PROSPER PORTLAND

DATE: September 9, 2026

TO: Board of Commissioners

FROM: Cornell Wesley, Executive Director

SUBJECT: Report Number 25-29

Approving Loan Forgiveness and the Terms of a New Loan to Creativehomies HQ LLC and Creative Homies LLC for a Project at 433 NW 4th Avenue; Adopting Budget Amendment No. 1 for the Fiscal Year Beginning July 1, 2026, and Ending June 30, 2027; and Making Appropriations

Board action requested and brief description

Adopt Resolutions No. 7658 and 7659

Staff are requesting two actions by the Prosper Portland Board of Commissioners (Board) to fund a loan out of the Economic Development Administration Fund:

- Resolution No. 7658 will authorize the Executive Director to forgive in full the $473,026 Commercial Property Loan Program (CPLP) loan, and the $226,974 Small Business Loan Program (SBLP) loan ($700,000 plus accrued and deferred interest), made to Creativehomies HQ LLC and Creative Homies LLC (together, referred to as Borrower) for construction and operation of a mixed-use venue at the 20,000 square foot Horizon Enterprise Building located at 433 NW 4th Avenue (see a Site Map in Attachment A). In addition, this action will authorize a new loan of $1,500,000 to Borrower for Borrower to pay off the senior lienholders, at $1,375,000, with an additional $125,000 after payoff to give Borrower liquidity to invest back into the business. Terms of the existing loans were previously authorized by the Board as Resolution No. 7598 on March 12, 2025, and modified through Resolution No. 7604 on May 14, 2025.

- Resolution No. 7659 will amend the current fiscal year (FY) 2026-27 Adopted Budget by authorizing an additional $1,500,000 to the Property Development appropriation from Reserve for Future Expenditures in the Economic Development Administration Fund, in order to make the new loan to Borrower.

Strategic alignment and outcomes

This action will help Borrower grow their business through access to much needed capital, assisting them in maintaining ownership of their property in Old Town, delivering on several Advance Portland objectives, most notably by:

- Outcome 3.2.2: Supporting small businesses, restaurants, and activation of ground floor commercial spaces in the Central City; and

- Objective 2: Promoting equitable wealth creation by allowing entrepreneurs to start and grow businesses through partnerships and capital.

Additionally, the Old Town/Chinatown Action Plan asks Prosper Portland to invest in businesses to help attract new investment to activate key properties. Together with other comprehensive investments across Old Town, Mayor Wilson and City Council have asked Prosper Portland to consider bold ways to increase foot traffic and to spark activation across downtown as Prosper Portland, the City, and community partners all work towards the revitalization of our central business district. The Borrower's currently open basement-level music lounge and bar (the Downbeat Bar) serve as a place to gather, the first-floor cafe/wine bar/art gallery provides a space to highlight local artists, the second-floor maker space will support emerging artists, and the fourth-floor photography production studio is also intended to fill a gap in the market for production space. By positioning the Borrower for success, this action has the potential to attract new businesses and revitalize a distressed area.

Background and context

In March 2025, through Resolution No. 7598, the Board approved a $473,026 CPLP loan and a $226,974 SBLP loan to Borrower for a project at the 20,000 square foot Horizon Enterprise Building located at 433 NW 4th Avenue. This followed a previous action by the Board in January 2024 (Resolution No. 7518), which approved two loans totaling $700,000 for the project, which were never made. The two existing Prosper Portland loans are secured by a single deed of trust. The terms of the existing loans approved in March 2025 included a requirement that Prosper Portland's deed of trust would be in second position behind the senior lienholder. The current second lienholder objected to a subordination. On May 14, 2025, through Resolution No. 7604, the Board approved a modification to the proposed terms of the Commercial Property Loan and Small Business Program Loan to allow Prosper Portland to subordinate its deed of trust to the first and second liens, which resulted in Prosper Portland's deed of trust being in third position.

This action would allow Prosper Portland to forgive its outstanding loans to Borrower in the amount of $710,471.21 (the $700,000 in original approved loans including accrued and deferred interest as of October 1, 2026) and provide a new $1.5 million loan. The new loan would pay off the senior lienholders, at $1,375,000, and put Prosper Portland in the first lienholder position. This action would decrease the client's total debt from approximately $2.4 million to $1.5 million, with sufficient cash flow to service the new debt, based on current operating income. Payoff of senior debt holders was negotiated at $1,375,000 from $1,679,353. The remaining $125,000 after payoff gives the borrower some liquidity to invest back into the business and potentially activate additional phases of their business plan. Proposed terms for the new loan are included as Exhibit A to Board Resolution No. 7658.

Equity impact

As noted in the previous loan approvals, any work funded by the new loan will be subject to any requirements triggered in Prosper Portland's Green Building and Construction and Workforce Equity policies.

Community Participation and Feedback

No additional community outreach has been conducted to discuss this modification.

Budget and Financial Information

There are sufficient resources in the defederalized Economic Development Administration (EDA) budget, which falls under the budget fund of Other Federal and State Grant Fund budget. However, those funds are not fully appropriated. Funds are added in this budget revision to the Property Development appropriation category, decreasing the Reserve for Future Expenditures category. The FY 2026-27 Adopted Budget and forecast for this action are included as Attachment B.

Risk Assessment

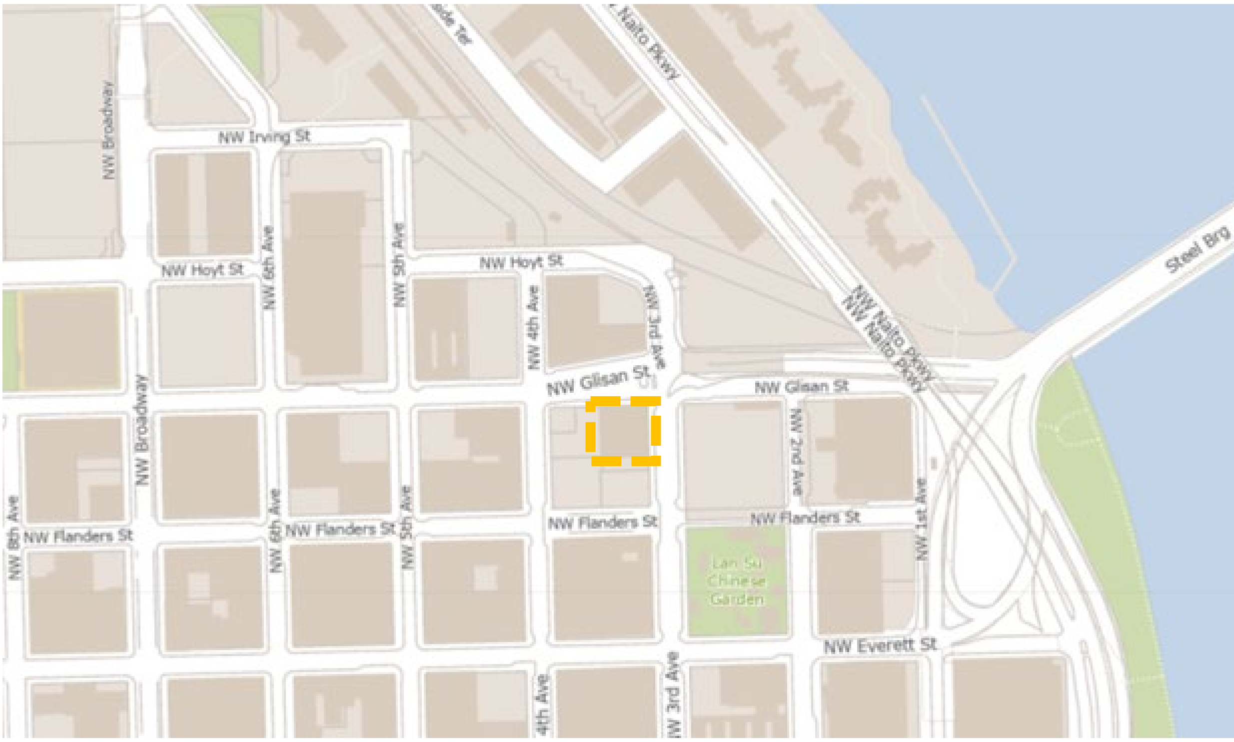
The primary risk is that the Borrower fails to implement the remainder of the project plan to activate the other floors and is dependent on the revenue from the music lounge/bar that is currently open. However, the debt service coverage was calculated conservatively with this in mind so that the Borrower can cover the new debt at the current operating revenue. Any growth will continue to improve its position. If the business fails, Prosper Portland is in the first lien position and would take possession of the building. Without this action, if the business were to fail, Prosper Portland would not be left with any collateral.

Attachments

A. Site Map

B. EDA FY 2026-27 Adopted Budget and Forecast

SITE MAP



433 NW 4th Avenue, Portland, OR 97209

Financial Summary

Financial Summary
Forecast

Other Federal and State Grants	Revised FY 2025-26	Adopted FY 2026-27	Forecast FY 2027-28	Forecast FY 2028-29	Forecast FY 2029-30	Forecast FY 2030-31
Resources						
Beginning Fund Balance	3,456,154	1,995,992	1,976,096	1,956,028	1,906,997	2,341,406
Revenue						
Grants - Federal except HCD	30,000	62,320	29,354	-	-	-
Grants - State & Local	5,943,878	4,500,000	-	-	-	-
Interest on Investments	99,976	60,619	57,226	55,175	61,378	60,630
Loan Collections	322,088	274,369	245,916	219,583	397,363	149,167
Total Revenue	**6,395,942**	**4,897,308**	**332,496**	**274,758**	**458,741**	**209,797**
Total Resources	**9,852,096**	**6,893,300**	**2,308,592**	**2,230,786**	**2,365,738**	**2,551,203**
Requirements						
Economic Development						
Business Lending						
A00215-Business Lending-EDA	250,250	150,000	150,000	-	-	-
A00651-Revolving Loan Fund 2020-EDA	50,050	150,050	150,050	300,050	-	-
Economic Development Total	**300,300**	**300,050**	**300,050**	**300,050**	**-**	**-**
Infrastructure						
Transportation						
A00794-Business Oregon Grant OMSI	1,500,000	4,500,000	-	-	-	-
A00798-Business Oregon Grant Broadway	5,948,616	-	-	-	-	-
Infrastructure Total	**7,448,616**	**4,500,000**	**-**	**-**	**-**	**-**
Property Redevelopment						
Redevelopment Grants						
A00876-DEQ Conversion Grant-OFSG	30,000	-	28,134	-	-	-
Property Redevelopment Total	**30,000**	**-**	**28,134**	**-**	**-**	**-**
Total Program Expenditures	**7,778,916**	**4,800,050**	**328,184**	**300,050**	**-**	**-**
Personnel Services	-	88,404	11,580	11,870	12,166	12,470
Total Fund Expenditures	**7,778,916**	**4,888,454**	**339,764**	**311,920**	**12,166**	**12,470**
Interfund Transfers - Indirect Charges	-	28,750	12,800	11,869	12,166	12,470
Interfund Transfers - Cash Transfers	77,188	-	-	-	-	-
Contingency	1,995,992	-	-	-	-	-
Reserved For Future Expenditures	-	1,976,096	1,956,028	1,906,997	2,341,406	2,526,263
Total Fund Requirements	**9,852,096**	**6,893,300**	**2,308,592**	**2,230,786**	**2,365,738**	**2,551,203**