



PROSPER
PORTLAND
Building an Equitable Economy

DATE: February 8, 2023
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 23-02

Authorizing a Construction Loan and Purchase and Sale Agreement with Home Forward for the Renovation and Acquisition of Commercial Retail Space at 1103 - 1121 SW Harvey Milk Street in the River District Urban Renewal Area and Authorizing an Exemption from the Prosper Portland Green Building Policy

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7476

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to enter into one or more agreements with Home Forward to support the purchase and development of real property located at 1103 - 1121 SW Harvey Milk Street (Fairfield Building) in the River District Tax Increment Finance (TIF) District (see a Project Summary in Attachment A). If approved, Prosper Portland will invest \$1,900,000 in federal American Rescue Plan Phase 2 (ARP) funding and \$700,000 in River District TIF funding to acquire and improve a 3,000 square foot ground floor retail condominium space that will be enrolled in the agency's Affordable Commercial Tenanting Program. The remainder of the Fairfield Building will be redeveloped by Home Forward as an affordable housing project.

This action will also authorize an exemption from the Prosper Portland Green Building Policy and instead apply the Oregon Housing and Community Services' (OHCS) Sustainable Development Practices to both the residential and the commercial portions of the project.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action delivers on the agency's Strategic Plan goals by creating healthy, complete neighborhoods and by providing wealth creation opportunities for local business owners.

BACKGROUND AND CONTEXT

The Fairfield Building, a four-story unreinforced masonry structure built in 1911, has for many years provided 82 single room occupancy units. The Portland Housing Bureau (PHB) purchased the Fairfield Building from Prosper Portland in 2010 to preserve affordable rental housing options in downtown Portland and since July 2017 has partnered with Home Forward to manage the property, which needs major renovations and a seismic upgrade. While Home Forward has successfully assembled funding for housing-related improvements to the Fairfield Building, these funds cannot be invested in the ground

floor commercial space. In recognition of the importance of preserving ground floor commercial space in the West End and Pride Plaza along SW Harvey Milk St, on April 13, 2022, through Ordinance No. 190773, Portland City Council allocated \$1,900,000 in ARP funding to Prosper Portland to lead a development and operations strategy for retaining the retail space. Subsequently, Prosper Portland offered to provide an additional \$700,000 in River District TIF funds for improvements and acquisition of the commercial space.

If the Prosper Portland Board approves the terms and conditions of this action, Prosper Portland will provide Home Forward a forgivable loan of up to \$2,500,000 to finance the construction of the ground floor commercial space which will be forgiven upon successful completion of construction, condominium formation, and conveyance of the condominium space to Prosper Portland. The balance of Prosper Portland's financial commitment, \$100,000, is dedicated toward tenant improvements to the space.

Staff are also requesting that the Prosper Portland Board approve an exemption from the agency's Green Building Policy in lieu of OHCS' Sustainable Development Standards. As a practice, Home Forward has long declined to set its own green building practices because almost every funding source used has its own sustainability requirements. Rather than attempt to combine policies that could end up being contrary, Home Forward adheres to the policy that is required by a project's majority funder. In the case of the Fairfield Building, OHCS as majority funder is requiring Home Forward to implement a Self-Directed Sustainable Building Path (see an excerpt in Attachment D), which requires Home Forward to have a consultant suggest sustainable scope items and re-evaluate those items as the project proceeds. Prosper Portland staff believe that a Green Building Policy exemption would avoid the impracticality of potentially engineering and implementing two different heating ventilation and air conditioning systems in addition to other shared systems (and associated costs) that may be needed under different sustainability standards.

It is anticipated that construction will begin in April 2023 and will be completed by April 2024. Prosper Portland will take ownership of the retail condominium by August 2024 and intends to lease the units through the agency's Affordable Commercial Tenanting Program shortly thereafter.

EQUITY IMPACT

Prosper Portland's Construction Business and Workforce Equity Policy allows Prosper Portland to defer to the comparable or greater policies of other government agencies. Therefore, Home Forward's Economic Equity Policy shall apply to both the residential and retail components of the project and will be reflected in the Loan Agreement. In summary, Home Forward's Economic Equity Policy requires that 30 percent of the value of the construction contract be awarded to certified firms and/or Underutilized Business Enterprise. Additional details on the Economic Equity Policy can be found in Attachment C.

The benefit of the retail restoration project will be primarily to low-income residents of the Fairfield Building along with small business tenants and the diverse community members that live in this district, which contains many businesses who actively support the LGBTQ community. As noted, the ground floor commercial space will be enrolled into Prosper Portland's Affordable Commercial Tenanting Program.

COMMUNITY PARTICIPATION AND FEEDBACK

Prosper Portland staff did not conduct any specific public participation related to this action, as the direction to fund commercial improvements came from Portland City Council, which was responding to

community stakeholders advocating for local shopping opportunities and ground floor vitality in the neighborhood.

BUDGET AND FINANCIAL INFORMATION

There are sufficient resources for this transaction, as the City of Portland has allocated the ARP funds to Prosper Portland in its fiscal year 2022-23 Revised Budget; likewise, there are resources allocated in the FY 2023-24 River District TIF Revised budget and forecast (see Attachment B).

RISK ASSESSMENT

The major risk to Prosper Portland is a potential cost overrun for the retail space. Prosper Portland has communicated to Home Forward that its maximum contribution to the commercial space is capped at \$2,600,000, which includes a \$100,000 tenant improvement allowance. There is also a risk that Prosper Portland's efforts to lease the space will be impacted by construction delays; to prevent construction delays from impact rental income, staff will negotiate liquidated damage terms in the loan documents.

ATTACHMENTS

- A. Project Summary
- B. Excerpt of OHCS Self Directed Building Path
- C. Summary of the Home Forward Economic Equity Policy
- D. River District Financial Summary

PROJECT SUMMARY

- Description:** Renovation of Fairfield Building at SW Harvey Milk and SW 11th with affordable housing and ground floor retail
- Housing:** 75 Units (69 single-room occupancy, 6 Studio) in three stories totaling 27,498 square feet
- Retail:** Approximately 3,000 square feet in three separate units on the ground floor
- Owner:** Portland Housing Bureau with transfer to Home Forward at closing in February 2023; Prosper Portland to own retail space
- Team:** Developer, Home Forward; Architect, Peter Meijer Architects; General Contractor, Walsh Construction.
- Cost:**
- | | |
|---------|--|
| Housing | \$33.4 million |
| Retail | <u>\$ 2.6 million</u> (\$1.9 M American Rescue Plan Grant, \$0.7 M River District TIF) |
| Total | \$36.0 million |
- Schedule:**
- | | |
|-----------------------|-------------|
| Closing | March 2023 |
| Construction Begins | April 2023 |
| Construction Ends | April 2024 |
| Condominium approved | June 2024 |
| Retail Condo Conveyed | August 2024 |



1103 - 1121 SW Harvey Milk Street

**EXCERPT: OREGON HOUSING & COMMUNITY SERVICES CORE-DEVELOPMENT MANUAL
SUSTAINABLE DEVELOPMENT STANDARDS**

7.1a.06 Self-Directed (SD) Sustainable Building Path (As referenced in Section 7.1a.03 of this Chapter. This Section applies only to Rehabilitation Projects that have chosen this Path to comply with Module 1 of the Department’s SDS).

The Self-Directed (SD) Sustainable Building Path is intended to allow the Project Owner and their third-party Sustainable Building Consultant to develop a project specific sustainable building approach that best fits the unique characteristics of their rehabilitation project. Rehabilitation Projects that have chosen to follow the SD Sustainable Building Path must comply with the following protocols:

- 1) **Engagement of a Third-Party Sustainable Building Consultant Required** The project team must include a third-party Sustainable Building Consultant with a contracted scope of involvement that allows them to reasonably fulfill the expectations defined in this Section. The consultant must be a member of a bona fide business that routinely engages in sustainable design and construction related consulting and that has prior experience performing work similar to that described in this section.
- 2) **Energy and Water-Use Assessment Required** An Energy and Water Use Assessment of the subject project must be conducted that meets the requirements given under Appendix B.1; Section B.1.11; a) of this Manual. If a CNA has been performed that meets all the requirements given under Appendix B.1 of the CDM, the Energy and Water Use Assessment part of the CNA satisfies this requirement.
- 3) **SD Sustainable Building Path Scope of Work Content and Format Requirements** A written scope of work covering only the Sustainable Building measures/upgrades that will be included in the project must be developed. At a minimum, the SD Sustainable Building Path Scope of Work must comply with all the following
 - a. The Scope of Work must be authored by the third-party Sustainable Building Consultant and must be submitted on the Consultant’s letterhead. The Scope of Work should reflect a consensus between the Project Owner and the Sustainable Building Consultant regarding what Sustainable Building measures/upgrades make the best sense for the project.
 - b. The Scope of Work must be formatted as an itemized and numbered list of proposed measures/upgrades. Additional information or a brief rationale for the listed items is encouraged where it may be useful to OHCS staff in understanding the proposed scope.
 - c. The Scope of Work must have a copy of the Energy and Water-Use Assessment described in item 2) of this Section appended to it.
 - d. The Scope of Work must include a section that briefly identifies any significant differences – if any (both additions and omissions), between what is recommended in the Scope of Work and what is recommended in the Energy and Water Use Assessment part of the project’s CNA (as defined in CDM Appendix B.1, Section B.1.11, a), item 5.

- 4) When and How to Submit the Sustainable Building Path Scope of Work to the Department
Submit the Scope of Work with SDS Certification Part 1 (Form A-GC1). Refer to Chapter 7.0, Section 7.0.03 for required timing of SDS Certification related submittals.
- 5) Certification Statement from the Sustainable Building Consultant Required As part of the certification requirement given in Chapter 7.0, Section 7.0.03, Part 3 of the three-part certification process (form A-GC3) for SDS Module 1 must include a written statement from the Sustainable Building Consultant that declares that the completed construction has, in their professional opinion, satisfactorily incorporated all of the elements of the SD Sustainable Building Path Scope of Work. The written statement must be submitted on the Consultant's letterhead and must be included with submission of a completed A-GC3 form at Substantial Completion of the project.

Note: Unless it is specifically required by one of the other Sustainable Building Paths that may be chosen to satisfy Module 1 of the SDS, the Sustainable Building Consultant's written statement described above is required only when the Self-Directed Sustainable Building Path has been chosen by the project team.

SUMMARY OF HOME FORWARD ECONOMIC EQUITY POLICY REQUIREMENTS

An Equity Plan is to be established during the course of pre-construction services and will be incorporated into the contract. During the term of the Contract, the Contractor will be required to submit monthly reports on progress toward achieving the established Equity Plan, including utilization of all certified businesses, along with certified payroll supporting apprenticeship hours and workforce diversity. Home Forward will hold periodic meetings to discuss the execution of the Equity Plan. The dates and times of these meetings will be determined by the Parties but in no case shall be less than monthly. A contractor representative (required to attend), subcontractor representative, pre-apprentice program representative, apprentice program representative will be invited, and all are urged to attend.

This project is subject to the following Economic Equity programs:

1) Home Forward's Supplier Diversity Program

- A. Home Forward requires that 30% of the value of the construction contract be awarded to COBID and/or Underutilized Business Enterprise (UBE) which includes: Diverse ability-owned business enterprises (DOBE), Disadvantaged business enterprises (DBE), Emerging small businesses (ESB), LGBT-owned business enterprises (LGBT-BE), Minority-owned business enterprises (MBE), Service disabled veteran business enterprises (SDVBE), Women-owned business enterprises (WBE), Veteran-owned business enterprises (VBE) certified contractors.
- B. UBE's with certifications of Emerging Small Business (ESB), shall be limited to utilizing 5% of their contract dollars to meet the overall 30% goal.

2) HUD's Section 3 Program

- A. 10% of the construction subcontracting dollars awarded to Section 3 businesses
- B. 3% of the non-construction subcontracting dollars awarded to Section 3 businesses
- C. 30% of new hire positions necessitated by the contract awarded to Section 3 individuals

3) Workforce Training & Hiring Program

The goal of the Workforce Training and Hiring Program is to increase the numbers of women and BIPOC (Black, Indigenous, and People of Color) in the construction trades through apprenticeship and journey-level opportunities on City of Portland projects. Workforce Training & Hiring Program requirements apply to City construction projects contracted for \$200,000 and above and subcontracts at \$100,000 and above. Key program elements Include:

- A. The prime contractor and all subcontractors with contracts in the amount of \$100,000 or more are registered as Training Agents with the Oregon Bureau of Labor and Industries (BOLI)
- B. Ensuring that a minimum of 20% of the labor hours, per trade, are worked by state-registered apprentices
- C. Striving in good faith to meet the diversity goals of 20% of job hours performed by BIPOC journey-level workers and apprentices, and 9% of job hours performed by female journey-level workers and apprentices
- D. Prime contractor and subcontractors are expected to meet diversity goals by trade

**Financial Summary
Five-Year Forecast**

River District TIF Fund	Revised 1 FY 2022-23	Requested FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Resources						
Beginning Fund Balance	61,511,730	1,447,314	1,896,452	2,067,147	9,067,111	7,164,817
Revenue						
Fees and Charges	2,110	0	0	0	0	0
Interest on Investments	307,556	14,473	8,965	10,671	58,171	39,148
Loan Collections	45,799	90,890	90,889	2,277,524	24,718	6,083,082
Property Sales	0	2,000,000	6,000,000	8,250,000	0	0
Rent and Property Income	2,435,135	2,366,822	3,333,688	2,217,715	2,246,219	2,284,248
Reimbursements	14,098	14,521	14,956	0	0	0
Transfers In	0	13,000,000	0	0	0	0
Total Revenue	2,804,698	17,486,706	9,448,498	12,755,910	2,329,108	8,406,478
Total Resources	64,316,428	18,934,020	11,344,950	14,823,057	11,396,219	15,571,295
Requirements						
Administration						
A00025-Debt Management-RVD	33,098	33,098	33,098	-	-	-
Administration Total	33,098	33,098	33,098	-	-	-
Housing						
A00166-Affordable Housing-RVD	9,055,290	2,400,133	-	-	-	-
Housing Total	9,055,290	2,400,133	-	-	-	-
Infrastructure						
Public Facilities						
A00483-Union Station Grant-RVD	100,000	-	-	-	-	-
A00718-Chinatown Gate-RVD	300,000	-	-	-	-	-
Infrastructure Total	400,000	-	-	-	-	-
Property Redevelopment						
Commercial Property Lending						
A00361-CPRL-General-RVD	12,600	-	-	-	-	-
Real Estate Management						
A00276-Post Office-RVD	915,923	163,000	158,000	158,000	-	-
A00278-4th and Burnside-RVD	39,170	159,441	159,441	-	-	-
A00285-Block Y-RVD	116,667	148,610	148,610	153,066	153,066	157,660
A00286-Union Station-RVD	1,739,184	1,798,287	1,858,081	-	-	-
A00288-Centennial Mills-RVD	624,267	557,171	557,181	557,181	-	-
A00290-Station Place Prkng-RVD	859,082	1,019,234	1,019,234	1,049,813	1,049,813	1,081,306
A00291-Block R-RVD	134,000	35,371	36,008	36,645	37,282	37,282
A00292-One Waterfront North-RVD	0	-	19,652	19,652	19,652	-
A00293-Old Fire Station Mgmt-RVD	85,371	33,789	-	-	-	-
A00558-RD Small Lots - 9th & Naito-RVD	20,184	13,543	13,543	-	-	-
A00587-Block 25-RVD	35,054	40,461	40,461	-	-	-
A00691-Post Office Garage-RVD	0	454,430	564,650	581,589	581,589	599,035
Real Estate Predevelopment						
A00186-Fairfield Apartments-RVD	700,000	-	-	-	-	-
A00276-Post Office-RVD	29,063,977	5,000,000	-	-	-	-
A00278-4th and Burnside-RVD	498,448	644	644	-	-	-
A00293-Old Fire Station Mgmt-RVD	133,693	-	-	-	-	-
A00587-Block 25-RVD	75,000	-	-	-	-	-
Real Estate Disposition						
A00288-Centennial Mills-RVD	714,041	500,000	-	-	-	-
A00293-Old Fire Station Mgmt-RVD	5,000	5,000	-	-	-	-
Redevelopment Strategy						
A00038-Superfund-RVD	46,080	79,200	79,200	-	-	-
A00517-OT/CT Investment & Parking-RVD	11,466,092	-	-	-	-	-
A00687-OTCT-PI-DTWF	20,000	-	-	-	-	-
Redevelopment Grants						
A00390-CLG-General-RVD	369,265	100,000	90,000	-	-	-
A00497-Prosperity Investment Program (PIP) Grant-RVD	526,798	150,000	100,000	-	-	-
A00671-Repair Grant-RVD	5,558	-	-	-	-	-
Property Redevelopment Total	48,205,454	10,258,181	4,844,705	2,555,946	1,841,402	1,875,283
Total Program Expenditures	57,693,842	12,691,412	4,877,803	2,555,946	1,841,402	1,875,283
Personnel Services	1,003,153	546,156	600,000	500,000	500,000	300,000
Total Fund Expenditures	58,696,995	13,237,568	5,477,803	3,055,946	2,341,402	2,175,283
Interfund Transfers - Indirect Charges	4,172,119	3,800,000	3,800,000	2,700,000	1,890,000	630,000
Contingency	1,447,314	1,896,452	2,067,147	9,067,111	7,164,817	12,766,012
Total Fund Requirements	64,316,428	18,934,020	11,344,950	14,823,057	11,396,219	15,571,295