

PROSPER PORTLAND

Portland, Oregon

RESOLUTION NO. 7368

AUTHORIZING ACQUISITION OF A 0.9-ACRE PROPERTY IN THE DOWNTOWN WATERFRONT TAX INCREMENT FINANCE DISTRICT FROM NORTHWEST NATURAL GAS COMPANY FOR \$8,000,000, THE EXECUTION OF A TERM SHEET WITH LAN SU CHINESE GARDEN REGARDING REDEVELOPMENT OF THE SITE, AND A \$4,000,000 INTERFUND LOAN FROM PORTLAND PARKS AND RECREATION TO ASSIST IN THE ACQUISITION

WHEREAS, Prosper Portland is undertaking the Downtown Waterfront Urban Renewal Plan, adopted April 23, 1974, and subsequently amended (“Plan”);

WHEREAS, the Old Town/Chinatown Five-Year Action Plan, accepted by Portland City Council by the passage of City Ordinance 186744, enacted on August 6, 2014, and reauthorized on September 4, 2019, established a strategic approach to revitalizing Old Town/Chinatown including promoting development of vacant properties and partnering with key cultural institutions;

WHEREAS, Northwest Natural Gas Company (“NWN”) owns a 39,000 square foot (0.9 acre) property within the Downtown Waterfront Tax Increment Finance District known as Block 24 (“Property” or “Block 24”) and which is currently a surface parking lot bounded by Northwest Flanders Street to the south, NW 3rd Avenue to the west, Northwest Glisan Street to the north, and Northwest 2nd Avenue to the east;

WHEREAS, Lan Su Chinese Garden (“Garden”) is located adjacent and to the south of Block 24, and the non-profit that operates the Garden (“Lan Su”) on behalf of the City of Portland (“City”) Portland Parks and Recreation (“PP&R”) wishes to use the Property to expand the Garden by adding an event and cultural space and Garden administrative offices;

WHEREAS, Lan Su and NWN executed a Purchase and Sale Agreement on April 8, 2019, as amended (“PSA”), which allows Lan Su to acquire the Property for \$8,000,000 by July 2, 2020;

WHEREAS, the PSA also allows Lan Su to assign the rights and responsibilities of the PSA to a development partner, and in August 2019, Lan Su requested that Prosper Portland take assignment of the PSA while continuing to work with Lan Su on the redevelopment of Block 24;

WHEREAS, redevelopment of the Property and Prosper Portland’s collaboration with Lan Su on this project would further the goals of the Old Town/Chinatown Action Plan and the Plan by facilitating property redevelopment and enhancing partnerships with key public partners;

WHEREAS, Prosper Portland and Lan Su have negotiated a term sheet (“Term Sheet”) which provides for the assignment of the PSA to Prosper Portland, reimbursement by Prosper Portland of the escrow deposit funds advanced by Lan Su, collaboration between Prosper Portland and Lan Su on the future redevelopment of the Property, and the opportunity for Lan Su to purchase a portion of the Property from Prosper Portland in the future, if certain conditions in the Term Sheet are met; and

WHEREAS, the City and PP&R are willing to enter into an interfund loan with Prosper Portland pursuant to the City’s policy BCP-FIN-2.18 regarding interfund lending (“Interfund Lending Policy”) to provide \$4,000,000 to Prosper Portland to help offset the costs of the acquisition of the Property and demonstrate PP&R’s commitment to the potential project.

NOW, THEREFORE, BE IT RESOLVED, that the Prosper Portland Board of Commissioners (“Board”) authorizes the Executive Director to execute an assignment and assumption agreement to assume the obligations in the PSA and acquire the Property from NWN, on the terms and conditions set forth in the PSA, for a purchase price of \$8,000,000;

BE IT FURTHER RESOLVED, that the Prosper Portland Board authorizes the Executive Director to execute the Term Sheet with Lan Su Chinese Garden substantially in the form attached as Exhibit A to this resolution;

BE IT FURTHER RESOLVED, that the Prosper Portland Executive Director has the authority to make changes to the Term Sheet, if such changes do not materially increase Prosper Portland’s obligations or risks, as determined by the Executive Director in consultation with Prosper Portland’s General Counsel;

BE IT FURTHER RESOLVED, that the Prosper Portland Executive Director has the authority to obtain a \$4,000,000 interfund loan with PP&R to offset the costs of the acquisition of Block 24, on the terms set forth in the Interfund Lending Policy and approved by the Executive Director in consultation with Prosper Portland’s General Counsel, and;

BE IT FURTHER RESOLVED, that this resolution shall become effective immediately upon its adoption.

Adopted by the Prosper Portland Commission on May 13, 2020



Pam Feigenbutz, Recording Secretary

TERMS AND CONDITIONS FOR THE PURCHASE AND DEVELOPMENT OF PROPERTY IN THE DOWNTOWN WATERFRONT URBAN RENEWAL AREA

This “**Term Sheet**” outlines the principal anticipated terms for a binding agreement between the parties to this Term Sheet for the possible development of the property identified below. This Term Sheet is not a binding contract, a development agreement, a ground lease nor an offer to enter into the same, and is intended only to provide a basis for negotiations of one or more future binding agreements between the parties. Neither party makes any representations or warranties, whether express or implied, by execution of this Term Sheet. Alternative terms and conditions and additional minor terms and conditions will be subject to subsequent negotiations between the parties. Notwithstanding the foregoing, Section VI of this Term Sheet, titled “Acquisition Terms,” is intended to be a binding obligation of the parties.

TERMS

I. Parties:

Portland Classical Chinese Garden, an Oregon non-profit corporation, dba Lan Su Chinese Garden (“**Lan Su**”). Lan Su operates and promotes the Lan Su Chinese Garden, a Suzhou China Ming Dynasty-style garden and Portland landmark, which attracts 200,000 annual visitors and hosts more than 800 community events each year (the “**Garden**”).

Prosper Portland, the assumed business name of the Portland Development Commission (“**Prosper Portland**”), the urban renewal agency of the City of Portland.

II. Property:

Block 24 located in Multnomah County, Oregon and generally bounded by NW Glisan St. to the North, NW 2nd Ave. to the East, NW Flanders St. to the South and NW Third Ave. to the West; APN R140386/Alternate APN 1N1E34CA-00200, Lots 1-8, and associated floor area ratio (the “**Property**”). The Garden is located on Block 16, immediately south of the Property. Both the Garden and the Property are in the Downtown Waterfront Tax Increment Financing District, which Prosper Portland oversees and administers.

III. Term:

- a. The term of this Term Sheet (the “**Term**”) commences on the date that it is signed by both parties and terminates on the earlier of the following: (1) June 30, 2023; (2) the execution of a development agreement, as contemplated in Section VII, below; or (3) the maturity date of the Parks Loan (the Parks Loan is defined and described in Section VI(d), below).
- b. During the Term, Lan Su will use good faith efforts and demonstrate material progress toward raising the funds required to purchase the Lan Su Lot (as defined in Section VI(f),

below), by among other things, providing regular, quarterly reports to Prosper Portland regarding the status and progress of its fundraising campaign, actively pursuing multiple avenues for donations and grants, and promptly notifying Prosper Portland when substantial donations are received, provided that Lan Su may report donations and pledges as anonymous if so requested by the donor. If upon the maturity date of the Parks Loan, Lan Su has successfully obtained fundraising commitments for at least One Million Dollars (\$1,000,000) to purchase the Lan Su Lot from Prosper Portland, then the Term will not expire under the foregoing Section III(a)(3).

- c. If Prosper Portland elects not to obtain the Parks Loan, then Section III(a)(3) is inapplicable. Further, in that event, either party may extend the Term for one period of one (1) year, upon written notice delivered to other prior to the expiration of the original Term. In order for such extension to be effective, there must have been substantial progress toward a development agreement, as evidenced by the issuance of a solicitation, the selection of a potential development partner, and active, on-going negotiations between Prosper Portland, Lan Su, and the potential development partner.

IV. Context:

The Old Town/Chinatown Action Plan, the Downtown Waterfront and River District Urban Renewal Plans, Portland's Central City Plan, and other applicable plans (together, "**City Plans**") envision the Property as one key to revitalizing the Old Town/Chinatown neighborhood. Lan Su and Prosper Portland would like to explore the creation of an indoor cultural and heritage center on the Property to (a) promote cultural and historic appreciation, (b) host events, such as art and plant exhibits, demonstrations, lectures, and performances, and (c) provide amenities, such as classrooms, an expanded gift shop, office and storage space, and meeting rooms (collectively, the "**Cultural Center**"). Lan Su's vision of the Cultural Center is as an integrated part of a high-rise building above and/or adjacent to the Cultural Center, which may entail residential, hotel, office or other uses.

V. Purchase Opportunity:

As a result of significant investment of staff time and other financial resources, Lan Su, as "**Buyer**," entered into a Purchase Agreement dated April 18, 2019 (as amended, the "**PSA**") with Northwest Natural Gas Company ("**Seller**"), to acquire the Property for Eight Million Dollars (\$8,000,000) (the "**Purchase Price**"). Lan Su deposited a total of Two Hundred Fifty Thousand Dollars (\$250,000.00) in escrow (the "**Deposit**"), which Deposit is refundable to Lan Su until June 1, 2020, the expiration of the due diligence period under the PSA. The closing date is July 2, 2020. The parties have discussed an extension of these deadlines under the PSA with Seller, but no extension has been finalized as of the execution of this Term Sheet.

Lan Su desires to assign the PSA to Prosper Portland so that Prosper Portland may acquire the Property and preserve the opportunity to realize Lan Su's vision for the Cultural Center,

and Prosper Portland desires to assume the obligations under the PSA to assist Lan Su and further the goals of the City Plans. In exchange for assigning the opportunity to acquire the Property, Lan Su desires certain benefits as set forth in this Term Sheet.

VI. Acquisition Terms – Binding Obligations of the Parties:

- a. **Assignment:** Lan Su will assign all of its right, title, and interest in and to the PSA to Prosper Portland following approval of this Term Sheet by the board of each party and full execution of this Term Sheet by both parties. Provided Seller has acknowledged and agreed to Prosper Portland's assumption of the PSA, Prosper Portland will assume the obligations of Lan Su under the PSA, and Prosper Portland and Lan Su will inform the escrow officer and title company of the same. Upon assignment of the PSA, Prosper Portland will pay Two-Hundred Fifty Thousand (\$250,000) to Lan Su, and thereafter have all right, title and interest to the Deposit.
- b. **Due Diligence:** Following assignment of the PSA, Prosper Portland will conduct, at its sole cost, all due diligence, which may include: a Phase I and II environmental analysis; site ALTA/TOPO survey; appraisal; title review and any other due diligence Prosper Portland deems appropriate. Lan Su and its legal team will assist Prosper with due diligence.
- c. **Closing:** If Prosper Portland approves the results of its due diligence and the Property, in its sole discretion, provided all other conditions to closing have been met, Prosper Portland will acquire the Property and pay the Purchase Price to Seller, with adjustments as provided in the PSA.
- d. **Purchase Funds Loan.** Prosper Portland will use good faith efforts to obtain a Four Million Dollar (\$4,000,000) loan from Portland Parks and Recreation ("**PPR**") to assist in the payment of the Purchase Price ("**Parks Loan**"). The parties anticipate that the maturity date of the Parks Loan will be two (2) years after the date that PPR funds the Parks Loan. Prosper Portland will promptly notify Lan Su in writing if it obtains the Parks Loan, and if so, the maturity date of the Parks Loan.
- e. **Post-Closing Management; License:** Following closing, Prosper Portland will be the sole owner of the Property, exercising all rights, privileges, and obligations of ownership. Prosper Portland will be solely responsible for the costs of operation, maintenance and repair of the Property, which may include operation of a paid parking lot on the Property, installing a public pay station, restriping the parking spaces, and completing required landscaping improvements. Notwithstanding the foregoing, Prosper Portland and Lan Su will enter into a license agreement promptly following closing, which license will grant Lan Su, on Prosper Portland's standard terms and conditions, the exclusive use of the existing storage shed on the Property and access thereto at no charge to Lan Su, until such time as the use of the Property changes. Lan Su will be solely responsible for all operation, repair and maintenance costs for the shed.

f. **Termination:**

- i. Expiration. This Term Sheet will terminate upon expiration of the Term, as the same may be extended in strict accordance with Section III, above.
- ii. Early Termination By Lan Su. Lan Su may, at any time after the closing of Prosper Portland's acquisition of the Property and prior to the expiration of the Term (or the parties entering into a binding agreement regarding future development on the Property), deliver written notice to Prosper Portland that it desires to terminate this Term Sheet and purchase a portion of the Property for its own development. Upon receipt of Lan Su's written notice, the parties will meet to discuss the proposed portion of the Property that Lan Su desires to purchase. Prosper Portland will accept or reject the configuration of the portion of the Property that Lan Su proposes to purchase, in Prosper Portland's sole discretion. If Prosper Portland accepts Lan Su's proposed purchase lot configuration, then the purchase price of such lot will be proportionate to the Purchase Price. For example, if the parties agree that Lan Su will purchase one-third (1/3) of Block 24, then the purchase price will be $1/3 \times \$8M$, or \$2,666,667.
- iii. If Prosper Portland rejects Lan Su's proposed purchase lot configuration, then Lan Su will notify Prosper Portland whether it elects to either (1) terminate this Term Sheet, in which case the parties will have no further rights or obligations to the other, or (2) purchase the southeast one-quarter of the Property, identified as Lots 1 and 4 of Block 24, at a price of Two Million Dollars (\$2,000,000).
- iv. The portion of the Property to be sold to Lan Su is referred to in this Term Sheet as the "**Lan Su Lot**," and the price that Lan Su will pay for the Lan Su Lot is referred to as the "**Lan Su Lot Purchase Price**." Following identification of the Lan Su Lot, in accordance with Section VI.f.ii. and Section VI.f.iii, above, Prosper Portland will, at its sole cost, promptly commence and pursue approval to legally divide the Lan Su Lot from the remainder of the Property (or if possible, obtain lot confirmation approval). When Prosper Portland has received approval of the final plat or of the lot confirmation, Prosper Portland will deliver written notice to Lan Su, and Lan Su will have the one-time right to purchase the Lan Su Lot at the Lan Su Lot Purchase Price, on a date to be selected by the parties but in no event later than sixty (60) days after Prosper Portland's notice to Lan Su that the final plat is approved or the Lan Su Lot is comprised of confirmed legal lots of record. Upon Lan Su's delivery of the Lan Su Lot Purchase Price to Prosper Portland, Prosper Portland will convey the Lan Su Lot AS-IS to Lan Su by bargain and sale deed, subject to all title exceptions of record.
- v. If Lan Su fails to timely deliver the Lan Su Lot Purchase Price and close on the acquisition of the Lan Su Lot, then the parties will have no further rights or

obligations to the other under this Term Sheet. Prosper Portland makes no commitment, nor is there or will there be any expectation by Lan Su, that Prosper Portland will grant to Lan Su any portion of the Property at no cost or that Prosper Portland will discount the Lan Su Lot Purchase Price for any reason. Time is of the essence in this Section VI.

VII. Property Development:

- a. After Closing, Prosper Portland and Lan Su will cooperate on the development of a solicitation for and the selection of a developer for the development of the Property. The details of the solicitation will be developed cooperatively after closing on Prosper Portland's acquisition of the Property. At a minimum, proposers will be requested to:
 - i. Provide a proposal for design, development and construction on the Property of a substantial building that may contain residential, office, and/or hotel uses.
 - ii. Provide details and the associated price or impact to the purchase price for the Property for public benefits that the proposer will provide, such as:
 - A. A first and/or second floor condominium for Lan Su (the "**Lan Su Condominium**") in a shell condition for use as the Cultural Center, with the understanding that Lan Su would be solely responsible for the build out of the Cultural Center in a way that activates the streetscape, furthers its mission, and generates public participation and positive energy for the neighborhood, on a schedule to be agreed with developer and Prosper Portland. The solicitation may include language that establishes priority for proposers willing to provide the Lan Su Condominium at terms more favorable than otherwise commercially available. The solicitation will include a request to provide details and the extent of such terms.
 - B. Affordable housing.
 - C. Public space amenities to be shared with Lan Su, such as a transitional landscaped area (perhaps qualifying as a "park") between the southern portion of the Property and the Garden.
 - i. Consider the Property's location in a qualified opportunity zone (QOZ) and describe whether the proposer intends to use qualified opportunity zone fund (QOF) equity.
 - ii. Include a commercial and/or housing component that supports the goals and objectives of the Old Town / Chinatown Action Plan by increasing commercial vitality in the district and providing mixed income, market rate housing.
 - iii. Provide a return on investment to Prosper Portland in accordance with the Prosper Portland Financial Sustainability Plan.
- b. If the parties are able to agree on a development proposal, Prosper Portland, Lan Su, and the selected developer will negotiate agreements necessary to accomplish the development of the Property in accordance with the selected proposal. The agreements will be legally binding instruments, setting forth the more detailed provisions governing

the rights and obligations of the parties with respect to the development of the Property, the conveyance of the Lan Su Condominium to Lan Su, and other essential terms and conditions.

- c. During negotiations with the selected developer and continuing thereafter, Lan Su will provide regular updates to Prosper Portland regarding its fundraising for the Lan Su Condominium. Prosper Portland and the developer will have no obligation to provide the Lan Su Condominium if Lan Su does not have access to sufficient funding to complete its obligations.

VIII. Timeline/Schedule:

Prosper Portland will develop a solicitation timeline and schedule consistent with its internal practices, emerging market realities, and the closing date under the PSA.

IX. Public Involvement:

Lan Su will participate in public engagement meetings organized by Prosper Portland with local community stakeholders and the public regarding the development of the Property. Prosper Portland may require that Lan Su sponsor and hold stakeholder events as those apply to the Lan Su Condominium and its proposed uses.

X. Prosper Portland Policies:

Regardless of any selected developer, the amount of Prosper Portland funding for the development of the Property, or any specific uses contained in any future development, the following Prosper Portland policies, as they exist at the time of closing and/or transfer of the Property to a developer, will apply to the future development: (a) Workforce Training and Hiring Program; (b) Business Equity Policy; and (c) Green Building Policy.

[Signatures follow on next page]

Except for Section VI (Acquisition Terms), above, this Term Sheet is nonbinding. With respect to Section VI, the individuals executing this Term Sheet on behalf of each party, below, individually represent and warrant that they been authorized to do so and by executing this Term Sheet have the power to bind the party for whom they are signing.

PROSPER PORTLAND

By: _____
Kimberly Branam, Executive Director

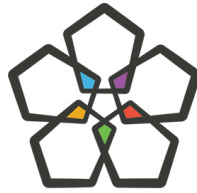
Date: _____

Approved as to Form:

Legal Counsel

PORTLAND CLASSICAL CHINESE GARDEN,
an Oregon non-profit corporation,
dba Lan Su Chinese Garden

By: _____
Name: Jane DeMarco
Title: Interim Executive Director
Date: _____



RESOLUTION NO. 7368

RESOLUTION TITLE:

AUTHORIZING ACQUISITION OF A 0.9-ACRE PROPERTY IN THE DOWNTOWN WATERFRONT TAX INCREMENT FINANCE DISTRICT FROM NORTHWEST NATURAL GAS COMPANY FOR \$8,000,000, THE EXECUTION OF A TERM SHEET WITH LAN SU CHINESE GARDEN REGARDING REDEVELOPMENT OF THE SITE, AND A \$4,000,000 INTERFUND LOAN FROM PORTLAND PARKS AND RECREATION TO ASSIST IN THE ACQUISITION


Adopted by the Prosper Portland Commission on May 13, 2020

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Chair Gustavo J. Cruz, Jr.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Alisha Moreland-Capuia MD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Francesca Gambetti	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Peter Platt	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner William Myers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Consent Agenda		<input checked="" type="checkbox"/> Regular Agenda		

CERTIFICATION

The undersigned hereby certifies that:

The attached resolution is a true and correct copy of the resolution as finally adopted at a Board Meeting of the Prosper Portland Commission and as duly recorded in the official minutes of the meeting.

	Date: May 19, 2020
Pam Feigenbutz, Recording Secretary	