



**DATE:** October 14, 2026  
**TO:** Board of Commissioners  
**FROM:** Cornell Wesley, Executive Director  
**SUBJECT:** Report Number 26-31

Approving the Terms of Two Loans to Oregon Casket Redevelopment, LLC, a Commercial Property Loan for \$5,366,000 and Central City Building Conversion – Embodied Carbon Pilot Loan for \$2,890,000 for Rehabilitation and Conversion of a Commercial Building into Residential Apartments at 403 NW 5<sup>th</sup> Avenue

## Board action requested and brief description

Adopt Resolution No. 7660

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to make a Commercial Property Loan with exceptions (CPL) of \$5,366,000 and a Portland Clean Energy Fund (PCEF) Central City Building Conversion – Embodied Carbon Pilot Loan (Building Conversion Loan) of \$2,890,000 to Oregon Casket Redevelopment, LLC (Borrower) under the terms and conditions outlined in the term sheet included as Exhibit A to Resolution No. 7660 for the conversion of the existing, vacant commercial building located at 403 NW 5th Avenue (the Property) into a 34-unit multifamily apartment building (the Project) that will serve households earning below 120% of area median income (AMI). A Site Map can be found in Attachment A.

## Strategic alignment and outcomes

This action will deliver on several Advance Portland objectives, most notably by:

- Increasing mixed-income housing in subdistricts with a lack of residential use and an imbalanced mix of uses (Outcome 3.1), including office-to-residential conversion incentives (Outcome 3.1.1); and
- Addressing housing production across a continuum of affordability (Outcome 3.8)

The Project, located in Old Town/Chinatown, delivers on the Old Town/Chinatown Action Plan (Action Plan), approved in 2014 and extended in 2019. This Action Plan outlines district investment priorities to create a safe, vibrant, and economically healthy neighborhood, while maintaining and enhancing the unique character of the district.

## Background and context

The Property, known as the Oregon Casket Building, was constructed in 1897 and was originally used to manufacture high-end caskets. The building is on the City of Portland (City's) list of unsafe buildings pursuant to Chapter 29.40 of the City Code. The Borrower will purchase

the building and convert it into 34 residential units and one retail space. The 34 residential units will consist of 32 studios on the second through fifth floors (eight studios per floor) and two live/work one-bedroom apartments on the ground floor. The Property was listed on the National Register of Historic Places in September 2026, making it eligible for Historic Tax Credits.

The Board approved a \$7 million CPL for the Project in November 2024 through Resolution 7588. The Board approved the PCEF-funded Building Conversion Loan pilot program through Resolution 7627 on October 8, 2025. In November 2025, the Executive Director modified the Board-approved CPL loan terms to reduce the maximum principal amount from \$7 million to \$5,366,000, and approved a new Building Conversion pilot program loan for \$2,890,000, for a total of \$8,256,000 in Prosper Portland financing. However, neither of these approvals have yet resulted in a loan disbursement.

The Project was underwritten with rents at an average of 66% AMI based on the Old Town market. With Inclusionary Housing requirements and additional grant funding this project is receiving, 50% of rents will need to remain under 80% AMI. Finally, the Building Conversion Loan guidelines stipulate that the Project needs to maintain rents between 60% and 120% AMI and if the Project fails to comply with the affordability requirements, the loan will not be forgiven.

The primary changes in the Project and its structure since the prior CPL and Building Conversion Loan approvals include the following:

- An increase in the Project budget from approximately \$9.5 million to \$11.5 million due, in part, to a change in the Historic Tax Credit investor;
- An increase in acquisition costs from \$100,000 to approximately \$950,000 because the Historic Tax Credits were no longer a component of the purchase price;
- The Historic Tax Credit investor changed from the building seller to Standard Insurance;
- An Increase in the Seller Note because they are no longer receiving the Historic Tax Credits; and
- The addition of grant funding from Oregon Metro transit-oriented development (TOD) grant program.

The full terms for both loans are outlined in Exhibit A to Resolution 7660.

## Sources & Uses

| Sources                   |           | Uses              |           |
|---------------------------|-----------|-------------------|-----------|
| Prosper Portland CPL:     | 5,366,000 | Land/Acquisition: | 959,682   |
| Building Conversion Loan: | 2,890,000 | Hard Costs:       | 8,609,695 |
| Owner Equity:             | 1,101,248 | Soft Costs:       | 1,052,567 |
| Deferred Developer Fee:   | 93,500    | Financing Costs:  | 421,253   |
| Seller Note:              | 959,682   | Contingency:      | 491,297   |
| Metro TOD Grant:          | 275,000   |                   |           |

|                             |                     |                    |                     |
|-----------------------------|---------------------|--------------------|---------------------|
| Historic Tax Credit Equity: | 1,808,746           |                    |                     |
| <i>Less: Seller Note</i>    | <i>(959,682)</i>    |                    |                     |
| Net Tax Credit Equity:      | 849,064             |                    |                     |
| <b>Total Sources:</b>       | <b>\$11,534,494</b> | <b>Total Uses:</b> | <b>\$11,534,494</b> |

The Seller Note of \$959,682 will subordinate to Prosper Portland's CPL. These terms have been adjusted since the prior CPL approval in November 2024. Under the Board-approved guidelines of the CPL, the proposed CPL would be considered with the following exceptions:

- The loan amount is \$366,000 more than the maximum loan amount of \$5,000,000 set forth in the guidelines;
- Interest rate of three percent is lower than guidelines (ten-year treasury + margin);
- 15-year maturity exceeds the five-year construction loan maximum; and
- Guarantees are limited to construction completion and stabilization, defined as a 1.10 debt service coverage ratio.

## Equity impact

The Project is subject to Prosper Portland's Green Building and Construction Business and Workforce Equity policies and will advance economic equity through investment in workforce housing in the district.

## Community Participation and Feedback

Prosper Portland staff meet regularly with representatives from the Old Town Community Association (OTCA), a joint neighborhood and business association focused on enhancing the well-being of and improving opportunities for residents and businesses in the district. The OTCA was instrumental in the development of the Action Plan which identifies market rate housing as a top priority. The OTCA Board has expressed support for the Project and the investment of Action Plan resources.

## Budget and Financial Information

There are sufficient resources in the Westside Tax Increment Finance District (TIF) fund budget to fund the CPL loan. The FY 2026-27 Revised Budget and forecast for this action are included as Attachment B. The PCEF Fund has sufficient resources in the FY 2026-27 Revised Budget and is also included as Attachment C.

## Risk Assessment

The Property appraisal dated July 30, 2026, reports a stabilized value of \$10,400,000. The appraiser added \$520,000 for a property tax abatement, plus \$4,480,000 for the benefit of

Prosper's own below-market financing, including the forgivable PCEF loan. The real estate itself is worth \$5,400,000, which provides a discounted loan to property value ratio of 99% for the CPL.

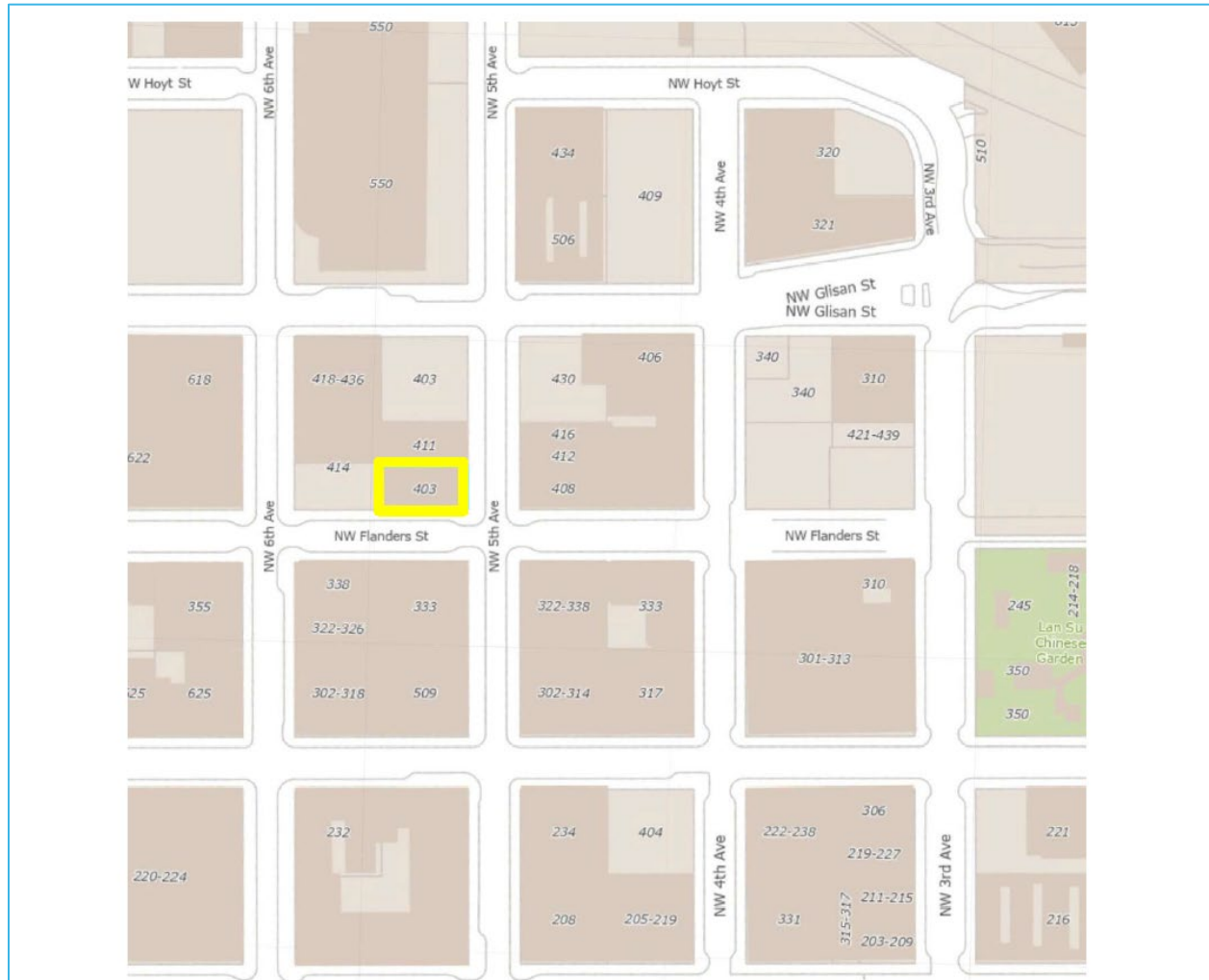
The Project's eligibility for Historic Tax Credits will net \$1,805,988 equity to the Project. Due to the conditions of the Historic Tax Credit master lease, Prosper Portland will sign a Subordination, Non-Disturbance, and Attornment Agreement (SNDA) that agrees to not disturb the tenant's lease in the event of a foreclosure. The SNDA limits what Prosper Portland can do with the regard to collateral after a default. Until the tax credit recapture period ends, around December 2032, Prosper Portland would have contractual obligations making it difficult or impossible to terminate the master lease through foreclosure or by accepting a deed in lieu. Were Prosper Portland to become the master landlord in a collateral acquisition scenario, Prosper Portland would only be positioned to receive the rents due under the master lease.

Prosper Portland staff acknowledge that credit has risks associated with it that cannot be mitigated. Prosper Portland will require limited entity and personal guarantees through Project construction and stabilization.

## Attachments

- A. Site Map
- B. Westside TIF Fund Budget
- C. PCEF Fund Budget

## Site Map



403 NW 5<sup>th</sup> Avenue

## Westside TIF Fund Budget

| Westside TIF Fund                          | Revised<br>FY 2025-26 | Revision 1<br>FY 2026-27 | Forecast<br>FY 2027-28 | Forecast<br>FY 2028-29 | Forecast<br>FY 2029-30 | Forecast<br>FY 2030-31 |
|--------------------------------------------|-----------------------|--------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Resources</b>                           |                       |                          |                        |                        |                        |                        |
| Beginning Fund Balance                     | -                     | 41,931,407               | 23,091,262             | 20,106,521             | 18,328,561             | 16,345,700             |
| <b>Revenue</b>                             |                       |                          |                        |                        |                        |                        |
| Interest on Investments                    | 1,754,647             | 1,043,620                | 596,366                | 532,998                | 488,549                | 438,977                |
| Loan Collections                           | 272,012               | -                        | -                      | -                      | -                      | -                      |
| Property Sales                             | 63,266                | 63,266                   | 3,903,266              | 63,266                 | 63,266                 | 63,266                 |
| Rent and Property Income                   | 1,311,736             | 2,010,065                | 2,342,065              | 2,376,555              | 2,412,065              | 2,448,565              |
| Reimbursements                             | 530,149               | 582,149                  | 583,149                | 584,149                | 585,149                | 586,149                |
| Transfers In                               | 51,581,442            | -                        | -                      | -                      | -                      | -                      |
| <b>Total Revenue</b>                       | <b>55,513,252</b>     | <b>3,699,100</b>         | <b>7,424,846</b>       | <b>3,556,968</b>       | <b>3,549,029</b>       | <b>3,536,957</b>       |
| <b>Total Resources</b>                     | <b>55,513,252</b>     | <b>45,630,507</b>        | <b>30,516,108</b>      | <b>23,663,489</b>      | <b>21,877,590</b>      | <b>19,882,657</b>      |
| <b>Requirements</b>                        |                       |                          |                        |                        |                        |                        |
| <b>Economic Development</b>                |                       |                          |                        |                        |                        |                        |
| <b>Community Economic Development</b>      |                       |                          |                        |                        |                        |                        |
| A00820-Community Development-WS            | 3,000                 | -                        | -                      | -                      | -                      | -                      |
| <b>Economic Development Total</b>          | <b>3,000</b>          | <b>-</b>                 | <b>-</b>               | <b>-</b>               | <b>-</b>               | <b>-</b>               |
| <b>Infrastructure</b>                      |                       |                          |                        |                        |                        |                        |
| <b>Transportation</b>                      |                       |                          |                        |                        |                        |                        |
| A00770-USPS LID-RVD                        | 750,000               | 750,000                  | 750,000                | 750,000                | 750,000                | 750,000                |
| <b>Infrastructure Total</b>                | <b>750,000</b>        | <b>750,000</b>           | <b>750,000</b>         | <b>750,000</b>         | <b>750,000</b>         | <b>750,000</b>         |
| <b>Property Redevelopment</b>              |                       |                          |                        |                        |                        |                        |
| <b>Commercial Property Lending</b>         |                       |                          |                        |                        |                        |                        |
| A00361-Commercial Property Dev Lending-RVD | 3,775,259             | 14,000,000               | -                      | -                      | -                      | -                      |
| <b>Real Estate Management</b>              |                       |                          |                        |                        |                        |                        |
| A00186-Fairfield Commercial-RVD            | 156,988               | 154,250                  | 64,250                 | 64,250                 | 64,250                 | 64,250                 |
| A00259-Old Town Lofts Parking-DTW          | 707                   | 900                      | -                      | -                      | -                      | -                      |
| A00260-GXX-RiverPlace Marina-DTW           | 24,649                | 24,649                   | 24,649                 | 24,649                 | 24,649                 | 24,649                 |
| A00263-One Waterfront South-DTW            | 912                   | 25,817                   | 25,817                 | 25,817                 | 25,817                 | 25,817                 |
| A00276-Post Office-RVD                     | 176,269               | 176,269                  | 56,269                 | 56,269                 | 56,269                 | 56,269                 |
| A00625-Block 24-DTW                        | 17,466                | 7,470                    | 7,470                  | 7,470                  | 7,470                  | 7,470                  |
| A00278-4th and Burnside-RVD                | 39,850                | 2,200                    | 16,075                 | 31,950                 | 31,950                 | 31,950                 |
| A00285-Block Y-RVD                         | 88,633                | 90,883                   | 90,883                 | 90,883                 | 90,883                 | 90,883                 |
| A00286-Union Station-RVD                   | 1,896,974             | 1,116,535                | 1,116,535              | 1,116,535              | 909,535                | 1,055,860              |
| A00291-Block R-RVD                         | 38,904                | -                        | 51,400                 | 51,400                 | 51,400                 | 51,400                 |
| A00292-One Waterfront North-RVD            | -                     | 15,000                   | 15,000                 | 15,000                 | 15,000                 | 15,000                 |
| A00293-Old Fire Station Mgmt-RVD           | 33,357                | 33,870                   | 33,870                 | 33,870                 | 33,870                 | 33,870                 |
| A00562-Station Place Lot 8-RVD             | 401                   | 402                      | 402                    | 402                    | 402                    | 402                    |
| A00587-Block 25-RVD                        | 85,288                | 49,970                   | 49,970                 | 49,970                 | 49,970                 | 49,970                 |
| A00691-Post Office Garage-RVD              | 366,080               | 240,425                  | 220,425                | 240,425                | 220,425                | 226,325                |
| A00898-Mason Ehrman and Annex-WSPI         | 50,000                | 450,000                  | 450,000                | -                      | -                      | -                      |
| <b>Real Estate Predevelopment</b>          |                       |                          |                        |                        |                        |                        |
| A00278-4th and Burnside-RVD                | 55,000                | -                        | -                      | -                      | -                      | -                      |
| A00279-Broadway Corridor-RVD               | 750,000               | -                        | -                      | -                      | -                      | -                      |
| A00276-Post Office-RVD                     | 30,856                | 2,000,000                | 6,000,000              | 2,000,000              | 2,000,000              | 6,000,000              |
| A00587-Block 25-RVD                        | 70,000                | -                        | -                      | -                      | -                      | -                      |
| A00839-Broadway Corridor PCEF-WS           | 250,000               | -                        | -                      | -                      | -                      | -                      |

|                                                      |                   |                   |                   |                   |                   |                   |
|------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| A00286-Union Station-RVD                             | -                 | 500,000           | -                 | -                 | -                 | -                 |
| A00038-Superfund-RVD                                 | 173,600           | 120,000           | -                 | -                 | -                 | -                 |
| A00517-Old Town Action Plan Investments-RVD          | 1,600,000         | -                 | -                 | -                 | -                 | -                 |
| A00625-Block 24-DTW                                  | 40,000            | -                 | -                 | -                 | -                 | -                 |
| A00818-Project Development-WS                        | 60,000            | -                 | -                 | -                 | -                 | 3,000             |
| <b>Redevelopment Grants</b>                          |                   |                   |                   |                   |                   |                   |
| A00390-Community Livability Grant-RVD                | 38,000            | -                 | -                 | -                 | -                 | -                 |
| A00497-Prosperity Investment Program (PIP) Grant-RVD | 860,271           | -                 | -                 | -                 | -                 | -                 |
| A00904-District Grants-WS                            | -                 | 525,000           | -                 | -                 | -                 | -                 |
| <b>Property Redevelopment Total</b>                  | <b>10,679,464</b> | <b>19,533,640</b> | <b>8,223,015</b>  | <b>3,808,890</b>  | <b>3,581,890</b>  | <b>7,737,115</b>  |
| <b>Total Program Expenditures</b>                    | <b>11,432,464</b> | <b>20,283,640</b> | <b>8,973,015</b>  | <b>4,558,890</b>  | <b>4,331,890</b>  | <b>8,487,115</b>  |
| Personnel Services                                   | 1,139,283         | 1,199,790         | 718,286           | 388,019           | 600,000           | 625,000           |
| <b>Total Fund Expenditures</b>                       | <b>12,571,747</b> | <b>21,483,430</b> | <b>9,691,301</b>  | <b>4,946,909</b>  | <b>4,931,890</b>  | <b>9,112,115</b>  |
| Interfund Transfers - Indirect Charges               | 1,010,098         | 1,055,815         | 718,286           | 388,019           | 600,000           | 625,000           |
| Reserved For Future Expenditures                     | 41,931,407        | 23,091,262        | 20,106,521        | 18,328,561        | 16,345,700        | 10,145,542        |
| <b>Total Fund Requirements</b>                       | <b>55,513,252</b> | <b>45,630,507</b> | <b>30,516,108</b> | <b>23,663,489</b> | <b>21,877,590</b> | <b>19,882,657</b> |

## PCEF Fund

| PCEF Fund                                                | Revised<br>FY 2025-26 | Revised 1<br>FY 2026-27 | Forecast<br>FY 2027-28 | Forecast<br>FY 2028-29 | Forecast<br>FY 2029-30 | Forecast<br>FY 2030-31 |
|----------------------------------------------------------|-----------------------|-------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Resources</b>                                         |                       |                         |                        |                        |                        |                        |
| Beginning Fund Balance                                   | 1,612,953             | -                       | -                      | -                      | -                      | -                      |
| <b>Revenue</b>                                           |                       |                         |                        |                        |                        |                        |
| Fees and Charges                                         | 7,861,215             | 23,871,317              | 16,304,736             | 12,903,275             | -                      | -                      |
| Transfers In                                             | 2,040,000             | -                       | -                      | -                      | -                      | -                      |
| <b>Total Revenue</b>                                     | <b>9,901,215</b>      | <b>23,871,317</b>       | <b>16,304,736</b>      | <b>12,903,275</b>      | -                      | -                      |
| <b>Total Resources</b>                                   | <b>11,514,168</b>     | <b>23,871,317</b>       | <b>16,304,736</b>      | <b>12,903,275</b>      | -                      | -                      |
| <b>Requirements</b>                                      |                       |                         |                        |                        |                        |                        |
| <b>Economic Development</b>                              |                       |                         |                        |                        |                        |                        |
| <b>Community Economic Development</b>                    |                       |                         |                        |                        |                        |                        |
| A00838-Clean Industry-PCEF                               | -                     | 5,145,718               | 5,050,000              | 4,524,215              | -                      | -                      |
| A00782-Contractor Development-PCEF                       | 333,523               | 717,471                 | 748,971                | 348,645                | -                      | -                      |
| <b>Economic Development Total</b>                        | <b>333,523</b>        | <b>5,863,189</b>        | <b>5,798,971</b>       | <b>4,872,860</b>       | -                      | -                      |
| <b>Property Redevelopment</b>                            |                       |                         |                        |                        |                        |                        |
| <b>Commercial Property Lending</b>                       |                       |                         |                        |                        |                        |                        |
| A00780-Access to Capital-PCEF                            | 1,049,038             | 8,960,000               | 1,590,000              | -                      | -                      | -                      |
| A00839-Broadway Corridor-PCEF                            | 1,085,000             | -                       | -                      | -                      | -                      | -                      |
| <b>Redevelopment Grants</b>                              |                       |                         |                        |                        |                        |                        |
| A00783-Building Energy Efficiency (BEE) Grants-PCEF      | 6,098,405             | 5,099,541               | 4,750,000              | 3,700,000              | -                      | -                      |
| A00861-82nd Ave Building Energy Efficiency Grants - PCEF | 500,000               | 500,000                 | 500,000                | 500,000                | -                      | -                      |
| <b>Property Redevelopment Total</b>                      | <b>8,732,443</b>      | <b>14,559,541</b>       | <b>6,840,000</b>       | <b>4,200,000</b>       | -                      | -                      |
| <b>Total Program Expenditures</b>                        | <b>9,065,966</b>      | <b>20,422,730</b>       | <b>12,638,971</b>      | <b>9,072,860</b>       | -                      | -                      |
| Personnel Services                                       | 1,302,235             | 1,692,007               | 1,928,598              | 2,018,401              | -                      | -                      |
| <b>Total Fund Expenditures</b>                           | <b>10,368,201</b>     | <b>22,114,737</b>       | <b>14,567,569</b>      | <b>11,091,261</b>      | -                      | -                      |
| Interfund Transfers - Indirect Charges                   | 1,145,967             | 1,756,580               | 1,737,167              | 1,812,014              | -                      | -                      |
| <b>Total Fund Requirements</b>                           | <b>11,514,168</b>     | <b>23,871,317</b>       | <b>16,304,736</b>      | <b>12,903,275</b>      | -                      | -                      |