



DATE: August 19, 2015
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 15-54

Authorizing an Amendment to the Lease Agreement with Oregon Story Board at Portland Development Commission-Owned Space at 411 NW Flanders Street in the Downtown Waterfront Urban Renewal Area and Authorizing the Execution of a Support Services Agreement with Oregon Story Board

BOARD ACTION REQUESTED

Adopt Resolutions No. 7143

ACTION DESCRIPTION

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will (i.) modify a lease agreement (Amendment to the Lease Agreement) between PDC and the Oregon Story Board (OSB), and (ii.) enter into a Support Services Agreement (Services Agreement) with OSB to provide time-limited administrative and organizational management services to OSB. PDC Board approval for both items is required since PDC's executive director serves on the OSB Board of Directors.

In May 2015, OSB entered into a lease agreement for the PDC-owned office space in the Old Town Lofts at 411 NW Flanders Street in Old Town/Chinatown (see site map in Attachment A). The current base rent for the property is \$3,117 per month. OSB assumes responsibility under the lease agreement to pay property tax and Home Owners Association (HOA) fees of \$2,390 per month. The requested action will modify the existing lease agreement so that from September 1, 2015, to no later than May 31, 2017, base rent obligations by OSB to PDC will be forgiven. OSB will continue to pay HOA fees of \$2,390 per month and property taxes.

This action also approves a Services Agreement for PDC to provide administrative management and organizational oversight to OSB for a term of 12 months, with an option for renewal for an additional nine months. The payments to PDC under the Services Agreement will equal the rent forgiven under the lease agreement modification (\$3,117 per month).

BACKGROUND AND CONTEXT

OSB is a non-profit entity whose mission is to support and catalyze entrepreneurial development and increase the economic viability and job growth within the digital storytelling industry. This industry comprises film/video, animation, visual effects, gaming, and content development. OSB's most significant accomplishment to date is its digital storytelling accelerator, an investment and mentoring program for early-stage firms and technologies. OSB also offers affordable co-working space for early-stage companies in the industry and serves as a lead convener on topics such as workforce development and innovation. In December 2014, OSB partnered with the city's athletic and outdoor industry to

create a digital and interactive infographic tool for the industry.

Since its origin in 2013, OSB's primary revenue source for its operating budget has been investment funds from the Oregon Innovation Council, a public-private partnership funded each biennium by the State of Oregon (State) to promote entrepreneurial growth and innovation. Funding was anticipated to continue through an additional grant for the 2015-17 biennium; however, OSB was among several Oregon Innovation Council initiatives not awarded grant funds for 2015-17. The State's funding decision was made in June 2015, at the same time that OSB was in the process of hiring an executive director. Without funding, plans to hire a permanent executive director are on hold, and OSB is seeking a partnership with PDC to provide administrative and management support services.

PDC has supported OSB since the organization's inception in 2013, and PDC's executive director joined the OSB Board of Directors in January 2014. OSB's mission to nurture and grow the digital media and technology ecosystem aligns with PDC's goals to promote and expand economic opportunities in the technology and media cluster. The Portland Film Office, housed at PDC, has partnered extensively with OSB to grow digital storytelling and early-stage firms, and the industry remains a business development priority. The proposed Services Agreement and Amendment to the Lease Agreement with OSB will provide stability to the organization and enable it to continue delivering existing services and programs while also securing new funding sources. Both agreements also require that if OSB is able to raise an additional \$500,000 during the term of the Services Agreement, the parties will meet to reassess whether the base rent should be reinstated earlier or if there is a need to continue with the Services Agreement.

COMMUNITY AND PUBLIC BENEFIT

The primary public benefit from these proposed actions is maintaining support for OSB, whose success is important to continued economic development in the growing technology and media industry cluster. In its first year of operation, OSB sponsored two accelerator classes, which helped 15 companies and supported 40 full-time jobs and more than 20 part-time and freelance jobs. Half the companies in OSB's current class are headed by women or people of color.

OSB also promotes workforce development and educational opportunity in this sector. In partnership with the Oregon Film Office, OSB convened and facilitated connections between local educational institutions and targeted industry professionals to explore better ways to design curriculum that matches local business needs.

Additionally, OSB's presence in the Old Town Lofts engages tech and media companies and activates ground floor commercial space in the Old Town/Chinatown neighborhood.

PUBLIC PARTICIPATION AND FEEDBACK

PDC staff has not conducted any formal public involvement related to the two proposed actions.

BUDGET AND FINANCIAL INFORMATION

The budgetary impact from these proposed actions is neutral. As depicted below in Table 1, the reduction in the Amendment to the Lease Agreement rent is equal to the Services Agreement revenue paid to PDC. The foregone rental revenue will affect the Downtown Waterfront Urban Renewal Area (URA) budget (see Attachment B), while the revenue from the Services Agreement will accrue in the Business Management Fund; both changes will require a future budget amendment.

Table 1.

OSB Monthly Financial Agreement with PDC		
	Current	Proposed
Lease Agreement (411 NW Flanders)		
Base Rent	3,117.00	-
Owner Property and Causality Insurance	65.00	65.00
Real Property Taxes	875.00	875.00
Homeowners Association Fee	1,450.00	1,450.00
Subtotal	5,507.00	2,390.00
Personal Services Agreement	-	3,117.00
Subtotal	-	3,117.00
Total	5,507.00	5,507.00

RISK ASSESSMENT

There is no net financial impact to PDC related to the proposed PDC Board actions. Monthly base rent lease payments to PDC are being replaced by equivalent monthly contract Services Agreement payments. PDC has also created legal separations in the Services Agreement to ensure that PDC is deemed an independent contractor and is not itself directing OSB.

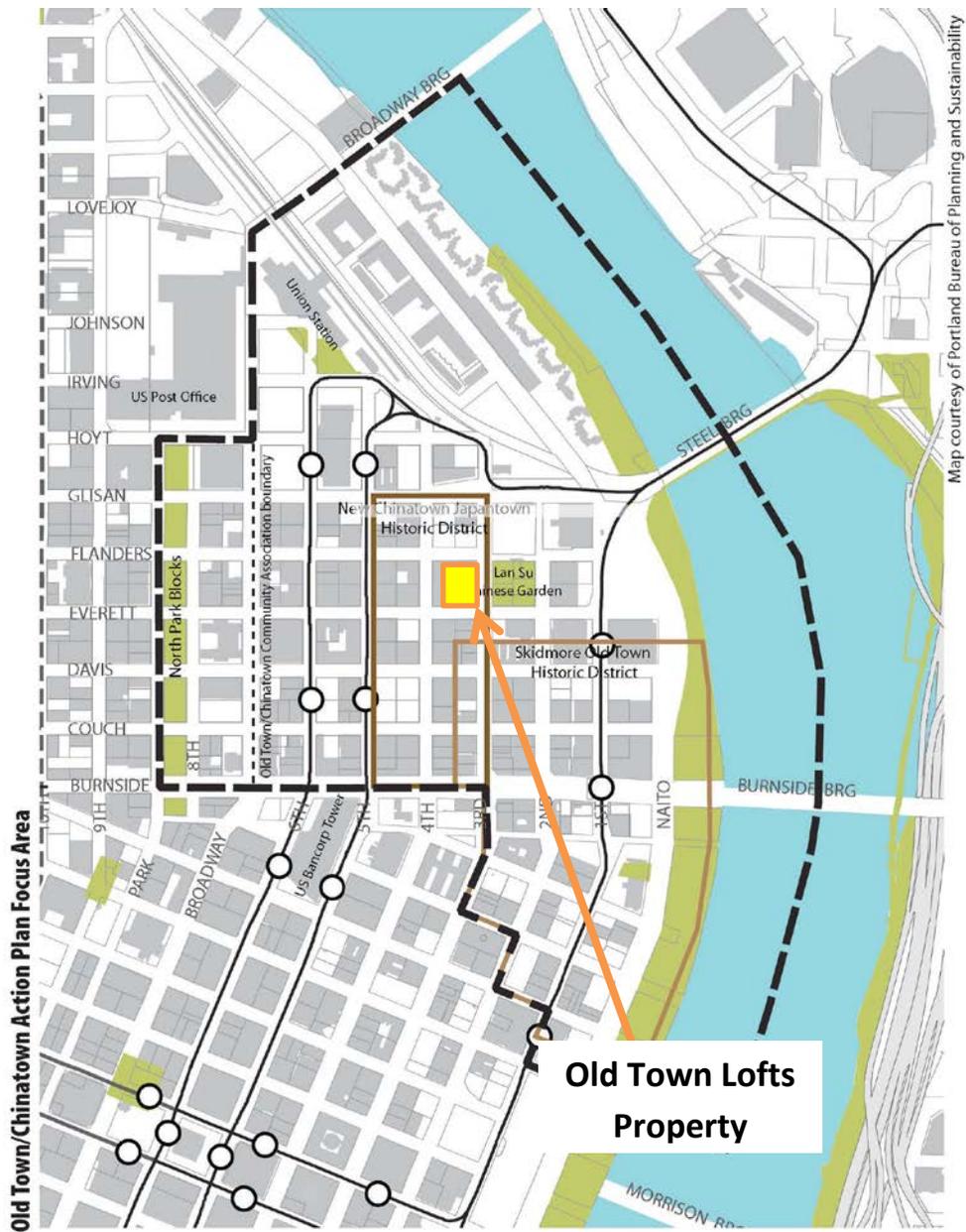
ALTERNATIVE ACTIONS

The PDC Board could elect to not approve either or both of the proposed actions, in which case OSB would likely be unable to provide for administrative and organizational services and may cease to operate as an organization.

ATTACHMENTS

- A. Site Map
- B. URA Financial Summary

Site Map



URA Financial Summary

Five-Year Forecast Program Requirements Detail

	Revised- 3 FY 2014-15	Adopted FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20
<u>Downtown Waterfront URA</u>						
Resources						
Beginning Fund Balance	14,416,731	16,397,236	11,035,759	7,875,605	8,291,581	5,646,146
Fees and Charges	250	6,000	2,800	2,800	2,800	2,800
Interest on Investments	60,000	30,000	10,000	10,000	0	0
Loan Collections	2,294,229	321,487	2,275,437	3,296,476	289,382	29,226
Property Income	2,734,764	2,490,035	2,571,510	69,885	68,260	66,635
Reimbursements	15,200	15,200	15,200	15,200	15,200	15,200
Total Resources	19,521,174	19,259,958	15,910,706	11,269,966	8,667,223	5,760,007
Requirements						
Program Expenditures						
Administration						
Financial Administration						
A45101320 Debt Management-DTW	4,501	4,501	8,000	8,000	8,000	8,000
Total Administration	4,501	4,501	8,000	8,000	8,000	8,000
Business Development						
Business Lending						
L00210320 BL -General-DTW	100,000	100,100	100,100	100,100	100,100	100,100
Small Business & Community Dev						
B55005320 OT/CT Action Plan-DTW	75,000	65,000	65,000	0	0	0
Total Business Development	175,000	165,100	165,100	100,100	100,100	100,100
Housing						
PHB Housing						
H15430320 Affordable Rental Hsg-DTW	0	1,717,345	254,565	0	0	0
Total Housing	0	1,717,345	254,565	0	0	0
Infrastructure						
Parks						
N32010015 Chinese Garden-DTW	0	638,000	0	0	0	0
Transportation						
N32030015 Dtn Retail Infra-DTW-Adm	0	500,000	1,500,000	0	0	0
Total Infrastructure	0	1,138,000	1,500,000	0	0	0
Property Redevelopment						
Commercial Property Redevelopm						
P32053635 Old Town Lofts-Prkng-DTW-Adm	29,948	10,045	10,045	10,045	10,045	10,045
P32053625 Old Town Lofts-Accel	337,707	31,800	31,800	31,800	31,800	31,800
P32056515 RiverPlace Marina-DTW-Adm	20,000	15,200	15,200	15,200	15,200	15,200
P32060115 Block 8 - L-DTW-Adm	1,014,688	0	0	0	0	0
P32060415 SW 3rd & Taylor Lot-DTW-Adm	19,100	0	0	0	0	0
P32060515 One Waterfront South-DTW-Adm	8,960	4,600	4,600	0	0	0
P32060615 SW 3rd & Oak-DTW-Adm	78,015	73,432	2,873,432	0	0	0
P32052215 CC 2035-DTW-Adm	9,186	0	0	0	0	0
Commercial Real Estate Lending						
R01100320 CPRL-General-DTW	100,000	3,951,000	2,001,000	2,001,000	2,001,000	1,000
Community Redevelopment Grants						
G01100320 CLG-General -DTW	111,000	100,000	100,000	100,000	100,000	100,000
G02100320 DOS-General-DTW	100,000	50,000	50,000	50,000	50,000	50,000
G03100320 SIP-General-DTW	373,000	200,000	200,000	200,000	200,000	200,000
Total Property Redevelopment	2,201,604	4,436,077	5,286,077	2,408,045	2,408,045	408,045
Total Program Expenditures	2,381,105	7,461,023	7,213,742	2,516,145	2,516,145	516,145

Five-Year Forecast Program Requirements Detail

	Revised- 3 FY 2014-15	Adopted FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20
Personal Services	173,786	201,529	249,752	262,240	275,352	289,119
Transfers - Indirect	569,047	561,647	571,607	200,000	229,580	272,684
Total Fund Expenditures	3,123,938	8,224,199	8,035,101	2,978,385	3,021,077	1,077,948
Contingency	16,397,236	11,035,759	7,875,605	8,291,581	5,646,146	4,682,059
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	19,521,174	19,259,958	15,910,706	11,269,966	8,667,223	5,760,007