.

This project is aligned with the LTC URA plan by activating a vacant property and providing a catalyst for further development in the immediate area, and advances the Neighborhood Economic Development Strategy by improving local commercial corridors.

PUBLIC PARTICIPATION AND FEEDBACK

In 2010, PDC collaborated with LTC URA stakeholders to identify new businesses that would serve local residents, fit the neighborhood profile, and attract other customers from outside the neighborhood to

the LTC URA. Among other kinds of uses, the stakeholders identified a brewpub as a business that PDC should work to recruit to the Lents Town Center.

BUDGET AND FINANCIAL INFORMATION

The LTC URA fiscal year (FY) 2013-14 Revised Budget, FY 2014-15 Requested Budget, and Five Year Forecast can be found in Attachment B.

RISK ASSESSMENT

There is a risk that Z. Haus could default on the Lease, in which case PDC can resume possession of the Premises and offer to other entities either for sale or lease.

ALTERNATIVE ACTIONS

The Board could choose not to execute the Lease as proposed or to revise the Lease terms.

ATTACHMENTS:

- A. Site Map
- B. LTC URA Adopted FY 2013-14 Revised Budget

Site Map



LTC URA Adopted FY 2013-14 Revised Budget

Five-Year Forecast Program Requirements Detail

	Revised- 1 FY 2013-14	Draft FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19
Lents Town Center URA						
Resources						
Beginning Fund Balance	11,200,993	6,872,634	1,924,036	284,995	1,110,362	1,401,087
Interest on Investments	20,000	10,000	10,000	10,000	10,000	10,000
Loan Collections	139,000	101,526	101,526	100,789	100,515	100,515
Property Income	66,802	66,802	246,802	523,548	66,802	2,627,787
Reimbursements	400	0	0	0	0	0
Short Term Debt	7,845,688	7,873,727	8,234,054	8,994,999	9,628,190	10,262,813
Total Resources	19,272,883	14,924,689	10,516,428	9,914,331	10,915,869	14,402,202
Requirements						
Program Expenditures						
Administration						
Financial Administration						
A45101360 Debt Management-LTC	10,000	20,000	20,000	20,000	20,000	20,000
Total Administration	10,000	20,000	20,000	20,000	20,000	20,000
Business Dev						
Business Lending						
L02100360 BIF-General-LTC	100,000	700,000	700,000	700,000	700,000	700,000
L02119360 BIF-Nbrhood Ec Dev-Budget-LTC	300,000	0	0	0	0	0
Small Business & Community Dev						
B55800360 Business Development-LTC	10,000	10,000	10,000	10,000	10,000	10,000
B55900360 Community Development-LTC	50,000	50,000	50,000	50,000	50,000	50,000
Traded Sector Business Dev						
T01069360 Lean Manufacturing-LTC	30,000	30,000	30,000	30,000	30,000	30,000
B15102360 Site Recruitment-LTC	10,000	10,000	10,000	10,000	10,000	10,000
B15202360 Green Innovation Park-LTC	155,000	0	0	0	0	0
L02110360 BIF-Cluster Group-Budget-LTC	300,000	0	0	0	0	0
Total Business Dev	955,000	800,000	800,000	800,000	800,000	800,000
Infrastructure						
Parks						
N36012515 Parks Public Impr-LTC-Adm	100,000	1,000,000	0	0	0	0
Transportation						
N36031525 Foster-Woodstock-LTC-Adm	400,000	0	0	0	0	0
N36031535 122nd-Holgate/Ramona-LTC-Adm	400,000	600,000	0	0	0	0
N36031545 Foster-52nd to 82nd-LTC-Adm	1,000,000	820,000	0	0	0	0
N36032015 Lents Entryway-LTC-Adm	200,000	25,000	0	0	0	0
N36031415 Street/Sidewalks LID-LTC-Adm	110,000	0	0	0	0	0
Total Infrastructure	2,210,000	2,445,000	0	0	0	0
Portland Hsg Bureau						
PHB Housing						
H15292360 Property Management-LTC	5,400	0	0	0	0	0
H15410360 Home Repair Projects-LTC	670,785	500,000	500,000	500,000	500,000	750,000
H15420360 Home Buyer Assistance-LTC	543,124	500,000	500,000	500,000	500,000	750,000
H15430360 Affordable Rental Hsg-LTC	305,200	400,000	400,000	400,000	400,000	500,000
H15501360 NSP3 Acq/Rehab-LTC	52,600	0	0	0	0	0
H15900360 PHB Staff & Admin-LTC	829,091	400,000	400,000	400,000	400,000	500,000
Total Portland Hsg Bureau	2,406,200	1,800,000	1,800,000	1,800,000	1,800,000	2,500,000
Property Redev						
Commercial Property Redevelopm						
P36051215 Jns Ck Ind Area Revit-LTC-Adm	50,000	0	0	0	0	0

Five-Year Forecast Program Requirements Detail

	Revised- 1 FY 2013-14	Draft FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19
P36050815 SE 92nd Redev-LTC-Adm	2,500	0	0	0	0	0
P36055015 Foster Road Redev-LTC-Adm	520,000	20,000	20,000	20,000	20,000	20,000
P36060735 93rd & Davis Lot-LTC-Adm	125	125	125	125	125	125
P36091015 Public Outreach-LTC-Adm	2,000	2,000	2,000	2,000	2,000	2,000
P36090015 Project Development-LTC-Adm	10,000	10,000	10,000	10,000	10,000	10,000
P36061015 ArchtctIronPrdctBldg-LTC-Adm	9,827	209,827	9,827	9,827	9,827	9,827
P36060935 MetroAuto Bldg & Lot-LTC-Adm	60,878	10,878	10,878	10,878	10,878	0
P36050915 LTC Town Ctr Redev-LTC-Adm	100,000	100,000	100,000	25,000	25,000	25,000
P36060815 F & W Triangle-LTC-Adm	1,182	1,182	1,182	0	0	0
P36060725 93rd & Woodstock Lot-LTC-Adm	1,290	1,290	1,290	1,290	1,290	1,290
P36060615 LTC II Parking Lot-LTC-Adm	5,105	5,105	5,105	5,105	5,105	5,105
P36060515 Tate Lot-LTC-Adm	3,994	3,994	3,994	3,994	3,994	3,994
P36060135 Sullivan Property-LTC-Adm	922	922	922	922	922	922
P36060925 MetroAuto Whsl WLot-LTC-Adm	3,700	53,700	3,700	3,700	3,700	0
P36060125 Prkng Lt&FrmrChrchLt-LTC-Adm	4,379	4,579	4,579	4,579	4,579	4,579
P36060415 Bauske Lot-LTC-Adm	1,126	1,126	0	0	0	0
P36060145 Foster Road Lot-LTC-Adm	1,400	1,400	1,400	1,400	1,400	1,400
P36060155 Crossroads Plaza-LTC-Adm	3,241	3,241	3,241	3,241	3,241	3,241
P36060165 McGalliard Lots-LTC-Adm	5,061	5,061	5,061	5,061	5,061	5,061
P36060225 92nd Street Club Lot-LTC-Adm	3,100	3,100	3,100	3,100	3,100	3,100
P36060235 Edmondson's Lot-LTC-Adm	2,200	2,200	2,200	2,200	2,200	2,200
P36060325 Lents Little Lge Fld-LTC-Adm	5,647	5,647	5,647	5,647	5,647	5,647
P36060335 Bakery Block-LTC-Adm	360,938	251,037	51,037	51,037	51,037	51,037
Commercial Real Estate Lending						
R01100360 CPRL-General-LTC	2,697,000	4,450,000	4,950,000	4,000,000	4,000,000	4,000,000
Community Redevelopment Grants						
G01100360 CLG-General-LTC	853,000	200,000	200,000	200,000	200,000	200,000
G02100360 DOS-General-LTC	75,000	72,000	75,000	75,000	75,000	75,000
G03100360 SIP-General-LTC	300,000	560,000	300,000	300,000	300,000	300,000
G04100360 GFGP-General-LTC	125,000	50,000	125,000	125,000	125,000	125,000
Total Property Redev	5,208,615	6,028,414	5,895,288	4,869,106	4,869,106	4,854,528
Total Program Expenditures	10,789,815	11,093,414	8,515,288	7,489,106	7,489,106	8,174,528
Personal Services	570,508	457,618	433,349	337,384	525,736	722,614
Transfers - Indirect	1,979,695	1,449,621	1,282,796	977,478	1,499,941	2,030,502
Total Fund Expenditures	13,340,018	13,000,653	10,231,433	8,803,968	9,514,783	10,927,644
Contingency	5,932,865	1,924,036	284,995	1,110,362	1,401,087	3,474,557
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	19,272,883	14,924,689	10,516,428	9,914,330	10,915,870	14,402,201