DATE: November 14, 2018
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 18-43

Authorizing Increased Investment in the Alberta Commons Affordable Commercial Tenancing Program in the Interstate Corridor Urban Renewal Area

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7292

This action by the Prosper Portland Board of Commissioners (Board) will authorize an increase to the Prosper Portland investment in the Alberta Commons Affordable Commercial Tenanting (ACT) Program at the northwest corner of NE Martin Luther King, Jr. Blvd. and NE Alberta Street in the Interstate Corridor Urban Renewal Area (URA); see a project summary in Attachment A. Staff is requesting Prosper Portland Board approval since this increased investment exceeds the amount previously authorized for this program; if approved, the agency’s commitment to the Alberta Commons ACT Program will increase by $600,000, from $3,500,000 to $4,100,000 over a 15-year period. This action will enable Prosper Portland to fully fund tenant improvement work that will allow the agency to enter into sub-leases, contracts, grants, and/or loans that will provide the selected tenants the support they need to successfully meet the challenges of planning a new business location.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action aligns with the following Prosper Portland Strategic Plan objectives i) fostering wealth creation within communities of color, and ii) creating healthy, complete neighborhoods. In addition, authorizing this increased expenditure will enable Prosper Portland to deliver on commitments made in the Cooperation, Coordination, Project Implementation, and Community Benefits Agreement (CBA) for the Alberta Commons project. The objectives of these commitments specific to the ACT program include:

- Supporting local business and job growth;
- Providing affordable and stable space for business owners long-term – especially for minority-owned businesses; and
- Enabling wealth creation opportunities for people of color and low-income community members.

The ACT Program was formally developed by Prosper Portland as an outgrowth and continuation of efforts at Alberta Commons resulting from the CBA commitments. The ACT Program maintains commercial affordability for qualified businesses which include 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.

**BACKGROUND AND CONTEXT**

Alberta Commons is a 25,000 square foot shopping center located 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 was 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.

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 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 affordable retail tenanting.

To deliver on the ACT Program commitments of the CBA, the Prosper Portland Board has taken two prior actions: (1) 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 (1,500 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; and (2) on November 8, 2017 through Resolution No. 7257, the Prosper Portland Board authorized terms of sub-lease agreements. At the time those approvals were made, the total Prosper Portland financial investment in the Alberta Commons ACT program was estimated to be up to $2,500,000 over 10 years and up to $3,500,000 over 15 years.

Since then, Prosper Portland staff has convened a Retail Tenant Advisory Committee to provide guidance on tenanting and lease terms, hired a commercial real estate broker to market the space, and has identified and has been negotiating lease terms with and providing technical assistance to three selected locally- and minority-owned businesses. The three tenants signed Letters of Intent in July 2018 and subleases with two of the tenants have been executed, with the third provided to the tenant and awaiting execution. In working with the tenants to determine the level of financial and technical assistance needed for them to be adequately supported and successful in meeting the challenges of establishing a new business location, staff has identified the need to provide approximately $600,000 in additional investment above the amount previously authorized by the Prosper Portland Board. This additional financial investment is needed for increased tenant improvement allowances, financial assistance for project management to enable these small businesses to manage the workload associated with tenant improvements and starting a new business location, and loans or grants.

Approximately $1,000,000 of the total $4,100,000 financial investment is for warm shell improvements, a landlord obligation that primarily benefits Prosper Portland. The remainder of the financial commitment benefits the tenants primarily in the form of above-market tenant improvement allowances, lower than market-rate rents, rent credits, and caps on the triple net expenses below actuals expected.

**EQUITY IMPACT**

The ACT Program provides long-term opportunities for people of color, women, low-income individuals, and long-term business owners. Increasing the financial investment in the Alberta Commons ACT program will enable Prosper Portland to meet the needs of the selected tenants and fulfill a major commitment of the CBA, as all tenants are local- and minority-owned businesses. In addition, Prosper Portland’s Business Equity Program will apply to each of the tenant improvement buildouts.
COMMUNITY PARTICIPATION AND FEEDBACK

Staff communicated with the Retail Tenanting Advisory Committee to notify them of the proposed Prosper Portland Board action. More broadly, completion of Alberta Commons is the culmination of years of community outreach and feedback. The Alberta Commons CBA is an unprecedented partnership that has resulted in increased economic opportunities for the local community and has represented a dramatic change in the structural approach to community economic development. The CBA provided for ongoing monitoring and accountability through the Implementation, Monitoring, and Accountability Committee, and the establishment of the Retail Tenanting Advisory Committee to provide advice on tenanting strategy including selection of tenants to occupy the affordable commercial space and proposed lease terms.

BUDGET AND FINANCIAL INFORMATION

There are insufficient resources in the fiscal year 2018/19 Interstate Corridor URA budget for the proposed increase in investment (see Attachment B); therefore, in a separate action on the November 14, 2018 agenda, staff will request that the Prosper Portland Board authorize a revision to the Interstate Corridor URA budget to fully fund this work.

RISK ASSESSMENT

Approving this action does not create any additional risks than those previously identified. Not approving this action could result in increased risk one or more of the tenants will not be financially successful and increased risk the tenants and community members will feel that Prosper Portland has not adequately fulfilled its affordable retail commitments made in the CBA.

ATTACHMENTS

A. Project Summary
B. Interstate Corridor URA Financial Summary
## Project Summary

**Project Name:** Alberta Commons  
**Description:** $600,000 increase in investment in the Alberta Commons Affordable Commercial Tenanting (ACT) Program for three tenants occupying approximately 5,125 square feet of retail space  
**Location:** Northwest corner of NE Martin Luther King, Jr. Blvd. and NE Alberta Street  
**URA:** Interstate Corridor Urban Renewal Area  
**Current Phase:** Tenanting  
**Next Milestone:** Grand Opening  
**Completion Target:** Spring 2019  
**Outcome:** Fully fund tenant improvement work to support three local businesses participation in the in the Alberta Commons ACT Program
# URA Financial Summary

## Five-Year Forecast

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**Total Fund Expenditures**

1. **Total**
   2. **Interfund Transfers - Indirect Charges**
   3. **Conferences**
   4. **Total Fund Requirements**

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