



DATE: July 10, 2024
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 24-25
Authorizing the Executive Director to Wind Up and Dissolve 9101 Foster, LLC

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7540

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director, as Executive Director of Prosper Portland and as Manager of 9101 Foster, LLC (LLC), to in their discretion take all actions they believe are necessary and proper to wind up the LLC; to provide for the orderly assumption, assignment, and distribution of its assets and liabilities to its sole member Prosper Portland; and ultimately to formally dissolve the LLC.

If approved, the Executive Director/Manager will be authorized to take several substantive actions for the purpose of winding up and dissolving the LLC that otherwise could require separate and successive Prosper Portland Board actions, such as entering into agreements assuming the LLC's liabilities and accepting ownership of its real property.

STRATEGIC ALIGNMENT AND OUTCOMES

This action delivers on Prosper Portland's strategic objectives by exercising "transparent administration of resources and assets to ensure public funds are effectively invested to achieve agency objective while promoting the long-term sustainability of the organization."

BACKGROUND AND CONTEXT

In 1997, 1999, and 2014, Prosper Portland acquired approximately 0.63 acres of land in the Lents Town Center Tax Increment Finance District located at and generally then known as 9101 SE Foster Road (Property).

Approximately ten years ago, Prosper Portland began exploring the possibility of developing the Property into a mixed-use, mixed-income project. After the developer initially identified and funded by the agency to design and build the project did not elect to move forward, Prosper Portland assumed the predevelopment work product and contracts and pursued the development on its own.

On June 8, 2016, through Resolution No. 7196, the Prosper Portland Board authorized the creation of an Oregon limited liability company named 9101 Foster, LLC (LLC), with Prosper Portland as its sole member, for the purpose of completing construction and management of the project, which was subsequently completed and is now known as Lents Commons.

On September 14, 2016, through Resolution No. 7209, the Prosper Portland Board authorized the Executive Director, acting as manager of the LLC, to borrow funds from Prosper Portland and the City of Portland Housing Bureau in the total amount of up to \$16,245,125 to fund construction of Lents Commons. On November 14, 2018, through Resolution No. 7290, the Prosper Portland Board authorized an increase in the amount of a Commercial Property Redevelopment Loan (CPRL) to a maximum of \$16,395,000 to account for construction cost increases.

Staff recommended that the Prosper Portland Board create the LLC to build, own, and manage the Lents Commons project because they assessed that it could be easier to refinance Lents Commons after stabilization than if the project were owned by the agency directly. The project has not been refinanced since the initial loan was made, and staff no longer believe that the formality of holding the property in the LLC has any material impact on financing options, or that any impact justifies the additional complexity and burden on staff that results from the maintenance of a separate LLC.

EQUITY IMPACT

The increased transparency and reduced staff burden that would result from this action would have a neutral to positive impact on equity and will have no negative effects on equity. Ownership of Lents Commons by the agency directly will enhance equity outcomes by reinforcing the fact that agency policies apply undiminished with respect to Lents Commons.

COMMUNITY PARTICIPATION AND FEEDBACK

Staff did not conduct any public engagement related to this action.

BUDGET AND FINANCIAL INFORMATION

Because the LLC is a wholly owned pass-through operating company, its assets and liabilities are functionally those of the agency. The steps contemplated by this action would simplify the formal treatment of and accounting for these liabilities and assets and eliminate the burdensome need to prepare and maintain separate books and accounts for the LLC.

Liabilities of the LLC to the agency (such as the balance of CPRL debt) would be deemed satisfied by the transfer of the LLC's real property, accounts, and assets to Prosper Portland. Accordingly, the agency's asset base would formally increase, and its loan receivables would formally decrease.

RISK ASSESSMENT

This action would make it clear that the agency does business in the manner expected of a public agency under Oregon law and reduce risks attendant to a public agency controlling an ostensibly separate business entity.

ATTACHMENTS

None.