



**PROSPER**  
**PORTLAND**  
Building an Equitable Economy

**DATE:** July 14, 2021  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 21-23  
Authorizing Terms for Lease Agreements at The Nick Fish; Authorizing Additional Funding for Build-Out of Commercial Space

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

Adopt Resolution No. 7430

This action by the Prosper Portland Board of Commissioners (Board) will i.) authorize the Executive Director to execute leases with business tenants in Prosper Portland-controlled ground floor commercial space at The Nick Fish at NE 106th Avenue and Halsey Street in the Gateway Regional Center Tax Increment Finance District (see Building Rendering and Project Summary in Attachment A), and ii.) increase the tenant improvement funding amount authorized pursuant to Resolution No. 7366, adopted by the Prosper Portland Board on April 8, 2020, from \$3,500,000 to \$3,650,000.

Staff is requesting Prosper Portland Board approve parameters of the terms of these lease agreements in advance, pursuant to the Disposition and Leasing of Real Property Policy, adopted through Resolution No. 7301 on February 13, 2019, rather than bringing each lease agreement to the Prosper Portland Board for consideration on a lease-by-lease basis. If approved, this action will enable Prosper Portland to expedite the leasing process for prospective tenants at The Nick Fish and take a significant step forward in delivering equitable business opportunities as part of the agency's Affordable Commercial Tenanting (ACT) initiatives.

At the July 14, 2021, Prosper Portland Board meeting, staff will provide an update on the agency's ACT efforts including lessons learned around staff administration of the ACT pilot projects; effectively identifying business needs, space delivery, and financial contributions including tenant improvement allowances; tenant engagement and leasing; management and operations; and opportunities for improvement and next steps. Upon ongoing evaluation of the administration and management of the ACT pilot projects, staff will seek to formalize ACT program guidelines that reflect lessons learned from the pilots and charts a comprehensive path forward for this work.

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

This action will deliver on several Strategic Plan objectives, most notably by creating healthy, complete neighborhoods and by providing wealth creation opportunities for priority businesses by lowering barriers to entry into commercial spaces. The Prosper Portland Board has previously approved ACT pilot projects including Alberta Commons, Lents Commons, and 10Y, which were created to provide equitable and affordable commercial opportunities to priority tenants. For the ACT Program as implemented at The Nick Fish, Prosper Portland staff along with a Retail Advisory Committee developed a set of criteria

for determining whether a business is a “priority tenant” eligible for enhanced assistance. These criteria, which are set forth in detail in Exhibit A to the Resolution (Lease Terms Summary), have been shaped and informed by a Retail Advisory Committee.

### **BACKGROUND AND CONTEXT**

On November 12, 2008, the Prosper Portland Board through Resolution No. 6641 approved an Intergovernmental Agreement with the City of Portland Bureau of Parks and Recreation (PP&R) to jointly acquire approximately 4.2 acres of property at NE Halsey Street and NE 106th Avenue. Since acquisition, Prosper Portland and PP&R remediated and conducted site preparation activities and created a master plan for a three-acre park site owned by PP&R (that ultimately became Gateway Discovery Park) and a one-acre mixed-use redevelopment project owned by Prosper Portland. On July 10, 2019, the Prosper Portland Board through Resolution No. 7321 authorized terms of the development of what was then known as Halsey 106 and is now The Nick Fish, a mixed-use, mixed income redevelopment project that includes affordable housing, workforce housing, headquarters for local non-profit Human Solution Inc, and ground floor commercial space fronting both NE Halsey Street and Gateway Discovery Park. Prosper Portland maintains ownership of the approximately 11,000 square feet ground floor commercial space, which is expected to be subdivided into nine retail spaces and leased to businesses that activate the park and commercial corridor, focusing on women-owned and BIPOC-owned businesses as well as other businesses that advance Prosper Portland’s strategic and equity objectives. Consistent with the administration of current ACT pilot projects, Prosper Portland intends to provide resources and services to tenants including below market lease rates, tenant improvement grants and allowances, and technical assistance.

To ensure that community priorities help inform tenanting of the commercial space, in 2018 staff convened a Retail Advisory Committee to identify business types needed in the area that should be prioritized in Prosper Portland’s leasing activities. Staff will continue to consult with the Retail Advisory Committee on a tenant-by-tenant basis, but Prosper Portland retains final decision making in leasing. Priority tenants identified by staff and consistent with the criteria set forth in Exhibit A to the Resolution No. 7430 (Lease Terms Summary) may receive an enhanced level of tenant improvement grant funding.

On April 8, 2020, the Prosper Portland Board approved Resolution No. 7366, allocating funding in an amount not to exceed \$3,500,000 for improvements to the retail space, including tenant improvements. As construction costs continue to rise and the real estate market evolves, staff expect prospective tenants’ needs for tenant improvement assistance at The Nick Fish will be higher than initially projected and are therefore seeking an increase in funding authority from the Prosper Portland Board to a new not to exceed amount of \$3,650,000.

### **EQUITY IMPACT**

Prosper Portland’s ACT pilot projects provide opportunities for equitable wealth by offering commercial leasing opportunities in evolving real estate markets, with a focus on historically excluded and underrepresented communities including BIPOC, women-owned, and local neighborhood businesses. By executing leases at The Nick Fish, Prosper Portland will offer new, affordable, well-located retail space on a major commercial corridor to qualified businesses that provide local goods and services.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

As noted, beginning in 2018, staff assembled a Retail Advisory Committee to assist Prosper Portland in identifying tenanting priorities for the commercial space. The Retail Advisory Committee’s input was instrumental in shaping and informing the criteria and scoring for determining whether a tenant is a “Priority Tenant,” as set forth in Exhibit A to the Resolution.

### **BUDGET AND FINANCIAL INFORMATION**

There are insufficient resources in the FY 2021-22 Adopted Gateway Regional Center Tax Increment Finance Budget for this proposed action and increased investment (see Attachment B). Therefore, staff will seek Prosper Portland Board approval of a budget amendment in autumn 2021.

Staff have assumed a range of lease rates from \$15 to \$20 per square foot (with annual increases of three percent) based upon other leased and available retail spaces within one mile of The Nick Fish. To offset lease costs, Prosper Portland will offer a \$55 per square foot tenant improvement grant, with a maximum allowance of \$75,000 per tenant. Further detail on lease terms can be found in Exhibit A to Resolution No. 7430. The proposed lease structure is expected to start generating a positive cash flow to Prosper Portland in fiscal year 2023-24.

### **RISK ASSESSMENT**

To minimize leasing risks, staff will vet each tenant applicant by requiring a business plan summary; profit and loss projections; two years of historical personal and business tax returns; year-to-date profit and loss balance sheet; and personal financial statement.

### **ATTACHMENTS**

- A. Building Rendering and Property Summary
- B. Gateway Regional Center Tax Increment Finance District Budget

### BUILDING RENDERING AND PROPERTY SUMMARY



- Project Name:** The Nick Fish
- Description:** 11,000 square feet of retail space owned by Prosper Portland
- Location:** Northeast Halsey Street between Northeast 105<sup>th</sup> and 106<sup>th</sup> avenues
- TIF District:** Gateway Regional Center
- Current Phase:** Construction completed
- Next Milestone:** Leasing of retail spaces
- Completion Target:** Leasing complete by end of fiscal year 2022/23

**GATEWAY REGIONAL CENTER TAX INCREMENT FINANCE DISTRICT BUDGET**

**Financial Summary  
 Five-Year Forecast**

<u>Gateway Regional Center URA Fund</u>	<u>Revised 3 FY 2020-21</u>	<u>Approved FY 2021-22</u>	<u>Forecast FY 2022-23</u>	<u>Forecast FY 2023-24</u>	<u>Forecast FY 2024-25</u>	<u>Forecast FY 2025-26</u>
<b>Resources</b>						
Beginning Fund Balance	10,028,548	7,603,967	33,412,284	29,441,852	21,206,292	17,669,788
<b>Revenue</b>						
Fees and Charges	48	48	-	-	-	-
Interest on Investments	32,581	121,846	174,343	92,614	35,466	-
Loan Collections	8,146	53,979	101,284	101,284	101,284	101,284
TIF - Short Term Debt	5,878,088	5,960,666	-	-	-	-
TIF - Long Term Debt	0	28,733,749	-	-	-	-
Rent and Property Income	56,525	56,525	297,334	302,386	307,546	312,706
Reimbursements	0	-	62,582	63,851	65,153	66,455
<b>Total Revenue</b>	<b>5,975,388</b>	<b>34,926,813</b>	<b>635,543</b>	<b>560,135</b>	<b>509,449</b>	<b>480,445</b>
<b>Total Resources</b>	<b>16,003,936</b>	<b>42,530,780</b>	<b>34,047,828</b>	<b>30,001,987</b>	<b>21,715,742</b>	<b>18,150,233</b>
<b>Requirements</b>						
<b>Administration</b>						
A00031-Debt Management-GTW	23,782	5,589	5,589	10,000	10,000	10,000
<b>Administration Total</b>	<b>23,782</b>	<b>5,589</b>	<b>5,589</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>Economic Development</b>						
<b>Traded Sector</b>						
A00115-Business Development-GTW	20,000	20,000	-	-	-	-
A00382-Lean Manufacturing-GTW	10,000	10,000	10,000	10,000	10,000	-
<b>Community Economic Development</b>						
A00123-Community Development-GTW	20,000	20,000	-	-	-	-
<b>Business Lending</b>						
A00210-BL -General-GTW	200,200	200,200	200,000	200,000	-	-
<b>Economic Development Total</b>	<b>250,200</b>	<b>250,200</b>	<b>210,000</b>	<b>210,000</b>	<b>10,000</b>	<b>-</b>
<b>Housing</b>						
A00172-Affordable Housing-GTW	1,414,526	2,177,355	447,704	5,773,323	688,798	-
<b>Housing Total</b>	<b>1,414,526</b>	<b>2,177,355</b>	<b>447,704</b>	<b>5,773,323</b>	<b>688,798</b>	<b>-</b>
<b>Infrastructure</b>						
<b>Transportation</b>						
A00590-Trans. Improvements-GTW	0	2,100,000	-	-	-	-
<b>Infrastructure Total</b>	<b>0</b>	<b>2,100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Property Redevelopment</b>						
<b>Commercial Property Lending</b>						
A00367-CPRL-General-GTW	501,500	1,501,500	1,000,000	-	-	-
<b>Real Estate Management</b>						
A00588-Halsey 106 Com Condo-GTW	0	106,220	142,387	145,761	149,274	152,787
A00588-Halsey 106 Com Condo-GTW	4,674,278	32,000	32,000	32,000	32,000	32,000
<b>Real Estate Disposition</b>						
<b>Redevelopment Strategy</b>						
A00346-Project Development-GTW	100,000	1,100,000	1,000,000	1,300,000	1,800,000	2,000,000
<b>Redevelopment Grants</b>						
A00132-CLG-General-GTW	230,000	220,000	220,000	220,000	220,000	220,000
A00503-Prosperity Investment Program (PIP) Grant-GTW	420,000	400,000	400,000	100,000	100,000	100,000
<b>Property Redevelopment Total</b>	<b>5,925,778</b>	<b>3,359,720</b>	<b>2,794,387</b>	<b>1,797,761</b>	<b>2,301,274</b>	<b>2,504,787</b>
<b>Total Program Expenditures</b>	<b>7,614,286</b>	<b>7,892,864</b>	<b>3,457,680</b>	<b>7,791,084</b>	<b>3,010,072</b>	<b>2,514,787</b>
Personnel Services	188,411	165,679	149,339	132,216	138,113	61,515
<b>Total Fund Expenditures</b>	<b>7,802,697</b>	<b>8,058,543</b>	<b>3,607,019</b>	<b>7,923,300</b>	<b>3,148,185</b>	<b>2,576,302</b>
Interfund Transfers - Indirect Charges	612,272	1,059,953	998,957	872,395	897,769	521,610
Contingency	7,588,967	33,412,284	29,441,852	21,206,292	17,669,788	15,052,321
<b>Total Fund Requirements</b>	<b>16,003,936</b>	<b>42,530,780</b>	<b>34,047,828</b>	<b>30,001,987</b>	<b>21,715,742</b>	<b>18,150,233</b>