



PROSPER
PORTLAND
Building an Equitable Economy

DATE: December 16, 2020
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 20-54

Approving the Terms of a Special Authority Loan of up to \$2,348,334 to the Portland Chinatown History Foundation for Purchase of the Kida Building in the River District Tax Increment Finance District

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7407

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to negotiate and execute a Special Authority Loan in an amount up to \$2,362,000 to the Portland Chinatown History Foundation (PCHF) for their acquisition and redevelopment of the 9,500 square foot Kida Building at 127 NW 3rd Avenue in the River District Tax Increment Finance District (see a project summary in Attachment A).

If approved, this action will allow PCHF to acquire the building it currently rents that houses the Portland Chinatown History Museum. The museum, opened by PCHF in the fall of 2018, features a 2,400 square foot permanent exhibit entitled *Beyond the Gate: A Tale of Portland's Chinatown* as well as a front gallery and conference rooms to feature exhibits from Asian American contemporary artists working in all media.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action meets multiple Prosper Portland Strategic Plan objectives, including creating healthy, complete neighborhoods and strengthening partnerships with public and non-profit partners to deliver on community priorities as expressed in the Old Town/Chinatown Five-Year Action Plan.

BACKGROUND AND CONTEXT

In 2014, a group of Chinese elders and their descendants established PCHF with the purpose of telling the story of their history of immigration, exclusion, discrimination, and ultimately citizenship. Since 2014, PCHF has worked to create Oregon's first museum of Chinese American history and a space to exhibit contemporary Asian American art.

In 2016, PCHF took the first step to realize their goals by signing a lease for the Kida Building. In 2017 and 2018, PCHF conducted a capital campaign that raised \$1,200,000 for renovation of the building into the museum and gallery space. The total cost for the renovation was \$1,400,000 with Prosper Portland contributing \$300,000 in two Community Livability Grants for the initial renovation and subsequent

improvements. The museum opened in late 2018 and has since become a key cultural institution in Old Town/Chinatown, educating Portlanders and visitors on the rich history of the Chinese American people in Portland.

In December 2019, PCHF completed a five-year strategic plan for the future of the organization and museum, including prioritizing purchase and renovation of the Kida Building. The property purchase would help secure a permanent home for PCHF’s Portland Chinatown Museum, offices, and gallery/event space, and would allow it to invest in historical façade rehabilitation and renovation of the building, which PCHF believes will strengthen the Old Town and New Chinatown/Japantown Historic District. The façade restoration is also intended to result in the reclassification of the Kida Building to Contributing Historic status, which would allow the sale of more valuable air rights that could repay over half of the property purchase price.

Securing ownership of the property is seen as key to the Portland Chinatown Museum’s ability to launch a capital campaign and leverage up to another \$7,000,000 in government, foundation, and individual and corporate grants and donations to fund the full property renovation over two phases. The initial phase would complete the historic façade restoration and seismic upgrades, at which point historic designation could be achieved. After repaying the Prosper Portland loan with air rights sale proceeds, capital campaign funds, and possibly even a partial loan refinance, the second phase could proceed. The second phase would build out the second story, which would include a half floor of additional office and museum space and a large outdoor terrace.

The proposed Prosper Portland Special Authority Loan is intended to be the catalyst for the fundraising and bridge the time period between securing property ownership and executing on the capital campaign and façade restoration. PCHF has heard from multiple foundations and grant-making organizations that funders are reluctant to pledge substantial sums of money toward property improvements if PCHF does not have ownership of the building.

Following is a table with estimated sources and uses for the two phases of the Kida Building purchase and renovation:

Sources	Amount	%
Proposed Prosper Portland Special Authority Loan	\$ 2,362,000	
To be repaid with:		
Phase 1 Appropriations, Grants & Gifts	\$ 4,090,843	43%
Sale of Historic Building Air Rights	<u>\$ 1,375,000</u>	<u>15%</u>
	\$ 5,465,843	58%
Phase 2 Capital Campaign	\$ 3,986,800	42%
Total Sources	\$ 9,452,643	100%
Uses	Amount	%
<i>Phase 1 Historic Façade Restoration & Seismic:</i>		
Building Purchase (incl. estimated closing costs)	\$ 2,276,000	24%
Interest Reserve	\$ 45,000	0%
Loan Costs & Fees	\$ 41,000	0%
Phase 1 Construction Hard Costs	\$ 2,887,500	31%
Phase 1 Design & Engineering Costs	<u>\$ 216,343</u>	<u>2%</u>
<i>Total Phase 1:</i>	<i>\$ 5,465,843</i>	<i>58%</i>

<i>Phase 2 Historic Restoration & 1.5 Floor Development</i>	\$ 3,986,800	42%
Total Uses	\$ 9,452,643	100%

The proposed Prosper Portland Special Authority loan would fund 100 percent of the purchase of the property. The purchase option described in the latest lease amendment stipulates that the purchase price includes the \$2,200,000 sale price as well as partially deferred rents since 2019. Other costs being financed are the loan fee and costs (including appraisal and environmental investigation), the closing costs, and an interest reserve. The interest reserve would partially fund interest payments to Prosper Portland in years 1 and 2 of the loan term when monthly payment amounts received from PCHF would be insufficient to cover the entire interest accrued amount. It is being proposed that the interest reserve be sized to cover two years of interest payments if PCHF cannot increase monthly payment amounts to \$4,000 in 2022 (from \$3,000), so that there is some cushion if the current operating conditions related to the pandemic are prolonged.

PCHF is developing a list of potential capital and matching government and foundation grants. They have included in their 2021 budget the hiring of a capital campaign consultant to work with the organization to help define the strategy for a multi-year capital campaign to fund the purchase of the building and its two-phase restoration plan. PCHF plans to launch a full capital campaign by the end of 2021.

Very early, highly conceptual drawings and preliminary cost estimates for the proposed renovation were provided by the architect and contractor who designed and built the existing museum. The two phases would have to be further defined and sharpened based on design and refinement of the construction elements.

Ultimately, property ownership would confer long-term stability to PCHF and the Portland Chinatown Museum. Completion of the first full-service Asian American museum of history, art, and culture in Oregon would mark the fulfillment of the museum’s Chinese founders’ dream for their own families and for Oregon’s Asian American youth.

EQUITY IMPACT

Portland’s Old Town/Chinatown (OT/CT) neighborhood was predominantly settled by Japanese and Chinese immigrants from the late 1800s through the early to mid-1900s and has historically been both culturally diverse and economically disadvantaged. The assistance to PCHF will honor our commitment to a diverse City and will help preserve the rich cultural history of Chinese Americans in Portland. PCHF’s work to seismically upgrade the building and to restore the historic façade will be subject to Prosper Portland’s Business Equity and Workforce Training and Hiring programs.

COMMUNITY PARTICIPATION AND FEEDBACK

The OT/CT Five-Year Action Plan, accepted by Portland City Council on August 6, 2014, and extended for an additional five years on September 4, 2019, established a strategic approach to revitalizing OT/CT including supporting key cultural institutions. The Old Town Community Association is in support of the loan to PCHF for acquisition and redevelopment of the Kida Building.

BUDGET AND FINANCIAL INFORMATION

There are sufficient resources in the fiscal year 2020-21 River District TIF budget and forecast for funding the loan (see Attachment B). Initially, \$2,000,000 will be drawn from the OT/CT Investment & Parking line with the balance being borrowed from the Redevelopment Grants budget. At the next proposed

budget revision that staff will introduce to the Prosper Portland Board in early 2021, funds from the OT/CT Investment & Parking line FY 2021-22 will be programmed to FY 2020-21 to make up the difference and keep the grant budget intact for FY 2020-21.

The Special Authority Loan was programmed as a Program Related Investment with a return to the agency. Repayment of the loan would be made as scheduled payments of interest for the first two years (including some payment from an interest reserve that would be funded with the loan) and scheduled payments of interest and principal for the remaining three years. Most of the repayment would come as a balloon payment at maturity and/or sale of air rights. Income from the \$2,362,000 loan would be from a one percent loan fee and interest paid over the loan term. The internal rate of return to Prosper Portland is projected to be 2.55 percent.

RISK ASSESSMENT

- 1. Repayment of the Special Authority Loan for the property purchase and renovation of the Kida Building is based on PCHF's ability to raise sufficient funds to complete the project.** To repay the proposed loan within five years, PCHF intends to raise funds to complete the historic façade restoration and seismic upgrades that would allow them to sell more valuable air rights. This sale, in combination with additional capital campaign funds or refinance of a portion of remaining debt, would repay the proposed Special Authority Loan. There is a risk that PCHF does not raise sufficient funds for completion of the phase one renovation or additional funds for partial repayment of the proposed loan. There is an additional risk that the anticipated air rights sale does not yield a buyer or the projected proceeds for repaying the loan, given the opaque and unpredictable nature of that market. Either of these scenarios would delay the return of capital to Prosper Portland.
- 2. The project is in the early stages of planning and design.** The capital campaign is yet to be planned and launched, the design is in very early concept phase, and construction and other costs are currently only very preliminary estimates. There is a risk that the capital campaign would take substantially longer than planned and/or be only partially successful, or that unforeseen or higher-than-anticipated costs could significantly increase the project budget. These risks are only partially mitigated by the relatively strong leadership that the organization has, as evidenced by its accomplishments to date in the previous fundraising and building out of the museum. The risks are also only partially mitigated by the investigations and planning that the organization has done to this point that indicate that the core underlying assumptions around availability of specific grants and other repayment sources, as well as costs and elements of the construction and historic restoration, are valid.
- 3. Borrower is a non-profit organization that depends heavily on annual grant writing cycle and donations for funding.** In addition to little long-term certainty of income streams, PCHF is also currently undergoing organization development that will lead to additional staffing and expenses. There is a risk that the revenues will fall short of being able to make scheduled loan payments over the term of the loan. This risk is only partially mitigated by the organization's ability to hire staff and take on new programming only once grant funding is secured, at least in the near term. It is also partially mitigated by funding an interest reserve that allows the organization to ramp up monthly loan payments over three years.
- 4. The current pandemic creates risk due to uncertainty around resumption of normal museum operations and more generally, impacts to ability to fundraise and fully engage in a capital campaign by the end of 2021.** This risk is only partially mitigated by the PCHF's expectation that museum operations would be disrupted at least until mid-2021, and that they would focus on

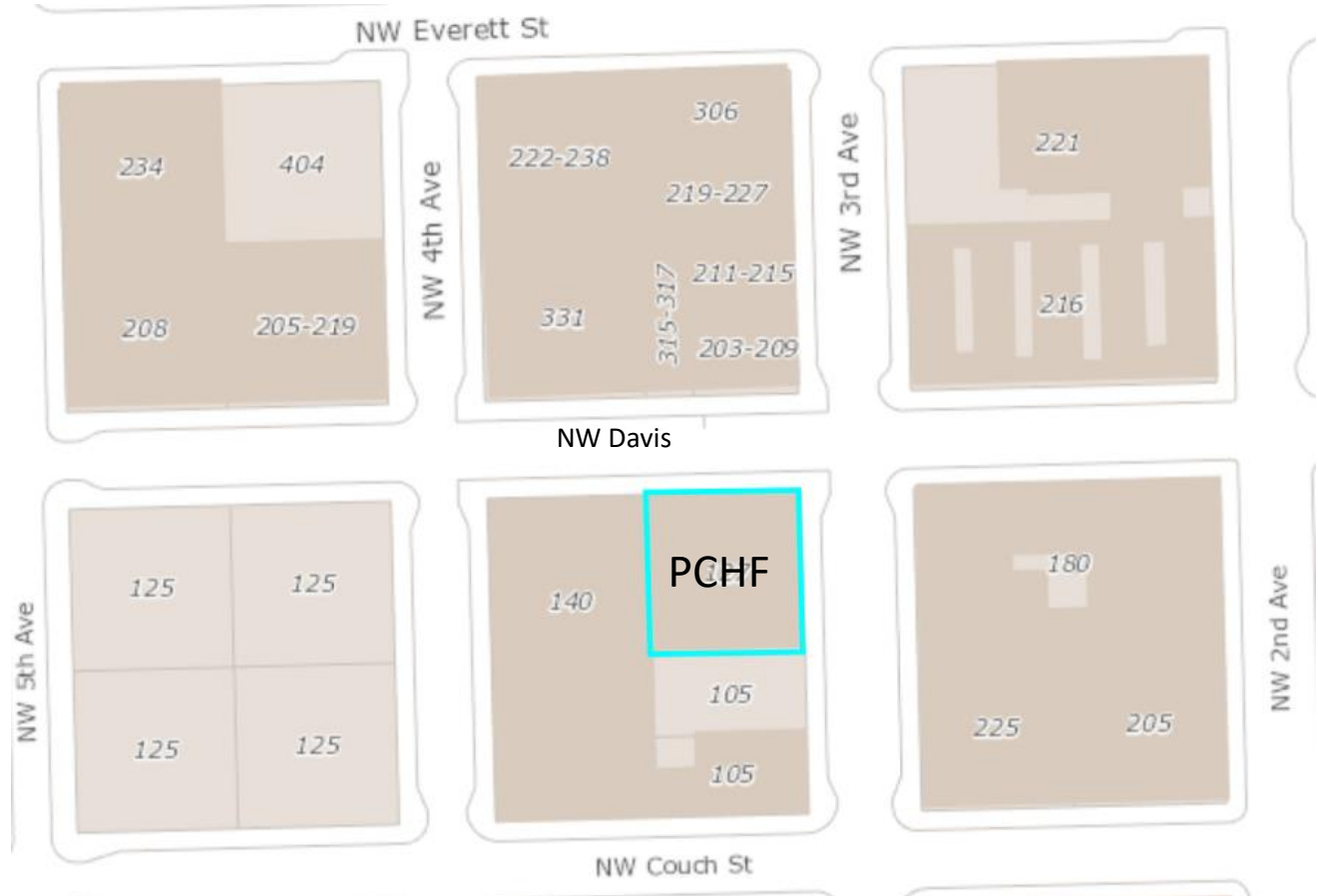
additional grant-writing, hiring and onboarding new staff, and capital campaign planning. The larger, long term effects on philanthropy are not fully known at this point.

ATTACHMENTS

- A. Project Summary
- B. River District TIF Financial Summary

PROJECT SUMMARY

Project Name: PCHF loan to acquire and redevelop Kida Building
Description: \$2,362,000 loan for 9,500 square foot Kida Building
Location: 119-139 NW 3rd Avenue
Tax Increment District: River District
Current Phase: Acquisition
Next Milestone: Close on property by December 21, 2020
Completion Target: Acquisition and Phase I renovation complete late 2023
Outcome: Building acquisition, seismic upgrade, and historic façade renovation
Property Location:



River District Financial Summary

Financial Summary
 Five-Year Forecast

River District TIF Fund	Revised 5 FY 2019-20	Revised FY 2020-21	Forecast FY 2021-22	Forecast FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25
Resources						
Beginning Fund Balance	68,182,544	72,237,857	35,522,740	(37,291,442)	(42,725,175)	(47,941,572)
Revenue						
Fees and Charges	3,380	3,578	3,618	2,110	-	-
Grants - Federal except HCD	50,000	200,000	50,000	-	-	-
Interest on Investments	1,901,820	895,354	820,771	562,174	562,174	-
Loan Collections	448,928	361,560	444,589	535,117	524,644	5,145,378
TIF - Short Term Debt	12,987,000	11,140,985	-	-	-	-
Property Sales	-	-	10,000,000	-	-	-
Rent and Property Income	1,577,974	1,312,778	2,844,374	2,842,797	3,083,744	3,304,109
Reimbursements	90,000	90,000	90,000	90,000	90,000	90,000
Transfers In	-	89,951,421	-	-	-	-
Total Revenue	17,058,900	83,955,676	14,053,350	4,032,198	4,240,562	8,539,487
Total Resources	85,241,444	156,193,533	49,576,090	(33,259,244)	(38,484,613)	(39,402,085)
Requirements						
Administration						
A00025-Debt Management-RVD	1,054,764	1,064,974	34,803,577	33,098	33,098	33,098
Administration Total	1,054,764	1,064,974	34,803,577	33,098	33,098	33,098
Economic Development						
Traded Sector						
A00110-Business Development-RVD	5,000	-	-	-	-	-
Business Lending						
A00204-BL -General-RVD	100,000	-	-	-	-	-
Economic Development Total	105,000	-	-	-	-	-
Housing						
A00186-Affordable Housing-RVD	1,231,890	1,517,214	16,359,994	-	-	-
Housing Total	1,231,890	1,517,214	16,359,994	-	-	-
Infrastructure						
Public Facilities						
A00483-Union Station Grant-RVD	381,674	-	-	-	-	3,500,000
Infrastructure Total	381,674	-	-	-	-	3,500,000
Property Redevelopment						
Real Estate Management						
A00276-Post Office-RVD	1,044,000	1,295,534	909,367	798,367	771,700	716,700
A00278-4th and Burnside-RVD	33,980	27,725	28,489	-	-	-
A00285-Block Y-RVD	83,239	83,200	86,568	88,645	90,826	92,780
A00286-Union Station-RVD	1,661,571	1,502,232	1,607,550	1,687,929	1,772,326	1,860,941
A00288-Centennial Mills-RVD	87,200	515,830	187,531	189,303	-	-
A00289-Station Place Lot 5-RVD	1,000	-	-	-	-	-
A00290-Station Place Prkng-RVD	649,088	744,975	782,475	790,448	819,819	726,435
A00291-Block R-RVD	29,000	22,550	23,128	23,734	24,371	-
A00292-One Waterfront North-RVD	-	-	-	-	-	10,652
A00293-Old Fire Station Mgmt-RVD	280,700	461,695	146,885	-	-	-
A00588-RD Small Lots - 9th & Naito-RVD	7,500	7,875	8,269	8,682	9,116	9,572
A00587-Block 25-RVD	59,800	76,400	28,400	-	-	-
Real Estate Predevelopment						
A00276-Post Office-RVD	5,835,000	12,292,782	15,785,000	20,000	20,000	-
A00278-4th and Burnside-RVD	100,000	5,000	5,000	5,000	5,000	-
A00286-Union Station-RVD	2,050,320	-	-	-	-	-
A00290-Station Place Prkng-RVD	175,000	-	-	-	-	-
A00293-Old Fire Station Mgmt-RVD	300,000	5,000	5,000	5,000	5,000	-
A00587-Block 25-RVD	205,000	50,000	-	-	-	-
A00620-Post Office Grant-RVD	80,000	200,000	80,000	-	-	-
Real Estate Disposition						
A00288-Centennial Mills-RVD	1,100,000	100,000	1,102,500	-	-	-
Redevelopment Strategy						
A00038-Superfund-RVD	0	438,360	-	-	-	-
A00279-Broadway Corridor-RVD	2,756,696	229,000	-	-	-	-
River District TIF Fund						
	Revised 5 FY 2019-20	Revised FY 2020-21	Forecast FY 2021-22	Forecast FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25
A00280-10th & Yamhill Redevelop-RVD	205,154	-	-	-	-	-
A00517-OT/CT Investment & Parking-RVD	0	2,000,000	9,578,177	-	-	-
Redevelopment Grants						
A00390-CLG-General-RVD	150,000	550,000	100,000	100,000	100,000	-
A00497-Prosperity Investment Program (PIP) Grant-R'	200,000	300,000	250,000	250,000	250,000	-
Property Redevelopment Total	17,054,048	20,906,158	30,670,137	3,967,108	3,868,158	3,417,080
Total Program Expenditures	19,827,176	23,488,346	81,833,708	4,000,208	3,901,256	6,950,158
Personnel Services	750,191	753,491	842,877	854,935	865,078	899,284
Total Fund Expenditures	20,577,367	24,241,837	82,676,585	4,855,141	4,766,334	7,849,422
Interfund Transfers - Indirect Charges	4,881,370	4,365,834	4,191,147	4,610,790	4,690,625	4,858,472
Interfund Transfers - Cash Transfers	0	70,201,392	-	-	-	-
Contingency	59,782,707	57,384,470	(37,291,442)	(42,725,175)	(47,941,572)	(52,109,979)
Total Fund Requirements	85,241,444	156,193,533	49,576,090	(33,259,244)	(38,484,613)	(39,402,085)