DATE: November 8, 2017
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 17-49
Authorizing the Terms of Lease Agreements at Alberta Commons and Lents Commons

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION
Adopt Resolution No 7257 and 7258

These actions by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to execute leases with prospective tenants in Prosper Portland-controlled ground floor commercial space at Alberta Commons and Lents Commons (see Aerials and Project Summaries in Attachments A and B). Staff is requesting Prosper Portland Board approval of the lease terms, as the total terms are more than five years, exceeding Executive Director signature authority. If approved, actions will enable Prosper Portland to expedite the leasing process for prospective tenants at both Lents Commons and Alberta Commons and take a significant step forward in delivering on the agency’s Affordable Commercial Tenenting (ACT) Program.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES
On September 13, 2017, staff provided an update to the Prosper Portland Board on the ACT Program, which has been created to maintain commercial affordability for qualified businesses. For the purposes of the ACT Program, qualified businesses 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. 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 creating vibrant neighborhoods and communities, and advancing opportunities for prosperity.

BACKGROUND AND CONTEXT
Alberta Commons. Alberta Commons is a shopping center currently being constructed at the northwest corner of NE Martin Luther King, Jr. Blvd. and NE Alberta Street on a 1.79 acre parcel formerly owned by Prosper Portland. The shopping center will include approximately 25,000 square feet of gross leasable area in two separate buildings: Building A will contain approximately 8,450 square feet of commercial/retail space and Building B will contain approximately 16,800 square feet including a 15,000 square foot Natural Grocers anchor grocery store.

Alberta Commons has been developed as the result of a Disposition and Development Agreement and a Master Lease Agreement Prosper Portland entered into with Majestic Realty Company (MRC) in 2015.
Since that time, Prosper Portland conveyed the property to MRC and Colas Construction broke ground in January 2017. Alberta Commons is anticipated to be complete and ready for occupancy in early 2018.

As part of the public engagement process leading up to the 2015 agreements, Prosper Portland convened a Project Working Group (PWG) composed of community partners to provide input on a Cooperation, Coordination, Project Implementation, and Community Benefits Agreement (CBA). The CBA, which was finalized in April 2015 and is supported by key community members and the entire development team, includes commitments and obligations regarding construction contracting, grocery store workforce hiring, design, community space, supply chain outreach, and retail tenanting. To deliver on the retail tenanting portion of the CBA, on August 19, 2015, the Prosper Portland Board through Resolution No. 7140 authorized a master lease with MRC for 50 percent of the non-grocer retail space (1,550 square feet in Building B and 3,575 square feet in Building A) for a term of 10 years with a five-year option to renew. Through related actions, Prosper Portland dedicated a minimum of $500,000 for the purpose of offering reduced base rent rates and/or tenant improvement cost support. The purpose of the affordable master leased space is to support local business and job growth, especially for minority-owned businesses, and provide wealth creation opportunities for people of color and low-income community members.

The Implementation, Monitoring, and Accountability Committee (IMAC) established through the CBA meets on a regular basis to monitor implementation of all aspects of the CBA. Pursuant to the CBA, Prosper Portland has convened a community Tenanting Advisory Committee (TAC) to provide input on the tenanting strategy and selection of subtenants for the master leased space. In addition to developing the lease terms proposed for approval by the Prosper Portland Board, staff has, with input from the TAC, hired a broker, marketed the property to identify subtenants, and begun accepting subtenant applications in early September 2017; see a broker flyer for Alberta Commons in Attachment B. The TAC will meet in late November or early December 2017 to review applications.

**Lents Commons.** On June 8, 2016, the Prosper Portland Board through Resolution No. 7196 authorized the formation of a limited liability corporation (9101 Foster, LLC) for the purposes of constructing a project on Prosper Portland-owned property at 5859 SE 92nd Avenue (see a site map in Attachment C). Through this action, the Prosper Portland Board also authorized the Executive Director, acting as manager of 9101 Foster, LLC, to take actions as necessary to construct and manage the project, now known as Lents Commons, subject to the limitations of the Executive Director’s existing authority. When completed later this calendar year, Lents Commons will include 54 residential units (16 of which will be affordable to households earning less than 60 percent of median family income) and 7,359 square feet of ground floor retail space.

In order to preserve the opportunity for local, qualified businesses to lease space and remain in the Lents Town Center as it evolves, Prosper Portland will include 50 percent of the commercial space at Lents Commons in the ACT Program as affordable and offer the other 50 percent at market rate. Prosper Portland has contracted with a broker to actively market the project to tenants as currently has several viable prospects; see a broker flyer for Lents Commons in Attachment D. Staff anticipates negotiating leases by the end of the calendar year with tenants moving in spring 2018. As described in the community participation and feedback section below, staff has worked with a Lents Tenanting Advisory Committee to provide guidance on the tenant mix at Lents Commons.

**EQUITY IMPACT**

The ACT Program provides long-term opportunities for people of color, women, low-income individuals, and long-time business owners. By executing leases at Alberta Commons and Lents Commons, Prosper Portland will offer new, affordable, well-located retail space on major commercial arterials to qualified businesses that provide local goods and services.
COMMUNITY PARTICIPATION AND FEEDBACK

As noted, beginning in early 2016, staff assembled the IMAC to advise Prosper Portland and its development partners on how the Alberta Commons could address three goals: 1.) designing and installing public art on-site, 2.) expanding contracting opportunities through construction of the project, and 3.) finding and selecting local retail tenants. The TAC has provided ongoing advice on a tenanting strategy, including the proposed lease terms. Moving forward, the TAC will review and provide input to Prosper Portland on the selection of tenants to occupy the affordable commercial space at Alberta Commons.

In Lents, staff assembled a Lents Tenanting Advisory Committee, consisting of local business owners, a member of the Lents Grown Business Association, and small business technical assistance providers. The committee has reviewed tenant applications and given input on tenant mix. In addition, Prosper Portland staff maintains regular contact with local Lents stakeholders and community groups, particularly the Lents Neighborhood Association, to provide ongoing updates about Lents Commons.

BUDGET AND FINANCIAL INFORMATION

The financial impact of leases within the terms proposed is currently included in the fiscal year 2017-18 adopted budget and five-year forecast for both the Interstate Corridor URA and the Lents Town Center URA (see Attachments E and F).

The minimum lease rates were developed to be in line with current market rates in the geographies the projects are located in with a level of discount in line with the ACT Program goals. In some instances the lease rates will be higher than the minimums but this structure will allow needed flexibility to maximize the program goals. Staff anticipates leases including annual increases of three percent of the base rate. The maximum lease term for Alberta Commons mirrors the master lease agreement Prosper Portland has with MRC. The maximum lease term for Lents Commons is in line with market forces in new construction. Both maximums are inclusive of both initial term and tenant options to renew (e.g., 10-year term with two, five-year options). In some cases the agreed upon term may be much shorter and will be a function of the cost of tenant improvements.

RISK ASSESSMENT

There are risks to entering into long-term lease agreements, as tenants must be carefully vetted to ensure compatibility with project goals and long term financial viability. To address these risks each tenant applicant is required to provide a business plan summary, profit and loss projections, two years of historical personal and business tax returns, year-to-date profit and loss balance sheet, and personal financial statement; all of these materials will be reviewed and scrutinized by Prosper Portland staff. In addition, to ensure a transparent process, each project has a tenant advisory committee that has been and will continue to review applicants with staff. While these committees are not making final decisions, their input has been invaluable to the process. The Prosper Portland Financial Investment Committee will also review each proposed transaction and tenant to vet financial capability. This will provide the necessary level of internal controls and review of individual tenants (credit, ability to pay, etc.) and lease terms while enabling staff to be efficient and responsive when working with potential tenant needs. Nothing contemplated here contradicts previously approved economic/deal structures on either project.

ATTACHMENTS

A. Aerial and Property Summary of Alberta Commons
B. Alberta Commons Broker Listing
C. Aerial and Property Summary of Lents Commons
D. Lents Commons Broker Listing
E. Interstate Corridor URA Financial Summary
F. Lents Town Center URA Financial Summary
### Aerial and Property Summary of Alberta Commons

<table>
<thead>
<tr>
<th><strong>Project Name:</strong></th>
<th>Alberta Commons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description:</strong></td>
<td>5,125 square feet master leased by Prosper Portland</td>
</tr>
<tr>
<td><strong>Location:</strong></td>
<td>Northwest corner of NE Martin Luther King, Jr. Boulevard and NE Alberta Street</td>
</tr>
<tr>
<td><strong>URA:</strong></td>
<td>Interstate Corridor Urban Renewal Area</td>
</tr>
<tr>
<td><strong>Current Phase:</strong></td>
<td>Construction and Master Lease</td>
</tr>
<tr>
<td><strong>Next Milestone:</strong></td>
<td>Construction Completion November 2017</td>
</tr>
<tr>
<td><strong>Completion Target:</strong></td>
<td>Leasing complete by end of 2018</td>
</tr>
</tbody>
</table>
Retail space

NE MLK & NE ALBERTA

5029 NE MLK Jr. Blvd.
PORTLAND, OR 97211

New development on the corner of MLK and Alberta! Prosper Portland is master tenant subleasing space to small business owners that can bring steady foot traffic and a sense of community to this long vacant corner. Prosper Portland is committed to supporting businesses led by owners from underrepresented populations within the business community, including women, communities of color, and those from low-income neighborhoods. Delivered as a cold shell, with a generous T/I budget, and tenants may qualify for additional grants if needed.

- Four available units
- T/I allowance
- New construction
- Next to Vanport Square
- Business resources available
- Anchored by Natural Grocers
- High traffic signalized corner
- 10,500 daily trips on NE Alberta
- 27,000 daily trips on MLK

$22 per square foot/NNN

Jessie Burke
jessie@workspacepdx.com
971.404.9673
RETAIL SPACE
5,075 sq ft

NE MLK & NE ALBERTA
5029 NE MLK Jr. Blvd.
PORTLAND, OR 97211

FOUR AVAILABLE SUITES

Building A (left):
Consists of three B occupancy suites with NE Sumner St. facing entrances. Available suites offer 1,207 SF, 1,161 SF and 1,207 SF east to west respectively.

Building B (right):
Offers M occupancy suite with 1,500 SF of contiguous space with entrances facing NE Alberta and NE MLK Jr. Blvd.

Jessie Burke
jessie@workspacepdx.com
971.404.9673

Retail space available in four units
Near Old Town Pizza and Vanport Square
Aerial and Property Summary of Lents Commons

Project Name: Lents Commons
Description: 65,504 square foot, mixed-use building with 54 apartment units
Location: Northwest corner of the intersection of SE 92nd Avenue and SE Foster Road
URA: Lents Town Center
Current Phase: Development Design & Permitting
Next Milestone: Final Completion and Doors Open
Completion Target: December 2017
Stunning Mixed-Use Project with 7,120 SF Class A Retail
High Visibility Corner with Excellent Traffic Counts Delivers Q1 2018

Sara Daley
503.721.2726
sdaley@kiddermathews.com

kiddermathews.com

Property developed by
Kidder Mathews

PROSPER PORTLAND

Lents Commons
9101 SE Foster Road
Portland, OR
Lents Commons

Features

![Image of Lents Commons]

PROJECT INFORMATION

Since the formation of the Lents Urban Renewal Area in 1998, Prosper Portland (formerly the Portland Development Commission) has invested $54 million into this historic neighborhood with a goal of fostering a variety of uses to serve this unique, diverse community, as well as improving the health of businesses and the experience of living and working in Lents. Prosper Portland is developing this LEED Gold 4 story, 65,000 SF mixed-use project at 9101 SE Foster, slated for completion by December 2017. Lents Commons is designed by Hacker architects and built by Bremik Construction, and its wood-cladding exterior atop glazed aluminum storefronts conveys a contemporary take on this district's agrarian roots. ±7,120 SF of class A retail is on offer, and these spaces are divisible to ±1,000 SF. The building includes a large, generously landscaped public courtyard and on-site parking.

AVAILABILITY

<table>
<thead>
<tr>
<th>7,120 SF Class A retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 3,629 SF contiguous</td>
</tr>
<tr>
<td>Divisible to ±1,000 SF</td>
</tr>
<tr>
<td>Delivering Q1 2018</td>
</tr>
</tbody>
</table>

RENT

$20-22/SF/YR, NNN

FRONTAGE

SE Foster Rd, SE 91st Ave, SE 92nd Ave

PROJECT FEATURES

- Beautifully landscaped courtyard
- LEED Gold project
- High visibility
- Close proximity to MAX and I-205
- Part of $100 million Lents Town Center redevelopment
- 11'6" ceiling height
- On-site parking

AFFORDABLE COMMERCIAL TENANTING PROGRAM

Approximately half of the commercial space at Lents Commons has been reserved for Prosper Portland’s Affordable Commercial Tenanting Program. This program is designed to reduce barriers for qualified businesses from underrepresented populations, particularly communities of color, women, and businesses in under-served communities. Technical assistance, reduced rent and tenant improvement grants may be available for qualified tenants. Please find out more at:

http://prosperportland.us/act

Sara Daley
503.721.2726
sdaley@kiddermathews.com

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. Consult your attorney, accountant, or other professional advisor.
Lents Commons

Floor Plan

9101 SE Foster Road
Portland, OR

Retail
3,629 SF
Divisible

Retail
3,491 SF
Divisible

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. Consult your attorney, accountant, or other professional advisor.
Lents Commons

District Projects

OLIVER STATION
- Location: Both sides of 92nd Ave between Foster & Woodstock
- Project Description: Two 5 story mixed-use buildings comprised of 145 apartments, almost 30,000 SF of retail, anchored by fitness center
- Developer: Palindrome Communities
- Architect: Ankrom Moisan Architects
- Completion Date: March 2018

ASIAN HEALTH & SERVICE CENTER
- Location: SE Foster & SE 91st Avenue
- Project Description: 30,000 SF relocation of the Asian Health and Service Center with clinic, office, event space, and a rooftop garden
- Developer: Asian Health & Science Center
- Architect: Holst Architecture
- Completion Date: Spring 2018

WOODY GUTHRIE PLACE
- Location: SE 91st Avenue at SE Reedway St
- Project Description: Mixed-income apartment project with 68 apartments
- Developer: ROSE Community Development
- Architect: Carlton Hart
- Completion Date: Summer 2018

Total New Development by Summer 2018
- 263 apt units
- 37,120 SF ground floor commercial
- 30,000 office, clinic & event space

2016
- December 2016: Oliver Station groundbreaking
- October 2016: Lents Commons groundbreaking

2017
- April 2017: Asian Health & Service Center groundbreaking
- Summer 2017: Woody Guthrie Place groundbreaking

2018
- January 2018: Lents Commons completion date
- February 2018: Oliver Station completion date
- Spring 2018: Asian Health & Service Center completion date
- Summer 2018: Woody Guthrie Place completion date
This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. Consult your attorney, accountant, or other professional advisor.
This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. Consult your attorney, accountant, or other professional advisor.
### Interstate Corridor URA Financial Summary

#### Financial Summary

**Five-Year Forecast**

<table>
<thead>
<tr>
<th>Interstate Corridor URA Fund</th>
<th>Revised 2</th>
<th>Adopted</th>
<th>Forecast</th>
<th>Forecast</th>
<th>Forecast</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>26,176,511</td>
<td>29,209,467</td>
<td>8,578,364</td>
<td>2,067,802</td>
<td>7,477,743</td>
<td>30,127,489</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,891</td>
<td>1,854</td>
<td>1,540</td>
<td>2,123</td>
<td>594</td>
<td>236</td>
</tr>
<tr>
<td>Interest on Investments</td>
<td>164,901</td>
<td>88,931</td>
<td>27,364</td>
<td>8,569</td>
<td>26,495</td>
<td>94,777</td>
</tr>
<tr>
<td>Loan Collections</td>
<td>647,961</td>
<td>231,698</td>
<td>188,070</td>
<td>265,988</td>
<td>66,762</td>
<td>29,517</td>
</tr>
<tr>
<td>TIF - Short Term Debt</td>
<td>18,981,000</td>
<td>18,981,000</td>
<td>18,981,000</td>
<td>18,981,000</td>
<td>18,981,000</td>
<td>18,981,000</td>
</tr>
<tr>
<td>TIF - Long Term Debt</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>26,397,590</td>
<td>26,397,590</td>
</tr>
<tr>
<td>Property Sales</td>
<td>502,160</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent and Property Income</td>
<td>265,246</td>
<td>283,879</td>
<td>332,600</td>
<td>361,041</td>
<td>390,120</td>
<td>364,682</td>
</tr>
<tr>
<td>Reimbursements</td>
<td>71,535</td>
<td>93,936</td>
<td>93,936</td>
<td>104,623</td>
<td>115,912</td>
<td>106,465</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>20,631,785</td>
<td>28,680,748</td>
<td>24,878,835</td>
<td>18,720,050</td>
<td>45,967,819</td>
<td>588,482</td>
</tr>
<tr>
<td>Total Resources</td>
<td>46,144,296</td>
<td>57,890,215</td>
<td>33,757,898</td>
<td>21,787,852</td>
<td>53,445,692</td>
<td>30,723,171</td>
</tr>
</tbody>
</table>

**Requirements**

**Administration**
- A00030-Lett Management-ISC
  - Administration Total: 23,532
- A00114-Business Development-ISC
  - 5,000
- Community Economic Development
  - A00122-Community Development-ISC: 60,000
  - A00106-NPL & Main St Network-ISC: 0
  - Business Lending: 195,000

**Housing**
- A00171-Affordable Housing-ISC: 9,625,815
  - Apartments: 200,000
  - FW: 200,000
  - Land: 1,000,000
  - Total: 10,025,155

**Infrastructure**
- A00248-Fillingsworth Stceanp-ISC: 200,000
  - Infrastructure Total: 200,000

**Property Redevelopment**
- Real Estate
  - A00335-Neison Bldg-Indust-ISC: 700,693
  - A00336-Shar-Tek Building-ISC: 73,287
  - A00337-Angle Lot-ISC: 6,700
  - A00383-SE201 MLK Prkg-ISC: 12,065
  - Total: 8,597,172

- Property Redevelopment Total: 4,861,290

**Redevelopment Strategy**
- A00555-Milestones: 311,180
  - Project Development-ISC: 20,000
  - Redevelopment Grants: 760,000
  - Redevelopment Total: 4,861,290

**Total Program Expenditures**
- Total Program Expenditures: 16,730,337

**Total Fund Expenditures**
- Total Fund Expenditures: 15,863,881

**Total Fund Requirements**
- Total Fund Requirements: 46,514,296
## Lents Town Center URA Financial Summary

### Five-Year Forecast

<table>
<thead>
<tr>
<th>Resources</th>
<th>Revised FY 2016-17</th>
<th>Adopted FY 2017-18</th>
<th>Forecast FY 2018-19</th>
<th>Forecast FY 2019-20</th>
<th>Forecast FY 2020-21</th>
<th>Forecast FY 2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td>31,082,482</td>
<td>35,073,913</td>
<td>31,393,263</td>
<td>26,619,896</td>
<td>41,644,855</td>
<td>7,873,254</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td>53,932,252</td>
<td>41,010,085</td>
<td>12,539,995</td>
<td>26,196,902</td>
<td>16,708,200</td>
<td>11,012,962</td>
</tr>
</tbody>
</table>

### Requirements

- **Administration**
  - A00129-Debt Management-LTC
  - Administration Total
- **Trade**
  - A00133-Business Development-LTC
  - A00389-Loan Manufacturing-LTC
  - Community Economic Development
  - A00121-Community Development-LTC
- **Business**
  - A00200-CL-Category-LTC
  - Economic Development Total
- **Housing**
  - A00174-Affordable Housing-LTC
  - Housing Total
- **Infrastructure**
  - Parks
  - Transportation
  - Infrastructure Total
- **Property Development**
  - Real Estate
  - Commercial Property Lending
  - A00365-CFR-General-LTC
  - Property Development Total
  - Total Program Expenditures
  - Personnel Services
  - Total Fund Expenditures
  - Interfund Transfers - Indirect Charges
  - Contingency
  - Total Fund Requirements