



**DATE:** November 14, 2018  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 18-41  
Approving Actions Associated with Adding the Build-Out of Certain Tenant Improvements to the Scope of Work of the Lents Commons Project

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

Adopt Resolution No 7290

If approved, these actions by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director, on behalf of Prosper Portland, to complete the build-out of tenant improvements to the commercial space of Lents Commons, a mixed-use redevelopment project located at 5859 SE 92<sup>nd</sup> Avenue in the Lents Town Center Urban Renewal Area (URA); see an aerial in Attachment A. Lents Commons offers 54 units of multifamily rental housing, 16 of which are affordable for households earning up to 60 percent of median family income, and up to 7,500 square feet of affordable commercial space in the heart of the Lents Town Center.

Specifically, this resolution will:

1. Increase the maximum authorized amount of the Prosper Portland Commercial Property Redevelopment Loan (CPRL) by \$1,295,000
2. In the Board's capacity as sole member of the LLC, authorize the LLC to borrow up to this increased limit from Prosper Portland

In a related item on the November 14, 2018 agenda, staff will request authorization from the Prosper Portland Board, acting as the Local Contract Review Board, to exempt construction of Lents Commons tenant improvements from low-bid solicitation.

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

Lents Commons delivers on multiple Strategic Plan objectives, most notably by creating healthy, complete neighborhoods throughout Portland by "initiat[ing] redevelopment projects on a community-serving, neighborhood scale in line with community-driven district action plans that are tailored to community-expressed priorities and opportunities."

In addition, completion of Lents Commons will continue implementation of the Lents Five-Year Action Plan by "concentrat[ing] investment along 92<sup>nd</sup> Avenue and stimulat[ing] development that positively changes the reputation and increases the vitality of the Lents Town Center."

## **BACKGROUND AND CONTEXT**

Prosper Portland selected Williams/Dame & Associates, Inc. (WDA), through an October 1, 2014 Request for Interest, to develop a four-story mixed-use project that included market-rate housing, affordable housing, and ground floor commercial space in the Lents Town Center. During the design phase for this effort, in 2015 WDA issued a competitive Request for Proposals (RFP) for both preconstruction and construction services, ultimately selecting Bremik Construction, Inc. (Bremik) due to its experience with Prosper Portland projects, history of delivering on Social Equity Policy objectives, and detailed project cost estimate.

As the project financial returns, public benefits, and time commitments were refined and better understood, WDA elected to not proceed with the development beyond the design and permitting phase. To continue momentum on the project and to deliver on the agency's commitment to the Lents Five Year Action Plan, on June 8, 2016, the Prosper Portland Board through Resolution No. 7196 authorized actions to transfer responsibility for completing construction and managing the project to 9101 Foster, LLC. Due to Bremik's expertise from working with WDA and the project architect during design and pre-construction value-engineering, the Prosper Portland Board, acting as the Local Contract Review Board, also authorized Resolution No. 7197, which exempted the construction of the project from competitive bid, allowing Bremik to maintain progress and schedule with its sub-contractors.

Since these actions, contractors have completed the majority of the work on the project, now known as Lents Commons. The residential units, which were completed in spring 2018, are fully occupied. Staff has been working with a broker to lease the four ground floor commercial tenant spaces. All four spaces are eligible to be leased through Prosper Portland's Affordable Commercial Tenanting (ACT) Program (see floorplans in Attachment B). Staff are currently evaluating Letters of Intent from two potential tenants and have completed test fits and cost estimates for the interested parties. To reduce the likelihood of losing the two interested tenants, better manage build-out costs during the design phase, and minimize design conflicts during construction, staff is seeking authorization to enter into a Sole Source Alternative Contract with Bremik and increase the CPRL to fund construction of tenant improvements.

This action will provide the necessary funds to enter into a construction contract to complete the build-out of the ground floor commercial spaces and accelerate the leasing of the remaining space. In addition, Prosper Portland has approved tenant improvement grants of \$40 per square foot for all four spaces, to give all commercial spaces the option of using the ACT Program (the original terms of the WDA development agreement only called for 50 percent of the commercial space to be leased as affordable commercial space).

## **EQUITY IMPACT**

Prosper Portland's Social Equity Policy, including the Business and Workforce Equity programs, will apply. To date the project has performed well on both Business and Workforce Equity goals. The Business Equity goal is 20 percent, and the project achieved 37 percent for professional services and 23 percent for construction. For Workforce Equity, the project achieved 26 percent apprenticeship hours with 54 percent minority (goal 29 percent) and five percent female participation (13 percent goal). The project is also on track to comply with Prosper Portland's Green Building Policy and achieve LEED Gold standard. In addition, the Affordable Commercial Tenanting Program will support businesses that align with Prosper Portland's Strategic Plan goals.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

The Lents Retail Tenanting Advisory Committee (RTAC) oversees the Affordable Commercial Tenanting Program at Lents Commons and Oliver Station, another mixed-use project in the Lents Town Center. The Lents RTAC comprises small business owners, members of the Lents Grown Business Association, and small business advisors in the Lents community. The Lents RTAC has reviewed social equity, business type, and financial criteria for potential tenants and supports the increase in the CPRL to complete the construction and to have the option of leasing all four spaces as a part of the ACT Program.

### **BUDGET AND FINANCIAL INFORMATION**

There are sufficient funds in the Lents Town Center fiscal year (FY) 2018/19 Adopted Budget and Five-Year Forecast for this proposed action (see Attachment C). The tenant improvement architect, Merryman Barnes Architects, and Bremik have provided cost estimates for the two spaces current in LOI negotiations; staff then used the per square foot costs for the two designed spaces to budget the costs for the remaining two spaces.

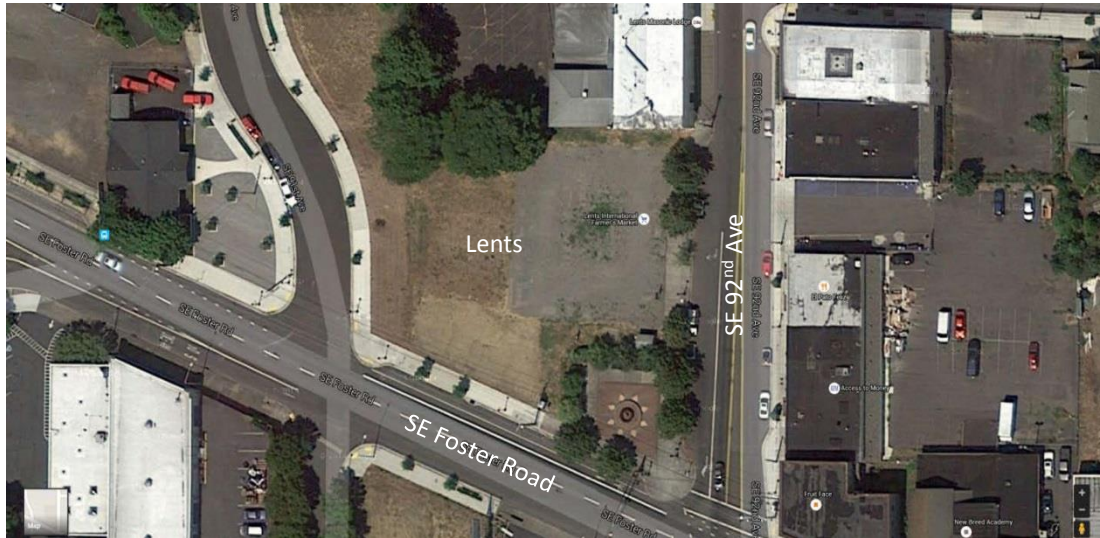
### **RISK ASSESSMENT**

There are several inherent risks with construction projects, including cost overruns, scope changes, schedule delays, and contractor claims and liabilities. To mitigate these risks, staff used conservative assumptions for commercial build-out costs. There is also a risk that the tenants may not have adequate funds to contribute to tenant finishes; to mitigate this risk, staff is requesting funding levels to cover the full build out. In addition, given general market conditions, and Lents-specific market conditions, Lents Commons may experience prolonged ground floor vacancy. Since Prosper Portland intends to own Lents Commons as a long-term asset, this financial risk can be spread across a longer period of time. Furthermore, by building out the ground floor spaces, leasing may be accelerated and rents may be collected sooner.

### **ATTACHMENTS**

- A. Aerial Map of Lents Commons Site
- B. Ground Floor Commercial Space Floor Plan
- C. URA Financial Summary

**Aerial Map Lents Commons Site**



SE 91st Avenue

SE Foster Road

SE 92nd Avenue

ME CL. 109

TENANT STORAGE 108

TENANT LAUNDRY 102A

COMMON AREA A 101

STAIR 1

WASH 112

ELEC 111

BIKE ROOM 110

ME CL. 100

LOCATION OF MECHANICAL CHASE TO ROOF

REST ROOM 103

TENANT SPACE A1 2,079 RSF

TENANT SPACE A2 1,550 RSF

STAIR 2

STAIR 3

STAIR 4

STAIR 5

STAIR 6

STAIR 7

STAIR 8

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Approximate Demising Wall Plan, Ground Floor Tenant Improvement Spaces at Lents Commons

## URA Financial Summary

### Financial Summary Five-Year Forecast

<b>Lents Town Center URA Fund</b>	<b>Revised 2 FY 2017-18</b>	<b>Adopted FY 2018-19</b>	<b>Forecast FY 2019-20</b>	<b>Forecast FY 2020-21</b>	<b>Forecast FY 2021-22</b>	<b>Forecast FY 2022-23</b>
<b>Resources</b>						
Beginning Fund Balance	5,969,295	2,549,887	1,010,533	29,014,691	15,152,627	6,863,367
<b>Revenue</b>						
Fees and Charges	1,586	1,757	3,120	1,399	1,338	-
Interest on Investments	27,915	24,939	32,243	68,908	29,305	-
Loan Collections	1,275,444	874,583	614,653	461,053	461,053	461,053
TIF - Short Term Debt	11,988,000	11,988,000	11,988,000	-	-	-
TIF - Long Term Debt	17,000,000	8,000,000	30,669,003	-	-	-
Property Sales	0	200,000	-	-	-	-
Rent and Property Income	166,238	166,238	166,239	166,237	166,237	-
Reimbursements	64,905	64,905	64,905	64,905	64,905	-
<b>Total Revenue</b>	<b>30,524,088</b>	<b>21,320,422</b>	<b>43,538,163</b>	<b>762,502</b>	<b>722,838</b>	<b>461,053</b>
<b>Total Resources</b>	<b>36,493,383</b>	<b>23,870,309</b>	<b>44,548,696</b>	<b>29,777,193</b>	<b>15,875,465</b>	<b>7,324,420</b>
<b>Requirements</b>						
<b>Administration</b>						
A00029-Debt Management-LTC	38,243	38,243	38,243	38,243	38,243	38,243
<b>Administration Total</b>	<b>38,243</b>	<b>38,243</b>	<b>38,243</b>	<b>38,243</b>	<b>38,243</b>	<b>38,243</b>
<b>Traded Sector</b>						
A00113-Business Development-LTC	20,000	20,000	20,000	20,000	20,000	-
A00380-Lean Manufacturing-LTC	30,000	30,000	30,000	30,000	30,000	-
<b>Community Economic Development</b>						
A00121-Community Development-LTC	50,000	50,000	50,000	50,000	50,000	-
<b>Business Lending</b>						
A00208-BL-General-LTC	700,300	700,300	700,300	300,300	300,300	-
<b>Economic Development Total</b>	<b>800,300</b>	<b>800,300</b>	<b>800,300</b>	<b>400,300</b>	<b>400,300</b>	<b>-</b>
<b>Housing</b>						
A00170-Affordable Housing-LTC	14,503,326	8,149,654	3,255,191	2,706,061	2,059,950	1,792,049
<b>Housing Total</b>	<b>14,503,326</b>	<b>8,149,654</b>	<b>3,255,191</b>	<b>2,706,061</b>	<b>2,059,950</b>	<b>1,792,049</b>
<b>Infrastructure</b>						
<b>Parks</b>						
A00240-Leach Botanical Grdns-LTC	1,260,653	630,327	-	-	-	-
<b>Transportation</b>						
A00243-Foster-52nd to 82nd-LTC	726,900	726,900	-	-	-	-
<b>Infrastructure Total</b>	<b>1,987,553</b>	<b>1,357,227</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Property Redevelopment</b>						
<b>Real Estate</b>						
A00325-Lents Little Lge Fld-LTC	10,500	10,500	10,500	10,000	10,000	10,000
A00326-Bakery Block-LTC	109,700	78,537	78,537	78,537	78,537	50,463
A00328-MetroAuto Whisl WLot-LTC	9,500	-	-	-	-	-
A00329-MetroAuto Bldg & Lot-LTC	28,544	7,113	7,113	7,113	7,113	7,113
A00330-ArchttctironPrdctBldg-LTC	14,925	14,742	14,742	14,742	14,742	11,242
A00332-Real Estate Mgmt-LTC	41,200	-	-	-	-	-
A00554-Dagel Triangle-LTC	0	15,000	15,000	15,000	15,000	15,000
A00557-Tate Lot-LTC	0	18,000	18,000	18,000	18,000	18,000
<b>Commercial Property Lending</b>						
A00365-CPRL-General-LTC	13,004,000	7,303,030	6,001,000	6,001,000	1,001,000	-
<b>Redevelopment Strategy</b>						
A00331-Project Development-LTC	90,000	1,650,000	1,650,000	1,650,000	1,650,000	-
A00548-Lents Stabilization/Industrial Dev-LTC	60,000	-	-	-	-	-
<b>Redevelopment Grants</b>						
A00130-CLG-General-LTC	250,000	250,000	250,000	250,000	250,000	259,213
A00501-Prosperity Investment Program (PIP) Grant-LTC	875,000	875,000	875,000	875,000	875,000	974,280
<b>Property Redevelopment Total</b>	<b>14,493,369</b>	<b>10,221,922</b>	<b>8,919,892</b>	<b>8,919,392</b>	<b>3,919,392</b>	<b>1,345,311</b>
<b>Total Program Expenditures</b>	<b>31,822,791</b>	<b>20,567,346</b>	<b>13,013,626</b>	<b>12,063,996</b>	<b>6,417,885</b>	<b>3,175,603</b>
Personnel Services	496,802	353,143	706,717	720,064	730,828	741,348
<b>Total Fund Expenditures</b>	<b>32,319,593</b>	<b>20,920,489</b>	<b>13,720,344</b>	<b>12,784,061</b>	<b>7,148,713</b>	<b>3,916,952</b>
Interfund Transfers - Indirect Charges	1,623,903	1,939,286	1,813,662	1,840,505	1,863,385	1,887,557
Contingency	2,549,887	1,010,533	29,014,691	15,152,627	6,863,367	1,519,911
<b>Total Fund Requirements</b>	<b>36,493,383</b>	<b>23,870,309</b>	<b>44,548,696</b>	<b>29,777,193</b>	<b>15,875,465</b>	<b>7,324,420</b>