



DATE: November 8, 2023
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 23-34
Adopting Affordable Commercial Tenanting Grant Program Guidelines

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7507

This action by the Prosper Portland Board of Commissioners (Board) will adopt Affordable Commercial Tenanting Grant Program (ACT Grant Program) Guidelines. The ACT Grant Program will provide grants, on a reimbursement basis, to property and business owners for tenant improvements to facilitate access to commercial space and support inclusive business growth. The ACT Grant Program is intended to support businesses looking to open physical retail locations; to increase access to affordable commercial space for small businesses with a bricks and mortar presence; and to revitalize Portland's commercial corridors and business districts with products and services that cater to local community and regional needs.

STRATEGIC ALIGNMENT AND OUTCOMES

This action delivers on Advance Portland objectives, specifically:

- Objective 2: Promote equitable wealth creation by creating opportunities through business ownership, access to technical assistance and capital to support business growth.
- Objective 3: Foster a vibrant city and commercial districts by establishing businesses in vacant spaces to increase vitality of business districts.

BACKGROUND AND CONTEXT

Prosper Portland's efforts to provide long-term affordable commercial space to local businesses dates back to August 19, 2015, when the Prosper Portland Board through Resolution Nos. 7139, 7140, and 7141 authorized a disposition and development agreement, master lease agreement, and special authority grant to construct an urban retail shopping center at NE Alberta Street and Martin Luther King Jr, Boulevard (Alberta Commons). Prosper Portland currently leases three ground floor commercial spaces at Alberta Commons to local businesses and partners at affordable lease terms.

On June 8, 2016, the Prosper Portland Board through Resolution No. 7196 authorized the formation of a limited liability corporation for the purposes of constructing a mixed-use development project on Prosper Portland-owned property at 5859 SE 92nd Avenue in the Lents Town Center (Lents Commons). Since completion, Prosper Portland has offered 50 percent of the 7,359 square feet of ground floor retail at Lents Commons as affordable commercial space for local, qualified businesses.

On June 14, 2017, the Prosper Portland Board through Resolution No. 7240 authorized the terms of a master lease agreement with the City of Portland (City) Bureau of Transportation for the City-owned retail space at the SW 10th & Yamhill Parking Garage and the terms of sub-lease agreements for Prosper Portland to tenant 12 ground floor retail spaces (10th & Yamhill). Since renovations were complete, Prosper Portland has offered affordable commercial lease rates for approximately six ground floor retail spaces in the heart of downtown retail market.

Most recently on July 14, 2021, the Prosper Portland Board through Resolution No. 7430 authorized execution of leases with business tenants in Prosper Portland-controlled ground floor commercial space at NE 106th Avenue and Halsey Street in the Gateway Regional Center (The Nick Fish). Prosper Portland is in the process of marketing and leasing nine retail spaces at affordable commercial lease rates on a busy commercial corridor adjacent to Gateway Discovery Park.

In addition to owning and master leasing space for affordable commercial initiatives, Prosper Portland serves as the City's administrator for the Affordable Commercial Space Program. On June 6, 2018, Portland City Council adopted an Affordable Commercial Space Bonus (Bonus) as a part of the 2035 Comprehensive Plan Code Reconciliation Project and directed Prosper Portland to serve as administrator. The Bonus allows development proposals in certain commercial zones to access a floor area ratio (FAR) and height Bonus if they provide on-site affordable commercial space or pay into the Affordable Commercial Space Fund. On June 13, 2018, the Prosper Portland Board adopted Resolution No. 7277 establishing Administrative Rules for the Affordable Commercial Space Program.

Over the past eight years – both from the projects described above as well as direct non-programmatic grant assistance to local businesses and community feedback – Prosper Portland staff has gained a significant amount of knowledge and experience in aligning provision of retail space and tenant improvement with the needs of small businesses and property owners. Prosper Portland has also recognized the need to expand its partnerships with private building owners to scale these efforts while providing financial and technical support to foster tenant and space readiness.

Small business owners seeking to open or expand into commercial space face significant barriers, including business readiness, staffing, upfront soft costs, space permitting and build-out, and operational guidance. With available ground floor commercial space due to retail increasingly moving online and changing consumer behavior, property owners are simultaneously seeking qualified tenants and financial assistance for tenant improvements to ready a space for lease and activate vacant spaces.

The ACT Grant Program is a citywide initiative that is designed to address these challenges by providing financial and technical assistance to private property and small business owners with a focus on supporting bricks and mortar businesses who may otherwise be priced out of a market. Full ACT Grant Program Guidelines can be found in Exhibit A to Resolution No. 7507.

EQUITY IMPACT

The ACT Grant Program increases economic opportunity for small business owners that face barriers to open and operate a brick-and-mortar business. Historically, there have been disparities in access to capital, which prevent underserved populations from accessing wealth creation opportunities through business ownership. By providing funds for tenant improvements and technical assistance, the ACT Grant Program will help bridge the gap in capital access to create opportunities and diversify Portland's business community.

COMMUNITY PARTICIPATION AND FEEDBACK

Prosper Portland staff has worked closely with a subgroup of the N/NE Action Plan Leadership Committee to inform the proposed ACT Grant Program Guidelines that will be first implemented in the

Interstate Corridor Tax Increment Finance (TIF) District in alignment with the N/NE Community Development Initiative Action Plan (N/NE Action Plan). The N/NE Action Plan establishes desired outcomes and strategic investment priorities, including supporting business ownership and growth by assisting emerging or displaced small business owners by creating affordable commercial space and committing resources towards that goal. Additionally, Prosper Portland staff conducted surveys and one-on-one interviews with property owners, developers, community organizations and small business owners to inform program guidelines.

BUDGET AND FINANCIAL INFORMATION

There are sufficient resources in the fiscal year 2023-24 Interstate TIF budget and forecast (see Attachment A) to launch the ACT Grant Program. Staff anticipate making the ACT Grant Program available in other TIF districts based upon resource availability and alignment to each districts action plan.

RISK ASSESSMENT

Adopting guidelines for ACT Grant Program does not add appreciable risk to Prosper Portland; rather it provides clarity and consistency for administration of affordable commercial investments across TIF districts and Action Plan implementation efforts.

ATTACHMENTS

- A. Interstate Corridor Financial Summary

INTERSTATE CORRIDOR FINANCIAL SUMMARY

**Financial Summary
Forecast**

Interstate Corridor TIF Fund	Revised FY 2022-23	Adopted FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Resources						
Beginning Fund Balance	70,563,881	75,558,994	71,600,092	26,723,175	10,208,846	2,255,983
Revenue						
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
Rent and Property Income	523,063	597,733	597,733	613,175	613,175	629,080
Reimbursements	170,308	168,318	169,788	170,937	172,307	173,716
Total Revenue	28,065,006	30,515,183	3,957,031	1,173,338	1,022,546	977,583
Total Resources	98,628,887	106,074,177	75,557,123	27,896,513	11,231,392	3,233,566
Requirements						
Administration						
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
Economic Development						
Business Advancement & Traded Sector						
A00381-Lean Manufacturing-ISC	20,000	10,188	0	0	0	0
Community Economic Development						
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
Business Lending						
A00209-BL -General-ISC	0	200,000	200,000	400,000	200,000	200,000
Economic Development Total	304,329	300,038	275,000	475,000	275,000	275,000
Housing						
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
Infrastructure						
Transportation						
A00250-Lombard Investment-ISC	170,372	0	0	0	0	0
Infrastructure Total	170,372	0	0	0	0	0
Property Redevelopment						
Commercial Property Lending						
A00341-Prpty Acquisition Loan-Goal 1-ISC	0	0	2,500,000	0	0	0
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
Real Estate Management						
A00333-MLK Alberta-ISC	450,683	435,565	435,565	448,302	448,302	461,422
A00335-Nelson Bldg-Indust-ISC	173,224	217,413	197,547	202,969	204,108	209,727
A00336-Spar-Tek Building-ISC	752,785	67,989	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
Real Estate Acquisition						
A00341-Property Development-ISC	0	0	2,500,000	0	0	0
Redevelopment Strategy						
A00532-Williams and Russell-ISC	23,970	0	10,400,000	0	0	0
Redevelopment Grants						
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	5,528,625	22,334,217	2,197,900	7,900,409	1,720,557
Total Program Expenditures	20,265,663	24,566,078	46,533,948	16,137,667	8,175,409	1,995,557
Personnel Services	634,785	853,111	450,000	250,000	250,000	150,000
Total Fund Expenditures	20,900,448	25,419,189	46,983,948	16,387,667	8,425,409	2,145,557
Interfund Transfers - Indirect Charges	2,169,445	2,054,896	1,850,000	1,300,000	550,000	183,333
Interfund Transfers - Cash Transfers	0	7,000,000	0	0	0	0
Contingency	75,558,994	71,600,092	26,723,175	10,208,846	2,255,983	904,676
Total Fund Requirements	98,628,887	106,074,177	75,557,123	27,896,513	11,231,392	3,233,566