



PROSPER
PORTLAND
Building an Equitable Economy

DATE: January 24, 2024
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 24-05

Approving the Terms of a Commercial Property Redevelopment Loan and a Thriving Small Business Loan to Creative Homies, LLC, in an Aggregate Amount Not to Exceed \$700,000, for to Finance Construction of, and Working Capital Needs of, a Redevelopment Project Located at 433 NW 4th Avenue in the Downtown Waterfront Tax Increment Finance District

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7518

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to make a \$147,395 Commercial Property Redevelopment Loan (CPRL) program loan, and a \$552,605 Thriving Small Business (TSB) program loan, to Creative Homies, LLC (Borrower), for construction and operations of a mixed-use venue (Project) at the 20,000 square foot Horizon Building located at 433 NW 4th Avenue, in the Downtown Waterfront TIF District (see site map in Attachment A).

STRATEGIC 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;
- Promoting equitable wealth creation by allowing entrepreneurs to start and grow businesses through partnerships and capital; and
- Increase access to property ownership.

In addition, this action is consistent with the objectives in the Old Town/Chinatown Action Plan by “attracting new neighborhood investment to activate key properties.”

BACKGROUND AND CONTEXT

The Borrower purchased the Horizon Building with plans to revitalize the space with a music lounge located in the building’s basement level, a ground floor coffee shop, a wine bar with an adjacent gallery and retail space, and two upper stories of production studio and co-working space for the BIPOC creative community. These distinct businesses, all owned by the project sponsors, will provide diverse sources of revenue from the property.

The Borrower has secured two Small Business Administration 7a loans through Harvest Financial. The primary loan in the amount of \$1,600,000 will be used to refinance the seller note used to purchase the

building; the second loan in the amount of \$1,500,000 is a construction loan for build-out of the space on all four floors.

The Borrower received a \$250,000 loan that it used for a down payment toward the purchase of the property. The Borrower received an additional private loan of \$400,000 which has been used to hold the property and cover design costs over the last two years. The Borrower has also borrowed \$154,420 through an online investment platform and has from 10 to 15 years to pay back those funds plus interest. The seller has agreed to lend the Borrower an additional \$330,000 upon receipt of the Certificate of Occupancy if needed to help strengthen their operating reserves. Prosper Portland also provided a \$50,000 Prosperity Investment Program (PIP) grant for the Project.

Below is a sources and Prosper Portland loan uses statement for the Project:

Collateral	Source	Percent	Amount	Rate
1st	SBA Loan - building purchase	31.9 %	\$ 1,619,500	11%
2nd	SBA Loan – construction	29.7 %	\$ 1,503,800	11%
3rd	Prosper Portland TSB Loan	10.9 %	\$ 552,605	8%
4th	Prosper Portland CPRL Loan	2.9 %	\$ 147,395	7%
5th	Down Payment Loan	4.9 %	\$ 250,000	8%
	Working Capital Line of Credit	6.5 %	\$ 330,000	8%
	Operational Loan	7.9 %	\$ 400,000	8%
	Regulation Crowd Funding Equity	3 %	\$ 154,420	10%
	Prosper Portland PIP Grant	1 %	\$ 50,000	0%
	Pitch Black Grant	0.6 %	\$ 30,000	0%
	Art/Merch Fundraising	0.2 %	\$ 10,147	0%
	Owner Equity	0.2 %	\$ 21,000	0%
	Total Project	100.0 %	\$ 5,068,867	

Loan	Uses	Amount
CPRL	Hard Costs	\$ 147,395
TSB	FF&E	\$ 95,630
TSB	SBA Loan Closing Costs	\$ 156,975
TSB	SBA Interest Reserves	\$ 100,000
TSB	Working Capital	\$ 200,000
	Total	\$ 700,000

EQUITY IMPACT

This action will advance economic equity through investments that promote inclusive small business growth. The Borrower has the goal of becoming a hub for creatives in Portland by creating a welcoming environment for all, including BIPOC small business owners and individual creators.

Furthermore, it directly supports Advance Portland objective 2.2 – Increase access to property ownership, real estate financing, networking and bid opportunities for BIPOC firms and individuals.

The CPRL loan is not subject to the Prosper Portland Green Building Policy or the Construction Business and Workforce Equity Policy, as the loan amount falls below policy thresholds.

COMMUNITY PARTICIPATION AND FEEDBACK

Staff have discussed these two actions with the Old Town Steering Committee and District Manager, both of which have expressed support.

BUDGET AND FINANCIAL INFORMATION

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

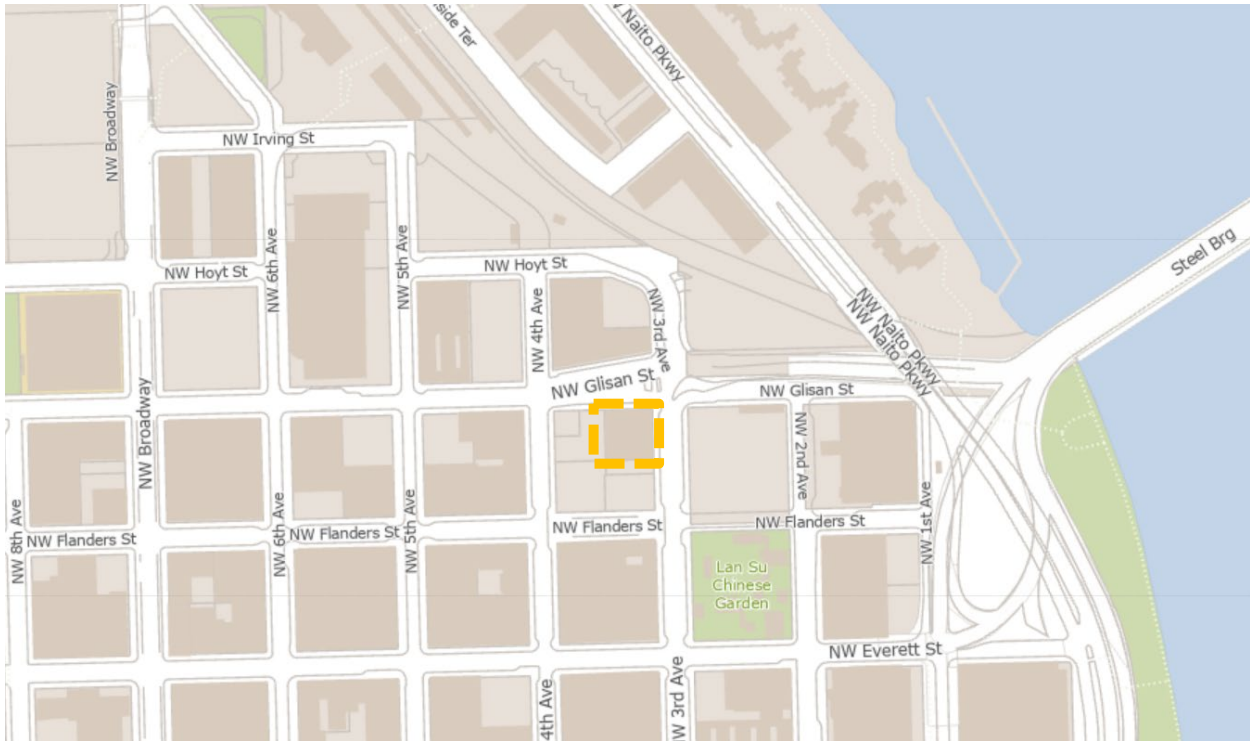
RISK ASSESSMENT

While there is a risk that the Borrower will be unable to repay the loans, staff have reviewed project and personal financial information and will require a trust deed on the property to collateralize the loan, in addition to personal guaranties from the project sponsors.

ATTACHMENTS

- A. Site Map
- B. Downtown Waterfront TIF District Budget and Forecast; Strategic Investment Fund Budget and Forecast

SITE MAP



433 NW 4th Avenue, Portland, OR 97209

DOWNTOWN WATERFRONT TIF DISTRICT BUDGET AND FORECAST

**Financial Summary
 Forecast**

<u>Downtown Waterfront TIF Fund</u>	<u>Actuals</u> <u>FY 2021-22</u>	<u>Revised 2</u> <u>FY 2023-24</u>	<u>Forecast</u> <u>FY 2024-25</u>	<u>Forecast</u> <u>FY 2025-26</u>	<u>Forecast</u> <u>FY 2026-27</u>	<u>Forecast</u> <u>FY 2027-28</u>
Resources						
Beginning Fund Balance	0	32,033,581	8,020,642	6,153,701	4,894,225	4,305,875
Revenue						
Interest on Investments	0	640,672	48,685	0	0	0
Loan Collections	0	20,320	20,320	20,319	15,201	12,354
TIF - Long Term Debt	0	5,016,500	0	0	0	0
Property Sales	0	63,266	63,266	63,266	63,266	63,266
Rent and Property Income	0	2,646	846	0	0	0
Reimbursements	0	20,000	20,000	0	0	0
Total Revenue	0	5,763,404	153,117	83,585	78,467	75,620
Total Resources	0	37,796,985	8,173,759	6,237,286	4,972,692	4,381,495
Requirements						
Administration						
A00023-Debt Management-DTW	0	2,500	7,121	0	0	0
Administration Total	0	2,500	7,121	0	0	0
Economic Development						
Business Lending						
A00202-BL -General-DTW	0	200,000	200,000	200,000	200,000	200,000
Economic Development Total	0	200,000	200,000	200,000	200,000	200,000
Infrastructure						
Parks						
A00719-Skate Park Predev-DTW	0	250,000	0	0	0	0
Transportation						
A00693-RR Crossing Quiet Zone-DTW	0	200,000	0	0	0	0
Infrastructure Total	0	450,000	0	0	0	0
Property Redevelopment						
Commercial Property Lending						
A00359-CPRL-General-DTW	0	5,140,000	0	0	0	0
Real Estate Management						
A00259-Old Town Lofts-Prkng-DTW	0	1,132	1,132	0	0	0
A00260-RiverPlace Marina-DTW	0	20,000	20,000	0	0	0
A00263-One Waterfront South-DTW	0	0	0	0	22,500	22,500
A00625-Block 24-DTW	0	41,805	41,805	43,061	44,317	0
Redevelopment Strategy						
A00522-Old Town Action Plan Investments-DTW	0	15,786,239	0	0	0	0
A00686-OTAP-PI-DTWF	0	272,000	0	0	0	0
Redevelopment Grants						
A00389-Community Livability Grant-DTW	0	305,589	0	0	0	0
A00495-Prosperity Investment Program (PIP) Grant-DTW	0	713,420	0	0	0	0
A00670-Repair Grant-DTW	0	3,682	0	0	0	0
A00686-OTCT-PI-DTWF	0	272,000	0	0	0	0
Property Redevelopment Total	0	22,555,867	62,937	43,061	66,817	22,500
Total Program Expenditures	0	23,208,367	270,058	243,061	266,817	222,500
Personnel Services	0	351,087	250,000	100,000	100,000	50,000
Total Fund Expenditures	0	23,559,454	520,058	343,061	366,817	272,500
Interfund Transfers - Indirect Charges	0	1,882,755	1,500,000	1,000,000	300,000	0
Interfund Transfers - Cash Transfers	0	4,334,134	0	0	0	0
Contingency	0	8,020,642	6,153,701	4,894,225	4,305,875	4,108,995
Total Fund Requirements	0	37,796,985	8,173,759	6,237,286	4,972,692	4,381,495

STRATEGIC INVESTMENT FUND BUDGET AND FORECAST

**Financial Summary
 Forecast**

<u>Strategic Investment Fund</u>	<u>Actuals</u> <u>FY 2021-22</u>	<u>Revised 2</u> <u>FY 2023-24</u>	<u>Forecast</u> <u>FY 2024-25</u>	<u>Forecast</u> <u>FY 2025-26</u>	<u>Forecast</u> <u>FY 2026-27</u>	<u>Forecast</u> <u>FY 2027-28</u>
Resources						
Beginning Fund Balance	0	8,188,495	26,949,080	13,233,522	9,953,083	8,148,373
Revenue						
Fees and Charges	0	50,000	50,000	50,000	50,000	50,000
Interest on Investments	0	140,263	475,055	470,431	465,842	460,227
Loan Collections	0	120,096	220,331	225,121	211,239	180,828
Transfers In	0	45,000,000	0	0	0	0
Total Revenue	0	45,310,359	745,386	745,552	727,081	691,055
Total Resources	0	53,498,854	27,694,466	13,979,074	10,680,164	8,839,428
Requirements						
Economic Development						
Community Economic Development						
A00448-NPI Opportunity Fund	0	310,292	250,000	0	0	0
A00639-Construction Tech Assist-WTH	0	175,000	160,000	160,000	100,000	80,583
Business Lending						
A00217-SBLF-General-SBL	0	7,700,000	1,000,000	1,000,000	750,000	1,000,000
Economic Development Total	0	8,185,292	1,410,000	1,160,000	850,000	1,080,583
Property Redevelopment						
Commercial Property Lending						
A00750-Predev/Construction Loans-RELF	0	3,200,000	2,000,000	2,000,000	1,000,000	2,000,000
A00751-Acquisition/Perm Loans-RELF	0	3,800,000	750,000	550,000	350,000	0
Real Estate Predevelopment						
A00752-NOI Fund-NOI	0	10,000,000	10,000,000	0	0	0
Property Redevelopment Total	0	17,000,000	12,750,000	2,550,000	1,350,000	2,000,000
Total Program Expenditures	0	25,185,292	14,160,000	3,710,000	2,200,000	3,080,583
Personnel Services	0	190,651	195,944	205,741	216,028	226,830
Total Fund Expenditures	0	25,375,943	14,355,944	3,915,741	2,416,028	3,307,413
Interfund Transfers - Indirect Charges	0	173,831	105,000	110,250	115,763	121,551
Interfund Transfers - Cash Transfers	0	1,000,000	0	0	0	0
Contingency	0	26,949,080	13,233,522	9,953,083	8,148,373	5,410,464
Total Fund Requirements	0	53,498,854	27,694,466	13,979,074	10,680,164	8,839,428