



DATE: October 12, 2016
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 16-52
Authorizing a Commercial Property Redevelopment Loan and Special Authority Grant to Self Enhancement, Inc.

BOARD ACTION REQUESTED

Adopt Resolution No. 7212

ACTION DESCRIPTION

The proposed actions by the Portland Development Commission (PDC) Board of Commissioners (Board) will authorize the Executive Director to execute i.) a Commercial Property Redevelopment Loan (Loan) for \$495,000 to Self Enhancement Inc. (SEI) for the purpose of purchasing and converting a residential home (Property) into an African American Cultural Center, and ii.) a Special Authority Grant (Grant) to SEI in the amount of \$82,000 for post-acquisition support during a two-year holding period, including expenses (taxes, maintenance, security, utilities, etc.) and pre-development work. The Property, which is located at 4511 N. Williams Avenue within the Interstate Corridor Urban Renewal Area, is a 1,400 square foot home built in 1903 (see a Property Map and Aerial in Attachment A). If the Loan and Grant are approved, SEI will act as interim owner and financial sponsor for the Portland African American Leadership Forum (PAALF), which will ultimately become the long-term owner/operator of a community resource center that honors, preserves, and celebrates Oregon's African-American heritage and culture (Cultural Center).

BACKGROUND AND CONTEXT

In July 2015, Senator Avel Gordly and Faye Burch (Sellers) approached the Mayor's Office and PDC to consider the purchase of their Property for the purpose of establishing a Cultural Center commemorating African-American heritage and history in Portland. PDC encouraged the Sellers to identify community organizations with an interest in sponsoring the Cultural Center. The Sellers connected with PAALF, which proposed that SEI purchase the Property and hold it while PAALF, in consultation with the Oregon Historical Society (OHS) as a supportive operating partner, develops a business plan for the Cultural Center.

Over the course of late 2015 and early 2016, PDC negotiated the terms of a transaction with the SEI and PAALF (Buyers) that allow the Cultural Center concept to move forward. In April 2016, a Gordly Family Home Memorandum of Understanding was established and signed by OHS and PAALF. Neither SEI nor PAALF has financial resources available for the transaction; therefore, PDC is offered to provide a Loan to cover costs of acquisition (see Loan Terms below and in Exhibit A to the Resolution). On June 15, 2016, an appraiser commissioned by PDC concluded that Property had a value of \$434,000. The Sellers

provided the Buyers with additional comparable sales supporting a larger valuation; PDC agreed with this estimate, given rapidly escalating market conditions. Ultimately, the Sellers and Buyers settled on a purchase price of \$495,000.

The Loan will become due if, after two years, a business plan for operation of the Cultural Center is not created or a conditional use permit is not obtained. The Loan will also become due if, after four years or any time thereafter, the Property is not used as a Cultural Center or a PAALF-approved use serving the African-American community or if PAALF has not generated operational capacity to continue operation of the Cultural Center. If these conditions are met, SEI/PAALF may extend the obligation to repay the Loan for an indefinite period. The Commercial Property Redevelopment Loan (CPRL) include the following terms:

Loan Amount	\$495,000
Urban Renewal Area	Interstate Corridor
Purpose	Acquisition
Loan Fee	None
Interest rate	2.00%
Monthly Payment and Term	<ul style="list-style-type: none">• All payment deferred• No monthly debt service payments• Loan has a two year term, which extends for an unlimited number of two years periods as long as intended use as a cultural center has been maintained.• Payment due upon failure of conditional use, business plan, opening of facility or failure to maintain fiscal capacity, maintain use consistent with ORS 457
Collateral	1 st trust deed to secure property

Following are exceptions to PDC's Loan program guidelines:

- Interest rate is not based on prime plus three percent
- All loans, closing, appraisal, and building inspection fees will be paid by PDC
- Funds will be used to purchase single family residence
- No debt service or interest payments will be received by PDC unless the Property is sold
- Personal/corporate guarantees not required from the principals/entities
- Combined loan to value exceeds 100 percent
- Terms of the loan exceed 10 years
- Borrower is not contributing program minimum requirements of 10 percent of project costs

In addition to the Loan, PDC has been asked to provide a Grant in the amount of \$82,000 to support the Cultural Center in the two-year post-acquisition period as PAALF develops a business plan and generates organizational capacity. It is estimated that \$32,000 of the Grant will cover maintenance, taxes, security, utilities, etc., and \$50,000 will be used for pre-development work including the process of

obtaining a conditional use permit for the Cultural Center; a redevelopment plan; cost estimating; and a long-term financing plan.

Should the PDC Board approve this action, SEI and PAALF will begin the process of developing a business plan for the Cultural Center. It is currently estimated that the business planning process and pre-development work will be complete within two years of this PDC Board approval and the Cultural Center will open to the public within four years of PDC Board approval.

COMMUNITY AND PUBLIC BENEFIT

The partnership among SEI, PAALF, and OHS in support of the property acquisition and development of a Cultural Center brings together community members spanning generations of Portland's history around a project that is meaningful in a location that is unique and will not be available in the future. Community members involved the Cultural Center bring skill, experience and commitment, but lack the financial resources necessary to secure this Property. In the near term, the project is an opportunity to build capacity in African-American-based organizations around a common purpose.

If successful, the Cultural Center will benefit the entire community by providing a showcase for Portland's African-American culture and heritage as well as preserving a 113-year old building typical of the homes found on Williams Avenue when it was a largely African-American community. As the childhood home Avel Gordly, Oregon's first African-American woman State Senator, the Property has cultural significance as well. The Cultural Center will serve as a repository for historic records and artifacts, provide exhibitions space, and provide office space for PAALF.

PUBLIC PARTICIPATION AND FEEDBACK

There has been no specific public participation related to this proposed Loan and Grant. However, the pre-development work includes working with OHS and community stakeholders to determine the specific programming and use for the Cultural Center.

BUDGET AND FINANCIAL INFORMATION

There are sufficient funds in the Interstate Corridor URA fiscal year (FY) 2016-2017 Adopted Budget for this proposed action (see Attachment C). Since the terms of the Loan will ultimately function more as a Grant, PDC staff will propose revisions to the Interstate Corridor URA budget at the November 9, 2016, PDC Board meeting that will more accurately reflect that both the Loan and the Grant will be funded from grant line items in the budget.

RISK ASSESSMENT

There are multiple risks to this proposed action, including:

1. There is a risk that the conditional use permit is not obtained and the intended purpose as a Cultural Center cannot be fulfilled.
2. The condition of the Property and the intended use as a Cultural Center necessitate significant additional investment in improvements that are not currently funded.
3. There is a risk that PAALF fails to complete a business plan, does not attain financial independence, or fails to maintain the Property in accord with the intended purpose as a Cultural Center.
4. In the case of either 1 or 3 above, the Loan and accrued interest thereupon will become due. PAALF would not likely be able to repay the Loan. PDC will hold a trust deed to secure the

repayment obligation. PDC could, therefore, foreclose on the Property but the amount owed will be under collateralized and a foreclosure sale would not likely recapture the amount owed.

5. If the intended use as a Cultural Center is attained and maintained, the Loan is not likely to be repaid.

ALTERNATIVE ACTIONS

The PDC Board could decide to:

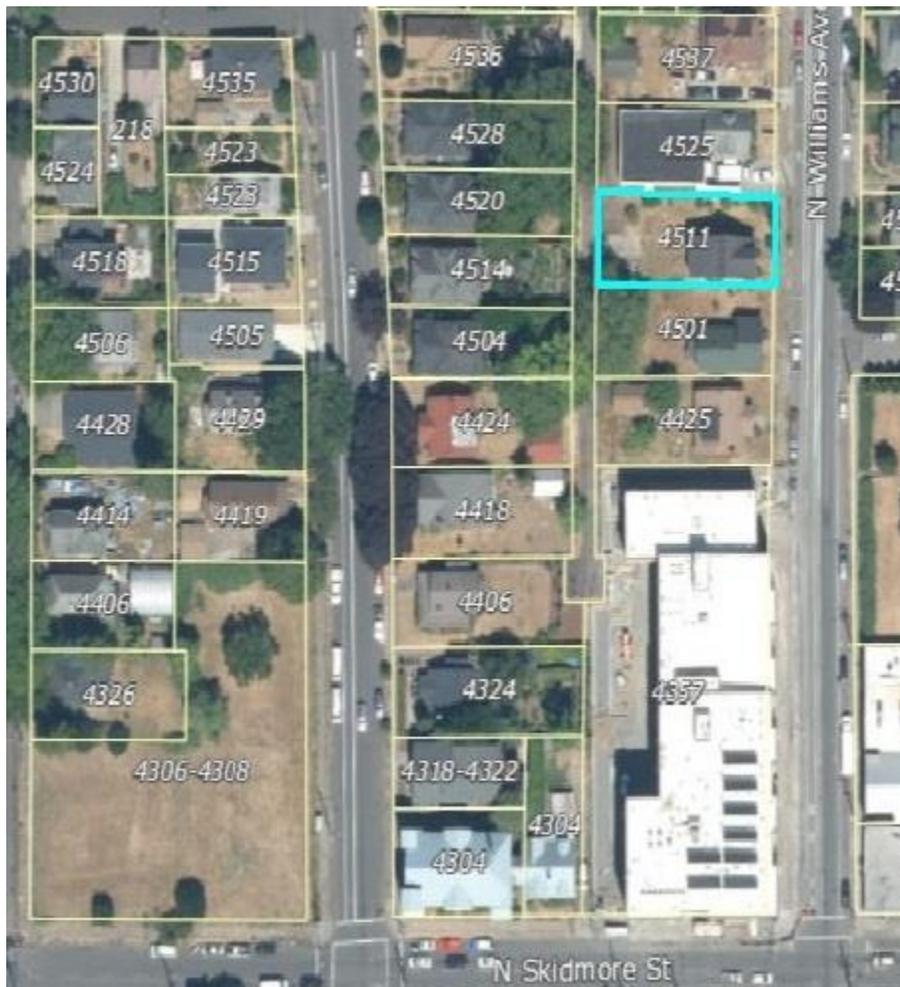
- Direct PDC staff to incorporate new terms or to introduce new conditions to the Loan and/or Grant; or
- Direct PDC Staff to terminate the Loan and Grant process.

ATTACHMENTS

- A. Property Map and Aerial
- B. URA Financial Summary

PROJECT SUMMARY AND AERIAL MAP

- Project Name:** Commercial Property Redevelopment Loan and Special Authority Grant to Self-Enhancement Inc. on behalf of Portland African American Leadership Forum for an African-American Cultural Center
- Description & Location:** 1,400 square foot residential property built in 1903, on a 6,200 square foot lot parcel located at 4511 N. Williams Avenue, Portland, Oregon 97217
- Urban Renewal Area:** Interstate Corridor



**Financial Summary
 Five-Year Forecast**

Interstate Corridor URA Fund	Revised FY 2015-16	Adopted FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20	Forecast FY 2020-21
Resources						
Beginning Fund Balance	22,486,620	18,140,851	10,241,604	2,934,243	1,382,337	12,278,770
Revenue						
Fees and Charges	1,500	4,991	4,498	4,374	4,676	3,468
Interest on Investments	72,914	39,901	41,662	622	812	36,051
Loan Collections	664,611	167,137	309,606	284,737	345,199	103,557
TIF - Short Term Debt	18,981,000	18,981,000	18,958,972	18,665,851	18,981,000	18,981,000
TIF - Long Term Debt	0	-	9,000,000	2,200,000	-	28,954,146
Property Sales	415,000	502,160	-	-	-	-
Rent and Property Income	284,124	290,246	304,209	305,161	306,137	307,138
Reimbursements	63,529	71,526	84,644	85,277	85,930	86,602
Total Revenue	20,482,678	20,056,961	28,703,591	21,546,022	19,723,754	48,471,962
Total Resources	42,969,298	38,197,812	38,945,195	24,480,265	21,106,091	60,750,732
Requirements						
Administration						
A0030-Debt Management-ISC	34,133	22,532	22,532	22,532	22,532	22,532
Administration Total	34,133	22,532	22,532	22,532	22,532	22,532
Economic Development						
Traded Sector						
A00114-Business Development-ISC	5,000	5,000	5,000	5,000	5,000	5,000
A00381-Lean Manufacturing-ISC	50,000	50,000	50,000	50,000	50,000	50,000
Community Economic Development						
A00122-Community Development-ISC	51,000	25,000	25,000	25,000	25,000	25,000
A00106-NPI & Main St Network-ISC	65,000	50,000	50,000	50,000	50,000	50,000
Business Lending						
A00209-BL -General-ISC	8,652,000	650,200	650,200	650,200	650,200	200,200
Economic Development Total	8,823,000	780,200	780,200	780,200	780,200	330,200
Housing						
A00160-Home Repair Projects-ISC	500,000	-	-	-	-	-
A00162-Home Buyer Assistance-ISC	1,000,000	-	-	-	-	-
A00171-Affordable Housing-ISC	1,926,776	17,723,948	28,864,651	16,849,525	2,458,688	13,703,965
A00173-Beech St Apartments-ISC	182,893	-	-	-	-	-
A00181-PHB Staff & Admin-ISC	1,439,177	-	-	-	-	-
A00434-Grant Whse-ISC	510,000	-	-	-	-	-
Housing Total	5,558,846	17,723,948	28,864,651	16,849,525	2,458,688	13,703,965
Infrastructure						
Parks						
A00245-Bridgeton-ISC	0	1,500,000	-	-	-	-
A00247-Small Scale Improv-ISC	603,000	-	-	-	-	-
Transportation						
A00249-Killingsworth Stscape-ISC	2,450,000	500,000	-	-	-	-
A00250-Lombard Investment-ISC	500,000	759,830	1,000,000	-	-	-
Infrastructure Total	3,553,000	2,759,830	1,000,000	-	-	-
Property Redevelopment						
Real Estate						
A00335-Nelson Bldg-Indust-ISC	829,385	80,414	73,029	73,029	73,029	73,029
A00336-Spar-Tek Building-ISC	24,287	24,287	24,287	24,287	24,287	24,287
A00337-Argyle Lot-ISC	6,533	6,700	6,700	6,700	6,700	6,700
A00338-3620 NE MLK Prkng-ISC	15,240	10,066	10,066	10,066	10,066	10,066
A00339-C&M Motors Lot-ISC	12,224	-	-	-	-	-
A00340-Reiss House-ISC	7,392	7,692	-	-	-	-
A00342-Real Estate Mgmt-ISC	15,290	17,500	17,500	17,500	17,500	17,500
Commercial Property Lending						
A00366-CPRL-General-ISC	2,472,000	1,879,172	1,276,275	1,276,275	1,276,275	1,276,275
Redevelopment Strategy						
A00333-MLK Alberta-ISC	50,000	734,375	196,455	199,553	200,858	210,005
A00334-Kenton Redev Dtwm-ISC	88,592	-	-	-	-	-

**Financial Summary
 Five-Year Forecast**

Interstate Corridor URA Fund	Revised FY 2015-16	Adopted FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20	Forecast FY 2020-21
A00341-Project Development-ISC	5,000	20,000	20,000	20,000	20,000	20,000
Redevelopment Grants						
A00131-CLG-General-ISC	300,000	700,000	300,000	300,000	300,000	300,000
A00138-DOS-General-ISC	100,000	100,000	100,000	100,000	100,000	100,000
A00146-SIP-General-ISC	500,000	500,000	500,000	500,000	500,000	500,000
A00150-GFGP-General-ISC	100,000	100,000	100,000	100,000	100,000	100,000
Property Redevelopment Total	4,525,943	4,180,206	2,624,312	2,627,410	2,628,715	2,637,862
Total Program Expenditures	22,494,922	25,466,716	33,291,695	20,279,667	5,890,135	16,694,559
Personnel Services	491,371	413,544	435,236	444,821	460,877	470,556
Total Fund Expenditures	22,986,293	25,880,260	33,726,931	20,724,488	6,351,012	17,165,115
Interfund Transfers - Indirect Charges	1,842,154	2,075,948	2,284,021	2,373,440	2,476,309	2,547,970
Contingency	18,140,851	10,241,604	2,934,243	1,382,337	12,278,770	41,037,647
Total Fund Requirements	42,969,298	38,197,812	38,945,195	24,480,265	21,106,091	60,750,732