

## **FY 2012-13 City Council Budget Work Session – April 4, 2012**

### **Portland Development Commission – Supplemental Materials**

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#### **Significant Issues:**

The Portland Development Commission's (PDC's) FY 2012-13 Requested Budget totals \$186 million (\$143 million in expenditures). This budget marks a significant point in PDC's history. The agency has never been more poised to deliver on City Council's adopted 2009 City Economic Development and 2011 Neighborhood Economic Development Strategies, which form the foundation of the agency's 2010-2014 Strategic Plan. Yet, at the same time, PDC is also facing a decline in resources unmatched by any City Bureau. Just two years after the current FY 2012-13 Requested Budget, the agency is forecasted to see a decline in resources that could result in a Requested Budget of under \$90 million for FY 2014-15.

As a result, the business lines and priorities within this budget reflect intentional and careful investing in the pursuit of the following PDC Strategic Goals:

- Strong Economic Growth and Competitiveness;
- Healthy Neighborhoods;
- A Vibrant Central City;
- Social Equity; and
- Effective Stewardship over Resources & Operations, and Employee Investment.

In order to achieve the outcomes for job creation and economic development in the PDC Strategic Plan, the agency is making efforts to shift more resources into Business Development and Property Redevelopment and to deprioritize Infrastructure investments<sup>1</sup>. This trend will become more apparent in future budget years.

The agency is also aggressively addressing the reduction in resources two-fold:

- 1) The transition to direct cost accounting of business lines has provided the opportunity to determine costs of delivering services. PDC is beginning to prepare now for the inevitable reduction in staffing and overhead anticipated in FY 2014-2015 and beyond.

Currently, Administration accounts for 11 percent of the total FY 2012-13 Requested Budget. It is our intention to re-evaluate the level of staffing and overhead required for the next five years. The attached Requested Budget Package includes a scenario for reducing staff and overhead over the next five years as PDC's available resources shrink. The most likely

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<sup>1</sup> A \$10 million investment in Milwaukee light rail is part of the 2012-13 budget.

scenario would reduce staffing and overhead approximately 30 percent by the end of the five-year forecast.

- 2) The PDC Board has prioritized resource development as one of its top priorities for the agency. Over the course of the 2011-12 and 2012-13 fiscal years, staff will provide the City Council and Board with options for how to scale and secure predictable and opportunistic sources of revenue. The Board firmly believes the role PDC plays in job creation and economic development is essential and important, now and in the future. This effort will include a strategy for adopting best practices for revenue-generating investments and assets used by other cities across the country.

**Notable highlights:**

The FY 2012-13 Request Budget includes the following requests:

- FY 2012-13 Urban Renewal funding (net of Housing):
  - o Central City URA Budgets: \$45.6 million
  - o Neighborhood URA Budgets: \$17.9 million
  - o Business & Industry Budgets: \$19 million
  
- General Fund request totals \$5.6 million in ongoing and one-time funds after including the 8% reduction scenario. Since release of the requested budget, PDC has recognized the need to reprioritize part of the one-time General Fund request to fully implement the Neighborhood Prosperity Initiative. The scenario detailed in the table below reflects the reprioritization, summarized here:
  - o Traded Sector/Industry Cluster work: \$2.5 million  $\Rightarrow$  \$2.3 million
  - o Neighborhood Economic Development: \$1.6 million  $\Rightarrow$  \$1.8 million
  - o Economic Opportunity Initiative: \$1.5 million  $\Rightarrow$  \$1.5 million

<b>FY 2012-13 One-Time Funding Request</b>	Request #1  (Aligned with FY11/12)	Request #2  (Increases NPI funding)	<i>Difference between requests</i>
Cluster Industry Research Development and Initiatives	\$567,000	\$567,000	\$0
Main Street Program	\$500,000	\$300,000	<i>(\$200,000)</i>
International Business Development	\$205,000	\$205,000	\$0
Neighborhood Prosperity Initiative	\$242,065	\$675,000	\$432,935

Seed Fund	\$500,000	\$300,000	<i>(\$200,000)</i>
Small Business Technical Assistance	\$600,000	\$600,000	\$0
Small Business Working Capital	\$200,000	\$167,065	<i>(\$32,935)</i>
Entrepreneurial Development	\$150,000	\$150,000	\$0
PDX4biz.com	\$65,000	\$65,000	\$0
Economic Opportunity Initiative	\$158,000	\$158,000	\$0
<b>Total</b>	\$3,187,065	\$3,187,065	\$0

**Equity Discussion:**

The Portland Development Commission began to chart a course of change over five years ago with its approach to diversity and equity in construction that has led to over \$100 million on contracting and payroll dollars to minority firms and workers, including 1.6 million payroll hours for minority workers. PDC has averaged over 30% in MWESB utilization and over one million total apprenticeship hours. As an example, PDC applied our innovative contracting changes (which included a collaboration with the City to accomplish new contractor assessment tools, and targeted small business outreach and technical guidance) to Fields Park in the Pearl District, which led to a minority prime contractor for the \$8 million project.

During FY 2010-11 PDC has met the following business and equity workforce milestones:

- Despite the decrease in PDC project dollars, over 39% were spent with minority, woman-owned and emerging small businesses compared to 23% spent in FY 2009-10;
- 23% of PDC project hours were worked by minorities who had earned union journeyman status, and 4% were worked by non-minority females who had earned union journeyman status.

With the adoption of the Neighborhood Economic Development (NED) Strategy in 2011 PDC focused its efforts on proactively supporting communities of color citywide and residents and businesses within neighborhoods experiencing increased poverty or gentrification pressures – largely in outer East, North and Northeast Portland.

In the last year, with these priorities at the forefront, PDC has made investments to support projects, policies and programs that further geographic and demographic equity, including:

- Establishing a NED leadership group comprised of community leaders to drive this work;
- Creating a small business technical assistance program designed to support businesses owned by people of color and/or within “priority neighborhoods”;
- Establishing Community Benefit Agreements with large recruitments, such as SoloPower;
- Investments significant financial resources in projects such as the Billy Webb Elks Club and the June Key Delta community Center;

- Partnering with Craft3 to make \$1.5M in working capital available to North, Northeast and East Portland businesses; and
- Launching the Neighborhood Prosperity Initiative to bring Tax Increment Revenue and community capacity support to six neighborhoods in Northeast and East Portland.

The requested URA and General Fund budgets include funding that will support the continuation of this equity-focused work. The next step in construction equity will be the adoption of changes to the PDC Business and Workforce Equity Policy to reflect the work of stakeholder committees to implement the findings of the 2011 disparity study. These changes will increase the range of the policy to include professional services such as architecture and engineering, enhance contractor capacity, reduce insurance and bonding barriers, and require consideration of every possible alternative to traditional low bid procedures.

**Portland Plan Discussion:**

PDC participated in a series of three meetings in January and February focused on aligning budget priorities around economic development activities. The attendees at the meetings included representatives from Bureau of Planning & Sustainability, Business Oregon, County Chair Cogen’s Office, Governor Kitzhaber’s Office, Greater Portland Inc., Mayor Adams’ Office, Metro, OHSU, Port of Portland, Portland State University, Regional Solutions Team, and Worksystems, Inc.

These meetings created an opportunity to further alignment and intergovernmental coordination among key players in Portland’s economic development realm. The attendees confirmed their commitment to supporting and implementing the priorities and action items laid out in the Portland Plan and the region’s Community Economic Development Strategy. Specifically, the parties agreed to work to support:

- Regional traded sector business growth – particularly growing industry clusters and expanding international trade;
- Growing employment districts – specifically supporting brownfield remediation and industrial land availability; and
- Education and jobs skills training – especially aligning higher education and economic development priorities as well as workforce training with industry needs.

As a next step PDC is working with Greater Portland Inc. to build on the agenda articulated in these meetings by carrying out a coordinated approach to economic development, including promotion of our economic assets and a coordinated business retention, expansion and targeted recruitment program to stimulate capital investment and job creation.