



PROSPER
PORTLAND
Building an Equitable Economy

DATE: March 12, 2025
TO: Board of Commissioners
FROM: Shea Flaherty Betin, Interim Executive Director
SUBJECT: Report Number 25-08

Approving the Terms of a Commercial Property Loan Program Loan and a Small Business Loan Program Loan to Creative Homies, LLC and to Creativehomies HQ, LLC in a Total Amount Not to Exceed \$700,000 to Finance Construction and Working Capital Needs of a Project at 433 NW 4th Avenue

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7598

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to make a \$473,026 Commercial Property Loan Program (CPLP) loan and a \$226,972 Small Business Loan Program (SBLP) loan, to Creative Homies, LLC and Creativehomies HQ, LLC, (Borrowers), for construction and operation of a mixed-use venue (Project) at the 20,000 square foot Horizon Enterprise Building located at 433 NW 4th Avenue (see a Site Map in Attachment A).

STRATEGIC ALIGNMENT AND OUTCOMES

This action will deliver on several Advance Portland objectives, most notably by:

- Supporting small businesses, restaurants, and activation of ground floor commercial spaces in the Central City;
- Promoting equitable wealth creation by allowing entrepreneurs to start and grow businesses through partnerships and capital; and
- Increase access to property ownership.

In addition, this action aligns with the objectives in the Old Town/Chinatown Action Plan by “attracting new neighborhood investment to activate key properties.” This building, constructed in 1905, not only holds historical significance, but is also significant to its neighbors, the residents of the Old Town Lofts and the Japanese American Museum of Oregon. The building has been boarded up for years, and now, with events and activations already taking place in the building, the neighbors are experiencing the positive change.

The building was recently programmed with an exhibit sponsored by the 1803 Fund, which activated the space and brought heightened awareness of the building to the community. The activation was consistent with broader efforts, such as “No Vacancy”, intended to activate underutilized buildings in Old Town and create sufficient foot traffic and daytime population to improve retail activation of existing small businesses.

Tenancing the upper floors also supports the athletic and outdoor community of entrepreneurs in Old Town by providing flexible design studio space for professionals working in design and apparel.

BACKGROUND AND CONTEXT

On January 24, 2024, through Resolution No. 7518, the Prosper Portland Board approved two loans totaling \$700,000 to activate the entire building at a total cost of \$1,500,000 and to house multiple new businesses within the building (Original Project) to be owned by the loan guarantors:

- Jazz club in the building basement;
- Ground floor art gallery, coffee shop, and wine bar;
- Second floor co-working space, with rentable workstations and studios, along with rental equipment such as screen and 3-D printers, sewing machines, etc.; and
- Third floor production studio and rentable studio space for artists in residence.

Based on the Original Project, the Prosper Portland Board approved financing of \$700,000 for the project, including:

- A Commercial Property Redevelopment Loan of \$147,395 to cover a portion of the tenant improvement hard costs; and
- A Thriving Small Business Loan of \$552,605, to cover anticipated Small Business Association (SBA) loan fees, creation of an interest reserve for the SBA loan payments during construction, an operating reserve available for use once the construction project was completed, and funds for furniture, fixtures, and equipment.

After seeking refinance and construction funding from other lenders and failing to secure the funding required to complete the Original Project, the Borrower decided to shift its operational strategy for the property. The current Project is to keep the seller note intact and focus on leasing the upper two floors as is, activating the first-floor gallery/wine bar with no new improvements, and focusing new investment on building and operating the basement bar. Under this more focused Project approach, the Borrower has requested that Prosper Portland provide loan funds to be used as described in the table below. This would allow the Borrower to move forward with the Project without incurring the level of debt sought for the Original Project.

Given the many changes to the Original Project and business plan since January 2024 and the recent updates to Prosper Portland’s loan program guidelines, staff evaluated the Borrower’s requests under the agency’s current loan program guidelines and are proposing that the Prosper Portland Board rescind the 2024 loans and approve two new loans for the Project.

Uses for the Project are outlined as follows:

Uses, Prosper Loan	
Soft Costs	\$ 10,940
FF+E	\$ 60,715
Payment Reserves	\$ 95,319
Operating Reserves	\$ 60,000
Hard Costs	\$ 473,026
Total	\$ 700,000

EQUITY IMPACT

The Project is subject to Prosper Portland’s Green Building and Construction Business and Workforce Equity policies together with broader potential for equitable impact through property ownership and programming that will be led by the Borrower. The recent activation was a comprehensive month-long Black History Month exhibition created by the 1803 Fund, that was visited by almost 3,000 guests. One 1803 Fund member said this about why they chose this location for the exhibit: “Old Town is one of the first neighborhoods where Black folks settled in the city - the railroad brought families from out east in the late 1800s. It’ll be a pleasure to hold space in that same neighborhood as we celebrate Black life

today.” This programming and activation drew additional foot traffic and visitors to Old Town, supporting adjacent businesses and cultural anchors and institutions.

COMMUNITY PARTICIPATION AND FEEDBACK

Staff have discussed these actions with the Old Town Community Association, which has expressed support.

BUDGET AND FINANCIAL INFORMATION

There are sufficient resources in the fiscal year 2024-25 River District budget and forecast for this action (see Attachment B).

RISK ASSESSMENT

The proposed loans align with applicable Guidelines, except that (1) the loans are risk-rated “D” (guidelines require “C” or better); (2) the terms are 192 months (CPLP loan) and 192 months (SBLP loan) (guidelines require a maximum length of 120 months (CPLP) and 120 months (SBLP)); and (3) the interest rates are three percent (CPLP loan) and three percent (SBLP loan) (guidelines require a minimum rate of 8.42 percent (CPLP) and 9.50 percent (SBLP)).

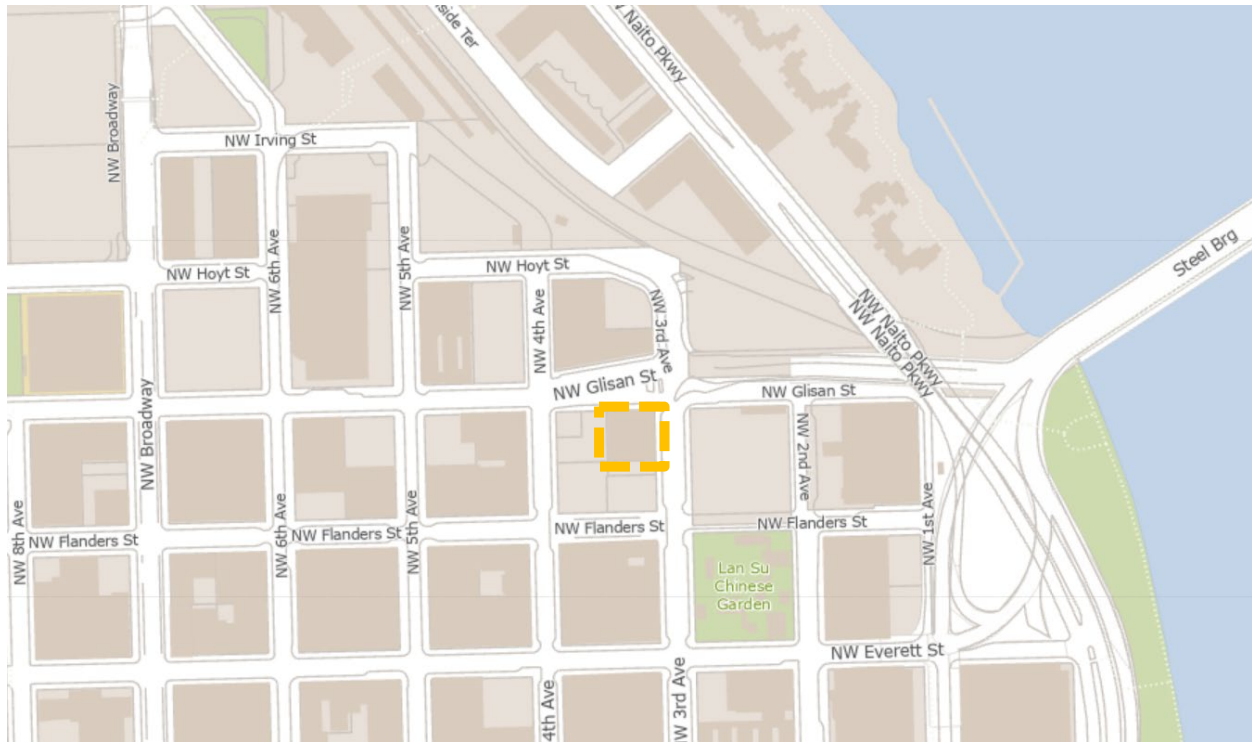
It is important to note that there are fewer risks to the new Project due to the leasing of the top two floors, rather than the Borrowers operating their own businesses on all floors of the building. As a High Impact project, the loans will also have lower interest rates (each three percent) than the loans approved in January 2024 (seven percent and eight percent, respectively), which results in improved cash flow for the Project.

The loan to value (LTV) is 143 percent based on 2023 appraisal, and it is likely a new valuation will result in an LTV that exceeds 100 percent. Although this creates a substantial refinance risk for the Project and Prosper Portland, current loan program guidelines do not require a particular LTV but consider it as one part of the overall risk rating. However, it is recommended that closing is conditional on an LTV that is the same or better than the one based on the January 2024 valuation.

ATTACHMENTS

- A. Site Map
- B. River District Budget and Forecast

SITE MAP



433 NW 4th Avenue, Portland, OR 97209

RIVER DISTRICT TIF FUND BUDGET

**Financial Summary
 Forecast**

River District TIF Fund	Revision FY 2024-25	Requested FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28	Forecast FY 2028-29	Forecast FY 2029-30
Resources						
Beginning Fund Balance	35,081,594	21,001,290	-	309,402	743,799	1,046,261
Revenue						
Interest on Investments	1,052,448	-	-	-	-	-
Property Sales	1,300,000	-	-	125,000	-	-
Rent and Property Income	3,045,302	936,000	936,000	936,000	936,000	936,000
Reimbursements	217,320	-	-	-	-	-
Transfers In	25,478,656	-	-	-	-	-
Total Revenue	31,093,726	936,000	936,000	1,061,000	936,000	936,000
Total Resources	66,175,320	21,937,290	936,000	1,370,402	1,679,799	1,982,261
Requirements						
Economic Development						
Business Lending						
A00204-BL -General-RVD	1,000,000	-	-	-	-	-
Economic Development Total	1,000,000	-	-	-	-	-
Housing						
A00166-Affordable Housing-RVD	2,703,779	-	-	-	-	-
Housing Total	2,703,779	-	-	-	-	-
Infrastructure						
Parks						
A00232-Nbrhd Prk(The Fields)-RVD	550	555	560	565	-	-
Transportation						
A00770-USPS LID-RVD	750,000	-	-	-	-	-
Public Facilities						
A00718-Chinatown Gate-RVD	300,000	-	-	-	-	-
Infrastructure Total	1,050,550	555	560	565	-	-
Property Redevelopment						
Commercial Property Lending						
A00361-CPRL-General-RVD	1,948,925	-	-	-	-	-
Real Estate Management						
A00186-Fairfield Commercial-RVD	344,130	-	-	-	-	-
A00276-Post Office-RVD	348,040	-	-	-	-	-
A00278-4th and Bumside-RVD	51,967	-	-	-	-	-
A00285-Block Y-RVD	113,966	-	-	-	-	-
A00286-Union Station-RVD	2,243,146	-	-	-	-	-
A00288-Centennial Mills-RVD	215,531	-	-	-	-	-
A00290-Station Place Prkng-RVD	836,892	613,295	613,295	613,295	613,295	613,295
A00291-Block R-RVD	62,029	-	-	-	-	-
A00292-One Waterfront North-RVD	-	-	-	-	7,500	7,500
A00293-Old Fire Station Mgmt-RVD	37,286	-	-	-	-	-
A00558-RD Small Lots - 9th & Naito-RVD	12,322	12,743	12,743	12,743	12,743	12,743
A00587-Block 25-RVD	34,548	-	-	-	-	-
A00691-Post Office Garage-RVD	655,561	-	-	-	-	-
Real Estate Predevelopment						
A00186-Fairfield Commercial-RVD	157,627	-	-	-	-	-
A00278-4th and Bumside-RVD	40,000	-	-	-	-	-
A00293-Old Fire Station Mgmt-RVD	33,693	-	-	-	-	-
A00620-Post Office Grant-RVD	13,613	-	-	-	-	-
A00682-USPS Legal-RVD	26,574	-	-	-	-	-
A00276-Post Office-RVD	500,000	-	-	-	-	-
A00587-Block 25-RVD	250,000	-	-	-	-	-
Real Estate Disposition						
A00286-Union Station-RVD	30,713	-	-	-	-	-
A00288-Centennial Mills-RVD	228,229	375,000	-	-	-	-
A00293-Old Fire Station Mgmt-RVD	200,096	-	-	-	-	-
Redevelopment Strategy						
A00038-Superfund-RVD	264,800	-	-	-	-	-
A00276-Post Office-RVD	128,201	-	-	-	-	-
A00279-Broadway Corridor-RVD	301,133	-	-	-	-	-
A00517-Old Town Action Plan Investments-RVD	26,771,601	-	-	-	-	-
A00687-OTCA-PI-RVD	272,000	-	-	-	-	-
Redevelopment Grants						
A00390-CLG-General-RVD	236,866	-	-	-	-	-
A00497-Prosperity Investment Program (PIP) Grant-RVD	625,172	-	-	-	-	-
A00743-James Beard-RVD	100,000	-	-	-	-	-
Property Redevelopment Total	37,084,661	1,001,038	626,038	626,038	633,538	633,538
Total Program Expenditures	41,838,990	1,001,593	626,598	626,603	633,538	633,538
Personnel Services						
Total Fund Expenditures	1,341,053	-	-	-	-	-
Interfund Transfers - Indirect Charges	43,180,043	1,001,593	626,598	626,603	633,538	633,538
Interfund Transfers - Cash Transfers	1,793,987	-	-	-	-	-
Contingency	200,000	20,935,697	-	-	-	-
Total Fund Requirements	21,001,290	-	309,402	743,799	1,046,261	1,348,723
Total Fund Requirements	66,175,320	21,937,290	936,000	1,370,402	1,679,799	1,982,261