



PROSPER
PORTLAND
Building an Equitable Economy

DATE: February 12, 2025
TO: Board of Commissioners
FROM: Shea Flaherty Betin, Interim Executive Director
SUBJECT: Report Number 25-04

Approving the Terms of a Commercial Property Loan to Future Stack, LLC, in an Amount Not to Exceed \$7,000,000 for Acquisition and Improvement of Two Commercial Buildings at 208 NW 5th Avenue and 234 NW 5th Avenue

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7594

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to enter into an agreement to make a Commercial Property Loan, with exceptions (Loan), to Future Stack, LLC, DBA Made in Old Town (Borrower) in an amount of up to \$7,000,000, at an interest rate of three percent, for acquisition and improvement of commercial space located at 208 and 234 NW 5th Avenue (Property); a Site Map can be found in Attachment A.

If approved, the Borrower intends to use Loan proceeds to acquire the Property and pay for other project related costs as part of a broader vision to create a campus that includes design, research, studio, office, and manufacturing facilities serving the footwear and apparel industry (Made in Old Town, or Project).

STRATEGIC ALIGNMENT AND OUTCOMES

This action will deliver on several Advance Portland objectives by:

- Propelling inclusive economic growth and innovation (Objective 1, Action 1.2.3), including increasing commercialization of research and development;
- Fostering a vibrant central city and commercial districts (Objective 3, Actions 2 & 6), by retaining and increasing commercial activity and support small businesses in the Central City, and activating vacant properties with community serving businesses; and
- Connecting Portlanders to high quality jobs in future-ready sectors (Objective 4, Action 3.4), by locating major economic investments and target business growth near underserved areas.

The Project also meets many of the priorities in the Old Town/Chinatown Action Plan (including attracting new neighborhood investment to activate key properties and improve district connectivity) and has the potential to create well-paying jobs, facilitate design internships, and host competitions and events.

BACKGROUND AND CONTEXT

Made in Old Town is a locally driven initiative to support footwear and apparel creatives and manufacturers. The Project is intended to foster innovation and efficiencies by concentrating talent and suppliers in proximity, and by accelerating on-premises sample-making, instead of depending on the offshore supply chain. The campus provides access to world-class equipment and a deep talent pool across brands, suppliers, and innovators, enabling them to make the next generation of footwear and apparel.

In September 2024, the Borrower took a significant first step in realizing the Project by acquiring a building located at 333 NW 5th Avenue using a State of Oregon (State) general fund grant administered through the Department of Administrative Services. The remainder of that grant, as well as additional requested State grant funding being sought, will be used for this Project.

The Property includes 208 NW 5th Avenue, a two-story warehouse building, and 234 NW 5th Avenue, a seven-story building. Combined, the two vacant buildings include approximately 98,000 square feet of rentable area. Collectively, these three buildings will provide the following Project components:

1. The Hub (208 NW 5th Avenue) will provide a secure storage for intellectual property, studio space, and secure private brand suites;
2. The Tower (234 NW 5th Avenue) will host material and process suppliers, specialty vendors, research labs, private office space, showcasing space for vendors, open flexible desk space, a hands-on makers space, bookable meeting space, and workshop/lecture rooms; and
3. The Engine (333 NW 5th Avenue) will be dedicated to manufacturing finished goods (footwear and apparel).

The Loan borrower is Future Stack, LLC (Borrower), DBA “Made in Old Town”. The Borrower’s sole member is the Old Town Perpetual Purpose Trust, which is managed by Trustors (1) Matthew Claudel; (2) Jonathan Cohen; and (3) Elias Stahl, with Greg Bui serving as Trustee. More than 30 A&O companies have expressed strong interest in leasing space in the subject buildings, eight of which have signed Letters of Intent. It should be noted that Trustor Jonathan Cohen currently serves as the Treasurer for the Old Town Community Association (OTCA). Cohen disclosed his role when discussions on a potential loan for the Project commenced, as OTCA has received grants from Prosper Portland in the past.

Sources and Uses for the Project are outlined as follows:

Sources		Uses	
Prosper Portland Loan	\$7,000,000	Acquisition	\$7,400,000
State of Oregon Grant (secured)	\$1,700,000	Hard Costs	\$2,056,936
State of Oregon Grant (unsecured)	\$4,432,936	Soft Costs (including closing and financing)	\$2,876,000
		Leasehold Improvements	\$800,000
TOTAL	\$13,132,936	TOTAL	\$13,132,936

EQUITY IMPACT

The Project is subject to Prosper Portland’s Green Building and Construction Business and Workforce Equity policies and will advance economic equity through investment in workforce housing in the district.

COMMUNITY PARTICIPATION AND FEEDBACK

Staff meet regularly with representatives from the OTCA, a “joint neighborhood and business association working together to enhance the well-being of residents and businesses, while continuing to make Old Town a diverse, equitable, and inclusive cultural hub of downtown Portland.” OTCA was instrumental in the development of the 2014 Old Town/Chinatown Action Plan and 2019 extension which helps inform Prosper Portland’s budget and investments. The OTCA Board has expressed support for the Project and an investment of Prosper Portland’s Action Plan resources. Made In Old Town has participated in or convened a number of athletic and outdoor industry focused events, including their launch event in October 2024 with significant industry attendance.

BUDGET AND FINANCIAL INFORMATION

There are sufficient resources in the fiscal year (FY) 2024-25 River District TIF Fund Budget (see Attachment B).

RISK ASSESSMENT

Although staff considers this a High Impact Project for the community, there are several notable risks, including:

- If the Loan is approved, the Borrower’s financing stack will still have a \$4,432,936 gap. This risk is proposed to be mitigated by the Borrower securing a grant in that amount from the State. In addition, Prosper Portland will condition closing upon receiving and approving a strategy for how tenant improvements will be completed if State funding does not materialize; Prosper Portland will have the right to review and give or withhold approval in its sole discretion.
- The Property is currently appraised lower than the agreed upon purchase price (\$3,800,000 versus \$7,400,000, yielding a loan to value (LTV) of 182 percent). This risk is mitigated as the Borrower builds out tenant improvements and leases space. The appraisal’s prospective value upon completion is \$6,370,000, yielding an LTV of 110 percent, and prospective value upon stabilization is \$13,870,000 yielding an LTV of 50 percent.
- The appraiser’s opinion was that the proposed asking rents are too high for the Old Town submarket. This risk is mitigated by the appraiser’s pro forma, which indicated that the Property could achieve a value of \$13,870,000 and service the proposed debt if the Project completes its intended improvements and leases its space.
- The project risk is somewhat decreased by the receipt of eight Letters of Intent from prospective tenants. There is also a lease in place with a business that was formally in the Hub building, and it will transfer to Future Stack when the acquisition is completed, as well as a billboard lease. As the new owner, Future Stack will negotiate a termination agreement with the tenant but will receive income from the lease for a short period of time.

ATTACHMENTS

- A. Site Map
- B. River District TIF Fund Budget

SITE MAP



208 - 234 NW 5th Avenue

RIVER DISTRICT TIF FUND BUDGET

River District TIF Fund	Actuals FY 2023-24	Revision 2 FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28	Forecast FY 2028-29
Resources						
Beginning Fund Balance	44,021,189	35,081,594	20,741,883	22,971,322	20,505,442	18,890,289
Revenue						
Fees and Charges	2,245	0	0	0	0	0
Interest on Investments	1,294,281	1,052,448	348,792	345,297	284,987	244,424
Loan Collections	127,723	0	0	0	0	0
Miscellaneous	1,375	0	0	0	0	0
Property Sales	0	1,300,000	6,400,000	0	125,000	0
Rent and Property Income	2,557,073	3,045,302	2,237,362	2,246,219	2,284,248	2,284,248
Reimbursements	906,926	217,320	0	0	0	0
Transfers In	15,334,134	25,478,656	0	0	0	0
Total Revenue	20,223,756	31,093,726	8,986,154	2,591,516	2,694,235	2,528,672
Total Resources	64,244,945	66,175,320	29,728,037	25,562,838	23,199,677	21,418,961
Requirements						
Administration						
A00025-Debt Management-RVD	873	0	0	0	0	0
Administration Total	873	0	0	0	0	0
Economic Development						
Business Lending						
A00204-BL -General-RVD	0	1,000,000	0	0	0	0
Economic Development Total	0	1,000,000	0	0	0	0
Housing						
A00166-Affordable Housing-RVD	2,495,619	2,703,779	0	0	0	0
Housing Total	2,495,619	2,703,779	0	0	0	0
Infrastructure						
Parks						
A00232-Nbrhd Prk(The Fields)-RVD	5,526	550	555	560	565	0
Transportation						
A00770-USPS LID-RVD	0	750,000	750,000	750,000	750,000	750,000
Public Facilities						
A00718-Chinatown Gate-RVD	0	300,000	0	0	0	0
Infrastructure Total	5,526	1,050,550	750,555	750,560	750,565	750,000
Property Redevelopment						
Commercial Property Lending						
A00361-CPRL-General-RVD	0	1,948,925	0	0	0	0
Real Estate Management						
A00186-Fairfield Commercial-RVD	0	344,130	0	0	0	0
A00276-Post Office-RVD	593,914	348,040	264,400	264,400	264,400	264,400
A00278-4th and Burnside-RVD	39,330	51,967	35,967	35,967	35,967	35,967
A00285-Block Y-RVD	133,052	113,966	111,327	111,357	144,016	147,286
A00286-Union Station-RVD	1,759,193	2,243,146	0	0	0	0
A00288-Centennial Mills-RVD	581,419	215,531	0	0	0	0
A00290-Station Place Prkng-RVD	787,206	836,892	892,106	912,232	934,563	958,917
A00291-Block R-RVD	70,177	62,029	55,832	56,469	57,106	57,106
A00292-One Waterfront North-RVD	1,334	0	0	19,652	19,652	19,652
A00293-Old Fire Station Mgmt-RVD	31,602	37,286	37,286	0	0	0
A00558-RD Small Lots - 9th & Naito-RVD	10,430	12,322	0	0	0	0
A00587-Block 25-RVD	29,562	34,548	34,548	34,548	34,548	34,548
A00691-Post Office Garage-RVD	119,787	655,561	681,873	692,318	721,129	733,766
Real Estate Predevelopment						
A00186-Fairfield Commercial-RVD	18,373	157,627	0	0	0	0
A00278-4th and Burnside-RVD	0	40,000	0	0	0	0
A00293-Old Fire Station Mgmt-RVD	0	33,693	0	0	0	0
A00620-Post Office Grant-RVD	0	13,613	0	0	0	0
A00682-USPS Legal-RVD	26,177	26,574	0	0	0	0
A00276-Post Office-RVD	15,787,122	500,000	0	0	0	5,000,856
A00587-Block 25-RVD	0	250,000	0	0	0	0
Real Estate Disposition						
A00286-Union Station-RVD	44,287	30,713	0	0	0	0
A00288-Centennial Mills-RVD	4,536	228,229	375,000	0	0	0
A00293-Old Fire Station Mgmt-RVD	0	200,096	0	0	0	0
Redevelopment Strategy						
A00038-Superfund-RVD	79,200	264,800	0	0	0	0
A00276-Post Office-RVD	5,639	128,201	0	0	0	0
A00279-Broadway Corridor-RVD	8,504	301,133	0	0	0	0
A00294-Project Development-RVD	29	0	0	0	0	0
A00517-Old Town Action Plan Investments-RVD	1,500	26,771,601	0	0	0	0
A00687-OTCA-PI-RVD	0	272,000	0	0	0	0
Redevelopment Grants						
A00390-CLG-General-RVD	249,811	236,866	0	0	0	0
A00497-Prosperity Investment Program (PIP) Grant-RVD	226,306	625,172	0	0	0	0
A00743-James Beard-RVD	50,000	100,000	0	0	0	0
Property Redevelopment Total	20,658,490	37,084,661	2,488,339	2,126,943	2,211,381	7,252,498
Total Program Expenditures	23,160,507	41,838,990	3,238,894	2,877,503	2,961,946	8,002,498
Personnel Services	349,317	1,341,053	1,500,000	914,716	550,000	247,788
Total Fund Expenditures	23,509,825	43,180,043	4,738,894	3,792,219	3,511,946	8,250,286
Interfund Transfers - Indirect Charges	5,630,174	1,793,987	2,017,821	1,265,177	797,442	408,814
Interfund Transfers - Cash Transfers	0	200,000	0	0	0	0
Contingency	0	21,001,290	22,971,322	20,505,442	18,890,289	12,759,861
Ending Balance	35,104,947	0	0	0	0	0
Total Fund Requirements	64,244,945	66,175,320	29,728,037	25,562,838	23,199,677	21,418,961