

PROSPER PORTLAND

Portland, Oregon

RESOLUTION NO. 7240

APPROVING THE TERMS OF A MASTER LEASE AGREEMENT WITH THE CITY OF PORTLAND BUREAU OF TRANSPORTATION FOR THE SW 10TH & YAMHILL GARAGE RETAIL SPACE AND PERMIT PROSPER PORTLAND TO ENTER INTO SUB-LEASE AGREEMENTS

WHEREAS, the 2002 Downtown Portland Retail Strategy focuses on maintaining the sustained successes of Portland’s downtown retail core in the face of suburban retail mall competition, and identifies SW Morrison and SW Yamhill streets as primary retail frontages and the 10th & Yamhill City of Portland (“City”)-owned SmartPark facility (“Parking Garage”) as a key redevelopment opportunity;

WHEREAS, the Parking Garage requires significant renovation to address deferred maintenance of both the parking levels and ground floor retail spaces to improve its position as a valuable and safe public asset;

WHEREAS, the Portland Bureau of Transportation (“PBOT”) and Prosper Portland entered into an Intergovernmental Agreement (“IGA”) in February 2015 to cost-share in developing a jointly agreed-upon concept design and scope of improvements for the Parking Garage;

WHEREAS, pursuant to earlier commitments to the City of Portland, Prosper Portland has invested \$5,000,000 in the non-retail aspect of the Parking Garage renovation;

WHEREAS, on May 11, 2016, the Prosper Portland Board, through Resolution No. 7182, approved a six month period within which Prosper Portland and the City would work to reach agreement on the potential assignment of the ground floor retail space of the Parking Garage to Prosper Portland;

WHEREAS, given Prosper Portland’s focus on economic development and asset management abilities, the City and Prosper Portland also considered the benefits of granting Prosper Portland a master lease of the ground floor retail space; and

WHEREAS, Prosper Portland and PBOT have reached proposed terms for granting a master lease of the retail space to Prosper Portland.

NOW THEREFORE, BE IT RESOLVED that Prosper Portland authorizes the Executive Director to enter into a master lease with PBOT, with terms in general accord with those attached hereto as Exhibit A (“Master Lease Term Sheet”);

BE IT FURTHER RESOLVED that the Executive Director is authorized to enter into sub-leases and extensions of sub-leases in general accordance with the Tenant Strategy provisions in the Master Lease Term Sheet and subject to Prosper Portland Financial Investment Committee review; and

BE IT FURTHER RESOLVED that the Executive Director may make changes and amendments to either the master lease or the sub-leases if, after consultation with General Counsel, it is determined that such changes would not materially increase risk or cost to Prosper Portland; and

BE IT FURTHER RESOLVED that this resolution shall become effective immediately upon its adoption.

Adopted by the Prosper Portland Commission on June 14, 2017



Pam Micek, Recording Secretary

10th & Yamhill Master Lease Term Sheet

PBOT – Prosper Portland
 May 30, 2017

<u>Interest Acquired</u>	Master Lease
<u>Leased Premises</u>	Retail area of 10 th and Yamhill SmartPark Garage
<u>Owner</u>	Portland Bureau of Transportation
<u>Term</u>	10 years with a 10 year renewal option
<u>Rent</u>	<p>Prosper Portland will pay the sum of \$0.00 per month as its Base Month Rent for the initial term of the Master Lease and any extensions thereafter.</p> <p>Revenue Share: 70% PBOT – 30% Prosper Portland</p> <p>PBOT and Prosper Portland will share the net operating revenue after all expenses for management, operations, and broker fees are paid.</p>
<u>Commencement Date</u>	Upon substantial completion of garage improvement construction, anticipated November 19, 2018.
<u>Early Termination</u>	<p>Prosper Portland has right to early termination of the master lease if agency capacity is reduced or unable to lease more than 50% of assigned retail space at the end of two years from execution of master lease.</p> <p>Upon delivery of the completed retail spaces, Prosper Portland will have a two-year stabilization period to implement its tenant strategy and leasing its spaces. After the two year period, Prosper will maintain a blended base rent (threshold) of \$18NNN per square foot across all of the retail spaces including the Market Hall, (not including the storage areas, hallways, and PBOT-controlled areas.) The \$18 NNN per square foot threshold will increase by 3% annually. PBOT will have the right to early termination of the master lease if the blended rate per square foot level falls below that threshold over a 365-day period or unless mutually agreed upon by both parties. Should the blended rate per square foot fall below that threshold over 365-day period, PBOT will give notice to Prosper Portland and provide a three month period from that notice to assess and correct the tenant strategy before electing termination.</p>
<u>Fees & Reserves</u>	<p>PBOT to pay Prosper Portland an administrative fee of \$30k annually</p> <p>Property Management fees paid to third party provider via RFP</p> <p>During the initial term of the Master Lease and any extensions thereafter, Prosper Portland will maintain an Operating Reserve Account with a minimum balance of \$100,000 to be utilized, if needed for expenses associated with the tenanting of the Master Leased spaces and any unexpected and/or unanticipated expenses associated with the Property.</p>
<u>Permitted Uses</u>	<ul style="list-style-type: none"> • Retail • Office • Food sales including restaurant with alcohol sales (to be consumed on site only) • Up to 10,000 square feet of light manufacturing and production

10th & Yamhill Master Lease Term Sheet

PBOT – Prosper Portland
 May 30, 2017

	<ul style="list-style-type: none"> • A food commons area
<p><u>Tenant Strategy</u></p>	<p>Goal for tenanting will emphasize:</p> <ul style="list-style-type: none"> • Prosper Portland’s Strategic Plan objectives • Locally-owned businesses and makers • Pacific Northwest-owned brands <p>Other Considerations:</p> <ul style="list-style-type: none"> • Mix of services and products • Street activation • Increased foot traffic/visitation • Complimentary services/products <p>Sublease Agreements should</p> <ul style="list-style-type: none"> • Contribute to the signature concept of the development and provide for continuity; • Activate the ground floor; • Help strengthen the retail mix while contributing to the overall vision for the District; • Bolster pedestrian activity throughout the day; • Provide priority to local firms to support the secondary job market; • Provide lease opportunities for traditionally disadvantaged communities including people of color, women, and people with disabilities; and • Be consistent with Prosper Portland’s Prosperity Initiative Program requirements setting lower priority for national franchises, locally owned franchises with more than three locations and business that exclude minors during all business hours. <p>Sublease Agreements shall not</p> <ul style="list-style-type: none"> • allow off-premises sales of alcoholic beverages or alcoholic liquor
<p><u>Space Delivery</u></p>	<p>All spaces to be delivered into warm shell condition with add-ons. <i>See Warm Shell Scoping</i> attachment.</p>
<p><u>Sub-Tenant Improvement (TI) Allowance</u></p>	<p>PBOT to pay for up to \$100/SF of TIs after the warm shell elements are completed by PBOT.</p> <p>Additional measures identified as ‘warmer’ shell improvements will be performed at the time of the project and will be deducted from the TI allowance. The TI allowance includes fees for owner’s representative and design. <i>See Warm Shell Scoping</i> attachment</p> <p>PBOT shall deposit the balance of the TI fund as a lump sum equal to the square footage to be improved under TIs for Prosper Portland to access for improvements based on tenanting. These funds must first be used; after which, Prosper Portland may negotiate leases that include Tenant Improvement funds.</p>
<p><u>Sub-Tenant Financial Information</u></p>	<p>Potential tenants will need to demonstrate financial sustainability via:</p> <ul style="list-style-type: none"> • Business Plan; • Experience Requirements; and • Financial Requirements



**PROSPER
PORTLAND**
Building an Equitable Economy

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RESOLUTION TITLE:

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Adopted by the Prosper Portland Commission on June 14, 2017

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Chair Tom Kelly	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Mark Edlen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Alisha Moreland-Capua MD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner William Myers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Gustavo J. Cruz, Jr.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Consent Agenda <input checked="" type="checkbox"/> Regular Agenda				

CERTIFICATION

The undersigned hereby certifies that:

The attached resolution is a true and correct copy of the resolution as finally adopted at a Board Meeting of the Prosper Portland Commission and as duly recorded in the official minutes of the meeting.

	Date: June 14, 2017
Pam Micek, Recording Secretary	