



PROSPER
PORTLAND
Building an Equitable Economy

DATE: September 18, 2024
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 24-46

Approving Terms of a Purchase and Sale Agreement with Beam Construction & Management LLC and Colas Development Group LLC for the 0.80-Acre Prosper Portland-Owned Parcel Between SE Salmon, SE Water, and SE Main Streets and Approving Terms of an Exclusivity Term Sheet with Buyer for 1.39 Acres of Prosper Portland-Owned Property Between SE Taylor, SE Water, and SE Madison Streets within the Central Eastside Tax Increment Financing District

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolutions No. 7578 and 7579

These actions by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to i) approve the disposition of the 0.80 acre parcel known as Workshop Block B to Beam Construction & Management LLC and Colas Development Group LLC (collectively, the Buyer) at the appraised market rate of \$2,410,000, and ii) authorize the Executive Director to execute a Term Sheet with the Buyer for the potential development of two adjacent parcels known as Workshop Blocks A and C (see a site map in Attachment A).

These actions, if approved, will set a fundamental framework and structure in the form of a Purchase and Sale Agreement related to Workshop Block B (Block B) and a Term Sheet related to the development of Workshop Blocks A & C (Blocks A & C). The Term Sheet for Blocks A & C will guide the basis for negotiating purchase and sale agreements or long-term lease agreements related to those individual blocks.

STRATEGIC ALIGNMENT AND OUTCOMES

The sale of Block B and the Term Sheet for the future disposition of Blocks A and C align with Advance Portland objectives, most notably through Objective 3: Fostering a Vibrant Central City and Commercial Districts by retaining and increasing commercial activity in the Central City (3.2), and catalyzing public-private partnerships to unlock development of large-scale mixed-use sites (3.3).

The market rate disposition of Block B, with no public subsidy, will also provide resources to Prosper Portland to deliver small business grants and loans within the Central Eastside and support for events citywide.

BACKGROUND AND CONTEXT

Prosper Portland acquired the three parcels on June 15, 2017, through Resolutions 5258 for \$2,845,000 to facilitate the redevelopment and revitalization of the Central Eastside Tax Increment Financing (TIF) District. Since the purchase, the property has remained vacant and been used for district parking.

Prosper Portland issued a Request for Proposals (RFP) on December 21, 2017, seeking proposals from qualified developers to redevelop the site. The goals of the RFP included the following:

- Maximize the development potential of the property given the level of public financing available;
- Maximize employment, including through industrial or industrial office space and ground floor retail space;
- Consider how it relates to adjacent properties and connections to the Vera Katz Eastbank Esplanade;
- Require a minimal amount of public financing or subsidy; and
- Demonstrate robust partnerships with an emphasis on business and workforce equity in design, construction, and operations.

Beam Construction & Management, LLC (Beam) was selected as the developer through the RFP process. On November 1, 2018, Prosper Portland and Beam executed a Memorandum of Understanding for the development of the Workshop Blocks. On April 13, 2020, a second Term Sheet was signed between Beam and Prosper Portland authorizing a 99-year ground lease for Block A (at that time anticipated to occur as the first phase of development) and granting development rights for Blocks B and C including an exclusivity period, with no public subsidy from Prosper Portland. At that time, given market conditions, the projects for the Term Sheet included: Block A – Inclusive Tech Industry Cluster; Block B – Creative Production Industry Cluster; and Block C – Food and Beverage Industry Cluster.

Beam and Colas Development Group LLC (Colas) entered into a partnership at the same time the commercial real estate market shifted in 2020, and there was reduced demand for industrial office space. In alignment with the RFP goals of maximizing development potential and economic activity for the Central Eastside, the Beam/Colas Development team commenced discussions with Live Nation for a new entertainment venue on Block B to fill a gap in Portland's venue ecosystem. Beam/Colas completed predevelopment work for Block B and received land use approval from the City of Portland on August 14, 2024. An appeal was filed by Music Portland, which will be considered by Portland City Council on September 19, 2024.

Pursuant to this Term Sheet, Prosper Portland would sell Block B via a purchase and sale agreement in lieu of a long-term ground lease and reserve the right to either direct sell or long-term ground lease Blocks A and C depending up on the nature of the project and financial conditions at that time.

EQUITY IMPACT

The sale of this property generates additional financial resources to be invested in alignment with Advance Portland. It also results in a property ownership and development opportunity for a partnership between Colas, a Black-owned development firm, and Beam. Construction bid opportunities for DMWESB certified firms and construction jobs for underrepresented workers will be available as the development team applies Prosper Portland's Construction Business and Workforce Equity Policy.

COMMUNITY PARTICIPATION AND FEEDBACK

Prosper Portland has engaged the Central Eastside Industrial Council (CEIC) through the Central Eastside TIF annual budget review since the property was acquired in 2017. In response to Music Portland and other venue partner concerns, Prosper Portland retained Johnson Economics to conduct a study that

confirmed the gap in venue size within the Portland market, estimated the economic impact of adding a new venue to the market, and collected national case studies.

Prosper Portland hosted two roundtable discussions in 2023, engaging representatives from the local music and tourism industry (including Music Portland and the Portland 5), CEIC, the development team, Mayor Wheeler and Commissioner Rubio's offices, and Live Nation to share the findings. The final report incorporated feedback from roundtable attendees and the development team directly addressed questions from attendees. During these discussions, Live Nation shared their intentions related to operation of the venue. Prosper Portland staff committed to continuing to support music industry initiatives.

In other outreach venues, many stakeholders have expressed support for the project based on increased foot traffic to support Central Eastside businesses and business opportunities that comes with the construction and operations of the venue. Music Portland representative have continued to express concerns.

BUDGET AND FINANCIAL INFORMATION

An appraisal dated September 9, 2024, estimates the market value of Block B at \$2,410,000. Prosper Portland anticipates using a similar site valuation methodology for Blocks A and C at the time those transactions occur. All three properties were included in the Financial Sustainability Plan as long-term ground leases generating revenues of approximately \$300,000 per year over the next 10 years.

The FY 2024-25 Revised 1 Budget for the Central Eastside District does not include a sale assumption. The sale price will be included in the FY 2024-25 Revised 2 Budget anticipated in December. With one-time proceeds from the land sale rather than a long-term ground lease, Prosper Portland will have access to over \$2 million dollars in the near-term to reinvest both in the Central Eastside and the broader city through its loan and grant programs for businesses of all sizes. This will also allow Prosper Portland to make more funding available through the Events and Film Office to support local musically focused events.

The FY 2024-25 Revised 1 Budget for the Central Eastside Budget includes an environmental remediation budget of \$2.7 million for the Workshop Blocks (see Exhibit B). Consistent with the term sheet, a maximum of \$749,000 of this total is reserved for environmental remediation on Block B.

RISK ASSESSMENT

Should the Prosper Portland Board not approve these actions, Prosper Portland would continue to incur maintenance and management fees under its current use as surface parking for the district.

If the Buyer fails to receive land use approval from the City of Portland after the September 19, 2024, land use appeal meeting or receive City Council approval to move forward with the project, the Buyer will need to propose an alternate project for the site or release its exclusivity rights for Block A, Block B, and Block C.

Once Block B is conveyed to the Buyer, Prosper Portland would retain the right to repurchase the property at the sale price if the Buyer fails to commence vertical construction within one year of the closing date.

ATTACHMENTS

- A. Workshop Blocks Site Map
- B. Central Eastside Tax Increment Financing District Budget

SITE MAP



Central Eastside TIF Financial Summary

Financial Summary

Forecast

Central Eastside TIF Fund	Revised FY 2023-24	Rev 1 FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28	Forecast FY 2028-29
Resources						
Beginning Fund Balance	36,459,596	24,340,595	4,986,903	3,959,667	3,671,751	3,374,679
Revenue						
Interest on Investments	729,192	276,690	81,626	62,190	53,545	44,624
Loan Collections	167,531	0	0	0	0	0
TIF - Long Term Debt	0	2,405,862	0	0	0	0
Miscellaneous	130	0	0	0	0	0
Rent and Property Income	73,109	47,549	49,688	0	0	0
Total Revenue	969,962	2,730,101	131,314	62,190	53,545	44,624
Total Resources	37,429,558	27,070,696	5,118,217	4,021,857	3,725,296	3,419,303
Requirements						
Administration						
A00028-Debt Management-CES	9,455	9,500	9,600	0	0	0
Administration Total	9,455	9,500	9,600	0	0	0
Economic Development						
Business Advancement & Traded Sector						
A00379-Lean Manufacturing-CES	33,855	52,945	0	0	0	0
Business Lending						
A00207-BL -General-CES	400,000	800,000	400,000	0	0	0
Economic Development Total	433,855	852,945	400,000	0	0	0
Housing						
A00169-Affordable Housing-CES	1,965,811	4,990,948	0	0	0	0
Housing Total	1,965,811	4,990,948	0	0	0	0
Infrastructure						
Transportation						
A00421-Trans. Improvements-CES	3,000,000	10,900,000	0	0	0	0
Infrastructure Total	3,000,000	10,900,000	0	0	0	0
Property Redevelopment						
Real Estate Management						
A00230-Lightwater Craft-CES	23,837	4,220	4,642	5,106	5,617	6,178
A00313-ODOT Blocks-A-CES	41,824	41,824	41,824	0	0	0
A00319-Festival Parking Lot-CES	17,759	0	0	0	0	0
A00551-240 NE MLK Lot-CES	59,985	46,500	46,500	0	0	0
A00561-Springwater Trail-CES	11,158	11,200	0	0	0	0
A00627-ODOT Blocks-B-CES	2,813	9,922	9,922	0	0	0
A00628-ODOT Blocks-C-CES	7,393	7,591	7,591	0	0	0
Real Estate Predevelopment						
A00763-Workshp Blocks Environmental-CES	2,750,000	2,755,850	5,850	0	0	0
Real Estate Disposition						
A00627-ODOT Blocks-B-CES	10,000	0	5,850	0	0	0
A00551-240 NE MLK Lot-CES	68,800	68,800	0	0	0	0
Redevelopment Strategy						
A00320-Project Development-CES	420,000	0	0	0	0	0
Redevelopment Grants						
A00500-Prosperity Investment Program (PIP) Grant-CES	964,719	739,512	150,000	0	0	0
A00520-CLG General-CES	574,354	484,662	125,000	0	0	0
A00668-Repair Grant-CES	4,984	0	0	0	0	0
Property Redevelopment Total	4,957,626	4,170,081	397,179	5,106	5,617	6,178
Total Program Expenditures	10,366,747	20,923,474	806,779	5,106	5,617	6,178
Personnel Services	169,554	496,341	152,944	150,000	150,000	150,000
Total Fund Expenditures	10,536,301	21,419,815	959,723	155,106	155,617	156,178
Interfund Transfers - Indirect Charges	1,745,848	663,978	198,827	195,000	195,000	195,000
Interfund Transfers - Cash Transfers	9,700,000	0	0	0	0	0
Contingency	15,447,409	4,986,903	3,959,667	3,671,751	3,374,679	3,068,125
Total Fund Requirements	37,429,558	27,070,696	5,118,217	4,021,857	3,725,296	3,419,303