



DATE: November 1, 2017

TO: Mayor Ted Wheeler
Commissioner Chloe Eudaly
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Dan Saltzman

FROM: Alison Wicks, Prosper Portland Project Coordinator
Kimberly Branam, Prosper Portland Executive Director

SUBJECT: Update on Prosper Portland Affordable Commercial Framework

BRIEF DESCRIPTION

At the November 1, 2017 Portland City Council meeting, Prosper Portland staff will provide an update on a proposed framework to support commercial affordability for priority business owners, as well as an update on the status of four Prosper Portland owned- and sponsored- development projects that are providing long-term affordable commercial space.

BACKGROUND AND CONTEXT

Since recovering from the Great Recession, the City of Portland has seen a dramatic increase in retail rents and a decrease in both vacancy rates and available small-scale retail locations, which has especially impacted Portland's neighborhood business districts. The result is the displacement of small businesses, which serve a critical role in our economy.

ALIGNMENT WITH PROSPER PORTLAND STRATEGIC PLAN

The purpose of the Prosper Portland Affordable Commercial framework is to create and maintain commercial affordability for business owned by people underrepresented within the community of commercial tenants in Portland, and long-time business owners. Underrepresented populations include people of color, women, and those from low-income communities. Prosper Portland anticipates offering support to businesses in the form of access to publicly and privately managed commercial space, access to technical assistance and financial resources, and through pursuing regulatory steps. The Affordable Commercial framework aims to lower barriers to entry for qualified businesses to enter into commercial space and to support businesses through gap financing as they stabilize to market conditions. It aligns with City goals for economic opportunity to help businesses remain in place in their communities.

AFFORDABLE COMMERCIAL FRAMEWORK

The Affordable Commercial framework is a set of tools designed to assist qualified businesses in being successful and resilient. The proposed tools fall into four categories and are currently being piloted across a variety of projects.

1. Access to Space:

1A. Access to Publicly Managed Space: Apply Prosper Portland resources and tools to activate market-based development in key communities and geographies where there are ongoing gaps in the market and do so in partnership with City bureaus to implement the Portland Plan, Comprehensive Plan, and Central City 2035 objectives.

- Prosper Portland Master Lease.
 - i. Alberta Commons, NE Martin Luther King BLVD and NE Alberta Street. Prosper Portland has negotiated a 10-Year Master Lease from the project's developer, Majestic, for 5,100 square feet of ground floor commercial space.
 - ii. SW 10th & Yamhill Garage Retail Space. Prosper Portland is in the process of signing a 10-year Master Lease with the Portland Bureau of Transportation, for 21,000 square feet of ground floor commercial space.
- Prosper Portland-Owned Property.
 - i. Lents Commons, SE 92ND Avenue and SE Foster Road. Prosper Portland is developing Lents Commons, the project consists of 7,500 square feet of ground floor commercial space, 3,725 of which is targeted to be leased as Affordable Commercial space.

1B. Access to Privately Managed Space: Pursue opportunities created by private sector development activity to increase the supply of below-market rate housing and long-term affordable commercial space throughout the city.

- Development Agreement "Consent to Let".
 - i. Oliver Station, SE 92ND Avenue and SE Foster Road. Prosper Portland negotiated a "Consent to Let" clause in the development agreement with Oliver Station developer, Palindrome Communities. The "Consent to Let" clause includes marketing rights for a designated period and an initial below market lease rate for 4,000 square feet of ground floor commercial space.
- Affordable Commercial Covenant.
 - i. Mixed Use Zones Affordable Commercial Bonus. Prosper Portland is working with the City of Portland Bureau of Planning and Sustainability to structure a Floor Area Ratio bonus for developers who agree to provide Affordable Commercial Space to underrepresented and long-time business owners.

2. Technical Assistance: Provide culturally appropriate, easily accessible business technical assistance and mentorship to Qualified Businesses.

- Wrap-Around Technical Assistance. Including lease review assistance, space planning, space build-out, merchandising, business planning, and other technical assistance. Continue existing partnerships with Small Business Technical Assistance providers.

3. Financial Support: Work with lenders and Prosper Portland financial tools to achieve greater access to capital among underrepresented and long-time business owners.

- Tenant Improvement Grants. Utilize the existing Prosper Portland Prosperity Improvement Program (PIP) grant program to support tenant improvements.
- Tenant Improvement and/or Working Capital Loans. Utilize existing Prosper Portland Tenant Improvement and Working Capital Loans and work with other lenders to support tenant improvements and start-ups costs.

4. **Regulatory Steps:** Pursue regulatory steps to support maintaining and creating Affordable Commercial space.

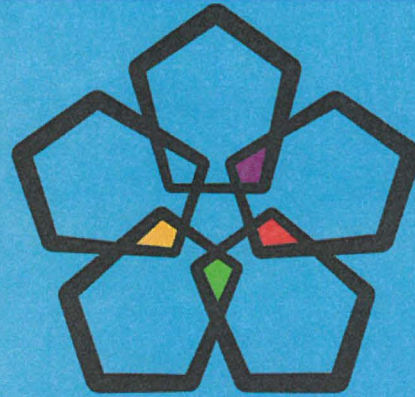
a. Regulatory Actions.

- i. Explore additional regulatory actions. Work with Portland City Council to implement any regulatory initiatives designed to assist underrepresented and long-time business owners in being successful and resilient.

NEXT STEPS

For the remainder of 2017 and into 2018 Prosper Portland will pursue the following next steps:

- Evaluation of pilot projects including lessons learned through marketing tenancing, tenant improvements, and operation.
- Coordinate with the Bureau of Planning and Sustainability on the Comprehensive Plan Code Reconciliation Project, including the development of Administrative Rules for the Mixed-Use Zones Affordable Commercial Bonus.
- Conduct market analysis and outreach to small businesses and business districts to refine framework and approaches.
- Convene Affordable Commercial Advisory Committee
- Continue to explore new resources to fund new tools, including securing resources to launch broader technical assistance.



PROSPER
PORTLAND

Building an Equitable Economy

PORTLAND CITY COUNCIL
NOVEMBER 8, 2017

**BRIEFING ON AFFORDABLE COMMERCIAL
FRAMEWORK**

Presenters

Kyra Straussman, Prosper Portland
Director of Development & Investment

Alison Wicks, Prosper Portland
Project Coordinator

PORTLAND CITY COUNCIL
NOVEMBER 8, 2017

BRIEFING ON AFFORDABLE COMMERCIAL FRAMEWORK

Presentation Overview

1. Policy & Market Context
2. Pilot Projects
3. Affordable Commercial Proposed Framework
4. Next Steps

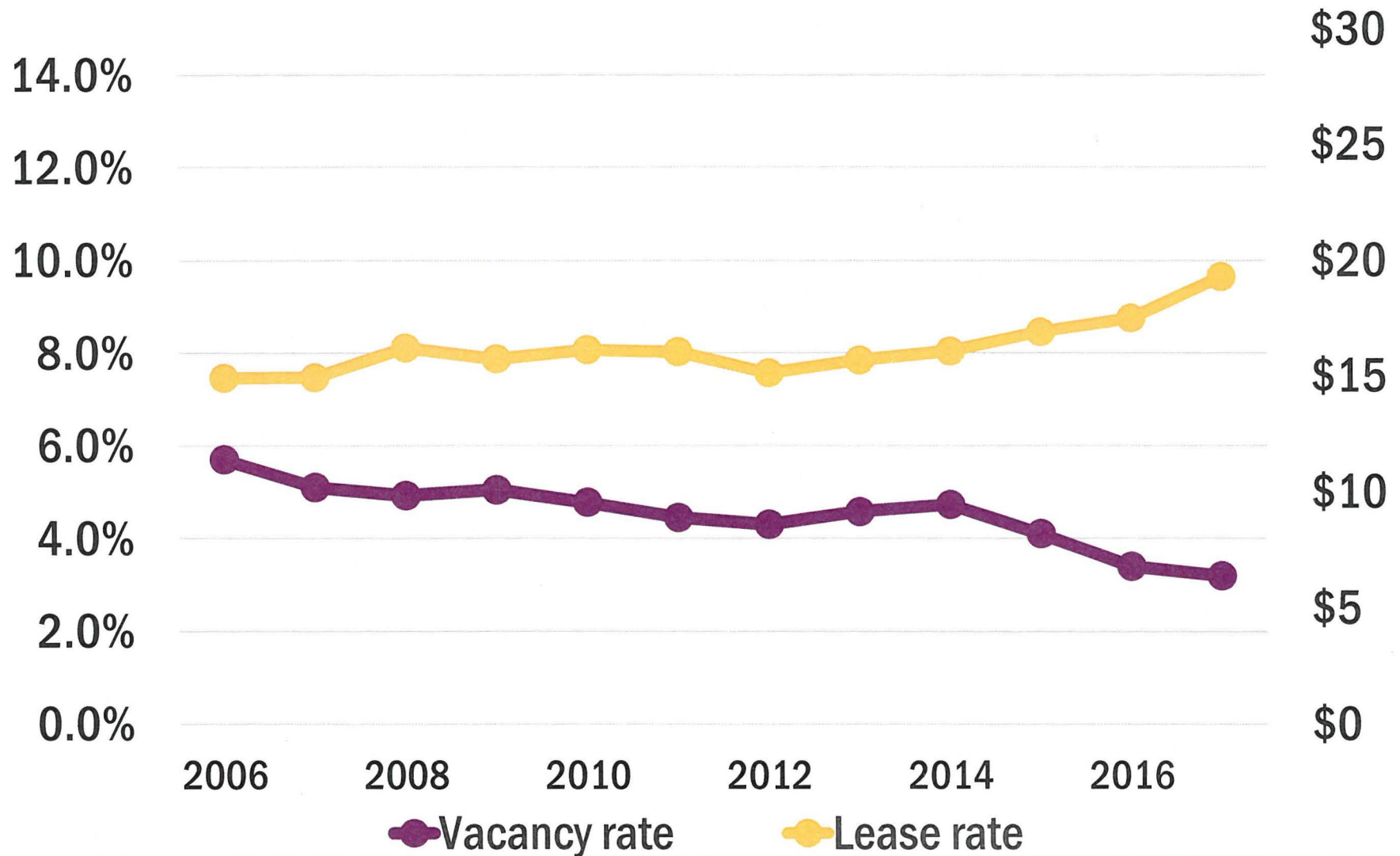


The challenge

Portland businesses face a daunting retail environment including:

- **More competition for space**
- **Increased rental rates**
- **Limited access to financial resources**

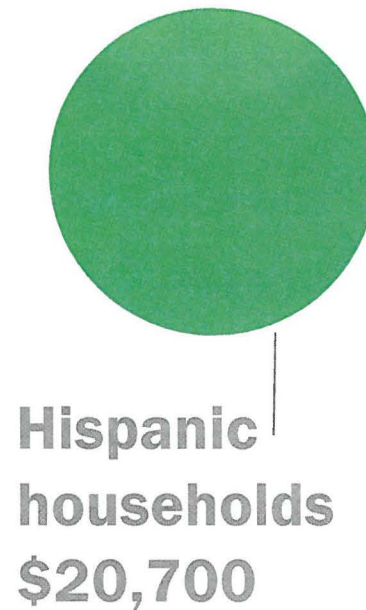
Portland Citywide Retail Trends



A Growing Wealth Gap



AVERAGE NET WORTH



Source: 2016 Triennial Survey of Consumer Finances.

Purpose

The purpose of the affordable commercial framework is to provide a comprehensive package of tools that support businesses to overcome those challenges

Proposed Framework Overview

1. ACCESS TO SPACE

- Publicly-Managed
- Privately-Managed

2. BUSINESS COACHING & TECHNICAL ASSISTANCE

3. FINANCIAL SUPPORT

PILOT PROJECTS



A grayscale topographic map of a river valley. The river flows from the top left towards the bottom right. The valley floor is relatively flat, while the surrounding hills are rugged. A black outline delineates a specific area, possibly a city or project boundary. Four orange dots mark the locations of pilot projects, each with a text label to its right.

● ALBERTA COMMONS

● 10TH & YAMHILL GARAGE

● LENTS COMMONS

● OLIVER STATION

Pilot Project Summary

	Alberta Commons	10TH & Yamhill	Lents Commons	Oliver Station	Mixed Use Zones Bonus
ACCESS TO SPACE	5,100 SQFT	21,000 SQFT	3,725 SQFT	4,000 SQFT	Est. Up To 40,000 SQFT
	Master Lease from Private Partner	Master Lease from Public Partner	Prosper Portland Ownership	Consent to Let from Private Partner	Affordable Commercial Covenant
TECHNICAL ASSISTANCE	✓	✓	✓	✓	?
FINANCIAL SUPPORT	✓	✓	✓	✓	?

Pilot Project Alberta Commons

ACCESS TO SPACE

5,100 SQFT (4 Tenants)
10-Year Master Lease from Private Developer

TECHNICAL ASSISTANCE

1-Year of small business coaching with MESO, space planning with architect

FINANCIAL SUPPORT

Tenant improvement and space buildout package



Pilot Project 10TH & Yamhill Garage

ACCESS TO SPACE

21,000 SQFT

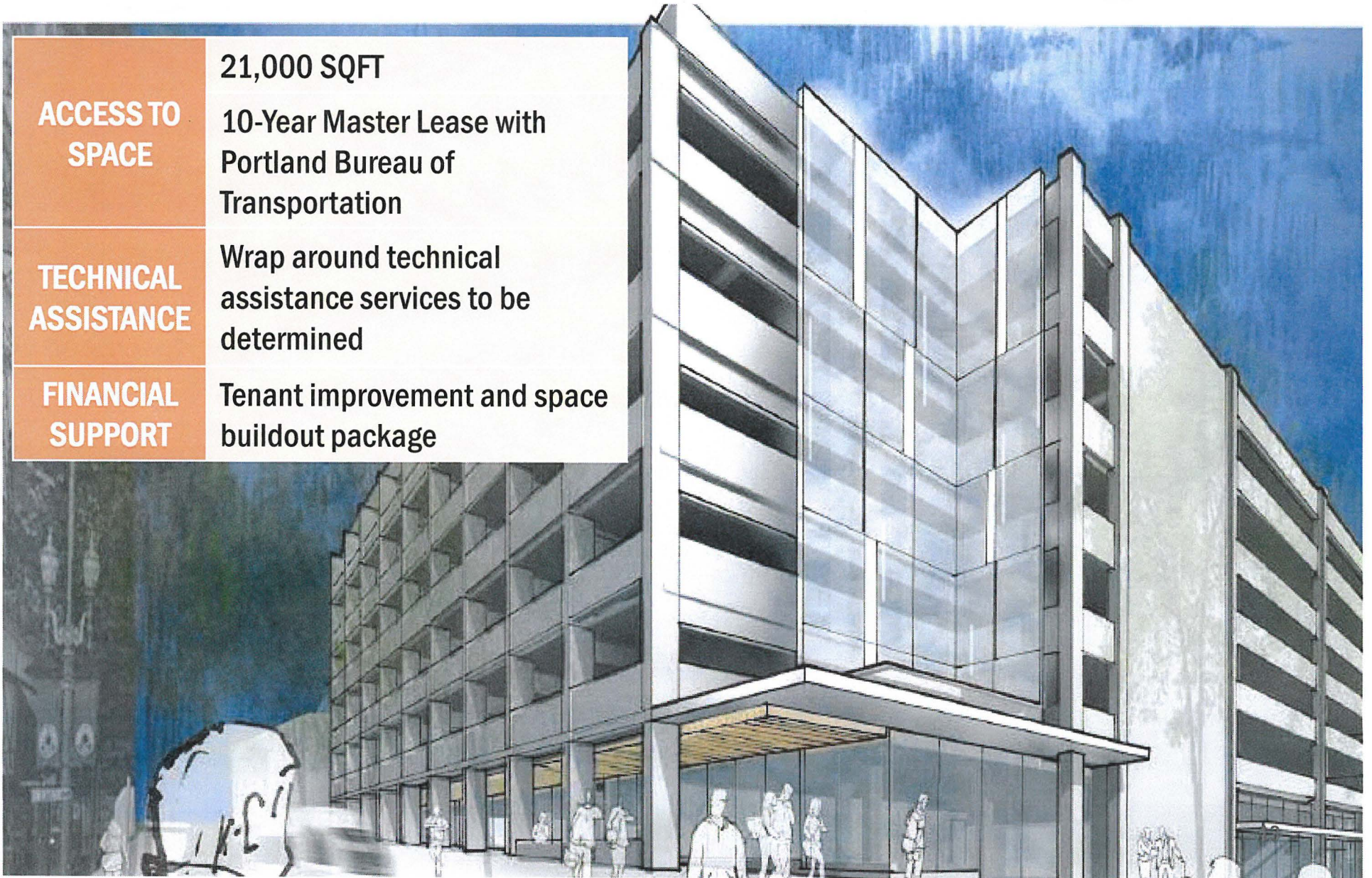
10-Year Master Lease with Portland Bureau of Transportation

TECHNICAL ASSISTANCE

Wrap around technical assistance services to be determined

FINANCIAL SUPPORT

Tenant improvement and space buildout package



Pilot Project Lents Commons

ACCESS TO SPACE

3,725 SQFT (2 tenants)
Prosper Portland ownership

TECHNICAL ASSISTANCE

Space planning and merchandizing assistance

FINANCIAL SUPPORT

Tenant improvement and space buildout package



Pilot Project Oliver Station

ACCESS TO SPACE

4,000 SQFT (2 tenants)
Consent to Let from Private
Developer

TECHNICAL ASSISTANCE

Space planning and
merchandizing assistance.

FINANCIAL SUPPORT

Tenant improvement and space
buildout package





PROPOSED FRAMEWORK

Proposed Affordable Commercial Framework

1. ACCESS TO SPACE. Pursue public and private opportunities to tenant spaces with qualified businesses

A. Access to Publicly-Managed Space

- Prosper Portland Master Lease
- Prosper Portland Ownership
- Partnership with City Bureaus

Proposed Affordable Commercial Framework

1. ACCESS TO SPACE. Pursue public and private opportunities to tenant spaces with qualified businesses

B. Access to Privately-Managed Space

- Leasing Agreements
- Mixed-Use Zones Affordable Commercial FAR Bonus

Proposed Affordable Commercial Framework

2. BUSINESS COACHING & TECHNICAL ASSISTANCE. Provide culturally appropriate, easily accessible, business technical assistance and mentorship

- **Small Business Technical Assistance Partnership (SBTAP)**

Proposed Affordable Commercial Framework

3. FINANCIAL SUPPORT. Work with lenders and Prosper Portland tools to achieve greater access to capital

- Existing Prosper Portland loan and grant programs
- Pursue opportunities for citywide tools via new resources

NEXT STEPS



Proposed Timeline & Next Steps

2017

- Ongoing evaluation of pilot projects & lessons learned
- Coordinate with BPS on Administrative Rule for Mixed-Use Zones Affordable Commercial FAR Bonus
- Market analysis and outreach to small businesses & business districts to refine approach

2018

- Convene an Affordable Commercial Advisory Committee
- Continue to explore new resources, alignments, and funding for new tools



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Agenda No.
REPORT
Title

Prosper Portland Report on Affordable Commercial Framework

<p>INTRODUCED BY Commissioner/Auditor: Mayor Wheeler</p>	<p>CLERK USE: DATE FILED <u>OCT 24 2017</u></p>
<p>COMMISSIONER APPROVAL</p> <p>Mayor—Finance & Administration - Wheeler ✓</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Eudaly</p>	<p style="text-align: center;">Mary Hull Caballero Auditor of the City of Portland</p> <p>By: Deputy</p>
<p>BUREAU APPROVAL</p> <p>Bureau: Bureau Head:</p> <p>Prepared by: Alison Wicks Date Prepared: 10/23/2017</p> <p>Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p>City Auditor Office Approval: required for Code Ordinances</p> <p>City Attorney Approval: required for contract, code, easement, franchise, charter, Comp Plan</p> <p>Council Meeting Date 11/1/2017</p>	<p>ACTION TAKEN:</p> <p>NOV 01 2017 <i>Rescheduled to NOV 08 2017 6:00 pm.</i></p> <p>NOV 08 2017 ACCEPTED</p>

AGENDA
<p>TIME CERTAIN <input checked="" type="checkbox"/></p> <p>Start time: 2:45 PM</p> <p>Total amount of time needed: 30 mins (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input checked="" type="checkbox"/></p> <p>Total amount of time needed: 30 mins (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz	✓	
2. Fish	2. Fish	✓	
3. Saltzman	3. Saltzman	—	
4. Eudaly	4. Eudaly	✓	
Wheeler	Wheeler	✓	