



PROSPER
PORTLAND
Building an Equitable Economy

DATE: August 14, 2019
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 19-38

Authorizing the Sale of the Prosper Portland-Owned Old Town Lofts Commercial Condominium at 411 NW Flanders Street, Unit 100 to the Oregon Nikkei Endowment for \$1,000,000

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7331

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to execute a Land Sale Contract with the Oregon Nikkei Endowment for the purchase of a Prosper Portland-owned commercial condominium located at 411 NW Flanders in the Old Town Lofts condominium building in the Downtown Waterfront Tax Increment Finance (TIF) District (see a site map in Attachment A). If approved, this transaction will allow Oregon Nikkei Endowment, which has five permanent employees and currently rents space at 121 NW 2nd Avenue, to move its office, museum, gift shop, and event space into a permanent home.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

The sale of the Old Town Lofts condominium unit to Oregon Nikkei Endowment, whose mission is to “share and preserve Japanese American history and culture in Portland’s Old Town neighborhood, where Japantown once thrived,” will deliver on Prosper Portland’s Strategic Plan objective to create healthy, complete neighborhoods throughout Portland. The transfer of the unit to the Oregon Nikkei Endowment also supports the goals and objectives of the Old Town/Chinatown Five-Year Action Plan that commits to supporting cultural institutions in the neighborhood.

BACKGROUND AND CONTEXT

Prosper Portland acquired the Old Town Lofts commercial condominium unit in October 2010 by deed in lieu of foreclosure on a \$1,800,000 outstanding loan balance owed by Old Town Lofts, LLC for the development of the condominium building completed in 2001. The 4,105 square foot condominium, located on the first floor on the southeast corner of the building, was most recently leased to Enthusiasm Collective, a co-working organization, which vacated the unit in May 2019.

Oregon Nikkei Endowment has been searching for a stable, permanent home in the neighborhood. The Old Town Lofts commercial condominium owned by Prosper Portland provides an excellent opportunity to fulfill this goal. The proposed sale will allow Oregon Nikkei Endowment to relocate to the heart of what was once Portland’s thriving Japantown and will help revitalize the north end of the neighborhood, which has ground floor vacancies, undeveloped sites, and insufficient street level activity.

EQUITY IMPACT

The Old Town/Chinatown neighborhood has been a gateway to Portland and the Pacific Northwest for many immigrant communities including the Japanese, Chinese, Irish, Germans, Scandinavians, African Americans, Greeks, Sephardic and Russian Jews, Filipinos, and Roma. In the early 1900s, the area bounded by the Willamette River, SW Ankeny Street, NW 6th Avenue, and NW Glisan Street was the largest Japantown, or Nihonmachi, in Oregon. However, the federal Immigration Act of 1924 restricted Japanese immigration, and the 1942 internment of Japanese Americans dealt a severe blow to the community and neighborhood.

Oregon Nikkei Endowment is an important Old Town cultural institution that since 2004 has promoted education and appreciation of Japanese American history and culture. One of Oregon Nikkei Endowment's most notable accomplishment was creation of the Japanese American Historical Plaza along the west bank of the Willamette River waterfront. Oregon Nikkei Endowment currently operates the Oregon Nikkei Legacy Center which features the Japanese American History Museum. Acquisition of the condominium will provide the Oregon Nikkei Endowment a stable, permanent home to carry on its mission for years to come.

COMMUNITY PARTICIPATION AND FEEDBACK

The Old Town Lofts Condominium Board passed a resolution on April 17, 2019 in support of Prosper Portland's sale of the condominium to Oregon Nikkei Endowment. Furthermore, over the past year staff has discussed the possible transaction at multiple meetings of the Old Town Community Association, which has expressed support. Staff also received positive feedback from community members on the potential sale during outreach conducted in preparation for two Request for Proposals for redevelopment of Prosper Portland properties in Old Town/Chinatown (NW 4th and Burnside and Block 25).

BUDGET AND FINANCIAL INFORMATION

Staff is proposing the sale of the condominium to Oregon Nikkei Endowment for \$1,000,000 based on a broker's opinion of value from Colliers International dated July 9, 2018 that placed the value of the unit between \$1,000,000 and \$1,250,000. The transaction would take the form of a Land Sale Contract that accepts equal monthly payments of approximately \$5,272 over a 20-year period amortized at a rate of 2.5 percent. Sale proceeds would accrue to the Downtown Waterfront TIF District budget (see Attachment B).

Along with the commercial condominium, Prosper Portland also acquired through foreclosure 20 parking spaces inside the building. However, the condominium documents heavily restrict the use or disposition of the parking units. Since the acquisition of the condominium and parking spaces in 2010, Prosper Portland has sold 15 spaces for an average of \$12,000 each and will attempt to sell the remaining five spaces before transfer of the condominium to the Oregon Nikkei Endowment. However, should Oregon Nikkei Endowment obtain an amendment of the condominium documents enabling the transfer of the spaces to it, Prosper Portland will agree to amend the Land Sale Contract to include the parking spaces at no additional charge beyond the general purchase price stated in the Land Sale Contract.

RISK ASSESSMENT

Because the transaction is structured as a Land Sale Contract rather than a more conventional purchase and sale agreement, the purchase price will not be paid in full to Prosper Portland at the initial closing, as is typical. Rather, Oregon Nikkei Endowment will pay the purchase price in installments over a 20-

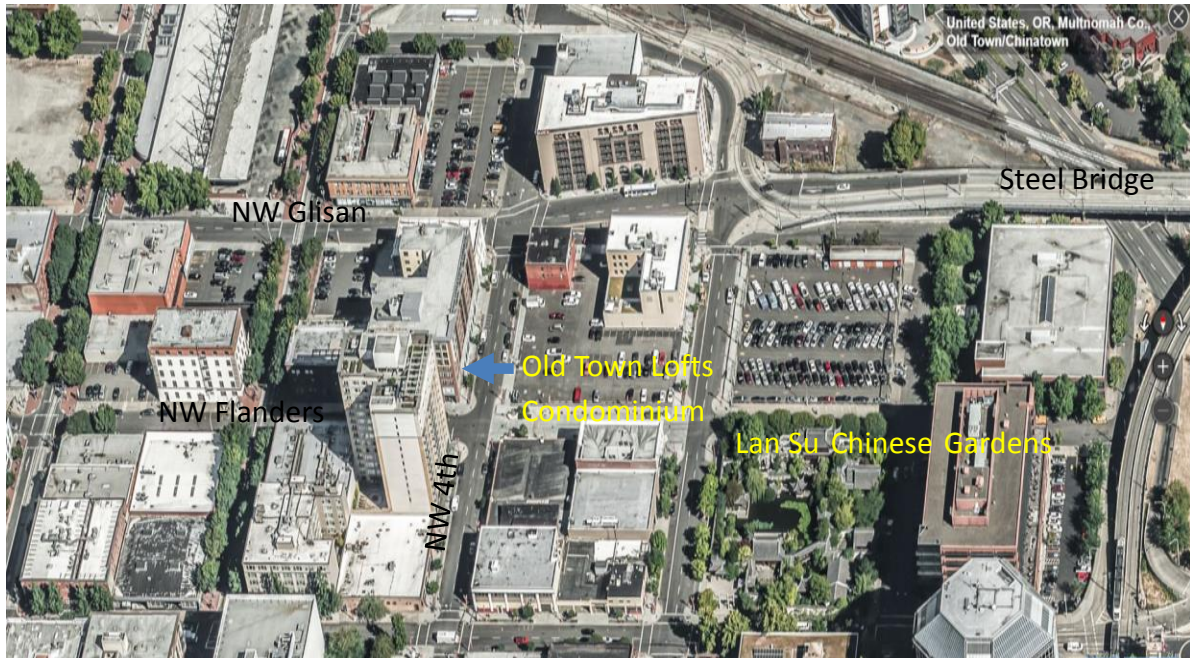
year period. When the purchase price is paid in full, Prosper Portland is then obligated to convey the deed to the property.

The Oregon Nikkei Endowment is a non-profit organization that relies on donations and grants for much of its support. Should Oregon Nikkei Endowment be unable to make its Land Sale Contract payments, Prosper Portland is effectively secured by the commercial condominium unit itself by retaining the deed during the contract period.

ATTACHMENTS

- A. Site Location
- B. Downtown Waterfront TIF District Financial Summary

Site Location



Downtown Waterfront TIF District Financial Summary

**Financial Summary
Five-Year Forecast**

<u>Downtown Waterfront URA Fund</u>	Revised 2 FY 2018-19	Adopted FY 2019-20	Forecast FY 2020-21	Forecast FY 2021-22	Forecast FY 2022-23	Forecast FY 2023-24
Resources						
Beginning Fund Balance	44,205,229	37,201,421	5,932,797	2,141,075	1,533,314	872,485
Revenue						
Fees and Charges	1,110	290	290	276	-	-
Interest on Investments	511,962	426,530	411,952	136,419	115,751	70,421
Loan Collections	192,706	97,831	97,831	95,946	80,860	80,860
Property Sales	24,000	10,000	-	-	-	-
Rent and Property Income	48,830	9,740	740	740	740	740
Reimbursements	29,789	17,000	17,000	17,000	17,000	17,000
Transfers In	-	-	937,000	-	-	-
Total Revenue	808,397	561,391	1,464,813	250,381	214,351	169,021
Total Resources	45,013,626	37,762,812	7,397,610	2,391,456	1,747,665	1,041,506
Requirements						
Administration						
A00023-Debt Management-DTW	12,621	12,121	12,121	12,121	12,121	12,121
Administration Total	12,621	12,121	12,121	12,121	12,121	12,121
Economic Development						
Community Economic Development						
A00083-OT/CT Action Plan-DTW	2,600	-	-	-	-	-
Business Lending						
A00202-BL-General-DTW	100,100	100,100	100,100	-	-	-
Economic Development Total	102,700	100,100	100,100	-	-	-
Housing						
A00164-Affordable Housing-DTW	1,787,488	-	-	-	-	-
Housing Total	1,787,488	-	-	-	-	-
Property Redevelopment						
Commercial Property Lending						
A00359-CPRL-General-DTW	-	1,068,867	4,300,000	-	-	-
Real Estate Management						
A00258-Old Town Lofts-Accel-DTW	37,000	45,800	-	-	-	-
A00259-Old Town Lofts-Prkng-DTW	5,126	1,800	-	-	-	-
A00260-RiverPlace Marina-DTW	17,000	17,000	17,000	17,000	17,000	17,000
A00263-One Waterfront South-DTW	5,000	-	-	-	-	-
Real Estate Disposition						
A00259-Old Town Lofts-Prkng-DTW	-	1,500	-	-	-	-
Redevelopment Strategy						
A00522-OT/CT Investment & Parking-DTW	5,000,000	30,039,646	-	-	-	-
Redevelopment Grants						
A00389-CLG-General-DTW	149,785	100,000	100,000	100,000	100,000	100,000
A00495-Prosperity Investment Program (PIP) Grant-DTW	300,000	200,000	200,000	200,000	200,000	200,000
Property Redevelopment Total	5,513,911	31,474,613	4,617,000	317,000	317,000	317,000
Total Program Expenditures	7,416,720	31,586,834	4,729,221	329,121	329,121	329,121
Personnel Services	112,419	114,675	118,187	118,357	123,092	115,936
Total Fund Expenditures	7,529,139	31,701,509	4,847,408	447,478	452,213	445,057
Interfund Transfers - Indirect Charges	283,066	128,506	409,127	410,664	422,967	408,087
Contingency	37,201,421	5,932,797	2,141,075	1,533,314	872,485	188,362
Total Fund Requirements	45,013,626	37,762,812	7,397,610	2,391,456	1,747,665	1,041,506