



DATE: June 18, 2025
TO: Board of Commissioners
FROM: Lisa Abuaf, Interim Executive Director
SUBJECT: Report Number 25-19
Authorizing a Predevelopment Loan for the Development of Middle-income Housing on Parcel 6 within the Broadway Corridor

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7611

This action, if approved, will authorize the Executive Director to execute a \$750,000 predevelopment loan with The Related Companies of California, dba Related Northwest or another affiliated entity ("Related") to pay for a share of predevelopment expenses associated with the development of Parcel 6 of the former United States Post Office ("USPS") property owned by Prosper Portland and located within the Broadway Corridor Master Plan at the northeast corner of the intersection of NW 9th Avenue and NW Johnson Street (the "Parcel 6") into an approximately 230-unit middle-income housing project (the "Project"); see Attachment A: Site Map.

Prosper Portland was awarded \$33,500,000 from the Portland Clean Energy Fund (PCEF) for the redevelopment of Parcel 6, and once funding agreements are executed, \$250,000 of the funds will be added to the loan under the same terms and conditions, for a total loan of \$1,000,000.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action will enable Related to advance predevelopment activities that are necessary for determining the current feasibility of residential development within the Broadway Corridor. Development of the Broadway Corridor represents a significant opportunity for advancing the goals of Advance Portland – including the production of mixed-income housing within certain subdistricts of the Central City (3.1 and 4.3); catalyzing public-private partnerships to facilitate the development of large-scale sites (3.3); leveraging significant public investment that could help eliminate racial and gender disparities in the construction workforce and related trades (4.1); and demonstrating Portland's leadership in green building practices.

BACKGROUND AND CONTEXT

Prosper Portland acquired the USPS property in 2016 and has since secured approval of a required Central City Master Plan, completed site preparation activities, and coordinated with City of Portland (City) bureau partners on the ongoing construction of public infrastructure and utilities to serve the district. Collectively, Prosper Portland and the City are investing more than \$100 million to prepare the site for development. The USPS property is 14 acres and can accommodate up to four million square feet over approximately nine city blocks, one of which is under control of the Portland Housing Bureau (PHB).

Prosper Portland entered into an Exclusive Negotiating Agreement (“ENA”) with Related in February 2022, and subsequently extended the agreement for the purpose of evaluating the development feasibility of one or more parcels. Prosper Portland and Related have focused on Parcel 6 as a potential first phase of development. Related is proposing a mixed-use development that will consist of approximately 230 units of middle-income housing (60%-120% AMI), structured parking, and a commercial component. The site is a full city block, and the building square footage is estimated at approximately 270,000 square feet. The preliminary unit mix includes studios, one-bedrooms, two-bedrooms, and three-bedrooms.

Prosper Portland and Related additionally applied for and received \$33,500,000 from the Portland Clean Energy Fund (PCEF) to support the development of Parcel 6 for middle-income, net-zero housing. The PCEF grant can be used for up to 25% of the total project costs, and accordingly, it is intended to fund 25% of the predevelopment loan value using the PCEF funds once final funding agreement(s) are executed with PCEF in summer 2025. In addition to private equity, funding for the Project is anticipated to include local and state resources, private financing, and the funds from PCEF, which includes a requirement for the Project to achieve Net Zero Energy.

The \$1,000,000 requested loan is expected to provide concept and schematic design plans; a Phase 1 Environmental Site Assessment; a market study, and a geotechnical report. Upon completion, Related will have general contractor pricing on the design team’s Schematic Design set. That detailed construction estimate will inform an updated development budget. Concurrently, Prosper Portland and Related are advocating for necessary public funding.

During and upon completion of the scope of work, Prosper Portland and Related will assess development feasibility, and determine next steps which are anticipated to include construction financing or forgiveness of the predevelopment loan if development is determined infeasible. All predevelopment expenses will be secured by design and due diligence work products. If Related elects to pursue the Project, Related will use its own financial resources, along with a potential 25% match of PCEF grant funds, to complete due diligence, design, and permitting. Full predevelopment costs are estimated at \$4.5 million. Breaking ground on the project is anticipated to occur by late 2026, opening to residents in late 2028.

The following is a summary of the proposed predevelopment loan terms:

Loan Program	Predevelopment Loan
Loan Amount	\$750,000 modifiable to \$1,000,000 with PCEF funds
Interest Rate	0%
Loan Fee	2.00% (\$15,000)
Loan Term & Amortization	24-month term, deferred payments, balloon at maturity
Exceptions to Guidelines	Three (interest rate, deferred payments, possible forgiveness if project deemed infeasible); See Risk Assessment below

Parcel 4A, controlled by PHB, is located directly south of Parcel 6. Home Forward, in partnership with the Urban League, is pursuing development of this parcel to accommodate an estimated 230 units of

affordable housing, a childhood learning center, and a workforce development center. Together, the projects will create more than 450 units of affordable and middle-income housing and will activate NW Johnson Street as the “main street” of this new neighborhood – setting the stage for additional mixed-income and mixed-use development to follow.

Redevelopment of USPS property represents one of the City’s most significant prospects to accelerate urgently needed housing production and attract new investment to revitalize Portland’s central city. The USPS property is currently a barrier inhibiting connectivity between the numerous transportation modes, destinations, and amenities surrounding the site. This new neighborhood will connect Union Station to the rest of the central city and will help revitalize an area hit hard by the Covid-19 pandemic and regional housing crisis.

EQUITY IMPACT

In addition to providing much-needed middle-income housing, the development of Parcel 6, coupled with the awarded PCEF funds, will support a proposed partnership with Constructing Hope and Oregon Tradeswomen to increase their pre-apprentice workforce training capacity and offer on-site training opportunities. The proposed net-zero performance for Parcel 6, and the use of cross-laminated timber for Parcel 4A, can provide students with onsite exposure and learning opportunities related to green construction practices. Prosper Portland intends to use \$2.5 million of the awarded PCEF funds in partnership with Constructing Hope and Oregon Tradeswomen to support this effort.

The Broadway Corridor Labor-Management-Community Oversight Committee (LMCOC) has been monitoring business and workforce equity performance on all publicly funded site preparation and infrastructure contracts and will additionally oversee performance of vertical development on Parcels 6 and 4A. The LMCOC will additionally serve as forum to coordinate and ensure the proposed training opportunities. Both Constructing Hope and Oregon Tradeswomen currently serve on the LMCOC.

COMMUNITY PARTICIPATION AND FEEDBACK

Prosper Portland conducted extensive community engagement to inform the vision, values, community benefit priorities, and the USPS Master Plan that collectively guide redevelopment of the Broadway Corridor.

More recently, the PCEF funding was awarded as a result of a competitive process, which included recommendations from the PCEF Committee comprised of diverse community members. Project stakeholders have additionally advocated for local and state funding for Parcel 6 via letters of support and meetings with State representatives.

Related has engaged in stakeholder outreach regarding development within the Broadway Corridor and will continue to do so if development progresses.

BUDGET AND FINANCIAL INFORMATION

There are sufficient resources in the fiscal year (FY) 2025-26 Westside District TIF Fund Budget (see Attachment B).

RISK ASSESSMENT

While development of Parcel 6, and spurring investment in the Broadway Corridor, offers significant opportunity and community benefits, authorizing the predevelopment loan is not without risk. This includes the financial viability of development of Parcel 6 and the uncertainty of State funding and

Federal financing programs. Proposed exceptions to Prosper Portland’s Commercial Property Loan Program guidelines include:

Loan pricing below the actual risk rated interest rate. Per Commercial Property Loan Program guidelines, loans are priced using the U.S. Treasury that corresponds to the term and adds a risk rated margin to arrive at the interest rate. Using that process, the \$750,000 loan would have received an interest rate of 7.98%. As a High Impact Project, both the proposed Prosper Portland loan of \$750,000 and the PCEF loan of \$250,000 will have a 0% interest rate.

- Predevelopment loan guidelines require, at a minimum, monthly interest-only payments. Deferred payments due at maturity is an exception to guidelines.
- Possible forgiveness of the loan if Project is deemed infeasible.

However, given current economic uncertainty, high-density residential development within the Central City, and unlocking the development potential of the Broadway Corridor, will not occur without strong public, private, and non-profit partnership.

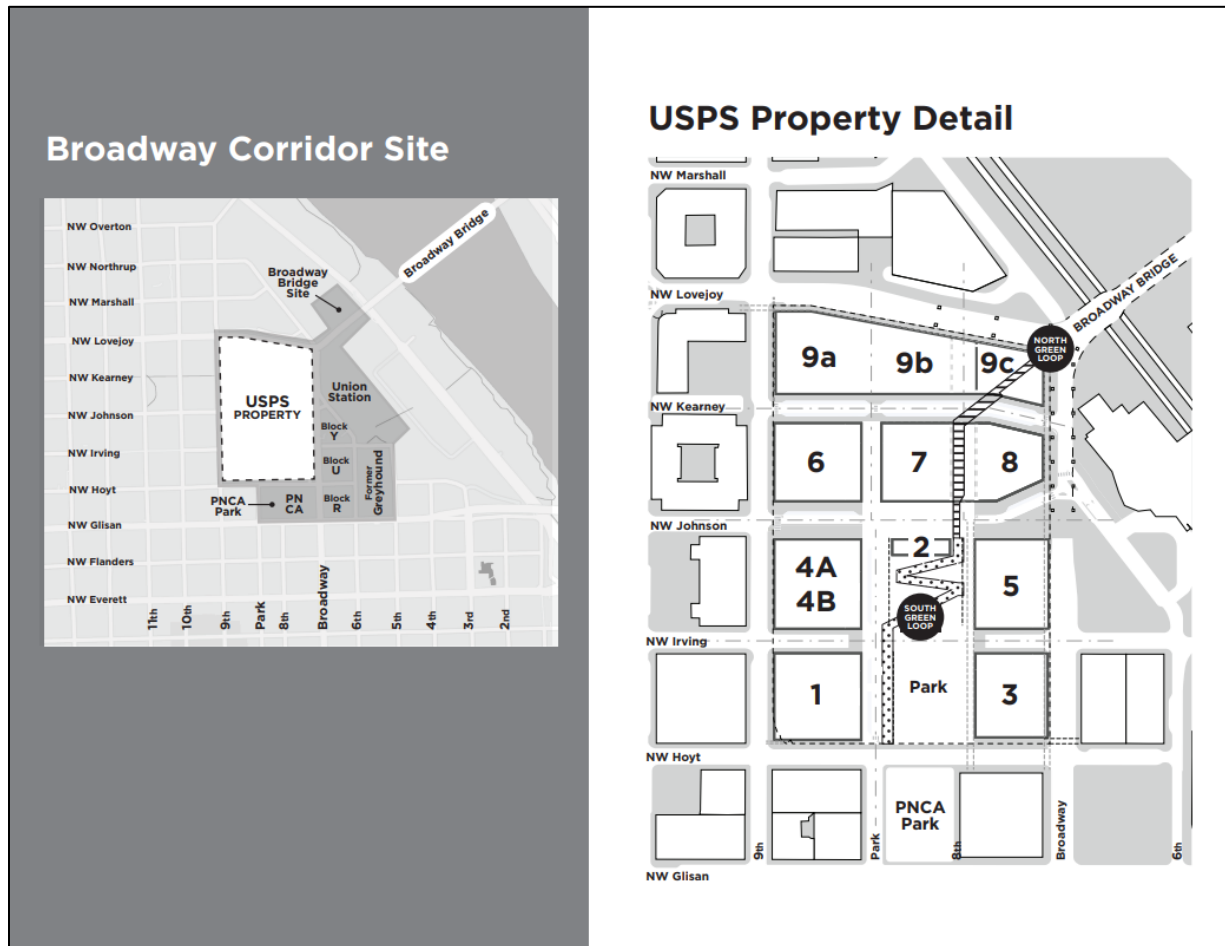
Risk mitigating factors and other considerations include:

- Leveraged funding: including the recent PCEF award of \$33.5 million and strong stakeholder advocacy for an allocation of State funds for development of the Property
- Strategic alignment: There is strong community support for the development of the Broadway Corridor, and it is a high priority for Prosper Portland and the City. Middle-income housing additionally is a stated high priority in Advance Portland, as well as by Mayor Wilson and Governor Kotek.
- Experienced developer: Related was founded more than 40 years ago with a focus on affordable housing. Today, Related is one of the largest privately owned development firms in the country, with a portfolio of more than \$60 billion of real estate. As a division of Related, Related Northwest specializes in the development and long-term ownership of service-enhanced affordable housing. Since its founding six years ago, Related Northwest has more than 1,450 units completed, in construction, or in predevelopment within the region. Working under the ENA, Related has developed deep insights into Broadway Corridor, is firmly entrenched with stakeholders, and understands Prosper Portland’s initiatives around community benefits and revitalization.

ATTACHMENTS

- A. Broadway Corridor Site Map
- B. TIF District Fund Summary

BROADWAY CORRIDOR SITE MAP



WESTSIDE DISTRICT TIF FUND BUDGET

Financial Summary Forecast

Westside TIF Fund	Revision FY 2024-25	Approved FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28	Forecast FY 2028-29	Forecast FY 2029-30
Resources						
Beginning Fund Balance	-	-	18,262,117	16,371,765	15,472,697	14,947,967
Revenue						
Fees and Charges	-	1,085,000	-	-	-	-
Interest on Investments	-	269,884	511,831	470,607	449,567	461,008
TIF - Short Term Debt	-	401,367	811,063	1,229,192	1,647,145	2,091,178
Property Sales	-	6,463,266	63,266	63,266	63,266	63,266
Rent and Property Income	-	1,592,940	2,275,007	2,284,180	2,285,486	2,286,848
Reimbursements	-	230,558	259,911	276,145	277,525	278,946
Transfers In	-	21,086,475	-	-	-	-
Total Revenue	-	31,129,490	3,921,078	4,323,390	4,722,989	5,181,246
Total Resources	-	31,129,490	22,183,195	20,695,155	20,195,686	20,129,213
Requirements						
Administration						
A00848-Debt Management & Legal-WS	-	5,000	5,000	5,000	5,000	5,000
Administration Total	-	5,000	5,000	5,000	5,000	5,000
Economic Development						
Community Economic Development						
A00820-Community Development-WS	-	3,000	3,000	3,000	3,000	3,000
Economic Development Total	-	3,000	3,000	3,000	3,000	3,000
Housing						
A00819-Affordable Housing-WS	-	120,830	301,584	486,059	670,456	866,360
Housing Total	-	120,830	301,584	486,059	670,456	866,360
Infrastructure						
Transportation						
A00770-USPS LID-RVD	-	750,000	750,000	750,000	750,000	-
Infrastructure Total	-	750,000	750,000	750,000	750,000	-
Property Redevelopment						
Real Estate Management						
A00186-Fairfield Commercial-RVD	-	132,500	132,500	132,500	132,500	132,500
A00259-Old Town Lofts Parking-DTW	-	536	-	-	-	-
A00260-RiverPlace Marina-DTW	-	24,399	24,399	24,399	24,399	24,399
A00263-One Waterfront South-DTW	-	-	-	-	7,500	7,500
A00276-Post Office-RVD	-	123,000	123,000	3,000	3,000	3,000
A00625-Block 24-DTW	-	26,776	26,776	26,776	26,776	26,776
A00278-4th and Burnside-RVD	-	20,617	20,617	20,617	20,617	20,617
A00285-Block Y-RVD	-	81,426	81,426	81,426	81,426	81,426
A00286-Union Station-RVD	-	2,288,142	1,361,303	1,362,546	1,363,827	1,365,146
A00291-Block R-RVD	-	48,797	48,797	48,797	48,797	48,797
A00293-Old Fire Station Mgmt-RVD	-	34,511	34,511	34,511	34,511	34,511
A00587-Block 25-RVD	-	34,599	34,599	34,599	34,599	34,599
A00691-Post Office Garage-RVD	-	290,653	295,169	299,912	304,891	310,119
Real Estate Predevelopment						
A00279-Broadway Corridor-RVD	-	750,000	-	-	-	-
A00276-Post Office-RVD	-	4,750,856	-	-	-	-
Redevelopment Strategy						
A00818-Project Development-WS	-	60,000	271,235	362,650	474,983	594,322
A00839-Broadway Corridor PCEF-WS	-	1,085,000	-	-	-	-
Property Redevelopment Total	-	9,751,812	2,454,332	2,431,733	2,557,826	2,683,712
Total Program Expenditures	-	10,630,642	3,513,916	3,675,792	3,986,282	3,558,072
Personnel Services	-	1,190,041	1,148,757	762,851	620,237	151,633
Total Fund Expenditures	-	11,820,683	4,662,673	4,438,643	4,606,519	3,709,705
Interfund Transfers - Indirect Charges	-	1,046,690	1,148,757	762,850	620,236	151,633
Interfund Transfers - Cash Transfers	-	-	-	20,965	20,964	20,964
Reserved For Future Expenditures	-	18,262,117	16,371,765	15,472,697	14,947,967	16,246,911
Total Fund Requirements	-	31,129,490	22,183,195	20,695,155	20,195,686	20,129,213