



www.pdc.us

March 30, 2012

J. Scott Andrews
Commission Chair

To: Andrew Scott
OMF Financial Planning Division

RE: Portland Development Commission
FY 2011-12 Spring Budget Monitoring Report

Aneshka Dickson
Commissioner

John C. Mohlis
Commissioner

Steven Straus
Commissioner

Charles A. Wilhoite
Commissioner

Sam Adams
Mayor

Patrick Quinton
Executive Director

PDC's FY 2011-12 General Fund budget continues – and builds upon – current programs, projects, and activities that deliver on the Economic Development Strategy and PDC's Strategic Plan. Over the past three years, PDC has reorganized to re-align its structure, functions, and systems to enhance its ability to deliver on these goals over the next several years. Programs are continually reviewed and restructured, if necessary, to ensure that limited General Funds will leverage the largest impact toward increasing employment by 10,000 jobs by 2014. Programmatic approaches emphasize growing target industries, supporting entrepreneurship and small businesses, revitalizing commercial corridors, and international business development.

This report provides updates on the accomplishments to date of each program that City Council funded with via one-time General Fund add packages in the current fiscal year.

ZD_02: Cluster Industry Research, Development, and Initiatives

This Traded Sector Economic Development program received \$527,203 in one time funding in FY 2011-12. It is also supported by \$948,060 in ongoing General Funds, although this amount may be reduced via the cut packages requested. Actuals through February 29 are \$504,452.

This program allows PDC to provide opportunity funds to maximize Portland's competitiveness by leveraging investments in the four target industries identified in the City's five year economic development strategy: advanced manufacturing, athletic & outdoor, clean technology and software. Industry engagement is critical to the success of a cluster strategy, and during FY 11-12, PDC staff worked with industry leaders to identify advisory committees. In some cases, existing trade and professional organizations serve in that capacity and in others an advisory committee was established to bridge multiple organizations or serve in the absence of an existing organization. The primary role of the voluntary advisory committees is to help define, prioritize and implement the

222 Northwest
Fifth Avenue
Portland, OR
97209-3859

tel: 503.823.3200

fax: 503.823.3368

TTY: 503.823.3366



industry cluster action plans designed to grow the local industry, many of which are small and medium sized businesses.

During FY 11-12 this program key results include:

Advanced Manufacturing:

- Implementation of efficiency improvements is vital to the continued success and competitiveness of manufacturing companies. PDC contracts with the Oregon Manufacturing Extension Partnership (OMEP) to provide lean manufacturing technical assistance to Portland companies through a matching grant program. During FY 2011-12, three companies received a total of approximately \$18,600 for lean manufacturing assistance: PECO Manufacturing, Lensbaby and NW Pipe.
- Qualified workforce availability continues to be a major challenge facing the advanced manufacturing industry and hence a priority in the industry action plans. In 2011 PDC partnered with Worksystems, Inc., the Pacific Northwest Defense Coalition, and Manufacturing 21 to conduct a Manufacturing Career Summit. The goal of the summit was to increase the awareness of manufacturing career opportunities and to reduce regional unemployment. PDC recruited 26 advanced manufacturing companies and four community colleges to exhibit. Over 500 skilled job seekers attended the event. Exhibiting companies report that they have hired over 30 job seekers that attended and that number is expected to increase.

Athletic & Outdoor

- Portland hosted the Outdoor Industry Association (OIA)'s annual event, the Rendezvous in Portland in 2011. OIA is the national trade association for the athletic & outdoor industry that brings its members together annually for an event that focuses on topics such as federal policy, industry trends, workforce training and business development. Approximately 450 industry executives came to Portland for the event. PDC unveiled a film "inspired by Portland" that was a collaborative effort of PDC, industry and a team of creative agencies "Inspired by Portland" continues to market and brand the A&O industry and the region through an investment of approximately \$10,000, which leveraged approximately \$15,000 of in-kind support.
- PDC was an early supporter of the Outdoor Industry Association Eco-Index initiative as an opportunity to leverage the engagement of several Portland A&O firms and to reinforce Portland's position as a sustainable leader. During FY 2011-12, PDC partnered with the Outdoor Industry Association to provide a matching grant to Portland area companies to further their involvement in the Eco-index with hands-on technical assistance. The companies selected included large and small firms: Adidas, Columbia Sportswear, Keen, Korkers and Nau.
- Design Forum/PDX, the initiative to establish a materials resource library in Portland continues to evolve with the leadership of a strong executive director and a board including representatives from industry and higher education. The Design

Forum/PDX General Fund allocation for FY 2011-12 was \$5,000 and demonstrated a 10x leverage. During FY 2011-12 a series of events will be planned to increase awareness and increase momentum around this project with the objective of securing funding to build the collection of materials.

Clean Tech: Clean Energy

- During FY 11-12, PDC partnered with Business Oregon to sponsor the first report regarding Oregon's standing in the US clean-energy economy. Oregon received a second place ranking among leading states, confirming Oregon's culture of early adopters helps nurture our leadership in sustainability and that access to markets in Asia and California is a competitive advantage. The report acknowledged our expertise in world class high-tech manufacturing and workforce, strong policy support at the state and local levels of government and an abundance of low-cost energy serve to attract businesses and jobs. PDC provided \$15,000 in General Funds to sponsor the report and Business Oregon provided an additional \$10,000.
- In FY 11-12, the focus within the clean energy team has been developing the wind supply chain through research and conversations with industry experts. As part of that effort, PDC is involved in collaborating with industry to attend key domestic and international trade shows such as the American Wind Energy Conference and the CanWea trade show. PDC collaborated with the US Commercial Service to support the Oregon business delegation at CanWea through marketing and organizing meetings with potential customers, clients and joint venture partners.

Clean Tech: Green Development

- Organizing industry leaders to define business opportunities and innovative research related to the Oregon Sustainability Center is the highest priority for the green development team. In addition, PDC has devoted its General Fund resources to complementary initiatives involved in providing funding for various green development related projects, initiatives and events. For example, during FY 2011-12, PDC provided \$15,000 to POSI for their annual EcoDistrict Summit and as such received visibility in print and online collateral material and leveraged support of other sponsors.

PDC supported the launch of the "We Build Green Cities" campaign with a presentation, film and website. This effort primarily focuses on selling the talent and expertise of Portland area architects, engineers, builders, energy providers, and other green development business to expand global market and business opportunities for the Portland firms included in this project. \$25,000 of General Fund resources supported this project.

Software:

- During FY 11-12, PDC partnered with the Software Association of Oregon (SAO) and other industry leaders to fund the development of an industry website that with contents such as mentoring resources, , industry connections and other resources with the goal of growing successful

software firms. The FY 2011-12 General Fund allocation to support the website was \$25,000, which leveraged cash and in-kind support of at least 1:1 from other companies and organizations. The website is scheduled to be launched in Spring 2012.

- During FY 2011-12, the Portland software community held a number of events including “hack-athons” and “code sprints” to bring together Portland’s mobile app community to solve a problem. At the same time, Portland is increasingly being recognized as a hot-bed for start-up activity particularly in the tech community. The success of companies like Urban Airship and Puppet Labs in attracting venture capital from outside the Portland region has helped further Portland’s position nationally as an entrepreneurial hot spot, particularly for the tech community.

ZD_02: Portland Main Street Program

This Neighborhood Economic Development program received \$500,000 in one-time funding in FY 2011-12. Actuals through February 29, 2012 are \$302,691.

Portland Main Street is a community-led revitalization program designed to stimulate neighborhood businesses. In June 2010, Portland designated Alberta, Hillsdale, and St Johns as its first three Main Street districts. The districts receive grants for district administration, property and sustainability improvements, and promotional events. The City also provides technical assistance to the districts in implementation of the Main Street approach, district design support, and organizational capacity building. FY 2011-12 was the second year for the three Main Street districts.

Below are the first year performance metrics for the three Main Street areas.

Main Street Program	Volunteer Hours	Net Businesses	Net FTE	Net PTE	Operations Leverage
	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11
Alberta	1,707	6	5	3	\$58,000
Hillsdale	3,499	-1	0	5	\$51,000
St Johns	5,675	8	3	-4	\$50,000
Total	10,881	13	8	4	\$159,000

Major accomplishments of the three Main Street Districts between July–Dec 2011 include:

- Completion of first year property improvement and sustainability projects in all three districts; projects including new garbage/recycling receptacles in

two districts, two small façade improvements, and a de-paving and native landscaping project.

- Approximately 500 volunteer hours on projects, events and district organizing meetings in each district.
- Continued private leverage of approximately \$25,000 per district for district administration and operations.
- Identification of year two projects and development of scopes of work.

Successful summer and holiday events in all three districts raised visibility of the districts.

ZD_08: International Business Development

This Traded Sector Economic Development program received \$205,000 in one time funding in FY 2011-12. Actuals through February 29, 2012 are \$60,392.

These funds support implementation of the international business development strategy developed by PDC and the Mayor's Office with the goal of increasing exports for Portland companies and foreign direct investment activity in Portland. During FY 11-12, the City of Portland was selected by the Brookings Metro Export Initiative to develop an export strategy. Significant staff time during FY 11-12 has been dedicated to working with the Brookings Institution and the cohort cities to develop the strategy and plan. The plan will be unveiled in February with an organizational structure to support and sustain the initiative.

In addition PDC and City representatives participated on trade missions to Canada and Asia. The agency also supported the International Awards dinner and road show, which provided visibility and provided information to Portland and Oregon companies interested in entering/expanding new global markets.

ZD_06: Neighborhood Prosperity Initiative

This Neighborhood Economic Development program received \$242,065 in one time funding in FY 2011-12. Actuals through February 29, 2012 are \$58,186.

This program focused on six economically challenged business areas outside of existing urban renewal areas that are either not yet ready for a full scale Main Street approach or that are not a good fit for this model. Funds for district identified improvements will be created through the establishment of small urban renewal districts focused on commercial corridor investments. Funding for such improvements using tax increment financing (TIF) is estimated to be available to districts in February 2014. City General Funds will also be used to expand the capacity of community-based organizations to become active partners in neighborhood economic development through a district administration grant and by the provision of training in business development, revitalization and organizational development.

Major accomplishments of the NPI include:

- Rollout of the NPI in October 2011 by Mayor Adams with over 150 neighborhood residents, businesses and business districts attending.
- Training and orientation of six proposed NPI district stakeholders.
- Approval of \$10,000 grants to the six proposed NPI areas allowing them to conduct comprehensive community outreach, hire translators, and conduct community meetings to discern their interest in participating in the program.
- Letters of interest by all six NPI areas indicating their interest in becoming a creating an urban renewal area and participating in the NPI.

ZD_03: Portland Seed Fund Initiative

This Traded Sector Economic Development program received \$500,000 in one-time funding in FY 2011-12. Actuals through February 29, 2012 are \$200,000.

The Portland Seed Fund (Fund) is a fund that provides \$25,000 to \$100,000 in the form of equity with the objective of assisting start-up firms in their initial phases of development. The Fund will include at least four funding classes of 6-10 companies in each, with a class occurring every six months. This will provide funding in the most critical gap for growing companies. One funding class has already completed, and a portion of the resources of the Fund will be used for follow-on investment, reserved for the most promising firms that complete a funding class. Providing both of these resources increases the job creation prospects for start-up firms and the pipeline of viable companies for later stage investors. As of the end of 2011 the Fund had a balance of \$2.135 million, of which \$500,000 is a grant PDC made in FY10/11. Therefore, the \$500,000 grant leveraged more than three dollars for every PDC dollar in the Fund.

FY11-12 resources are expected to be leveraged with other public and private sources to allow the Fund to reach its goal of \$3 million in revenue before the end of the year.

ZD_07: Small and Neighborhood Business Technical Assistance

This Neighborhood Economic Development program received \$600,000 in one time funding in FY 2011-12. Actuals through February 29, 2012 are \$25,108.

This program provides for citywide small business technical assistance. In FY 2011-12, a competitive request for proposals process was used to select five non-profit groups to deliver small business development:

- Hispanic Metropolitan Chamber of Commerce, in partnership with Philippine American Chamber of Commerce of Oregon and the Urban League
- Immigrant and Refugee Community Organization
- Native American Youth and Family Center in partnership with the Oregon Micro Enterprise Network and Oregon Native American Chamber
- Portland Community College's Small Business Development Center in partnership with Mt. Hood

- Community College SBDC, Micro-Inventors' Program of Oregon, and Oregon Microenterprise Network
- Small Business Legal Clinic of Lewis and Clark Law School

Businesses eligible for services will have 50 or less employees and will be:

- Owned by a person of color;
- Owned by a person with limited English proficiency;
- Owned by a person with modest income (120% of the median family income); or
- Located in targeted areas of North, Northeast, and East Portland.

In FY 2011-12, this program will deliver technical assistance and training to approximately 155 businesses; eighty (80) businesses will also receive business legal services. The major accomplishments of this initiative to date are:

- Solicitation of proposals and selection of providers for the program
- Establishment of a reporting and data collection mechanism for providers and Initiation of services for small businesses.

ZD_05: Small Business Working Capital

This Traded Sector Economic Development program received \$200,000 in one time funding in FY 2011-12. Actuals through February 29, 2012 are \$4,667.

This program provides flexible working capital financing to small companies that are primed for growth but lack the cash to invest. The program focuses on targeted industry cluster firms and neighborhood businesses city-wide.

During these challenging economic times and during a time when lending institutions are become more risk adverse, the demand is greatest for working capital resources. Businesses are seeking funding to retain and hire new people, purchase inventory, marketing and other business expenses that are not TIF eligible. In FY10-11 \$150,000 was disbursed to two businesses to support our target industry cluster and neighborhood economic development strategies. We plan to disburse an additional \$150,000 before the end of the FY 11-12 to businesses that align with our cluster and neighborhood economic development strategies.

- Isite Design received \$100,000, leveraging a \$3.9M investment to support 50 existing and 25 new quality jobs. Isite Design is a full-service software company with a worldwide client base.
- City of Roses Recycling received a \$50,000 loan leveraging approximately \$270,000 to support 9 existing and 3 new jobs. City of Roses Recycling is a certified Minority Business Enterprise (MBE) that is dedicated to reducing carbon emissions through recycling.

Over the past four years, the total of General Fund resources provided to fund small business working capital funds totaled \$1,015,000. These funds have been used for

loans ranging from \$30k and \$100k to 19 businesses, 18 of them considered as small business. The amount leveraged \$7,491,669 and retained 352 jobs. Examples of businesses supported with the General Fund working capital loans include: City of Roses Recycling (5726 NE 109th Avenue), Isite Design (2025 NW Overton Street), Backspace (115 NW 5th Avenue), Mountain Shop (628 NE Broadway), Bridge City Family Medical Clinic (2821 NE 58th Avenue), Pinball Publishing (1003 SE Grant Street). All these companies will attest that without the GF resources their business would have suffered tremendously.

ZD_09: Entrepreneurial Development

This Traded Sector Economic Development program received \$150,000 in one time funding in FY 2011-12. Actuals through February 29, 2012 are \$41,123.

The Entrepreneurial Development funding is focused on growing new businesses and jobs with a supportive ecosystem of programs and resources. The Entrepreneurship and Innovation Strategy was unveiled in October 2011 during "Entrepreneurship month." The strategy focuses on the resources needed to help scalable companies launch and succeed through mentorship, access to capital and programs such as the Portland Seed Fund and connections to higher education. As part of entrepreneurship month, PDC sponsored the first statewide roundtable of incubators and accelerators to better understand opportunities and challenges with the goal of enhancing the entrepreneurial ecosystem in the Portland region and statewide.

A critical component of the entrepreneurial strategy is to leverage the programs and work of higher education institutions. As such, PDC continues to expand work with Oregon Health & Science University (OHSU), Portland State University (PSU) and other Oregon University System (OUS) schools. PDC is in the process of finalizing a research and commercialization strategy with the objective of furthering Portland's competitiveness as a center for entrepreneurship and innovation. Specific efforts could include: R&D strengths, university assets including both faculty and physical resources such as labs, testing equipment with the objectives of supporting job creation and business formation.

During FY 2011-12 General Fund resources largely supported staff time to interview universities, their faculty and industry as well as to research best practices. The strategy will be completed during FY 2011-12 and will be incorporated into the entrepreneurship and innovation strategy and agenda with a focus on implementation in FY 2012-13. This work continued support for programs and services provided by the Oregon Entrepreneurs Network (OEN) are needed as a companion to the investment funds available from the Portland Seed Fund.

ZD_04: Business Services Website

This Traded Sector Economic Development program received \$65,000 in one-time funding in FY 2011-12. Actuals through February 29, 2012 are \$35,467.

The Portland4biz website, which is designed to help build businesses, connect businesses to one another, and to find local resources, is maintained and updated by PDC staff. There is a strong effort to keep the website new and fresh and that requires regular updates. Features of the website include a regular updated business calendar, blog, articles and reports regarding Portland region economy and industries.

From July 1, 2011 to December 31, 2011 www.portland4biz.com had 15,612 visits, 12,841 unique visitors with 874 Twitter followers and 191 Facebook fans.

ZD_15. Economic Opportunity Initiative (EOI)

This Neighborhood Economic Development program received \$158,000 in one time funding in FY 2011-12. The program is also supported by \$1,465,349 in ongoing funding. Actuals through February 29, 2012 are \$863,476.

In addition to City General Funds, PDC also receives Community Development Block Grant (CDBG) funds budgeted in the Portland Housing Bureau's budget. In FY 2012-13 the estimated CDBG allocation to EOI is \$2,138,667 which represents 14 percent reduction in funds (-\$237,367) due to a predicted cut in CDBG funds by the Federal government.

Established in 2004, the Economic Opportunity Initiative (EOI) provides workforce and microenterprise development and other support services to vulnerable individuals the majority of whom have incomes at 0% to 50% of the median family income (MFI). Individuals enrolled in EOI receive long-term (three years) microenterprise or workforce development services. During enrollment, wrap-around supports are given to participants, as needed, to address specific barriers to success including language, drug and alcohol addictions, and criminal histories. Approximately 52% of participants enrolled in EOI are minorities and another 15% are non-native speakers.

Historical performance of the program is shown in the table below:

Group	Enrollment Goal for Cohort	Goal for 25% min. income increase (3 yr success goal)	Actual achieved min. income 25% increase (3 yr actual success)	Percent of Goal Achieved	Percent of Enrolled who achieved min 25% increase in income
07/08 Cohort	306	202	162	80%	53%
08/09 Cohort	546	337	296	88%	54%
09/10 Cohort	544	375	309	82%	57%
10/11 Cohort	600	422	395	94%	66%
EOI Totals - 4 Cohorts	1996	1336	1162	87%	58%

BUDGET AMENDMENT REQUEST

Portland Development Commission

PERIOD Spring BuMP

FISCAL YEAR FY 2011-12

ZD_001 - Program Carryover

Small Business Technical Assistance Program: PDC has contracts with five non-profit entities to provide technical assistance to small and neighborhood businesses on various business development subjects such as: business plans development, profit and loss statements, loan packaging, and legal assistance. The contracts were established with the non-profit providers in October 2011 for a period of one year. \$150,000 in carryover is requested to pay invoices on encumbered contracts with the non-profit providers of business development services through October 2011.

Entrepreneurial Development: \$35,000 in carryover is requested for research and commercialization activities that will not be formally encumbered by current fiscal year end.

Small Business Working Capital: \$195,000 in carryover is requested. No loans are currently in the pipelines. The agency expects to execute loans in FY 2012-13.

Cluster Research and Industry Development: \$310,000 in carryover requested.

Targeted Business Recruitment: \$75,000 in carryover requested.

International Business Development: \$75,000 in carryover requested.

Dollar Amount: **(\$840,000)**

Type: Carryover Request

Resources: General Fund Discretionary