



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

**DATE:** February 11, 2026  
**TO:** Board of Commissioners  
**FROM:** Cornell Wesley, Executive Director  
**SUBJECT:** Report Number 26-04

Approving the Terms of a Commercial Property Loan to Palindrome 92H, LLC, in an Amount Not to Exceed \$10,800,000, for Redevelopment of Real Property Located at 5640 SE 92<sup>nd</sup> Avenue in the Lents Town Center Tax Increment Finance District

#### **BOARD ACTION REQUESTED AND BRIEF DESCRIPTION**

Adopt Resolution No. 7637

This action, if approved by the Prosper Portland Board of Commissioners (Board), will authorize the Executive Director to make a Commercial Property Loan (Loan) to Palindrome 92H, LLC (Borrower) in the amount of \$10,800,000, to finance eligible construction costs associated with the development of a 171-unit multifamily project (Project) located at 5640 SE 92<sup>nd</sup> Avenue (see Site Map as Attachment A).

The Project will be built on land owned by Prosper Portland, which is subject to a Disposition and Development Agreement (DDA) between Prosper Portland and Palindrome Communities, LLC, dated June 13, 2022, whereby Prosper Portland agreed (subject to applicable terms and conditions) to offer 99-year ground leases to Palindrome Communities, LLC (an entity affiliated with the Borrower) in exchange for the development of the Project.

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

This action will deliver on several Advance Portland and Lents Town Center Tax Increment Finance (TIF) District Action Plan priorities.

The Project is aligned with the following Advance Portland objectives and outcomes:

- Objective 3: Foster a Vibrant Central City and Commercial Districts
  - 3.1 – Increase mixed income housing in subdistricts with a lack of residential use and an imbalanced mix of uses.
  - 3.3 – Catalyze public-private partnerships to unlock infill development of large scale mixed-use, mixed-income sites with high transit accessibility.
  - 3.8 – Address housing production across a continuum of affordability.

Furthermore, the Project is aligned with the following Lents Town Center Action Plan objectives and actions:

- Objective A.1 – Concentrate investment along 92<sup>nd</sup> Avenue and initiate “game changing redevelopment”

- Action 1.3 – Facilitate development of portion of the Prosper Portland-owned 92H property that fronts 92<sup>nd</sup> Avenue with a mixed-use commercial and housing project that supports retail focus on 92<sup>nd</sup> Avenue

## **BACKGROUND AND CONTEXT**

*Lents Town Center Five-Year Action Plan.* On May 28, 2014, through Resolution No. 37075, Portland City Council approved the Lents Town Center Five-Year Action Plan (Action Plan), articulating a set of investment priorities and actions for Prosper Portland and its City of Portland bureau partners. Among other priorities, the Action Plan called for redevelopment along SE 92<sup>nd</sup> Avenue and for the activation of Prosper Portland-owned properties in Lents Town Center. The Lents community provided extensive input over a two-year community engagement process to inform the Action Plan and as part of a shared commitment between community and city partners to continue delivering on identified district priorities, the Action Plan was extended in early 2020. Due to the ongoing impacts of the pandemic, Prosper Portland extended the timeline of the Action Plan and continues to prioritize community-identified investments in the sunsetting TIF district.

*Lents Town Center Phase 2.* In May 2017, Prosper Portland entered into a nonbinding Memorandum of Understanding with the Borrower to advance what was referred to as Lents Town Center Phase 2. In 2018 and 2019, Prosper Portland, in partnership with the Borrower, conducted an extensive public engagement process with the broader Lents community. In response to stakeholder feedback and in alignment with the Lents Action Plan, staff worked with the Borrower and PHB to advance Lents Town Center Phase 2, which included 92<sup>nd</sup> and Harold as one of several key sites.

*92<sup>nd</sup> & Harold Project.* The Project site is a 2.11-acre undeveloped parcel located at 5640 SE 92<sup>nd</sup> Avenue, which is the former home to the Lents Little League and was acquired by Prosper Portland in 2000. Prosper Portland entered into a Disposition and Development Agreement (DDA) with Palindrome Communities, LLC, dated June 13, 2022, whereby Prosper Portland agreed (subject to applicable terms and conditions) to offer 99-year ground leases to Palindrome Communities, LLC (an entity affiliated with the Borrower) in exchange for the development of the Project. Mr. Chad Rennaker owns all of the entities affiliated with the Palindrome family of companies. The Borrower has confirmed that prior to construction, Palindrome Communities, LLC will assign the DDA and the ground lease to Palindrome 92H, LLC to construct and manage the completed project.

The Project is the proposed new construction of a 171-unit mixed-income development. Upon completion, the Project will consist of one five-story, midrise residential building and one two-story townhome building containing a total of 141 one-bedroom, 26 two-bedroom, and four three-bedroom units. Nine of the 171 units will be restricted for households earning 60 percent of the Area Median Income (AMI) or less, and the remaining units will be available at market rate. Construction is anticipated to begin in spring 2026 and be complete in spring 2027.

The Sources and Uses of the Project include:

| <b>Sources</b>                             | <b>Amount</b>        | <b>Percentage</b> |
|--|----------------------|-------------------|
| Borrower Contribution                      | \$ 11,026,148        | 20%               |
| Deferred Developer & Contractor Fees       | \$ 5,471,126         | 10%               |
| Construction Loan - Western Alliance Bank  | \$ 27,500,000        | 50%               |
| Prosper Portland Construction to Perm Loan | \$ 10,800,000        | 20%               |
| <b>Total Sources</b>                       | <b>\$ 54,797,274</b> | <b>100%</b>       |
| <b>Uses</b>                                |                      |                   |
| Land: Prepaid Ground Lease (2 Years)       | \$ 376,980           | 1%                |
| Soft Costs                                 | \$ 6,441,701         | 12%               |
| Hard Construction Costs                    | \$ 44,204,780        | 81%               |
| Financing Costs                            | \$ 3,773,813         | 7%                |
| <b>Total Uses</b>                          | <b>\$ 54,797,274</b> | <b>100%</b>       |

*Loan Program Objectives.* On March 13, 2024, through Prosper Portland Resolution No. 7525, new Guidelines were adopted to guide agency loan-making activities. One intent of the creation of new guidelines was to decrease the number of exceptions requiring board approval. For those projects that deliver on TIF District Action Plan Objectives and require more flexible loan terms, Board approval is required. This provides an opportunity for increased transparency regarding the project and how it meets community needs as expressed in the Lents Action Plan.

*Exceptions.* Prosper Portland’s Commercial Property Loan Program Guidelines (Guidelines), pursuant to Resolution No. 7525, provide that proposed loans must be approved by the Board unless all the terms of the proposed loan are consistent with Board-adopted standards for loans that may be approved by the Executive Director. The proposed loan requires Board approval for the reasons outlined below:

1. Eligible Applicant – Guidelines require that the applicant be the owner of the real property where the proposed project will take place, or the legal entity holding a long-term leasehold in the real property where the proposed project will take place. Borrower does not currently hold a long-term lease on the subject property, however, it will once its affiliate, Palindrome Communities, LLC, assigns it to the Borrower prior to construction. This is a condition to close.
2. Maximum Loan Amount – Guidelines allow a maximum loan amount of \$5 million. This loan request exceeds that amount. However, it will come from budgeted TIF resources (highlighted in Attachment B).
3. Interest Rate – Guidelines require that Prosper Portland use the U.S. Treasury Note Yield most closely corresponding to the term of the loan, along with an interest rate margin computed by a risk rating tool. In today’s market, this rate would be approximately 6.12%. Because this loan will promote objectives within Advance Portland and the Lents Action Plan by building middle-income housing, the Project interest rate of 4% is justified and intended to help the Project remain feasible.
4. Term Length – Guidelines allow a construction loan to have a term of up to 60 months (5 years). Because this loan is not only meant to finance construction but also to serve as a permanent loan, we are proposing a loan term of 240 months (20 years).

Payments – Guidelines require that at a minimum, monthly interest-only payments be made. Because repayment of this loan will be dependent on excess cash flow, and due annually, there will be no monthly principal payments and the annual principal payment may or may not occur, depending on whether there is sufficient excess cash flow. While not an exception, it should be noted that because Prosper Portland will continue to be the owner of the Property, the pledge of Borrower’s ground leasehold interest in the Property as security for the loan does not have the same value of such a pledge when Prosper Portland is not the owner of the real estate.

*Conditions to Close; Conditions to Disburse.* In an effort to mitigate the risks associated with the construction loan, the following are conditions to close and conditions to disburse reflected in the term sheet attached as Exhibit A to Resolution 7637.

*Conditions to Close*

- Receipt, review, and approval of final term sheet from the senior construction lender which reflects the lender’s understanding of the terms of Prosper Portland’s loan; and Prosper Portland has determined that the final term sheet is materially consistent with the most current term sheet evaluated by Prosper Portland during underwriting; and that servicing the senior loan will not prevent the Borrower from achieving a Debt Service Coverage Ratio (DSCR) equal to or greater than 1.10 to 1.
- Receipt, review, and approval of an Intercreditor Agreement with senior construction lender.
- Prosper Portland to receive evidence, acceptable to Prosper Portland, that Palindrome Communities, LLC has assigned the DDA to Palindrome 92H, LLC, and executed the Ground Lease within the DDA.
- Confirmation that the Project is qualified for a 10-year Inclusionary Housing tax abatement.

*Conditions to Disburse*

- Receive an executed copy of its Inclusionary Housing Covenant with Portland Housing Bureau.
- The first loan disbursement shall include an amount equal to the payoff amount on the outstanding Pre-Development loan. Current loan balance as of this writing is approximately \$160,467.

**EQUITY IMPACT**

The Project is subject to applicable terms of Prosper Portland’s Green Building and Equity policies, to the extent currently in effect, and the Project would advance economic equity through investment in workforce housing in the district.

**COMMUNITY PARTICIPATION AND FEEDBACK**

Prosper Portland did not engage in community outreach specific to this loan, but as outlined above, community engagement began in 2018 for the redevelopment of the full site at SE 92<sup>nd</sup> and Harold, which focused on opportunities for new housing, renovated commercial space, and public space.

**BUDGET AND FINANCIAL INFORMATION**

There are sufficient resources in the fiscal years 2025-26 and 2026-27 which will be added in the Fiscal Year (FY) 2026-27 Lents Town Center TIF Fund Proposed Budget (see Attachment B). The Lents TIF District Budget will increase revenues and expenditures in the upcoming FY 2026-27 Revised 2 Budget to

reflect the permanent loan paying off the initial \$500,000 predevelopment loan that Prosper Portland previously funded.

### **RISK ASSESSMENT**

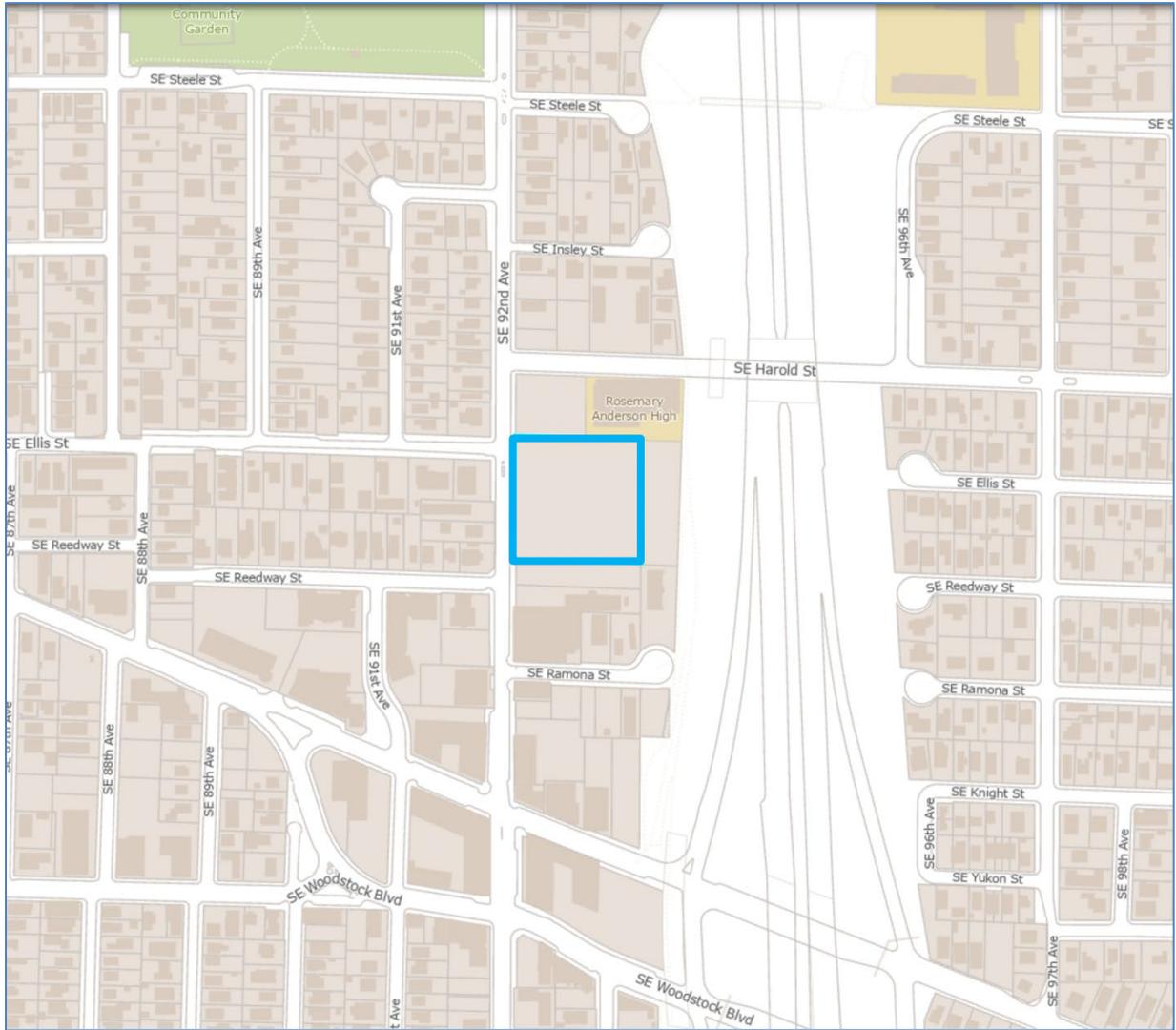
While this Project would serve to activate a long vacant site on Prosper Portland-owned property and deliver additional mixed-income housing units to the market, the loan is not without risk. The Borrower has not secured permanent financing for the project but has had a long-standing relationship with the Project's anticipated construction lender. The Borrower anticipates that the construction lender will provide permanent financing once the project is stabilized, as they have done on numerous past projects.

Additionally, the loan pro forma demonstrates an ability to repay. Together with the Borrower's extensive development experience, their financial investments in predevelopment work on the site, and acceptable collateral coverage, risks are adequately mitigated for this investment. Risks are similarly mitigated as outlined in the Conditions to Close and Disburse.

### **ATTACHMENTS**

- A. Site Map
- B. Lents Town Center TIF District Budget

**SITE MAP**  
5640 SE 92nd Ave



**LENTS TOWN CENTER TIF DISTRICT BUDGET**

| <b>Financial Summary Forecast</b>                    |                                  |                                |                                |                                |                                |                                |
|--|----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <u>Lents Town Center TIF Fund</u>                    | <u>Prior Year<br/>FY 2024-25</u> | <u>Revision<br/>FY 2025-26</u> | <u>Forecast<br/>FY 2026-27</u> | <u>Forecast<br/>FY 2027-28</u> | <u>Forecast<br/>FY 2028-29</u> | <u>Forecast<br/>FY 2029-30</u> |
| <b>Resources</b>                                     |                                  |                                |                                |                                |                                |                                |
| Beginning Fund Balance                               | 24,351,820                       | 21,741,220                     | 5,195,980                      | 3,763,168                      | 3,827,109                      | 3,892,969                      |
| Revenue  |                                  |                                |                                |                                |                                |                                |
| Fees and Charges                                     | 748                              | -                              | -                              | -                              | -                              | -                              |
| Interest on Investments                              | 882,015                          | 168,758                        | 107,062                        | 86,832                         | 88,751                         | 90,726                         |
| Loan Collections                                     | 284,923                          | -                              | -                              | -                              | -                              | -                              |
| Property Sales                                       | 1,885,708                        | -                              | -                              | -                              | -                              | -                              |
| Rent and Property Income                             | 60,002                           | -                              | -                              | -                              | -                              | -                              |
| Reimbursements                                       | 288                              | 40,801                         | 42,841                         | -                              | -                              | -                              |
| Total Revenue  | 3,113,684                        | 209,559                        | 149,903                        | 86,832                         | 88,751                         | 90,726                         |
| Total Resources                                      | 27,465,503                       | 21,950,779                     | 5,345,883                      | 3,850,000                      | 3,915,860                      | 3,983,695                      |
| <b>Requirements</b>                                  |                                  |                                |                                |                                |                                |                                |
| Administration                                       |                                  |                                |                                |                                |                                |                                |
| A00029-Debt Management & Legal-LTC                   | 2,300                            | -                              | -                              | -                              | -                              | -                              |
| Administration Total                                 | 2,300                            | -                              | -                              | -                              | -                              | -                              |
| Economic Development                                 |                                  |                                |                                |                                |                                |                                |
| Business Lending                                     |                                  |                                |                                |                                |                                |                                |
| A00208-Business Lending-LTC                          | 15                               | -                              | -                              | -                              | -                              | -                              |
| Economic Development Total                           | 15                               | -                              | -                              | -                              | -                              | -                              |
| Housing  |                                  |                                |                                |                                |                                |                                |
| A00170-Affordable Housing-LTC                        | 2,268,629                        | 1,478,952                      | 1,479,084                      | -                              | -                              | -                              |
| Housing Total  | 2,268,629                        | 1,478,952                      | 1,479,084                      | -                              | -                              | -                              |
| Infrastructure                                       |                                  |                                |                                |                                |                                |                                |
| Transportation                                       |                                  |                                |                                |                                |                                |                                |
| A00244-Lents Entryway-LTC                            | 14,240                           | 311,100                        | 30,300                         | -                              | -                              | -                              |
| Infrastructure Total                                 | 14,240                           | 311,100                        | 30,300                         | -                              | -                              | -                              |
| Property Redevelopment                               |                                  |                                |                                |                                |                                |                                |
| Commercial Property Lending                          |                                  |                                |                                |                                |                                |                                |
| A00365-Commercial Property Dev Lending-LTC           | 92,353                           | 10,322,646                     | -                              | -                              | -                              | -                              |
| Real Estate Management                               |                                  |                                |                                |                                |                                |                                |
| A00325-9330 SE Harold-LTC                            | 24,951                           | 22,891                         | 22,891                         | 22,891                         | 22,891                         | 22,891                         |
| A00329-7238 SE Foster-LTC                            | 55,218                           | 48,801                         | 50,440                         | -                              | -                              | -                              |
| A00330-Architect Iron Building-LTC                   | 31,350                           | -                              | -                              | -                              | -                              | -                              |
| A00554-Dagel Triangle-LTC                            | 10,915                           | 7,050                          | -                              | -                              | -                              | -                              |
| A00557-Tate Lot-LTC                                  | 12,588                           | 6,688                          | -                              | -                              | -                              | -                              |
| Redevelopment Grants                                 |                                  |                                |                                |                                |                                |                                |
| A00130-Community Livability Grant-LTC                | 270,936                          | 102,390                        | -                              | -                              | -                              | -                              |
| A00501-Prosperity Investment Program (PIP) Grant-LTC | 204,398                          | 51,512                         | -                              | -                              | -                              | -                              |
| A00807-Mercato Repair-LTC                            | 750,000                          | -                              | -                              | -                              | -                              | -                              |
| A00697-9101 Lents Commons-LTC                        | 287,578                          | 1,623,788                      | -                              | -                              | -                              | -                              |
| Property Redevelopment Total                         | 1,740,287                        | 12,185,766                     | 73,331                         | 22,891                         | 22,891                         | 22,891                         |
| Total Program Expenditures                           | 4,025,471                        | 13,975,818                     | 1,582,715                      | 22,891                         | 22,891                         | 22,891                         |
| Personnel Services                                   | 368,198                          | 384,319                        | -                              | -                              | -                              | -                              |
| Total Fund Expenditures                              | 4,393,669                        | 14,360,137                     | 1,582,715                      | 22,891                         | 22,891                         | 22,891                         |
| Interfund Transfers - Indirect Charges               | 880,615                          | 338,200                        | -                              | -                              | -                              | -                              |
| Interfund Transfers - Cash Transfers                 | 450,000                          | 1,547,274                      | -                              | -                              | -                              | 1,960,804                      |
| Real Estate Mgmt Contingency                         | -                                | 2,000,000                      | 2,000,000                      | 2,000,000                      | 2,000,000                      | 2,000,000                      |
| Reserved For Future Expenditures                     | -                                | 3,705,168                      | 1,763,168                      | 1,827,109                      | 1,892,969                      | -                              |
| Ending Balance                                       | 21,741,220                       | -                              | -                              | -                              | -                              | -                              |
| Total Fund Requirements                              | 27,465,503                       | 21,950,779                     | 5,345,883                      | 3,850,000                      | 3,915,860                      | 3,983,695                      |