



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

**DATE:** June 18, 2024  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 24-21

Authorizing Amendments to a Lease with Portland Mercado, LLC, for the Property Commonly Known as the Portland Mercado located at 7238 SE Foster Road

### **BRIEF DESCRIPTION OF INFORMATION ITEM**

Adopt Resolution No. 7535

This action by the Prosper Portland Board of Commissioners (Board) will authorize the extension of the term of the lease agreement between Prosper Portland and Portland Mercado, LLC (PML) located at 7238 SE Foster Road (Property) within the Lents Tax Increment Finance (TIF) District. PML has a lease to occupy the Property, which consists of approximately 6,776 square feet of structural improvements located on 39,005 square feet of improved land (see a Site Map in Attachment A).

If approved, this action will extend the lease for two years, allowing time for PML to make necessary repairs due to recent fire damage and to discuss the possible sale of the Property to Hacienda CDC.

### **STRATEGIC ALIGNMENT AND OUTCOMES**

This action aligns with the following outcomes highlighted within the Advance Portland:

- Outcome 2.1: Help BIPOC Entrepreneurs Start, Scale and Innovate through Partnerships.
- Outcome 3.5: Support Growth and Health of Businesses within Commercial Districts.

### **BACKGROUND AND CONTEXT**

On April 13, 2011, the Prosper Portland Board through Resolution No. 6864 authorized purchasing the Property, then known as Metro Auto Wholesale East Lot & Building. Shortly thereafter, in April 2012, Prosper Portland entered into discussions with Hacienda Community Development Corporation (Hacienda) concerning the potential development by Hacienda of the Property as a Latino-themed market with fresh foods and culturally specific foods for the greater Portland metropolitan area. Prosper Portland provided Hacienda with a Development Opportunity Services grant to explore the feasibility of the Mercado concept and the study concluded that it was economically feasible.

As part of its fundraising work, in 2013, Hacienda was awarded a federal grant to support the Mercado, and formed Portland Mercado, LLC (PML) to develop, manage, and operate the Mercado. Prosper Portland expressed its commitment to the vision, when on March 12, 2014, the Prosper Portland Board through Resolution No. 7044 approved and authorized the Executive Director to enter into a lease agreement with PML to operate the Portland Mercado on the Property.

The initial term of the lease was five years with a lease rate of \$1.00 annually, with PML covering all operating expenses for the Property. When the initial term expired, PML exercised its option to extend it through June 2024, with the same lease rate and NNN (triple net) obligation. The lease also included an option to purchase clause, where provided the tenant is not in default of the lease terms and conditions, PML has an option to purchase the property at a mutually agreed upon purchase price and terms taking into consideration appraised value, repayment of all financial assistance loans and as an “all cash” sale. Per the terms of the lease, this option was to be exercised no later than the 9th anniversary of the lease commencement date, which was June 2014. Since the exercise date has expired, this section of the lease will need to be amended and will be done concurrently with the purchase negotiations as they proceed.

On January 3, 2024, a fire started in the building’s bar and extensively damaged the indoor space and utility access to the food carts. The Mercado was closed until January 26, 2024, when the food carts reopened. However, the interior of the building remains closed as Hacienda continues to work through issues with its insurers and explores next steps to repair the damage.

Staff and Hacienda have begun to explore a purchase of the Property from Prosper Portland. Extending the lease for two years will provide additional time for this discussion, which will include obtaining a Property valuation, exploring financing options, and getting a firm understanding of how Prosper Portland might be able to support acquisition and/or rebuilding of the Property by Hacienda CDC.

### **EQUITY IMPACT**

The Portland Mercado is hub for Latino culture in Portland and an initiative of Hacienda CDC that provides affordable retail space for small businesses to launch and grow, inspired by entrepreneurship, Latinx history and heritage, traditional and local foods, social enterprise, vibrant cultures, and public markets throughout the world. The creation of the first Latino public market in Portland was done as a response to wealth disparities in the city and the strong community desire to have a center for commerce based on Latino heritage.

### **BUDGET AND FINANCIAL INFORMATION**

There are no financial impacts from this action given that Prosper Portland has a NNN lease with PML, which pays all Property related expenses. The budget for the property shows the property taxes and property insurance expenses that are incurred and passed through to Portland Mercado, LLC per the terms of the lease. If the extension of the lease term is approved by the Prosper Portland Board, this arrangement will continue for the term of the lease extension.

### **RISK ASSESSMENT**

Extending the lease for an additional two years will not increase risks to Prosper Portland. Any proceeds from any future sales transaction could be placed in the Strategic Investment Fund and used to provide loans to other small businesses in the city.

### **ATTACHMENTS**

- A. Site Map
- B. Lents TIF District Budget and Forecast

**SITE MAP**



**7238 SE Foster Road**

**LENTS TIF DISTRICT BUDGET AND FORECAST**

**Financial Summary  
 Forecast**

Lents Town Center TIF Fund	Revised FY 2023-24	Approved FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28	Forecast FY 2028-29
<b>Resources</b>						
Beginning Fund Balance	45,064,074	11,828,093	671,549	300,703	344,945	424,562
<b>Revenue</b>						
Interest on Investments	901,281	132,352	99,487	55,609	92,120	310,193
Loan Collections	289,333	0	0	0	0	0
TIF - Short Term Debt	2,235,762	0	0	0	0	0
Rent and Property Income	140,000	0	0	0	0	0
Reimbursements	24,329	22,570	23,248	23,945	24,663	24,663
<b>Total Revenue</b>	<b>3,590,705</b>	<b>154,922</b>	<b>122,735</b>	<b>79,554</b>	<b>116,783</b>	<b>334,856</b>
<b>Total Resources</b>	<b>48,654,779</b>	<b>11,983,015</b>	<b>794,284</b>	<b>380,257</b>	<b>461,728</b>	<b>759,418</b>
<b>Requirements</b>						
<b>Administration</b>						
A00029-Debt Management-LTC	56,494	56,500	0	0	0	0
<b>Administration Total</b>	<b>56,494</b>	<b>56,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Economic Development</b>						
<b>Business Advancement &amp; Traded Sector</b>						
A00380-Lean Manufacturing-LTC	16,000	10,000	0	0	0	0
<b>Community Economic Development</b>						
A00121-Community Development-LTC	93,500	0	0	0	0	0
<b>Business Lending</b>						
A00208-BL -General-LTC	205,000	0	0	0	0	0
<b>Economic Development Total</b>	<b>314,500</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Housing</b>						
A00170-Affordable Housing-LTC	2,221,056	5,357,892	0	0	0	0
<b>Housing Total</b>	<b>2,221,056</b>	<b>5,357,892</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Property Redevelopment</b>						
<b>Commercial Property Lending</b>						
A00365-CPRL-General-LTC	10,400,000	0	0	0	0	0
<b>Real Estate Management</b>						
A00325-Lents Little Lge Fld-LTC	25,047	37,620	0	0	0	0
A00329-MetroAuto Bldg & Lot-LTC	30,454	31,965	33,581	35,312	37,166	38,416
A00330-ArchctIronPrdctBldg-LTC	53,682	31,470	0	0	0	0
A00554-Dagel Triangle-LTC	15,773	14,795	0	0	0	0
A00557-Tate Lot-LTC	16,923	14,108	0	0	0	0
<b>Redevelopment Grants</b>						
A00130-Community Livability Grant-LTC	910,945	0	0	0	0	0
A00501-Prosperity Investment Program (PIP) Grant-LTC	1,110,367	0	0	0	0	0
A00672-Repair Grant-LTC	0	750,000	0	0	0	0
A00697-9101 ACTGrant-LTC	0	3,500,000	0	0	0	0
<b>Property Redevelopment Total</b>	<b>12,563,191</b>	<b>4,379,958</b>	<b>33,581</b>	<b>35,312</b>	<b>37,166</b>	<b>38,416</b>
<b>Total Program Expenditures</b>	<b>15,155,241</b>	<b>9,804,350</b>	<b>33,581</b>	<b>35,312</b>	<b>37,166</b>	<b>38,416</b>
<b>Personnel Services</b>	214,841	656,619	200,000	0	0	0
<b>Total Fund Expenditures</b>	<b>15,370,082</b>	<b>10,460,969</b>	<b>233,581</b>	<b>35,312</b>	<b>37,166</b>	<b>38,416</b>
Interfund Transfers - Indirect Charges	1,456,604	850,497	260,000	0	0	0
Interfund Transfers - Cash Transfers	20,000,000	0	0	0	0	0
Contingency	11,828,093	671,549	300,703	344,945	424,562	721,002
<b>Total Fund Requirements</b>	<b>48,654,779</b>	<b>11,983,015</b>	<b>794,284</b>	<b>380,257</b>	<b>461,728</b>	<b>759,418</b>