



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

**DATE:** August 28, 2024  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 24-36

Approving the Terms of a Construction Loan to The Falcon Building, LLC in an Amount Not to Exceed \$4,352,000 to Finance Conversion of an Office Building into Residential Apartments at 321 NW Glisan Street in the Downtown Waterfront Tax Increment Finance District

#### **BOARD ACTION REQUESTED AND BRIEF DESCRIPTION**

Adopt Resolution No 7552

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to make a \$4,352,000 construction loan to support the conversion of The Falcon Building located at 321 NW Glisan Street, in the Downtown Waterfront TIF District (see site map in Attachment A) from an 85,500 square foot office building into a 59-unit middle-income residential apartment building.

#### **STRATEGIC ALIGNMENT AND OUTCOMES**

This action will deliver on several Advance Portland objectives, as well as the Old Town Action Plan, most notably by:

- Increasing mixed-income housing in subdistricts with a lack of residential use and an imbalanced mix of uses (Objective 3.1), including office-to-residential incentives;
- Addressing housing production across a continuum of affordability (Objective 3.8), including utilizing community-supported TIF resources to stabilize community and invest in culturally supportive mixed-income housing production; and
- Facilitating private property development on surface parking lots and rehabilitation of privately owned property with an emphasis on market rate housing that complies with the City's Inclusionary Zoning Policy by placing affordable units on-site (Old Town Action Plan, Action 1).

#### **BACKGROUND AND CONTEXT**

The historic Old Town/Chinatown is Portland's oldest neighborhood and includes areas within both the River District and Downtown Waterfront Tax Increment Finance (TIF) districts. The Old Town/Chinatown Action Plan (Action Plan), approved in 2014 and extended in 2019, outlines the TIF district's investment priorities to create a safe, vibrant, and economically healthy neighborhood, while maintaining and enhancing the unique character of the district.

The Falcon Building is a seven-story office building located at 321 NW Glisan Street. Built in 1926 and renovated in 2015, the building sits on a 0.29-acre site and contains 85,503 square feet of leasable area. The property is owned by The Falcon Building, LLC (Borrower).

The Falcon Building has been impacted by the local and national decline in the commercial office market and currently maintains a 44 percent vacancy rate. These market dynamics have led the Borrower to explore conversion of the building into 59-units of middle-income apartments.

Prosper Portland staff have recently recommended approval of a \$250,000 predevelopment loan within the Executive Director’s signature authority to enable the Borrower to complete design work and due diligence to assess project viability. The Borrower is currently seeking full construction and permanent financing for the project. The preliminary estimate to complete the conversion is \$16,500,000.

The Falcon Building conversion presents an opportunity for Prosper Portland to demonstrate support for the office-to-residential exploration, invest TIF for strategically aligned uses within the district, and convene City of Portland bureaus and local professional services providers to facilitate and inform code changes to bring larger scale conversion projects to fruition.

### **EQUITY IMPACT**

This action will advance economic equity through investment in much-needed workforce housing in the district. This project will adhere to Prosper Portland’s Green Building and Construction Business and Workforce Equity policies.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

Staff meet regularly with representatives from the Old Town Community Association (OTCA), a joint neighborhood and business association focused on enhancing the wellbeing and improving opportunities for residents and businesses in the district. The OTCA was instrumental in the development of the Action Plan which identifies market rate housing as a top priority. The OTCA Board has expressed support for the Falcon Building conversion project and an investment of Action Plan resources.

### **BUDGET AND FINANCIAL INFORMATION**

There are insufficient resources for the full loan amount in the Downtown Waterfront Budget. Funding was established in the FY 2023-24 Revised Budget but was not included in the FY 2024-25 Adopted Budget. The FY 2024-25 Revised 1 Budget that staff will present to the Prosper Portland Board on August 28, 2024, as Resolution No. 7572 will include an amendment to carryover and re-establish the budget appropriations in FY 2024-25.

### **RISK ASSESSMENT**

While there is a risk that the Borrower will be unable to repay loans on the Falcon Building conversion project, Prosper Portland’s loan has nominal risk as it will be secured by cash in a controlled bank account and all withdrawals would require Prosper Portland approval. Withdrawals cannot begin until all financing commitments are in place, at which point Prosper Portland’s security would expand to include a construction deed of trust against the property.

### **ATTACHMENTS**

- A. Site Map
- B. Downtown Waterfront TIF District Budget and Forecast

**SITE MAP**



321 NW Glisan Street, Portland, OR 97209

**DOWNTOWN WATERFRONT TIF DISTRICT BUDGET AND FORECAST**

**Financial Summary  
 Forecast**

<u>Downtown Waterfront TIF Fund</u>	<u>Revised FY 2023-24</u>	<u>Adopted FY 2024-25</u>	<u>Forecast FY 2025-26</u>	<u>Forecast FY 2026-27</u>	<u>Forecast FY 2027-28</u>	<u>Forecast FY 2028-29</u>
<b>Resources</b>						
Beginning Fund Balance	32,033,581	8,301,613	169,555	125,236	56,796	28,679
<b>Revenue</b>						
Interest on Investments	640,672	126,528	0	0	0	0
Loan Collections	20,320	0	0	0	0	0
TIF - Long Term Debt	5,016,500	0	0	0	0	0
Property Sales	68,511	0	0	0	0	0
Rent and Property Income	2,646	846	0	0	0	0
Reimbursements	20,000	20,000	0	0	0	0
<b>Total Revenue</b>	<b>5,768,649</b>	<b>147,374</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Resources</b>	<b>37,802,230</b>	<b>8,448,987</b>	<b>169,555</b>	<b>125,236</b>	<b>56,796</b>	<b>28,679</b>
<b>Requirements</b>						
<b>Administration</b>						
A0023-Debt Management-DTW	2,500	0	0	0	0	0
<b>Administration Total</b>	<b>2,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Economic Development</b>						
<b>Business Lending</b>						
A00202-BL -General-DTW	200,000	0	0	0	0	0
<b>Economic Development Total</b>	<b>200,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Infrastructure</b>						
<b>Parks</b>						
A00719-Skate Park Predev-DTW	250,000	0	0	0	0	0
<b>Transportation</b>						
A00693-RR Crossing Quiet Zone-DTW	200,000	0	0	0	0	0
<b>Infrastructure Total</b>	<b>450,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Property Redevelopment</b>						
<b>Commercial Property Lending</b>						
A00359-CPRL-General-DTW	5,140,000	0	0	0	0	0
<b>Real Estate Management</b>						
A00259-Old Town Lofts-Prkng-DTW	585	1,132	0	0	0	0
A00260-RiverPlace Marina-DTW	20,000	20,000	0	0	0	0
A00263-One Waterfront South-DTW	0	0	0	22,500	22,500	22,500
A00625-Block 24-DTW	38,626	42,740	44,319	45,940	5,617	6,179
<b>Redevelopment Strategy</b>						
A00522-Old Town Action Plan Investments-DTW	15,786,239	0	0	0	0	0
A00686-OTAP-PI-DTWF	272,000	0	0	0	0	0
<b>Redevelopment Grants</b>						
A00389-Community Livability Grant-DTW	305,589	0	0	0	0	0
A00495-Prosperity Investment Program (PIP) Grant-DTW	441,420	0	0	0	0	0
A00670-Repair Grant-DTW	3,682	0	0	0	0	0
A00686-OTCT-PI-DTWF	272,000	0	0	0	0	0
A00773-Percent of Arts Grants-DTW	0	36,000	0	0	0	0
<b>Property Redevelopment Total</b>	<b>22,280,141</b>	<b>99,872</b>	<b>44,319</b>	<b>68,440</b>	<b>28,117</b>	<b>28,679</b>
<b>Total Program Expenditures</b>	<b>22,932,641</b>	<b>99,872</b>	<b>44,319</b>	<b>68,440</b>	<b>28,117</b>	<b>28,679</b>
Personnel Services	351,087	0	0	0	0	0
<b>Total Fund Expenditures</b>	<b>23,283,728</b>	<b>99,872</b>	<b>44,319</b>	<b>68,440</b>	<b>28,117</b>	<b>28,679</b>
Interfund Transfers - Indirect Charges	1,882,755	0	0	0	0	0
Interfund Transfers - Cash Transfers	4,334,134	8,089,032	0	0	0	0
Contingency	8,301,613	260,083	125,236	56,796	28,679	0
<b>Total Fund Requirements</b>	<b>37,802,230</b>	<b>8,448,987</b>	<b>169,555</b>	<b>125,236</b>	<b>56,796</b>	<b>28,679</b>