PROSPER PORTLAND
Building an Equitable Economy

DATE: September 13, 2017

TO: Board of Commissioners

FROM: Kimberly Branam, Executive Director

SUBJECT: Report Number 17-40

             Update on Prosper Portland Affordable Commercial Tenanting Initiatives

BRIEF DESCRIPTION OF INFORMATION ITEM

No action is requested; information only.

At the September 13, 2017 Prosper Portland Board of Commissioners (Board) meeting, staff will provide an update on a proposed framework for the Prosper Portland Affordable Commercial Tenanting (ACT) Program, as well as an update on the status of four Prosper Portland owned- and sponsored-development projects that are providing long-term affordable commercial space (see Attachment A).

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

The ACT Program is intended to create and maintain commercial affordability for Qualified Businesses. Qualified Businesses, for purposes of the ACT Program, are those owned by people underrepresented within the community of commercial tenants in Portland and long-time business owners. Underrepresented populations include people of color, women, and those from low-income communities. Through the ACT Program, Prosper Portland anticipates offering support to qualified businesses in the form of access to publicly-and privately-managed commercial space and access to technical assistance and financial resources. The ACT Program aims to lower barriers to entry for qualified businesses to enter into commercial space and to support businesses through gap financing as they stabilize to market conditions. It aligns with Prosper Portland goals for economic opportunity to help businesses remain in place in their communities.

BACKGROUND AND CONTEXT

Since recovering from the Great Recession, the city of Portland has seen a dramatic increase in retail rents and a decrease in both vacancy rates and available small-scale retail locations, which has especially impacted Portland's neighborhood business districts. The result is the displacement of small businesses, which serve a critical role in our economy. Many of these businesses are or were Qualified Businesses.

Affordable Commercial Tenanting Program Framework

The ACT Program Framework is a set of tools designed to assist qualified businesses in being successful and resilient. The proposed tools fall into the following five categories and are currently being piloted across a variety of projects.

1. **Access to Publicly-Managed Space:** Apply Prosper Portland resources and tools to activate market-based development in key communities and geographies where there are ongoing gaps in the market and do so in partnership with City of Portland (City) bureaus to implement the Portland Plan, Comprehensive Plan, and Central City 2035 objectives.
   - Master Lease
     i. Alberta Commons (NE Martin Luther King, Jr. Boulevard and NE Alberta Street). Prosper Portland has negotiated a 10-Year master lease from the project's developer, Majestic, for 5,100 square feet of ground floor commercial space.
     ii. SW 10th & Yamhill Garage Retail Space. Prosper Portland is in the process of signing a 10-year master lease with the City Bureau of Transportation, for 21,000 square feet of ground floor commercial space.
   - Prosper Portland-Owned Property
     i. Lents Commons (SE 92ND Avenue and SE Foster Road). Prosper Portland is developing Lents Commons, the project consists of 7,500 square feet of ground floor commercial space, 3,725 of which is targeted to be leased as Affordable Commercial space to Qualified Tenants.

2. **Access to Privately Managed Space**: Pursue opportunities created by private sector development activity to increase the supply of below-market rate housing and long-term affordable commercial space throughout the city.
   - Development Agreement Consent to Let.
     i. Oliver Station (SE 92ND Avenue and SE Foster Road). Prosper Portland negotiated a Consent to Let clause in the development agreement with Oliver Station developer, Palindrome Communities. The Consent to Let clause includes marketing rights for a designated period and an initial below market lease rate for 4,000 square feet of ground floor commercial space.

3. **Technical Assistance**: Provide culturally appropriate, easily accessible business technical assistance and mentorship to Qualified Businesses.
   - Wrap-Around Technical Assistance. Including lease review assistance, space planning, space build-out, merchandising, business planning, and other technical assistance. Continue existing partnerships with Small Business Technical Assistance Program providers.

4. **Financial Support**: Work with lenders and Prosper Portland financial tools to achieve greater access to capital among Qualified Businesses.
   - Tenant Improvement Grants. Utilize the existing Prosper Portland Prosperity Improvement Program grant program to support tenant improvements for Qualified Businesses.
   - Tenant Improvement and/or Working Capital Loans. Utilize existing Prosper Portland Tenant Improvement and Working Capital Loans and work with other lenders to support tenant improvements and start-ups costs for Qualified Businesses.

5. **Regulatory Steps:** Pursue regulatory steps to support maintaining and creating affordable commercial space.
   - Affordable Commercial Covenant
     i. Mixed Use Zones Affordable Commercial Space Bonus. Prosper Portland is working with the City Bureau of Planning and Sustainability to structure a floor

area ratio bonus for developers who agree to provide affordable commercial space to Qualified Tenants.

- Other Regulatory Actions.
    i. Explore additional regulatory actions. Work with Portland City Council to implement any regulatory initiatives designed to assist qualified businesses in being successful and resilient.

EQUITY IMPACT

The ACT Program is intended:

- To lower the barrier of entry to commercial space for Qualified Businesses.
- To offer lease rates and tenant improvement packages as gap financing, based on business financial needs.

ATTACHMENTS

A. Prosper Portland Owned-and Sponsored-Projects with Affordable Commercial Space