



DATE: May 13, 2026
TO: Board of Commissioners
FROM: Cornell Wesley, Executive Director
SUBJECT: Report Number 26-14

Approving the Terms of a Settlement Agreement with Future Stack, LLC for a Defaulted Loan Secured by Two Commercial Buildings at 208 NW 5th Avenue and 234 NW 5th Avenue

Board action requested and brief description

Adopt Resolution No. 7647

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to negotiate and enter into a Settlement Agreement with Future Stack, LLC, DBA Made in Old Town (Borrower) to resolve the default of the \$7,000,000 loan secured by two commercial buildings located at 208 and 234 NW 5th Avenue (Property). A site map can be found in Attachment A.

If this action is approved by the Board, staff will finalize terms and conditions for a Deed-in-Lieu of Foreclosure transaction to convey the Property and contents to Prosper Portland to satisfy the outstanding loan obligations of the Borrower.

Strategic alignment and outcomes

This action represents the best response to the loan default pursuant to Prosper Portland's Financial Sustainability Plan. Future actions regarding plans for the site will adhere to the Board-approved Financial Investment and Real Estate Policy.

Background and context

On February 12, 2025, through Resolution 7594, the Board approved the terms of a Commercial Property Loan in the amount of a \$7.0 million to Future Stack, LLC, DBA Made in Old Town (MiOT) for the acquisition and renovation of two buildings located at 208 and 234 NW 5th Ave. The MiOT concept was a locally driven initiative to create a campus where footwear and apparel creatives and companies could innovate and achieve efficiency by concentrating talent and suppliers near each other. The original principals of MiOT - Elias Stahl, Matthew Claudel, and Jonathan Cohen - envisioned the creation of a footwear and apparel campus comprised of several buildings within the Old Town/Chinatown neighborhood.

The proposed project met several Advance Portland objectives, aligned with one of the region's traded sector industries, and met multiple priorities within the neighborhood.

The building at 208 NW 5th Avenue is a two-story warehouse building, while 234 NW 5th Avenue is a seven-story building. Combined, the two vacant buildings include approximately 98,000 square feet of rentable area.

Of the \$7.0 million loan amount, \$6.14 million went to property acquisition and \$860,000 was identified for tenant improvement work. The Prosper Portland resources designated for tenant improvement were not released to the Borrower as part of the initial tranche of funds.

The Borrower's concept required an additional \$4.4 million to complete all tenant improvement work throughout the buildings. Due to the importance of the receipt of the funds to ensure project viability, the Board required the Borrower to secure the needed funding from the State of Oregon and/or other sources by June 30, 2025. Failure to meet this requirement would be considered an event of default. Under the terms of the loan agreement, Prosper Portland would retain all default remedies available by law, up to and including foreclosure of the Property. The Borrower agreed to these terms and Prosper Portland's loan to Future Stack, LLC closed on March 31, 2025.

During subsequent months, the Borrower was delinquent on its monthly loan payments and was unable to secure the additional \$4.4 million in debt financing required to meet the terms of the Prosper Portland Loan Agreement. In June 2025 the Borrower presented a proposal that included a scaled back tenant improvement plan with a reduced budget and suggested shifting from debt financing to raising \$2.0 million of private investor equity to supplement the \$860,000 of suspended Prosper Portland funding. Prosper Portland staff met with the Borrower to discuss this proposed change of plans and the delinquent payments. The meeting concluded with Prosper Portland indicating it would consider modifying the loan if the Borrower demonstrated material, sustained business momentum.

After allowing the Borrower additional time to demonstrate progress by obtaining signed leases and developing a plan for financing and completing the tenant improvements, Prosper Portland determined that the Borrower's activities were insufficient to provide an adequate level of confidence in their capacity to service additional debt, and ultimately chose not to modify the existing loan.

Prosper Portland and the Borrower then engaged in several conversations and meetings to reach a successful resolution to outstanding issues and concerns. Despite good faith efforts by the MiOT team and extensive support by Prosper Portland, the project struggled to sign tenants, retain leadership, and failed to meet identified funding objectives. At a meeting in late February 2026, the Borrower and Prosper Portland discussed a deed-in-lieu of foreclosure. The draft Settlement Agreement (Deed in Lieu) Term Sheet tentatively agreed to by the Borrower and Prosper Portland is included as an Exhibit A to Resolution 7647.

Equity impact

This action is not subject to Prosper Portland equity policies. Future actions regarding property gained through the Settlement will adhere to applicable Prosper Portland policies and strategies.

Community Participation and Feedback

Prosper Portland has not engaged in community outreach specific to this settlement.

Budget and Financial Information

The loan is currently in default, with no payments being received by Prosper Portland since January 2026. The loan was projected to generate \$44,072 of interest income and principal payments of \$17,143 during FY 2025/26. The last payment was received on January 30, 2026, and the amount of \$36,314 is currently past due.

In the event that Prosper Portland moves forward with taking title to the collateral, the fair market value of the asset will be booked to the Westside TIF District Fund (Program Income sub-fund), and the loan receivable will be written off. Future expenses will be budgeted as part of the FY 2026/27 budgeting process and will likely be appropriated within the property management section of the Westside TIF District (Program Income sub-fund). The Westside TIF District Fund (Program Income sub-fund) has approximately \$900,000 in Reserve for Future expenditures not dedicated to Old Town Action Plan, Broadway Corridor, or other commitments inherited from the terminated River District or Downtown Waterfront districts. These district funds can be allocated to support this asset. Staff estimate that annual property management costs related to holding the building (which is currently vacant), will fall within a range of \$400,000-\$600,000 per year. The ongoing holding costs will decrease to the degree that the building is leased to paying office and/or retail tenants at market rates. Use of the \$900,000 of Westside resources for holding costs will limit options for the reserve to support other future year programming in the district as new TIF resources will continued to be delayed.

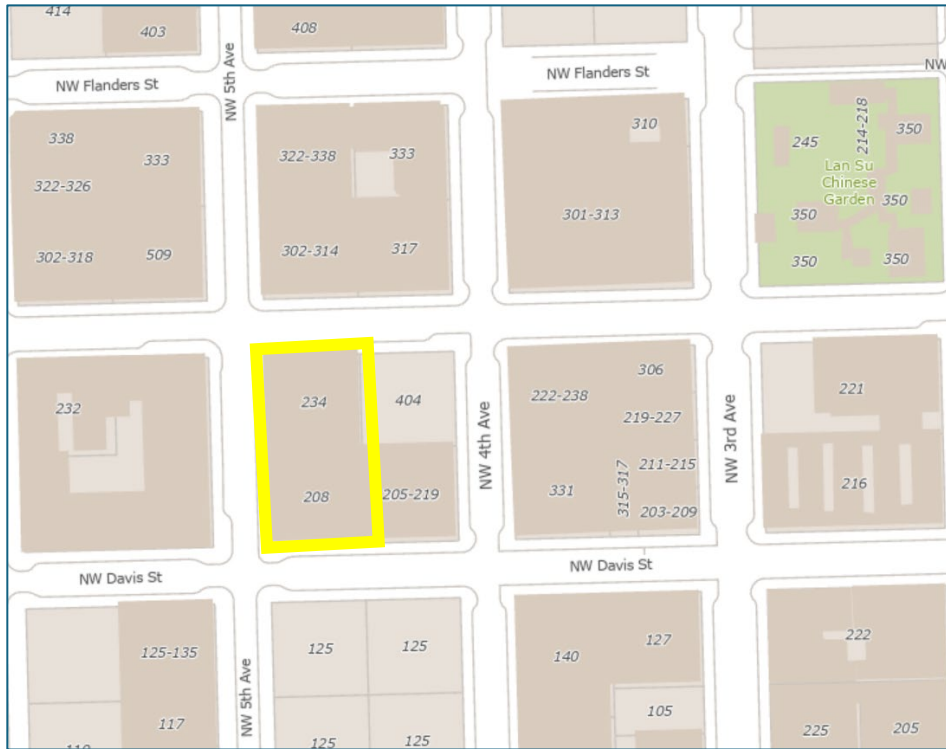
Risk Assessment

Should the Board approve the action, and Prosper Portland takes control of the Property, there is a risk of slow absorption of the vacant spaces. This could result in Prosper Portland incurring additional holding costs for the property. To mitigate the risk, the asset management team will hire a leasing broker for the building and given that the existing space is usable and requires minimal improvement for most temporary uses, will also explore opportunities for short-term activations. To mitigate risks related to unknown conditions of the building, staff will conduct customary due diligence prior to taking control of the property.

Attachments

- A. Site Map and Photos

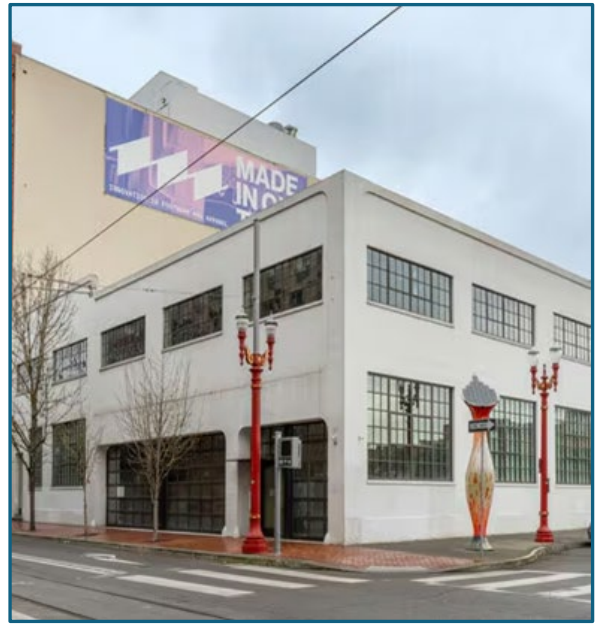
SITE MAP AND PHOTOS



208 - 234 NW 5th Avenue



208 NW 5th Avenue



234 NW 5th Avenue