



DATE: June 14, 2017
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 17-22

Authorize Interfund Loan of \$120,000 from Enterprise Loan Fund to Neighborhood Prosperity Initiative Fund for Physical Improvements of the Property Located at 5012 NE 42nd Avenue

BOARD ACTION REQUESTED

Adopt Resolution No. 7238

ACTION DESCRIPTION

This action by the Prosper Portland Board of Commissioners (Board) will authorize a five-year interfund loan (Interfund Loan) not to exceed \$120,000 from the Enterprise Loan Fund to the Neighborhood Prosperity Initiative (NPI) Fund. If approved, the Interfund Loan proceeds shall be used for the purpose of improving property (Property) located at 5012 NE 42nd Avenue within the Our 42nd Avenue NPI district (see a site map and Property photos in Attachment A). Our 42nd Avenue, a community-based organization which currently owns the Property, intends to sell it and use the Interfund Loan proceeds to offer tenant improvements to the purchaser in order to keep rent accessible and promote commercial affordability in the neighborhood. This, in turn, directly supports Prosper Portland's 2015-2020 Strategic Plan goal of creating healthy neighborhoods and fostering wealth creation within communities of color and low-income neighborhoods. The Interfund Loan must be repaid by June 30, 2022.

The Prosper Portland Board is authorized to approve interfund loans pursuant to the provisions of Oregon Revised Statutes (ORS) 294.468, which states:

“It shall be lawful to loan money from any fund to any other fund of the municipal corporation whenever the loan is authorized by official resolution or ordinance of the governing body.”

BACKGROUND AND CONTEXT

Our 42nd Avenue acquired the Property on May 5, 2016 with the intended goal of selling it to a buyer who would develop it in a way that would benefit the community. Since that time, Our 42nd Avenue worked with community stakeholders to articulate a disposition strategy that meets community goals and identified a purchaser that intends to lease out the Property to local neighborhood businesses. Terms of the current purchase and sale agreement include a provision that Our 42nd Avenue will invest approximately \$150,000 in grants to assist with property renovations, of which \$120,000 is from the Interfund Loan. The purchaser will then be able to provide a favorable master lease rate for future tenants of the Property. This transaction will allow Our 42nd Avenue to negotiate favorable lease rates

with priority population businesses and create a stable commercial space in a strategic location in the center of the commercial district.

COMMUNITY AND PUBLIC BENEFIT

The sale of this Property to a community business aligns with the following Our 42nd Avenue strategic investment priorities:

- Creating equitable and inclusive economic opportunities;
- Promoting economic stability for long-term community members, especially those facing economic disadvantage; and
- Encouraging development that is responsive to community needs and is deliberate in its inclusion of economically disadvantaged community members.

PUBLIC PARTICIPATION AND FEEDBACK

Our 42nd Avenue is a community-led non-profit organization. The purchase and sale agreement is being negotiated by the executive director of Our 42nd Avenue and has incorporated extensive community conversations. There is a community desire to ensure businesses located in the district have reliable and affordable space. The final purchase and sale agreement will be approved by the community board members who will ensure that community benefits are met.

BUDGET AND FINANCIAL INFORMATION

The Interfund Loan amount of \$120,000 represents approximately 33 percent of Our 42nd Avenue's forecasted tax increment financing (TIF) revenues shown below:

TIF REVENUE FORECAST

| NPI Name | FY 2017-2018 | FY 2018-2019 | FY 2019-2020 | FY 2020-2021 | Total |
|---------------------|---------------------|---------------------|---------------------|---------------------|--------------|
| Our 42nd Avenue URA | 90,891 | 92,778 | 92,778 | 92,778 | 369,225 |

This item is programmed in the Proposed FY 2017-18 Budget (slated for approval on June 14, 2017) as an Interfund Loan from the Small Business Loan Fund (a sub-fund within the Enterprise Loan Fund) to Our 42nd Avenue NPI Fund (see Attachment B). The loan repayments are also programmed in the four forecasted years.

RISK ASSESSMENT

If Our 42nd Avenue does not receive the forecasted TIF and Prosper Portland continues to grant the programmed funds, Our 42nd Avenue would have to repay its loan with revenue sharing funds. Because the repayment of the Interfund Loan is budgeted for and Prosper Portland enters into annual grant agreements with Our 42nd Avenue, there is little risk associated with this transaction.

ALTERNATIVE ACTIONS

The Prosper Portland Board could choose not to approve the Interfund Loan or alter the repayment schedule. If the Interfund Loan is not approved, Our 42nd Avenue would likely request a loan from Prosper Portland, which would require substantial staff administrative time and underwriting.

ATTACHMENTS

- A. Property Photos and Site Map
- B. URA Financial Summary

PROPERTY PHOTOS & SITE MAP



Site Aerial



View from NE 42nd and Alberta, Looking Northeast

URA FINANCIAL SUMMARY

**Financial Summary
 Five-Year Forecast**

| 42nd Avenue URA Fund | Revised FY 2016-17 | Approved FY 2017-18 | Forecast FY 2018-19 | Forecast FY 2019-20 | Forecast FY 2020-21 | Forecast FY 2021-22 |
|---|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Resources | | | | | | |
| Beginning Fund Balance | 35,834 | 15,685 | 11,772 | 8,315 | 23,448 | 58,308 |
| Revenue | | | | | | |
| Grants - State & Local | 66,158 | 89,182 | 112,867 | 131,668 | 150,990 | - |
| Interest on Investments | 0 | 78 | 74 | 197 | 414 | 727 |
| TIF - Short Term Debt | 87,274 | 90,891 | 92,778 | 92,778 | 92,778 | 6,384 |
| Transfers In | 0 | 120,000 | - | - | - | - |
| Total Revenue | 153,432 | 300,151 | 205,719 | 224,643 | 244,182 | 7,111 |
| Total Resources | 189,266 | 315,836 | 217,491 | 232,958 | 267,630 | 65,419 |
| Requirements | | | | | | |
| Economic Development | | | | | | |
| Community Economic Development | | | | | | |
| A00092-Neighborhood Prosperity-42A) | 80,000 | 200,000 | 80,000 | 80,000 | 80,000 | - |
| A00484-NPI Shared-42AV | 50,000 | 90,000 | 90,000 | 90,000 | 90,000 | 35,000 |
| Economic Development Total | 130,000 | 290,000 | 170,000 | 170,000 | 170,000 | 35,000 |
| Total Program Expenditures | 130,000 | 290,000 | 170,000 | 170,000 | 170,000 | 35,000 |
| Total Fund Expenditures | 130,000 | 290,000 | 170,000 | 170,000 | 170,000 | 35,000 |
| Interfund Transfers - Indirect Charges | 18,581 | 14,064 | 7,364 | 7,038 | 6,850 | 5,930 |
| Interfund Transfers - Cash Transfers | 25,000 | - | 31,812 | 32,472 | 32,472 | 23,244 |
| Contingency | 15,685 | 11,772 | 8,315 | 23,448 | 58,308 | 1,245 |
| Total Fund Requirements | 189,266 | 315,836 | 217,491 | 232,958 | 267,630 | 65,419 |

**Financial Summary
 Five-Year Forecast**

| Enterprise Loan Sub Fund: Small Business Loan Fund | Revised FY 2016-17 | Approved FY 2017-18 | Forecast FY 2018-19 | Forecast FY 2019-20 | Forecast FY 2020-21 | Forecast FY 2021-22 |
|---|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Resources | | | | | | |
| Beginning Fund Balance | 1,298,465 | 1,283,928 | 1,243,990 | 1,116,777 | 1,020,045 | 920,841 |
| Revenue | | | | | | |
| Fees and Charges | 878 | 2,028 | 208 | 60 | 50 | 26 |
| Interest on Investments | 2,272 | 6,420 | 6,794 | 6,025 | 5,408 | 4,782 |
| Loan Collections | 75,554 | 253,497 | 26,037 | 7,615 | 6,233 | 3,341 |
| Transfers In | 200,000 | - | 31,812 | 32,472 | 32,472 | 23,244 |
| Total Revenue | 278,704 | 261,945 | 64,851 | 46,172 | 44,163 | 31,393 |
| Total Resources | 1,577,169 | 1,545,873 | 1,308,841 | 1,162,949 | 1,064,208 | 952,234 |
| Requirements | | | | | | |
| Economic Development | | | | | | |
| Business Lending | | | | | | |
| A00217-SBLF-General-SBL | 250,250 | 150,150 | 150,150 | 100,100 | 100,100 | 100,100 |
| Economic Development Total | 250,250 | 150,150 | 150,150 | 100,100 | 100,100 | 100,100 |
| Total Program Expenditures | 250,250 | 150,150 | 150,150 | 100,100 | 100,100 | 100,100 |
| Personnel Services | 7,982 | 1,306 | 5,587 | 5,587 | 5,587 | 5,587 |
| Total Fund Expenditures | 258,232 | 151,456 | 155,737 | 105,687 | 105,687 | 105,687 |
| Interfund Transfers - Indirect Charges | 35,009 | 30,427 | 36,327 | 37,217 | 37,680 | 38,349 |
| Interfund Transfers - Cash Transfers | 0 | 120,000 | - | - | - | - |
| Contingency | 1,283,928 | 1,243,990 | 1,116,777 | 1,020,045 | 920,841 | 808,199 |
| Total Fund Requirements | 1,577,169 | 1,545,873 | 1,308,841 | 1,162,949 | 1,064,208 | 952,234 |