



PROSPER
PORTLAND
Building an Equitable Economy

DATE: October 11, 2023
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 23-31

Approving the Terms of a Special Authority Loan to Leeroy & Kimble, LLC, in an Amount Not to Exceed \$3,000,000 for Build-Out of a Food Hall Located at 917 SW Alder Street
(amended)

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7504

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to make a special authority loan to Leeroy & Kimble, LLC (Borrower) in the amount of up to \$3,000,000 at an interest rate of 6.5 percent, for build-out and management of an 8,226 square foot food hall with ten vendor spaces (Flock) located on the ground floor of the Ritz-Carlton Portland located in downtown Portland at 917 SW Alder Street (see aerial view and site map in Attachment A).

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action will deliver on several Advance Portland objectives, most notably by:

- Supporting small businesses, restaurants, and activation of ground floor commercial spaces in the Central City; and
- Promoting equitable wealth creation by allowing entrepreneurs to start and grow businesses through partnerships and capital.

BACKGROUND AND CONTEXT

Flock will feature eight kitchen pods, a bar, and a coffee area facing SW 9th Avenue a block south from the Darcelle XV Plaza. The 8,226 square foot food hall will offer indoor and outdoor seating with garage doors that open in the summer – ideal for outdoor pop-up events – while honoring the original Alder Street Food Carts previously located within the block.

The Borrower has secured a 15-year master lease for the ground floor with options to renew for two additional five-year terms, for a total of up to 25 years. The Borrower is seeking \$3,000,000 of Prosper Portland financial support as part of an overall approximately \$6,637,394 build-out.

The Borrower negotiated with their landlord to receive a \$929,875 tenant improvement allowance with phased disbursement. The Borrower has also opened and maintains a \$1,217,878 letter of credit with Washington Trust Bank, with proceeds to be disbursed at key milestones (construction completion and post-opening). In total, \$2,147,753 is available after construction and stabilization but not through the construction phase. Upon receiving these funds, Borrower will be required to apply them towards repayment of the Prosper Portland loan.

Rent will be triple net, with each vendor responsible for a flat base rent plus a share of the utilities, janitorial services, maintenance of common areas and kitchen equipment, insurance, and taxes. Rent pricing for each of the ten vendors at Flock will be based on location of the pod within the hall, along with other factors. The Borrower will use Toast restaurant management software to provide on-site ordering kiosks, point-of-sales systems, and on-line ordering platform for each vendor. Toast also has integration with the various delivery services, such as Uber and Doordash so vendors can provide easy delivery services to customers.

Below is a “sources and uses” statement for the Flock:

Sources	Amount
Borrower Equity	\$3,637,394
Prosper Portland Loan	\$3,000,000
Total	\$6,637,394

Uses	Amount
General Contractor	\$5,190,243
Furniture, Fixtures & Equipment	\$376,227
Permits	\$219,018
Engineering & Design	\$718,486
Landscaping & Mural	\$133,420
Total	\$6,637,394

EQUITY IMPACT

This action will advance economic equity through investments that promote inclusive small business growth. As described in their promotional material, Flock honors Portland’s diverse culinary legacy while also looking forward to today’s tastemakers. Rebuilding on the historic Alder Street Food Carts location, their mission is to support local businesses, including those owned by people of color, and bring them to the forefront of downtown Portland’s revitalization. The Borrower will also comply with Prosper Portland’s Construction Business and Workforce Equity Policy.

COMMUNITY PARTICIPATION AND FEEDBACK

Staff have not conducted any specific public outreach related to this action. However, the FY 2023-24 budget development process included extensive public outreach through meetings with the agency’s Community Budget Committee and other stakeholders, including through tax increment finance district-focused engagement. As part of that engagement process, stakeholders reviewed and provided feedback on potential Strategic Investment Fund priorities, including increasing the availability of funds for citywide working capital and commercial real estate loans.

Staff are drafting significant changes to the Commercial Property Redevelopment Loan Program Guidelines and anticipate seeking Prosper Portland Board consideration and approval in late 2023. The proposed changes are based on input received as part of the Strategic Investment Fund discussions with industry partners and community input on access to capital needs and gaps in the market. In the meantime, staff are seeking approval of the loan to Borrower as a special authority loan while these revised guidelines are in development.

BUDGET AND FINANCIAL INFORMATION

There are sufficient resources in the fiscal year 2023-24 Adopted Budget for the Strategic Investment Fund Budget for this proposed action (see Attachment B).

RISK ASSESSMENT

While there is a risk that the Borrower will be unable to repay the loan, staff have reviewed personal financial statements and consumer credit reports and will require a trust deed from several properties sufficient to collateralize the loan.

ATTACHMENTS

- A. Site Map
- B. Strategic Investment Fund Budget

SITE MAP



917 SW Alder Street

STRATEGIC INVESTMENT FUND BUDGET

Strategic Investment Fund	Revised FY 2022-23	Revised FY 2023-24
Resources		
Beginning Fund Balance	5,033,844	4,378,998
Revenue		
Fees and Charges	3,573	50,000
Interest on Investments	10,260	33,922
Loan Collections	402,348	116,008
Miscellaneous	350,000	0
Transfers In	3,091,200	45,000,000
Total Revenue	3,857,381	45,199,930
Total Resources	8,891,225	49,578,928
Requirements		
Economic Development		
Community Economic Development		
A00448-NPI Opportunity Fund	425,729	310,292
A00639-Construction Tech Assist-WTH	125,000	175,000
Business Lending		
A00217-SBLF-General-SBL	750,100	7,700,000
A00218-Working Capital-WCF	250,200	0
Economic Development Total	1,551,029	8,185,292
Property Redevelopment		
Commercial Property Lending		
A00750-Predev/Construction Loans-RELF	0	3,200,000
A00751-Acquisition/Perm Loans-RELF	0	3,800,000
Real Estate Predevelopment		
A00752-NOI Fund-NOI	0	10,000,000
Property Redevelopment Total	0	17,000,000
Total Program Expenditures	1,551,029	25,185,292
Personnel Services	46,974	190,651
Total Fund Expenditures	1,598,003	25,375,943
Interfund Transfers - Indirect Charges	23,024	164,633
Interfund Transfers - Cash Transfers	2,891,200	1,000,000
Contingency	4,378,998	23,038,352
Total Fund Requirements	8,891,225	49,578,928