



**PROSPER**  
**PORTLAND**  
Building an Equitable Economy

**DATE:** October 25, 2017  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 17-44  
Update on the 10<sup>th</sup> & Yamhill Project

#### **BRIEF DESCRIPTION OF INFORMATION ITEM**

No action is requested; information only.

On June 14, 2017, through Resolution No. 7240, the Prosper Portland Board of Commissioners (Board) approved the terms for a master lease between City of Portland (City) Bureau of Transportation (PBOT) and Prosper Portland for tenancing and management of the ground floor retail space at the SW 10<sup>th</sup> & Yamhill Garage (Parking Garage). At the October 25, 2017 Prosper Portland Board meeting, staff will provide an update on the status of the renovation project, master lease, and tenancing process.

#### **STRATEGIC PLAN ALIGNMENT AND OUTCOMES**

The Parking Garage renovation project and updated retail space stand to become a replicable model of how the City can improve its buildings to contribute to the surrounding neighborhood by better activating the pedestrian environment, improving the health and performance of the buildings, and creating quality and affordable space for minority-owned and small businesses to grow.

#### **BACKGROUND AND CONTEXT**

The Parking Garage is one of multiple garages owned by PBOT in the SmartPark system. It is a seven-story structure with approximately 30,000 square feet of commercial space at or near ground level and 796 parking spaces on the upper floors. The Parking Garage was constructed in 1978 and improved in 1984 with the addition of two floors of parking. The goals of the upcoming PBOT renovation project are to:

- Preserve the building while bringing it into compliance;
- Support the downtown retail core and multimodal transportation goals; and
- Create a downtown retail hub with high-quality, affordable spaces for local Portland brands, stores, and makers to offer their wares to the wide demographic market available in the Central City.

**Renovation Project Status Update.** The City Design Commission approved the land use application for the Parking Garage renovation on October 19, 2017 and construction is scheduled to begin in mid-January 2018. The ground floor will be completely overhauled with a new floor layout and building systems including mechanical, electrical, and plumbing. The fire, life, and safety systems will not function during this time and therefore existing tenants will be required to move out during construction as tenant and customer safety cannot be guaranteed. Construction is scheduled to be completed in November 2018, with the ground floor space to be re-opened in early 2019.

**Master Lease.** In June 2017 the Prosper Portland Board approved terms for a master lease and tenant strategy between Prosper Portland and PBOT to tenant, manage, and operate the ground floor retail post-renovation. Under this agreement, Prosper Portland will lease the space from PBOT for 10 years with a second 10-year option. During the term of the master lease, Prosper Portland will sub-lease the spaces to businesses consistent with the zoning code and agreed-upon tenancing strategy which is aimed at creating high-quality, affordable retail space for local merchants.

The space will be delivered in a warm shell condition, reducing what can be a significant burden on small retailers to improve their space. The agencies will share the net operating revenue after all expenses for management, operations, and broker fees are paid. This agreement is in final editing stages, and staff anticipates its execution in the very near term, after which Prosper Portland will begin the tenancing process.

**Tenancing Criteria & Process.** The renovation offers PBOT and Prosper Portland an opportunity to implement a retail strategy for the ground floor to better activate the street level environment, provide fresh spaces at competitive lease rates, and complement the individuality of the West End retail culture. The mix of retail spaces, restaurant, and market hall with varying sizes will create a cohesive and complementary blend of tenants. The tenancing goals will emphasize leasing space to businesses that align with Prosper Portland's Strategic Plan goals, including businesses owned by people of color and women seeking access to the downtown market, as well as locally owned businesses and Pacific Northwest-owned brands.

The tenancing strategy, combined with storefront and lighting improvements, will better activate the street, create a more welcoming space for shoppers, and diversify the number and types of products sold. PBOT and Prosper Portland will look for a complementary tenant mix with businesses offering a combination of services and products to activate the ground floor and street, and bolster foot traffic and visits to the shops throughout the day. Finally, tenant businesses should strengthen the retail environment while contributing to the overall vision for the Downtown Retail District.

In fall 2017, Prosper Portland will form a Tenant Advisory Committee to assist with the tenancing process. The committee, which will consist of members who can provide high-level guidance on the business and tenant mix as well as tenant referrals to position both the businesses and the Parking Garage for success, will likely include representatives from the Portland Business Alliance; Hispanic Metropolitan Chamber of Commerce; staff from Commissioner Saltzman's office; a downtown retailer; the broker for the leased spaces; and Prosper Portland staff. The committee will meet quarterly to review tenant inquiries and applications and confirm the tenant mix against tenancing goals.

Prosper Portland will retain a broker to assist with leasing and in late fall 2017 initiate a call for businesses to submit their notice of interest for space, followed by a formal application process. Applicants will be selected based on the tenancing goals and business viability. Selected tenants will work with the broker on a letter of interest, space plan, and tenant improvement cost projections. Prosper Portland will review the applicant's business finances again at that time. If the applicant moves forward, both parties will negotiate lease terms and move to execution. Prosper Portland will continue a rolling application process for unleased spaces.

Current retail tenants are on month-to-month leases managed by the City Office of Management and Finance. Prosper Portland, PBOT, and the Portland Business Alliance Downtown Retail Advocate initiated conversations with each tenant individually in spring 2016 to inform them about the project including renovation details and timeline as well as to share resources to support the tenants' relocation. Existing tenants may also submit their interest for leasing space after the renovation and will be considered with the other applicants.

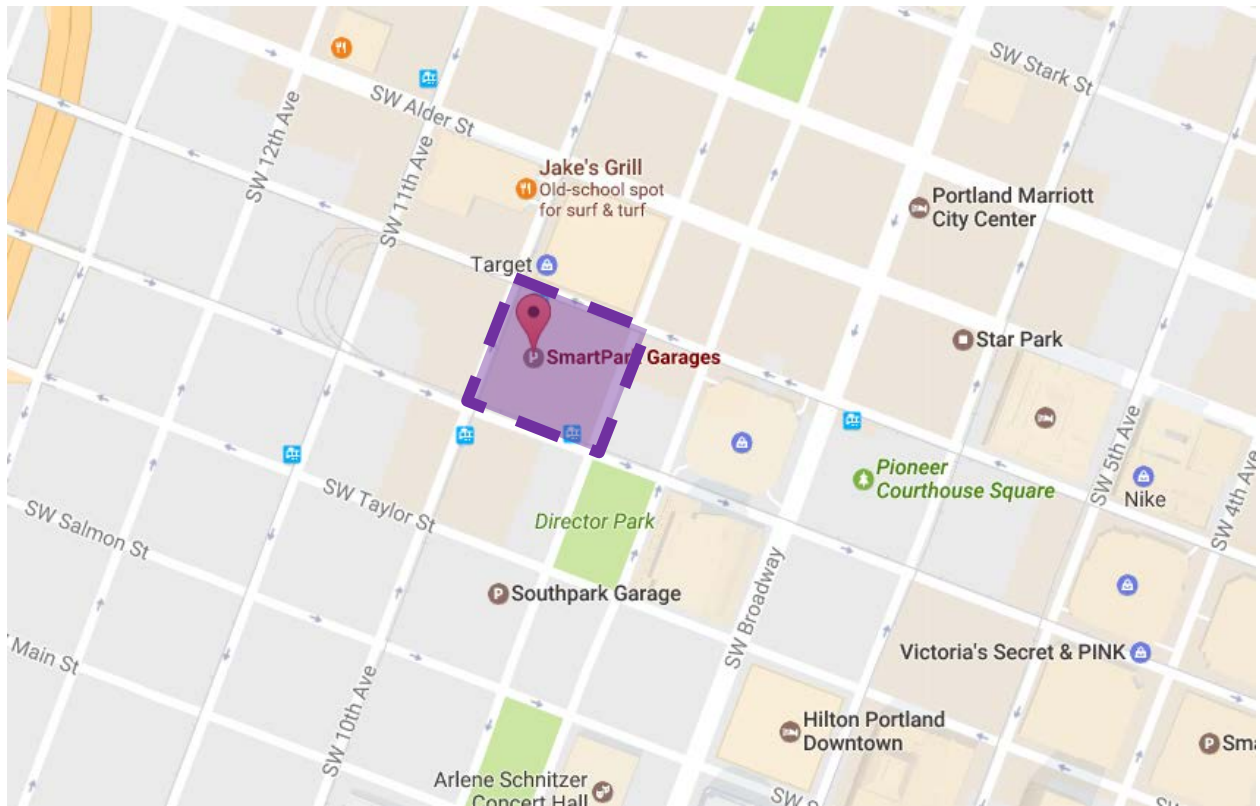
### **EQUITY IMPACT**

The tenancing strategy aims to provide small retailers with access to high-quality and affordable space in the downtown retail market. The spaces come in a variety of types and sizes to appeal to businesses at various stages of growth. The warm shell condition of the spaces will allow tenants to avoid taking on a construction project in addition to setting up their stores. The goal is to attract a range of retailers and with initial emphasis on businesses that align with Prosper Portland's Strategic Plan goals to build an equitable economy and assist underserved and underrepresented business owners, particularly women and people of color.

### **ATTACHMENTS**

- A. Site Map
- B. Project Renderings
- C. Retail Tenancing Frequently Asked Questions

### Site Map



**Project Renderings**



northeast corner



northwest corner





Existing arcade along SW Yamhill Street.



Proposed design for arcade along SW Yamhill Street.



Existing facade along SW Ninth Avenue.



Proposed design for facade along SW Ninth Avenue.  
DESIGN ELEMENTS



Existing arcade along SW Morrison Street.



Proposed design for arcade along SW Morrison Street.



### **Retail Tenancing Project Frequently Asked Questions**

1. **What is the status of the existing tenants at 10th & Yamhill**
  - A. There are five tenants in the ground floor retail, all on month-to-month leases. In spring of 2016 Prosper Portland and PBOT staff along with the Downtown Retail Advocate met one-on-one with the tenants to inform them about the renovation and that their leases would be terminated before construction. The City sent each tenant a letter in summer 2017 notifying that their leases would not be renewed and that they would need to move out of their spaces in mid-January 2018.
  
2. **Why are the existing tenants being asked to move out during the renovation?**
  - A. The ground floor is being completely overhauled with a new floor layout and building systems including mechanical, electrical, and plumbing. The Fire, Life, & Safety systems will not function during this time and therefore staff cannot guarantee tenant and customer safety.
  
3. **What are the tenancing goals for the project?**
  - A. The tenancing goals emphasize sub-tenants that align with Prosper Portland's Strategic Plan objectives, locally-owned businesses and makers, and Pacific Northwest-owned brands. Staff will be looking for a complimentary tenant mix with businesses offering a combination of services and products, which help activate the ground floor and street, and bolster foot traffic and visitation to the shops throughout the entire day. Finally, tenants should help to strengthen the retail mix while contributing to the overall vision for the Downtown Retail District. Under the current master lease draft, PBOT has restricted the off-premises alcohol sales. This may be subject to change as the master lease has not yet been executed and PBOT is willing to entertain other suggestions that will aim to create a positive street environment at the retail area.
  
4. **What are the criteria for tenant selection post-renovation?**
  - A. The tenant criteria are very similar to those in the Lents Commons and Alberta Commons projects. Tenants that reflect the tenancing goals must also demonstrate financial sustainability through a business plan; have been in business for at least two years (or two to five years of management experience within their industry); and provide a year-to-date profit and loss balance sheet, personal and business tax returns (three years), and a personal financial statement. Prospective tenants with more than three locations will be considered for tenancy, but are a lower priority. Staff is prioritizing tenants who may not have had access to the downtown market and therefore may be their first or second location.
  
5. **What is the tenant selection process?**
  - A. Once Prosper Portland has executed the master lease with PBOT, it will form a Tenancing Advisory Committee and retain a broker. Prosper Portland will initiate a call for businesses to submit their notice of interest for space, which will be followed by a formal application process. Tenants will submit applications for consideration and if they are deemed to have met the criteria, will be reviewed by the Tenancing Advisory Committee to review the applications against tenancing goals and business viability. Selected tenants will work with the broker on a letter of intent, space plan, and tenant improvement cost projections. Prosper Portland will review business finances again at that time. If the applicant moves forward, both parties will negotiate lease terms and move to execution.