



PROSPER
PORTLAND
Building an Equitable Economy

DATE: February 9, 2022
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 22-06

Authorizing a Purchase and Sale Agreement with 15th & Killingsworth LLC and 1463 Killingsworth LLC to Acquire Property Located at 1455 NE Killingsworth and 1463 NE Killingsworth for \$1,700,000

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7446

This action by the Prosper Portland Board of Commissioners (Board) will authorize the terms of a Purchase and Sale Agreement (PSA) with 15th & Killingsworth LLC and 1463 Killingsworth LLC (Seller) that will allow Prosper Portland to purchase two parcels located at 1455 and 1463 NE Killingsworth Street (Property) in the Interstate Tax Increment Financing (TIF) District (see a Map and Street View in Attachment A). If approved, Prosper Portland will negotiate a purchase and sale agreement, then undertake due diligence and potentially acquire the Property. Prosper Portland intends to use this project to inform the creation of a pilot property acquisition program over the next six to nine months that provides opportunities for priority populations to generate wealth through real estate development.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

The acquisition is in alignment with the agency's Strategic Plan objectives of creating vibrant and connected neighborhoods and advancing wealth creation opportunities for historically disadvantaged Portlanders. It also delivers on the Interstate Corridor TIF Plan and N/NE Community Development Initiative Action Plan (N/NE Action Plan) by increasing "wealth creation opportunities for long-term and returning residents, business and property owners."

BACKGROUND AND CONTEXT

On January 26, 2017, the Portland City Council through Ordinance No. 37264 adopted the N/NE Action Plan, establishing a framework to guide activities and investments within the Interstate Corridor TIF District, with a particular emphasis on wealth creation and small business development support to community members who have not fully participated in, or benefited from, past opportunities in the district. The N/NE Action Plan is focused on five goals: property ownership, business ownership, home ownership, community livability, and cultural hub. Since adoption, Prosper Portland has structured its annual work plan and budget in the Interstate Corridor TIF district to deliver on N/NE Action priorities.

In 2021, members of the N/NE Black community identified acquisition of the Property as an opportunity for a project in a key commercial corridor that is experiencing increased property values. The 10,000

square foot Property, which is zoned Commercial Mixed-Use 2, currently consists of a single-story commercial building and surface off-street parking.

Staff have negotiated a term sheet for the acquisition with the price based on a Broker Opinion of Value and subject to due diligence (including a site survey (ALTA), environmental phase 1, building survey, and other activities) to evaluate developability that will further inform the final sale price. The due diligence costs will not count toward the \$32,000,000 originally earmarked to implement the N/NE Action Plan. There is a small re-sale retail business currently operating from the single building on site; Prosper Portland may continue leasing the space to generate revenue.

If Prosper Portland acquires the Property, in summer 2022, staff intends to issue a competitive solicitation (Request for Proposal or Request for Qualifications) to identify a development partner that will transform the Property into uses and ownership consistent with the principles of the N/NE Action Plan and the Interstate Plan.

Staff will also use this as an opportunity to help inform the creation of a property acquisition program with the goal to offer a path to property ownership for vulnerable communities. As part of this effort, the team will engage N/NE Action Plan Leadership Committee (N/NE Leadership Committee) members, N/NE community members, lenders, and other thought partners to further analyze the challenges associated with property acquisition and development and identify possible partnerships with traditional and alternative lenders that have resources to maximize wealth creation opportunities for historically disadvantaged communities. Prosper Portland will also review the agency's predevelopment loan program to address access to capital issues faced during this stage of development.

EQUITY IMPACT

Staff will work with members from the N/NE Leadership Committee to ensure the competitive solicitation prioritizes community-serving and wealth-building uses on the Property in alignment with goals of the N/NE Action Plan.

COMMUNITY PARTICIPATION AND FEEDBACK

Staff regularly meets with the N/NE Leadership Committee about implementing the N/NE Action Plan. The seven-member N/NE Leadership Committee is comprised of a range of individuals including small business owners, real estate and lending professionals, tradeswomen, and other community leaders. The majority of N/NE Leadership Committee members currently work in and/or have lived experience within the district. In winter 2021, staff briefed the N/NE Leadership Committee on the proposed acquisition of the Property. Members were supportive and expressed a need to work with the current tenant to either keep them operating at the location or supporting their re-location with minimal disruption to their business.

BUDGET AND FINANCIAL INFORMATION

There are sufficient funds in the Interstate Corridor Revised 1 fiscal year 2021-22 TIF District budget and forecast for this transaction (see Attachment B). Per the term sheet, the current purchase price for the property is \$1,700,00 plus closing costs. Any due diligence findings that could impact the value of the sale will be negotiated with the seller before closing. Property management costs for a one-year hold are estimated to be \$23,000.00; there are adequate funds for this expense as well. It is anticipated that Prosper Portland would sell this property for close to the market value, deducting the costs associated with due diligence.

RISK ASSESSMENT

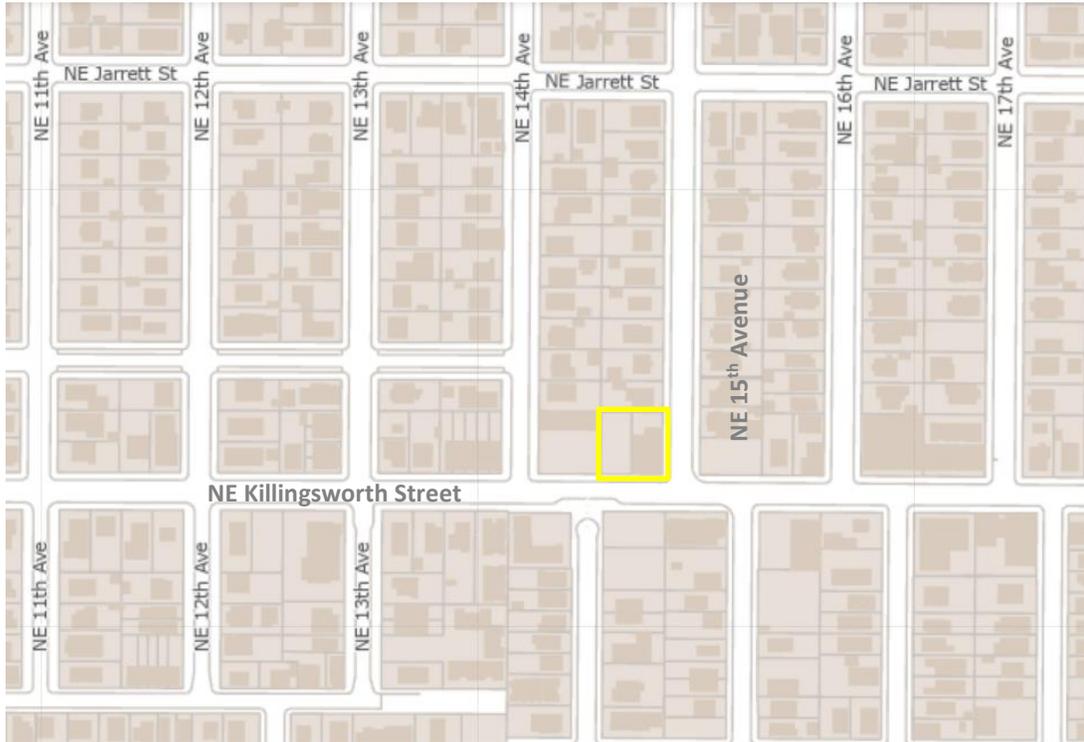
Risk associated with purchasing the Property include:

- Due diligence findings may reveal the building on site is not up to code and able to be legally tenanted, resulting in re-location of the current tenant and no lease income to the agency.
- Responses to the solicitation do not align with N/NE Action Plan goals, requiring changes to be made to the solicitation including offer prices and other terms. It may also require the agency to hold the property longer than intended and invest additional property management resources.

ATTACHMENTS

- A. Map & Street View
- B. Interstate Corridor TIF District Budget and Forecast

Map and Street View



Interstate Corridor TIF District Budget and Forecast

**Financial Summary
Five-Year Forecast**

<u>Interstate Corridor TIF Fund</u>	<u>Revised 1 FY 2021-22</u>	<u>Requested FY 2022-23</u>	<u>Forecast FY 2023-24</u>	<u>Forecast FY 2024-25</u>	<u>Forecast FY 2025-26</u>	<u>Forecast FY 2026-27</u>
Resources						
Beginning Fund Balance	54,337,903	46,965,875	46,839,371	42,078,894	26,136,486	14,677,753
Revenue						
Fees and Charges	236	-	-	-	-	-
Interest on Investments	595,518	386,711	198,064	50,285	-	-
Loan Collections	60,855	59,479	52,399	42,651	93,869	26,316
TIF - Short Term Debt	26,973,000	26,973,000	28,856,031	-	-	-
Rent and Property Income	345,891	428,938	431,338	438,322	440,722	447,706
Reimbursements	107,943	125,240	126,157	127,429	128,341	129,433
Total Revenue	28,083,443	27,973,368	29,663,989	658,687	662,932	603,455
Total Resources	82,421,346	74,939,243	76,503,360	42,737,581	26,799,418	15,281,208
Requirements						
Administration						
A00030-Debt Management-ISC	49,958	32,610	32,610	32,610	-	-
Administration Total	49,958	32,610	32,610	32,610	-	-
Economic Development						
Traded Sector						
A00381-Lean Manufacturing-ISC	20,000	20,000	-	-	-	-
Community Economic Development						
A00122-Community Development-ISC	200,000	200,000	-	-	-	-
A00106-NPI & Main St Network-ISC	75,000	-	-	-	-	-
Business Lending						
A00209-BL -General-ISC	300,000	300,000	-	-	-	-
Economic Development Total	595,000	520,000	-	-	-	-
Housing						
A00171-Affordable Housing-ISC	20,637,807	20,848,821	28,056,835	3,707,409	-	-
A00516-N/NE Middle Inc Hsg-ISC	634,417	629,188	-	-	-	-
Housing Total	21,272,224	21,478,009	28,056,835	3,707,409	-	-
Infrastructure						
Transportation						
A00250-Lombard Investment-ISC	372,000	-	-	-	-	-
Infrastructure Total	372,000	-	-	-	-	-
Property Redevelopment						
Commercial Property Lending						
A00366-CPRL-General-ISC	2,850,000	2,500,000	-	-	-	-
A00527-CPRL-PIP Match-ISC	20,000	20,000	-	-	-	-
Real Estate Management						
A00333-MLK Alberta-ISC	260,828	263,247	274,138	276,705	285,672	285,672
A00335-Nelson Bldg-Indust-ISC	121,187	122,657	125,199	127,565	129,931	129,931
A00336-Spar-Tek Building-ISC	637,884	37,961	39,038	40,115	41,192	42,269
A00338-3620 NE MLK Prkng-ISC	29,215	29,241	29,241	29,241	-	-
A00515-MLK Heritage Markers-ISC	3,000	3,000	-	-	-	-
A00552-Albina Triangle Garage-GTW	21,750	-	-	-	-	-
A00698-1455-63 Killingsworth-INT	30,000	30,000	-	-	-	-
Real Estate Acquisition						
A00698-1455-63 Killingsworth-INT	2,300,000	-	-	-	-	-
Real Estate Disposition						
Redevelopment Strategy						
A00341-Project Development-ISC	372,000	-	3,200,000	10,000,000	10,000,000	-
A00532-Legacy project-ISC	274,000	-	-	-	-	-
Redevelopment Grants						
A00131-CLG-General-ISC	1,014,900	91,900	91,900	-	-	-
A00502-Prosperity Investment Program (PIP) Grant-ISC	1,532,800	342,800	303,556	-	-	-
A00640-Lombard PIP-ISC	500,000	-	-	-	-	-
Property Redevelopment Total	9,967,564	3,440,806	4,063,072	10,473,626	10,456,795	457,872
Total Program Expenditures	32,256,746	25,471,425	32,152,517	14,213,645	10,456,795	457,872
Personnel Services	808,786	593,242	513,896	537,047	363,887	235,674
Total Fund Expenditures	33,065,532	26,064,667	32,666,413	14,750,692	10,820,682	693,546
Interfund Transfers - Indirect Charges	2,389,939	2,035,205	1,758,053	1,850,403	1,300,983	886,402
Contingency	46,965,875	46,839,371	42,078,894	26,136,486	14,677,753	13,701,260
Total Fund Requirements	82,421,346	74,939,243	76,503,360	42,737,581	26,799,418	15,281,208