



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

**DATE:** June 21, 2023  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 23-14  
Authorizing an Exception to Sublease Guidelines at Alberta Commons for a Sublease with Microenterprise Services of Oregon

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

Adopt Resolution No. 7486

This action by the Prosper Portland Board of Commissioners (Board) will authorize execution of a sublease agreement (Sublease) with Microenterprise Services of Oregon (MESO) at Prosper Portland master leased space at Alberta Commons located at NE Martin Luther King Jr., Blvd and NE Alberta Street in the Interstate Corridor Tax Increment Finance District (see a Project Summary in Attachment A), at a base rent lower that would otherwise be required by the applicable sublease guidelines. The Sublease would allow Prosper Portland to partner with MESO to continue to operate a Makers Market and Retail Incubator that will also provide technical assistance support and hands-on experience to MESO clients and other underrepresented entrepreneurs. Since the proposed starting base lease rate is set at \$14.00 per square foot, which is below the Prosper Portland Board-approved minimum base lease rate of \$18.00 per square foot, staff are seeking Prosper Portland Board approval.

### **STRATEGIC ALIGNMENT AND OUTCOMES**

This action aligns with the following Prosper Portland strategic objectives i) fostering wealth creation within communities of color, and ii) creating healthy, complete neighborhoods. It also aligns with the Cooperation, Coordination, Project Implementation, and Community Benefits Agreement (CBA) for the Alberta Commons project by:

- Supporting local business and job growth;
- Enabling wealth creation opportunities for people of color and low-income community members.

### **BACKGROUND AND CONTEXT**

Alberta Commons is a 25,000 square foot shopping center located at the northwest corner of NE Martin Luther King, Jr. Blvd. and NE Alberta Street on a 1.79-acre parcel formerly owned by Prosper Portland. It was developed by Majestic Realty Company and Prosper Portland entered into a Master Lease Agreement (Master Lease) with the developer for 5,125 square feet of retail space. On November 8, 2017, the Prosper Portland Board through Resolution No. 7257 approved terms for sublease agreements at Alberta Commons that set a minimum base rent of \$18.00 per square foot.

Since that time, Prosper Portland has executed subleases to two Black-owned businesses through the agency's Affordable Commercial Tenanting program (ACT), occupying 2,757 square feet of the total master leased space.

The remaining 2,368 square foot retail pad was formerly subleased to GreenHaus Gallery & Boutique, which vacated in February 2022. The space remained vacant until December 2022, when Prosper Portland donated temporary use of the space to MESO for the organization's Makers Winter Market. Prosper Portland has extended the use permit and MESO has hosted several additional markets during the last few months.

During this time, MESO's concept of creating a Maker's Market was born. It sprang from the fact that, for Black, Indigenous, and People of Color (BIPOC) entrepreneurs, making the leap from a home-based business to a bricks and mortar operation is an important step in growing their small businesses. Making that move, however, comes with many challenges. Entrepreneurs often work part-time or full-time jobs as they get their businesses off the ground, making it difficult or impossible to operate a storefront location. In addition, the cost of leasing retail space is prohibitive, even for established small businesses.

Providing BIPOC entrepreneurs with a consistent place to sell the retail goods they produce and learn about what it takes to run a retail location is critical to their ability to grow a customer base and generate revenue, both key elements to establishing and growing a small business. Being able to have that place located in their own communities is equally important.

The core of MESO's retail program lies in a unique approach that combines business education in retail, merchandising, branding, and other relevant topics with a model called the Makers Market. The market provides hands-on opportunities for entrepreneur vendors to sell their goods and services in a retail setting without high monthly overhead, expensive start-up costs and other large cash investments that most entrepreneurs focused on trying to launch and grow small businesses don't have readily available.

All vendors go through a vetting process in which MESO staff ensure they are ready to participate in the market regarding quality of products, adequate inventory, and commitment to participation. Vendors bring their items prior to each market opening, following specific guidelines regarding how items must be marked to be tracked in MESO's point-of-sale system. MESO's retail team, led by a MESO leadership team member with deep experience in merchandising and retail at companies such as Dr. Martens and staffed by business specialists with strong retail and small business backgrounds, works with each vendor to help them improve their branding, packaging, pricing, etc.

While MESO currently staffs the market, they are developing the program to align with a more traditional incubator model that would provide vendors who know they are interested in expanding in their own storefronts with opportunities to work shifts during market hours or work with MESO's retail team to set up markets, work with vendors to ensure adequate inventory, etc. This will provide a deeper understanding of the actual experience of running a retail shop.

While the Makers Market was started specifically to promote and support MESO clients, it has expanded to include BIPOC vendors who are not MESO clients but who have viable businesses. This helps widen the retail opportunities for Portland's BIPOC-owned business landscape while also making BIPOC entrepreneurs aware of the programs and resources MESO has available to help them grow. A recent Makers Market, for example, featured vendors from Mercatus. Several of those vendors are now receiving technical assistance and business education from MESO.

Currently, the Makers Market is "live" for approximately two weekends per month. The markets often feature themes with vendors who reflect those themes. The February Makers Market, for example, featured Black-owned businesses in honor of Black History Month. The Market layout features

furniture, clothing racks and other merchandising items, all arranged to create an environment similar to an upscale boutique.

The Alberta Commons space has provided an opportunity to refine the Makers Market into a popular shopping experience with the added benefit of supporting BIPOC and other historically underserved entrepreneurs and their microbusinesses. The space offers a secured space that allows MESO to keep the market in place during the week between weekend “open” hours. This has provided MESO with the ability to hold market “off hour” events to build connections with culturally specific groups, potential funders and funding partners. Recent such events have included visits by Isabella Casillas Guzman, the Administrator of the Small Business Administration (SBA), and members of the Portland chapter of Sigma Delta Theta, an African American sorority dedicated to public services.

MESO also sees potential in the Alberta Commons space to allow the organization to locate retail and marketing teams, which are integral to running the market, in the upper mezzanine-level space.

The ground-floor level also offers an open plan that could be used to hold workshops, training sessions and classes that MESO offers through its EDUCATE program. Because the furniture and other items are not fixed in place, they can be moved to other areas or removed completely, allowing MESO to use the space for other programming or events during “off-Market” times.

The combination of the Makers Market, Retail Incubator, staff offices, and MESO events and classes would help activate the space, adding to the vibrancy and vitality of Alberta Commons as an important presence in the community.

### **EQUITY IMPACT**

Subleasing the space to MESO for the operation of the Makers Market and Retail Incubator will provide increased retail opportunities for Portland’s BIPOC-owned businesses while also making BIPOC entrepreneurs aware of the programs and resources MESO has available to help them grow.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

Staff notified the North/Northeast Action Plan Leadership Committee of the proposed Sublease. The committee was generally receptive to the idea, noting it would be a good use of the space, and asked for updates, as appropriate.

### **BUDGET AND FINANCIAL INFORMATION**

Subleases with current tenants have a base lease rate of \$18.00 per square foot, which has been in place since lease commencement. The first annual escalation of four percent will occur in April 2024. The initial triple net (NNN) rate was \$5.50 per square foot; both tenants are paying \$6.69 per square foot as of April 2023.

Based solely on a comparison of the Prosper Portland Board-approved minimum base lease rate and upcoming annual escalations and the MESO proposed Sublease rate and escalations, Prosper Portland will forgo \$48,343 of rental income during the proposed five-year Sublease period (\$9,669 per year).

The proposed Sublease rate for MESO will result in Prosper Portland earning slightly less gross rental income during the remaining term of the Master Lease with Majestic Realty, which ends in 2028 (see the Interstate Corridor TIF District Budget and Forecast in Attachment B).

### **RISK ASSESSMENT**

Approving this action does not create any additional risks than those previously identified. Not approving this action could result in a vacant space at Alberta Commons.

**ATTACHMENTS**

- A. Project Summary
- B. Interstate Corridor TIF District Budget and Forecast

### Project Summary

<b>Project Name:</b>	Alberta Commons
<b>Description:</b>	Sublease of 2,368 square foot retail space in the Alberta Commons retail property.
<b>Location:</b>	Northwest corner of NE Martin Luther King, Jr. Blvd. and NE Alberta Street
<b>TIF District:</b>	Interstate Corridor
<b>Current Phase:</b>	Re-tenanting of previously vacant space
<b>Next Milestone:</b>	Lease negotiation and execution
<b>Completion Target:</b>	End of August 2023
<b>Outcome:</b>	100% occupancy of 5,125 square foot retail space. Operation of Makers Market and Retail Incubator by MESO.



**INTERSTATE CORRIDOR TIF DISTRICT BUDGET AND FORECAST**

**Financial Summary  
 Forecast**

Interstate Corridor TIF Fund	Revised FY 2022-23	Approved FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
<b>Resources</b>						
Beginning Fund Balance	70,563,881	75,558,994	71,636,263	26,759,346	10,245,017	2,292,154
<b>Revenue</b>						
Fees and Charges	150	0	0	0	0	0
Interest on Investments	352,819	740,475	646,420	389,226	237,064	174,787
Loan Collections	45,666	81,673	0	0	0	0
TIF - Short Term Debt	26,973,000	28,926,984	0	0	0	0
TIF - Long Term Debt	0	0	2,543,090	0	0	0
<b>Rent and Property Income</b>	<b>523,063</b>	<b>597,733</b>	<b>597,733</b>	<b>613,175</b>	<b>613,175</b>	<b>629,080</b>
Reimbursements	170,308	168,318	169,788	170,937	172,307	173,716
<b>Total Revenue</b>	<b>28,065,006</b>	<b>30,515,183</b>	<b>3,957,031</b>	<b>1,173,338</b>	<b>1,022,546</b>	<b>977,583</b>
<b>Total Resources</b>	<b>98,628,887</b>	<b>106,074,177</b>	<b>75,593,294</b>	<b>27,932,684</b>	<b>11,267,563</b>	<b>3,269,737</b>
<b>Requirements</b>						
<b>Administration</b>						
A00030-Debt Management-ISC	53,463	32,610	32,610	0	0	0
A00729-EDPA2 Litigation-ISC	37,645	0	0	0	0	0
Administration Total	91,108	32,610	32,610	0	0	0
<b>Economic Development</b>						
<b>Business Advancement &amp; Traded Sector</b>						
A00381-Lean Manufacturing-ISC	20,000	0	0	0	0	0
<b>Community Economic Development</b>						
A00122-Community Development-ISC	284,329	14,850	0	0	0	0
A00106-NPI & Main St Network-ISC	0	75,000	75,000	75,000	75,000	75,000
<b>Business Lending</b>						
A00209-BL -General-ISC	0	200,000	200,000	400,000	200,000	200,000
Economic Development Total	304,329	289,850	275,000	475,000	275,000	275,000
<b>Housing</b>						
A00171-Affordable Housing-ISC	12,835,757	16,904,805	23,892,121	13,464,767	0	0
A00516-Home Repair Loan (Goal 3)-ISC	629,188	600,000	0	0	0	0
A00746-Downpayment Assist Prog (Goal3)-ISC	0	1,200,000	0	0	0	0
Housing Total	13,464,945	18,704,805	23,892,121	13,464,767	0	0
<b>Infrastructure</b>						
<b>Transportation</b>						
A00250-Lombard Investment-ISC	170,372	0	0	0	0	0
Infrastructure Total	170,372	0	0	0	0	0
<b>Property Redevelopment</b>						
<b>Commercial Property Lending</b>						
A00366-Prpty Dev Large Loan (Goal 1)-ISC	2,500,000	2,500,000	2,300,000	0	6,200,000	0
A00527-Tenant Improv PIP Match (Goal 2)-ISC	0	100,000	536,000	0	0	0
A00735-Prpty Dev Small Loan PIP Match (Goal 1)-ISC	0	100,000	590,000	0	0	0
A00745-Cultural Business Hub (Goal 5)-ISC	0	0	1,000,000	1,500,000	1,000,000	1,000,000
<b>Real Estate Management</b>						
A00333-MLK Alberta-ISC	450,683	435,565	435,565	448,302	448,302	461,422
A00335-Nelson Bldg-Indust-ISC	173,224	196,472	197,547	202,969	204,108	209,727
A00336-Spar-Tek Building-ISC	752,785	44,010	45,300	46,629	47,999	49,408
A00338-3620 NE MLK Prkng-ISC	36,876	35,805	35,805	0	0	0
A00515-MLK Heritage Markers-ISC	3,000	3,000	0	0	0	0
A00552-Albina Triangle Garage-GTW	20,692	18,853	0	0	0	0
<b>Real Estate Acquisition</b>						
A00341-Property Development-ISC	0	0	2,500,000	0	0	0
<b>Real Estate Disposition</b>						
<b>Redevelopment Strategy</b>						
A00532-Williams and Russell-ISC	23,970	0	10,400,000	0	0	0
<b>Redevelopment Grants</b>						
A00131-Community Livability Grant (Goal 4)-ISC	1,078,025	300,000	44,000	0	0	0
A00502-Prosperity Investment Program Small Scale Grant (Goal 1)-ISC	1,195,654	300,000	0	0	0	0
A00734-Prosperity Investment Program Large Scale Grant (Goal 1)-ISC	0	225,000	0	0	0	0
A00736-Prosperity Investment Program Grant (Goal 2)-ISC	0	225,000	0	0	0	0
A00737-Affordable Commercial Space (Goal2)-ISC	0	1,000,000	4,250,000	0	0	0
Property Redevelopment Total	6,234,909	5,483,705	22,334,217	2,197,900	7,900,409	1,720,557
<b>Total Program Expenditures</b>	<b>20,265,663</b>	<b>24,510,970</b>	<b>46,533,948</b>	<b>16,137,667</b>	<b>8,175,409</b>	<b>1,995,557</b>
<b>Personnel Services</b>	634,785	826,944	450,000	250,000	250,000	150,000
<b>Total Fund Expenditures</b>	<b>20,900,448</b>	<b>25,337,914</b>	<b>46,983,948</b>	<b>16,387,667</b>	<b>8,425,409</b>	<b>2,145,557</b>
<b>Interfund Transfers - Indirect Charges</b>	2,169,445	2,100,000	1,850,000	1,300,000	550,000	183,333
<b>Interfund Transfers - Cash Transfers</b>	0	7,000,000	0	0	0	0
<b>Contingency</b>	75,558,994	71,636,263	26,759,346	10,245,017	2,292,154	940,847
<b>Total Fund Requirements</b>	<b>98,628,887</b>	<b>106,074,177</b>	<b>75,593,294</b>	<b>27,932,684</b>	<b>11,267,563</b>	<b>3,269,737</b>