DATE: February 14, 2018
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 18-03

Authorizing a Reinstated Lease and Option to Purchase Agreement with VOZ Workers’ Rights Education Project for the Prosper Portland-Owned Property Located at 240 NE Martin Luther King, Jr. Boulevard within the Central Eastside Urban Renewal Area

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7261

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to execute a Lease Agreement and an Option to Purchase Agreement between Prosper Portland and VOZ Workers’ Rights Education Project (VOZ) for Prosper Portland-owned real property located within the Central Eastside Urban Renewal Area at 240 NE Martin Luther King, Jr. Boulevard (Property); see Attachment A for a Property Aerial.

The 5,949 square foot Property currently includes several temporary structures and is used by VOZ to operate a day laborer hire site. If approved by the Prosper Portland Board, this action will reinstate VOZ’s lease for five years and convey the Property to VOZ for $319,100 to construct and operate a permanent day laborer facility which will offer individuals a safe space to find work; classroom training on English as a second language; computer access; workshop space to develop vocational training; and leadership development (Worker Center). Subsequent to Prosper Portland Board approval, the agency will also provide a Special Authority Grant of up to $40,000 to assist VOZ with activities that may include program feasibility, site due diligence, capital campaign assistance, donor cultivation, and other work to advance the Worker Center.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action delivers on the Prosper Portland 2015-2020 Strategic Plan by providing a property development opportunity to a partner organization dedicated to employment growth within historically disadvantaged populations.

BACKGROUND AND CONTEXT

VOZ was founded in 1996 when the City of Portland (City) and local stakeholders agreed to open a facility to help day laborers and employers establish a safe location for short-term employment opportunities. In 2008, Portland City Council voted to approve $200,000 in seed funding to establish and identify a Worker Center site and provide initial operating funds for VOZ to form a non-profit organization. Ultimately, the City and VOZ identified the Prosper Portland-owned Property at 240 NE Martin Luther King, Jr. Boulevard as the site for the Worker Center. On April 08, 2008, Prosper Portland entered into a five year lease with VOZ on the Property at lease rate of $1 per year. Thereafter, VOZ has
continued to operate on the Property under a month-to-month lease. Since 2008, VOZ has worked to build their organizational capacity and developed programming targeted at day laborers.

Over the past ten years, Prosper Portland has continued to support VOZ and its mission. Prosper Portland and the City have provided approximately $190,717 in total resources to VOZ, including:

- $30,000 operational grant (2014)
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- $10,000 sponsorship funding from Prosper Portland for VOZ’s annual fundraisers and New American Job Fair (2015)
- $20,000 Community Livability Grant for physical improvements to the Property and its structures (2016)
- $10,000 technical assistance business planning grant (2015)
- $30,717 operational grant (2017)
- $60,000 in foregone rent conservatively estimated at $500 per month (previous tenant’s lease rate for the Property)

VOZ has communicated to Prosper Portland its desire to purchase the Property and to build a permanent Worker Center on site. However, to date, VOZ has been unable to raise sufficient funds or financing to acquire the Property or to build a permanent facility. Prosper Portland is willing to assist VOZ by entering into a new five year lease (at $1 per year) to give VOZ time to raise sufficient funds for these purposes. Prosper Portland is also prepared to grant VOZ an Option to Purchase the Property for a reduced price, according to the terms attached to Resolution 7261 as Exhibit A. The proposed sales price of $319,100 is approximately 21 percent of the current fair market value (based on a February 2018 broker’s opinion of value of $250 per square foot). Prosper Portland believes that this discounted sales price is justified given the public benefits provided by VOZ at the Property. By this action, the Prosper Portland Board would be authorizing the Executive Director to enter into the Lease and Option to Purchase, as described in Exhibit A.

**EQUITY IMPACT**

This action will deliver on Prosper Portland’s 2015-2020 Strategic Plan to build a more equitable economy in which all Portlanders benefit. In addition, this action addresses social equity goals, as VOZ works on behalf of day laborers, many of whom are immigrants (some of the most vulnerable residents of Portland), and helps them find economic opportunities, learn vocational skills, and assimilate into the Portland economy. According to VOZ, in 2016 the Worker Center “connected over 500 day laborers to 4,000 local employers, producing $388,000 in earnings for day laborers.”

**COMMUNITY PARTICIPATION AND FEEDBACK**

Staff did not conduct any formal public participation related to this action. However, Prosper Portland has met with VOZ employees and day laborers on a regular basis over the last year to negotiate the terms of this action.

**BUDGET AND FINANCIAL INFORMATION**

The Property is included in Prosper Portland’s 90 Percent Draft Financial Sustainability Plan as a Mission Related Investment (MRI) based on a general development plan that anticipates further developing the Property to maximize an ongoing return while maintaining a partnership and public benefit with VOZ. The structure of the proposed lease and option agreement with VOZ would change this project from a
MRI project to a Program Related Investment project in the near term. However, subsequent sale of the Property based on the term sheet may result in higher returns.

**RISK ASSESSMENT**

The purpose of this action is to assist VOZ in its efforts to build a permanent Worker Center for its operation on the Property. Because Prosper Portland supports the mission of VOZ, it is willing to sell the Property at a significantly discounted price.

The primary risk associated with this transaction is if VOZ purchases the Property but thereafter is unable to build the Worker Center facility and/or stay in business. Prosper Portland has included two provisions to address these risks. First, Prosper Portland has included in the Option to Purchase Agreement a right to repurchase the Property at the original $319,100 Purchase Price if the Worker Center is not financed and constructed within five years. In addition, if VOZ subsequently is unable to stay in business and decides to sell the Property, the Option Agreement will include a provision that states that Prosper Portland will recapture its land value financial contribution upon any such sale.

**ATTACHMENTS**

A. Property Aerial
Property Aerial

240 NE Martin Luther King, Jr. Boulevard