



PROSPER
PORTLAND
Building an Equitable Economy

DATE: September 18, 2024
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 24-47

Authorizing a Forgivable Loan in an Amount Not to Exceed \$10,000,000 to Williams & Russell Community Development Corporation and Black Business Hub, LLC for Environmental Remediation, Predevelopment, and Construction on Certain Property Bounded Approximately by N Williams Avenue, NE Russell Street, N Vancouver Avenue, and NE Knott Street in the Interstate Corridor Tax Increment Financing District.

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7580

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to make a \$10,000,000 forgivable loan to the Williams & Russell Community Development Corporation (W&R CDC) and Black Business Hub, LLC (BBH) for environmental remediation of an approximately the 2.1-acre site in the Interstate Corridor Tax Increment Financing District (see site map in Attachment A) and for predevelopment/construction by BBH of a business hub project on a portion of the site.

STRATEGIC ALIGNMENT AND OUTCOMES

This action will deliver on multiple N/NE Community Development Initiative Action Plan goals for the Interstate TIF District by:

- Promoting Property Ownership & Redevelopment;
- Supporting Business Ownership & Growth;
- Investing in New & Existing Homeownership; and
- Supporting a Cultural Business Hub.

It also aligns with Advance Portland strategic goals including Promoting Equitable Wealth Creation (Objective 2) and Fostering Vibrant Neighborhoods and Commercial Districts. (Objective 3).

BACKGROUND AND CONTEXT

The Williams and Russell site, located generally between North Williams and Vancouver Avenues and NE Knott and N Russell Streets in North Portland, was a vibrant part of the predominately African American neighborhood during the 1940s-1960s. The site was previously referred to as the Hill Block, which is the historic name of the building that once occupied the site and served as the center of the African American commercial district.

In the early 1970s, the Portland Development Commission (now Prosper Portland) and the City of Portland condemned the site for the expansion of the hospital campus. The expansion was never realized and in 2017, site owner Legacy Emanuel Hospital (Legacy), the City of Portland, and Prosper Portland committed to creating a process that would return the land back to the community for uses that recognizes the history of the site and benefit Portland's Black community.

A community-selected Project Working Group (PWG) was established to define and drive a community-centered visioning and development process. The PWG led an engagement and solicitation process that resulted in the selection of a team led by Adre, an African American woman-led development firm, to manage the overall redevelopment, together with Colas Construction, Portland Community Reinvestment Initiatives (PCRI), and other team members. With completion of the PWG's work, the Williams & Russell CDC (W&R CDC) was formed to take ownership of the land, steward redevelopment based on the community vision and hold and operate the commercial portion of the project long term (now contemplated to occur through BBH).

Prosper Portland provided a special authority grant to W&R CDC in 2023 for approximately \$400,000 to support land predevelopment activities such as the entitlements and partition process, architecture and engineering, and site surveys and environmental assessment.

A Phase 1 Environmental Site Assessment was performed in July 2020, and it revealed evidence of Recognized Environmental Conditions (RECs) on the site. As a result of this finding, a Phase 2 Environmental Site Assessment, which included a geophysical survey and soil/soil vapor sampling of the site, was completed in February 2021. The assessment revealed evidence of a wide range of RECs that exceeded the Department of Environmental Quality's (DEQ) risk-based concentration (RBC) levels, including lead, arsenic, cadmium, mercury, naphthalene, selenium and other semi-volatile organic compounds (SVOCs). Buried fill materials, including silt with small pieces of brick, glass, ceramic material, burnt wood fragments, and concrete, were also found throughout the property. Funding for environmental and site cleanup costs is on the critical path for W&R CDC to close on transfer of the property and move forward with development. (See Project Description below.)

The estimated cost to complete a full site remediation prior to the land transfer is estimated to be between \$7 million-\$13 million. The most cost-effective way to complete the work, which includes full excavation and soil removal, is to complete the work at one time.

Project Description. W&R CDC plans to deliver three distinct but related projects on the site consisting of approximately 80-90 units of affordable rental apartments (developed and owned by PCRI), 20 home ownership units (developed by Adre with units sold by a subsequent LLC), and a 30,000 square foot Black Business Hub (developed by Adre and owned by Black Business Hub LLC of which the W+R CDC will be the sole member), along with a public plaza and garden as follows:

- **Affordable Homeownership:** Offering 20 homes with two- to three-bedrooms, five of which will include an Accessory Dwelling Unit (ADU) and another five which will be fully ADA accessible. This "missing middle housing" will offer homeownership to low- and moderate-income families and individuals at the 60%-120% Area Medium Income (AMI) affordable level.
- **Affordable Apartments:** 85 affordable one- to three-bedroom units at the 30%-60% AMI affordable level. The project will include a community room, outdoor space, on-site parking, resident services, and cultural-specific daycare. With anticipated Portland Housing Bureau Interstate Tax Increment Finance district set-aside investment, the project is anticipated to comply with PHB's Preference and Construction Equity policies.

- The BBH: A landmark center for the creation and support of local community-based businesses. The 30,000 square foot, Cross Laminated Timber (CLT) development will offer affordable office and retail space, including for Black-owned businesses and community partner organizations. With anticipated Prosper Portland Tax Increment Finance investment, the project would be required to comply with Prosper Portland's Construction Business and Workforce Equity policy and other applicable agency policies.

Prosper Portland's early discussions with W&R CDC were focused on providing a \$10 million forgivable loan to the business hub portion of the project, to be used to cover design and permitting costs through construction, with principal forgiveness available based on achievement of certain milestones.

W&R CDC has secured funding from Oregon Housing and Community Services for the home ownership portion of the project, and it must commence work by May 2025, or the funding will be forfeited. Completing the remediation work for that portion of the site is now critical and time sensitive, requiring W&R CDC to secure funding to commence this work as soon as possible. To support W&R CDC and the development team in continuing to move the project forward, Prosper Portland has proposed to include environmental clean-up and site preparation as part of our forgivable loan, with any remaining funds continuing to flow through to the business hub component under BBH. The funds used for these two phases will be provided in the form of a forgivable loan. Forgiveness will be available based on completion of specified project milestones (detailed in the term sheet that accompanies the Board resolution for this item). Additionally, the BBH project was recently selected for funding via Prosper Portland's Cultural Business Hub Request for Expressions of Interest (RFEI). Prosper Portland has reserved a couple of million in Interstate Corridor TIF resources focused on tenanting and programming build out of the BBH, which would be brought forward through a future action to the Prosper Portland Board for consideration.

EQUITY IMPACT

As described above, with leadership and stewardship by W&R CDC, the Williams & Russell project aims to honor and support Portland's Black community, create wealth, and promote a healthier economy by providing affordable rental apartments and homeownership, as well as business opportunities, for the community, especially those whose families were impacted by displacement.

COMMUNITY PARTICIPATION AND FEEDBACK

From August through October 2017, Prosper Portland staff and the Williams & Russell project partners met with the N/NE CDI Oversight Committee convened by Prosper Portland and the Portland Housing Bureau North/Northeast Neighborhood Housing Strategy Committee. Meetings also took place with the Legacy Emanuel Community Partnership Committee and members of the Portland African American Leadership Forum. These meetings were designed to further discuss the Williams & Russell project and a process for community engagement, with a community-based project working group as a key tenet.

In 2018, the Project Working Group ("PWG") was established by a nominations committee made up of community-based organizations with ties to Portland and to Portland's Black community to guide the future of the Williams & Russell site. In 2021, the PWG selected a development team led by Adre and PCRI.

BUDGET AND FINANCIAL INFORMATION

There are sufficient resources for the full loan amount in the Interstate Corridor TIF District Budget and available in the FY 2024-25 Revised 1 Budget (see Attachment B for the budget and forecast). The proposed investment is in alignment with the updated Financial Sustainability Plan approved by the Board in March 2023.

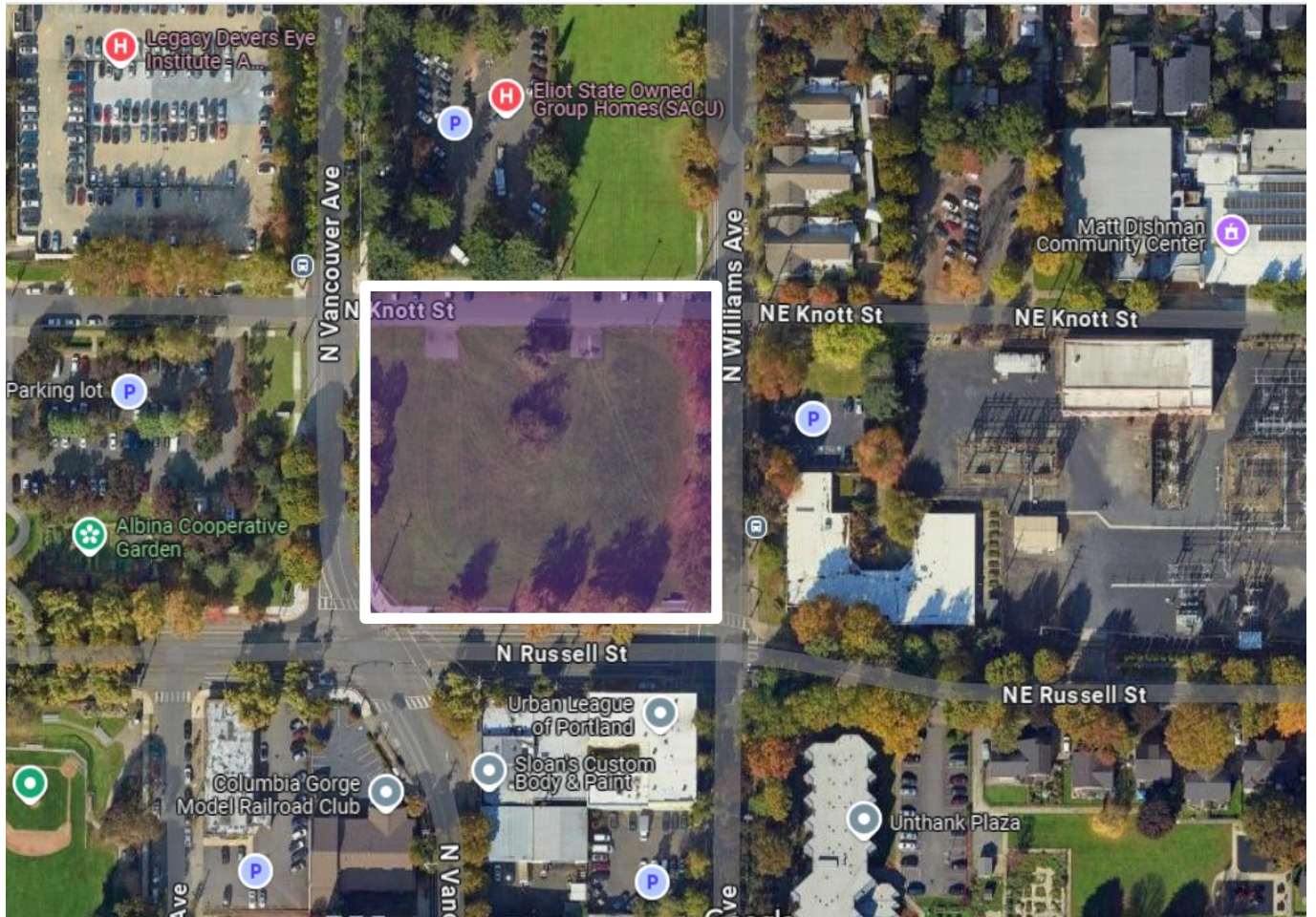
RISK ASSESSMENT

While there is a risk that the Borrower will be unable to repay loan interest, the risk that the Borrower could be unable to repay principal is mitigated by the availability of principal forgiveness as project milestones are reached. Should the Board decide not to approve this loan, there will be inadequate resources to complete the required environmental and site preparation across the properties, thereby delaying the vertical development schedules and putting vertical development funding at risk, particularly for the Affordable Homeownership project.

ATTACHMENTS

- A. Site Map
- B. Interstate Corridor TIF District Budget

SITE MAP



INTERSTATE CORRIDOR TIF DISTRICT BUDGET AND FORECAST

**Financial Summary
 Forecast**

Interstate Corridor 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	85,920,833	94,577,989	42,535,244	22,329,991	13,725,521	12,206,018
Revenue						
Interest on Investments	1,718,417	1,586,866	635,596	209,836	60,221	36,133
Loan Collections	181,027	0	0	0	0	0
TIF - Short Term Debt	28,806,165	0	0	0	0	0
TIF - Long Term Debt	0	2,543,090	0	0	0	0
Rent and Property Income	242,334	427,159	659,290	663,977	546,623	551,595
Reimbursements	139,117	205,007	205,767	206,551	149,297	149,297
Total Revenue	31,087,060	4,762,122	1,500,653	1,080,364	756,141	737,025
Total Resources	117,007,893	99,340,111	44,035,897	23,410,355	14,481,662	12,943,043
Requirements						
Administration						
A0030-Debt Management-ISC	101,880	102,110	69,800	0	0	0
A00729-EDPA2 Litigation-ISC	65,000	0	0	0	0	0
Administration Total	166,880	102,110	69,800	0	0	0
Economic Development						
Business Advancement & Traded Sector						
A00381-Lean Manufacturing-ISC	10,188	0	0	0	0	0
Community Economic Development						
A00122-Community Development-ISC	130,338	0	0	0	0	0
A00106-NPI & Main St Network-ISC	100,000	175,000	75,000	75,000	75,000	75,000
Business Lending						
A00209-BL-General-ISC	200,000	400,000	400,000	200,000	200,000	0
Economic Development Total	440,526	575,000	475,000	275,000	275,000	75,000
Housing						
A00171-Affordable Housing-ISC	18,437,697	23,892,121	16,511,167	0	0	0
A00516-Home Repair Loan (Goal 3)-ISC	600,000	0	0	0	0	0
A00746-Downpayment Assist Prog (Goal3)-ISC	1,200,000	0	0	0	0	0
Housing Total	20,237,697	23,892,121	16,511,167	0	0	0
Property Redevelopment						
Commercial Property Lending						
A00341-Prpty Acquisition Loan-Goal 1-ISC	0	2,000,000	0	0	0	0
A00366-Prpty Dev Large Loan (Goal 1)-ISC	4,884,752	7,174,843	0	0	0	0
A00527-Tenant Improv PIP Match (Goal 2)-ISC	100,000	612,600	0	0	0	0
A00735-Prpty Dev Small Loan PIP Match (Goal 1)-ISC	100,000	690,000	0	0	0	0
A00745-Cultural Business Hub (Goal 5)-ISC	0	1,000,000	1,500,000	1,000,000	1,000,000	0
Real Estate Management						
A00333-MLK Alberta-ISC	294,707	299,856	301,517	301,517	0	0
A00335-Nelson Bldg-Indust-ISC	106,684	138,602	138,602	151,011	155,899	155,899
A00336-Spar-Tek Building-ISC	61,980	65,268	70,020	75,195	80,831	80,831
A00338-3620 NE MLK Prkng-ISC	25,020	25,020	24,993	0	0	0
A00515-MLK Heritage Markers-ISC	118,409	78,409	0	0	0	0
A00552-Albina Triangle Garage-GTW	14,454	14,454	14,454	0	0	0
Redevelopment Strategy						
A00515-MLK Heritage Markers-ISC	400	0	0	0	0	0
A00532-Williams and Russell-ISC	402,305	10,000,000	0	0	0	0
A00779-Property Redevelopment-ISC	0	0	0	6,200,000	0	0
Redevelopment Grants						
A00131-Community Livability Grant (Goal 4)-ISC	1,108,107	1,236,075	0	0	0	0
A00502-Prosperity Investment Program Small Scale Grant (Goal 1)-ISC	702,183	383,481	0	0	0	0
A00734-Prosperity Investment Program Large Scale Grant (Goal 1)-ISC	225,000	207,730	0	0	0	0
A00736-Prosperity Investment Program Grant (Goal 2)-ISC	225,000	0	0	0	0	0
A00737-Affordable Commercial Space (Goal2)-ISC	1,000,000	5,250,000	0	0	0	0
A00774-Percent of Arts Grants-ISC	0	21,803	0	0	0	0
Property Redevelopment Total	9,369,001	29,198,141	2,049,586	7,727,723	1,236,730	236,730
Total Program Expenditures	30,214,104	53,767,372	19,105,553	8,002,723	1,511,730	311,730
Personnel Services	853,111	1,299,327	1,170,353	772,111	373,914	275,762
Total Fund Expenditures	31,067,215	55,066,699	20,275,906	8,774,834	1,885,644	587,492
Interfund Transfers - Indirect Charges	2,169,701	1,738,168	1,430,000	910,000	390,000	260,000
Interfund Transfers - Cash Transfers	8,000,000	0	0	0	0	0
Contingency	75,770,977	42,535,244	22,329,991	13,725,521	12,206,018	12,095,551
Total Fund Requirements	117,007,893	99,340,111	44,035,897	23,410,355	14,481,662	12,943,043