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PORTLAND DEVELOPMENT COMMISSION

All Funds Budget Summary	Adopted FY 2015-16	Request Base FY 2016-17	Decision Pkgs FY 2016-17	Request Total FY 2016-17	Percent Change
Resources					
General Fund Discretionary	5,389,110	5,524,308	861,271	6,385,579	18.5%
Total Resources	\$5,389,110	\$5,524,308	\$861,271	\$6,385,579	18.5%
Expenditures					
External Materials and Services	5,389,110	5,524,308	861,271	6,385,579	18.5%
Total Requirements	\$5,389,110	\$5,524,308	\$861,271	\$6,385,579	18.5%
Total Bureau FTE	0.00	0.00	0.00	0.00	N/A

Percent Change is the change from FY 2015-16 Adopted Budget to FY 2016-17 Total Requested Budget.

Key Issues

Long-run Decline in TIF programming dollars/Increased Housing Set-aside

PDC has long known and taken action to deal with declining tax increment financing (TIF) funds in the urban renewal areas (URA) that it oversees. City Council’s recent action to increase the TIF set-aside for housing from 30% to 45% impacts the six URAs that have not yet reached maximum indebtedness. The result is that approximately \$74.6 million will be put toward housing that would otherwise have supported PDC programs. The URAs with the largest impacts are Interstate and River District. In the Interstate URA, roughly \$30 million that would have been spent on PDC programs will instead go to housing. Though this spending in PDC was un-programmed, PDC staff believe it would have likely been used for development loans in the commercial corridors. In the River District approximately \$20 million of PDC’s programming funds will move toward housing, with \$13 million of those funds being used toward affordable housing as part of the redevelopment of the Post Office site (see below).

Impact to PDC of Increasing Housing Set Aside to 45% (Through expiration of each URA)¹

URA	Prior Set Aside Model	Amended Set Aside Model	Change
Lents	\$70,893,766	\$62,271,917	(\$8,621,849)
Interstate	\$87,551,951	\$49,859,569	(\$37,692,381)
Gateway	\$39,024,428	\$35,737,505	(\$3,286,923)
North Macadam	\$87,326,570	\$82,326,570	(\$5,000,000)
River District	\$127,049,164	\$107,049,164	(\$20,000,000)
Total PDC	\$434,061,832	\$359,460,679	(\$74,601,153)

¹ Note: The above figures show a comparison of how the new set aside target of 45% of new TIF resources increased new TIF Resources set aside for Housing (PHB) and decreased new TIF resources available to PDC as currently forecast in each URA through FY 2023-24. The above summary does not include existing cash or estimated program income in PHB or PDC’s respective URA budgets. Residual Housing Set Aside and PDC resources in older, Option 3 Districts not included (OCC, Downtown Waterfront, South Park Blocks).

PDC effectively pulled money forward from years six through eight of their forecasted financial plan rather than suspend or discontinue some current programs. While this allows the agency to maintain its current operations, it brings the expiration of those funds nearer. PDC is trying to move to a more diverse funding model primarily through property management. The window for increasing other revenue sources in order to maintain operations is now smaller.

Post Office Redevelopment

This fiscal year, PDC entered into an agreement to purchase the U.S. Post Office building near the north park blocks. This agreement requires a unique financing structure because the River District URA does not have the resources on hand to complete the purchase. In order to meet cash flow needs, PDC has been authorized to enter into an agreement with the City to use the full faith and credit of the City's General Fund, to sell bonds to cover the temporary shortfall. The IGA provides the City with a first claim on proceeds from the sale of the post office property, as well as PDC program income from River District activities and any excess reserves from tax increment revenues above what is projected, to repay the bonds.

As was stated in the impact statement related to the IGA, "Ultimately, the Bonds are an obligation of the City's General Fund. If the sale of the Post Office Property is delayed or if proceeds are not sufficient to repay the obligation when due, General Fund resources may be required to repay the Bonds." If General Fund resources are used at any time to pay debt owed on the bonds related to this project, PDC would be required to pay it back as soon as practical.

This a large, potentially catalytic project in a part of the City that could see dramatic change over the next decade. However, its success is sensitive to underlying economic conditions and could expose the General Fund to additional costs in the short-term should the sale of land be delayed or the price suppressed. While CBO generally believes that this is the type of project URAs were created to achieve, given the unique financing structure the City should, and is expected to, play an outsized role with respect to this project as compared to typical PDC operations. The draft IGA accompanying the project specifies quarterly meeting between the agency and OMF financial staff to discuss project progress.

Rate of Spending on Lines of Credit

Because of the manner in which PDC spends funds from urban renewal areas, the City often borrows money using lines of credit to initially fund urban renewal projects. These are administered by the Office of Management and Finance (OMF). PDC requests funds and, provided that the tax increment revenues of the urban renewal area produce sufficient debt service coverage, OMF secures the funding. PDC pays interest on funds actually borrowed and may also pay fees on funds that are committed by the bank but have not yet been drawn. In FY 2014-15, these costs amounted to approximately \$22,000. The latter is of some concern because PDC is paying fees for funds that it is not using. In some cases the nature of PDC's business (e.g., projects with multiple partners all moving at different speeds toward a projects inception) requires flexibility; however, a closer look at spending patterns in order to more closely tie access to

credit markets to the time when funds are needed may provide the agency with some savings over the long-term.

Decision Package Analysis & Recommendations

Powell/Division BRT Local Action Plan, ZD_01, \$400,000

PDC is requesting one-time General Fund resources to provide support for businesses potentially impacted by a proposed bus rapid transit project along See Powell Blvd. and SE Division St. According to Metro, the earliest this project would be completed is in 2020 and there is some uncertainty at this time whether or not the project will move forward. Staff at Jade and Division Midway Alliance Neighborhood Prosperity Initiatives report an increase in public interest in the potential project, but given the timeline, there appears to be little urgency related to PDC's involvement. PDC should continue to monitor its progress. Should the project materialize, and to the extent PDC can clearly define a critical need for services that it can fulfill, PDC should request funding at that time. Any future request for funding should define the anticipated impact of the BRT project on community businesses (e.g. a negative impact on businesses that PDC hopes to mitigate, or a positive impact that creates an opportunity for timely business assistance). CBO does not recommend funding in FY 2016-17.

CBO Recommendation: \$0

Small Business Increase Project, ZD_02, \$200,000

This package requests ongoing General Fund resources to fund a curriculum-based program aimed at creating wealth for small business owners. The *Streetwise MBA* curriculum is provided by Boston-based nonprofit Interise² and comprises a nine-month course that offers to help established small business owners grow their businesses. PDC is currently running an in-house pilot program out of its current General Fund allocation with 12 small businesses. This funding would allow them to serve up to 40 businesses per year, possibly by contracting this program out.

The program appears to have had success in some places where it has been adopted, and the request comes with good, measureable outcomes, such as the number of businesses that hire additional employees within a year after completion. The program is often offered through a local university, and PDC could pursue such a partnership to defray costs or incorporate local experts. PDC currently has 12 enrollees in its pilot and CBO recommends tracking outcomes for enrollees to inform and determine the impact of a General Fund supported decision package in the future. Given limited General Fund resources, CBO does not recommend funding at this time.

CBO Recommendation: \$0

² <https://www.interise.org/>

Portland Benefit Corporation (B Corp) Program, ZD_03, \$350,000

This package requests ongoing General Fund resources to fund a program manager, establish a “Best for Portland” campaign to encourage companies to get certified as a B Corp, and collaborate with B Lab to develop a company assessment tool. From the nonprofit B Lab, “B Corps are for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency.” Portland currently has the third most certified B Corps of any city in the world.

CBO’s primary concern with this package is that B Corp certification is generally something that mature companies can use as a marketing tool. As was highlighted in discussions with PDC’s Neighborhood Economic Development Committee, PDC’s business development programs typically work with very small businesses working towards profitability and growth. The committee felt strongly that the City should fully fund all of PDC’s cut packages before considering adding this package because B Corp certification was something reserved for larger companies that could take advantage of the marketing of such certification. The Commission Chair thought some state funding may be available toward this effort. Finally, Portland’s relatively large numbers of B Corps suggests that there may not be a meaningful role for the City to play in expanding the program. As a result, CBO does not recommend funding for this package.

CBO Recommendation: \$0

Old Town/China Town Action Plan District Management, ZD_04, \$30,000

This package requests one-time General Fund resources to fund the second of a three-part grant to help achieve goals articulated in the City’s Old Town/China Town Action Plan. The first year was funded out of a one-time request in the FY 2014-15 budget. It requires the local community association to match the grant in order for it to be executed. The first year of funding is currently being used to develop metrics and define deliverables. PDC expects the focus of the second year of funding to increase the profile of the community organization through neighborhood events, public outreach and developing partnerships with local businesses and organizations, such as the University of Oregon and Pacific Northwest College of Art. Council has stated through their endorsement of the action plan that this part of the City is a priority. Furthermore, this investment has a close nexus to PDC’s investment in the post office project and ultimately could help shape what is ultimately developed at the site. Therefore, CBO recommends funding this package.

CBO Recommendation: \$30,000

Healthcare Cluster, ZD_05, \$150,000

PDC currently funds four industry cluster initiatives to help certain industries coordinate efforts and grow in Portland. This ongoing General Fund proposal would make the Healthcare Cluster the fifth. PDC hopes

to take advantage of the growing health care industry and the catalytic investment to be made as part of OHSU's Knight Cancer Challenge. The proposal, as currently described, does not contain specific goals or outcomes. PDC staff are unsure what PDC's value-add could be as it relates to the healthcare sector, but believe that their business expertise could be helpful. Until there are clearer objectives, and given limited General Fund resources, CBO does not recommend funding at this time.

CBO Recommendation: \$0

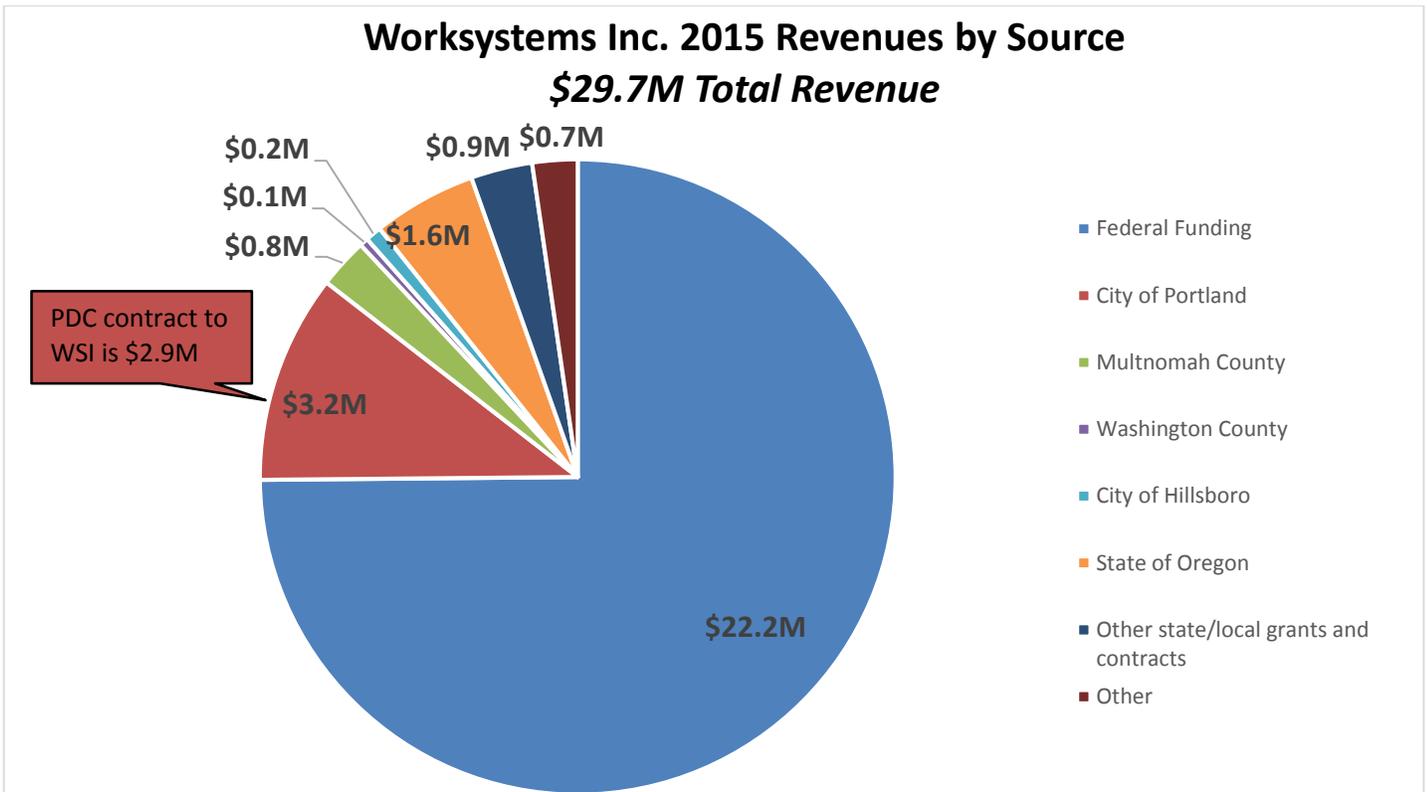
Small and Microenterprise Business Development, ZD_06, (\$35,133)

Adult/Youth Workforce Realignment, ZD_11, (\$20,239)

This reduction is put forward in combination with projected cuts to both Community Block Development Grants and Enterprise Zone program funds (\$60,000), and an internal realignment of resources to the Adult and Youth Workforce Development program. The anticipated result of the combined cuts is the loss of one of 10 grantees from the SMBD program. The reduction of a grantee contract is expected to eliminate one-on-one business advising services to 30 businesses. Should this \$35,133 cut not be taken, PDC believes that they would choose to reduce funding to all service providers by a small amount (equal to the cuts from non-General Funds) rather than eliminating a service provider. In preparation for Council budget decisions, CBO recommends that PDC use their defined performance metrics to identify which provider would be cut should this package be accepted, or specify the impact of only realizing the EZ and CDBG cuts.

Alternatively, CBO encourages PDC to consider less direct cuts to more robustly funded programming. The Small and Microenterprise Business Development grant contracts are managed by directly by PDC, and elimination of a contract will result in a clear service reduction as well as disrupt a long-standing relationship with a community economic development provider. However, a cut to PDC's Youth and Adult Workforce Development program may achieve the same budget reduction without an appreciable impact on services. As discussed at the PDC Board's budget work session, 98% of the \$2.9 million PDC budgeted for Adult and Youth Workforce development is contracted to Worksystems, Inc., a distinct entity with multiple robust funding streams that manages workforce development programs on behalf of many jurisdictions. Federal resources cover 75% of WSI's \$29.7 million budget, and the City of Portland's portion provides the lion's share of non-federal funding at 42%. A 1-2% reduction in the contract PDC has to WSI may be more easily absorbed, and result in less service reduction, compared to the elimination of a SMBD contract.

Both of these programs provide funding to community organizations that target underserved populations, and some organizations receive funding from both programs (e.g. Immigrant and Refugee Community Organization). However, from an equity perspective, it is likely that the elimination of a SMBD contract would have a more direct impact on a specific underserved population than a 1-2% reduction of PDC's contract to WSI.



Source: [Worksystems, Inc. PY 15 Resource Plan](#)

CBO Recommendation: (\$35,133)

Small Business Working Capital, ZD_07, (\$111,923)

The Small Business Working Capital program, in conjunction with other community resources, provides small loans (\$15,000 on average) to businesses. PDC’s Neighborhood Economic Development Committee strongly felt that this was a reasonable cut, but stressed that they believed the program should not be eliminated entirely. The compromise PDC reached was to reduce the ongoing funding for this program to \$50,000. As a result of the reduction, PDC estimates that they will participate in roughly 10 loans, down from 30 in the current year. This program is part of a revolving loan fund that has a balance of approximately \$600,000. If PDC requests this funding be restored in future years, additional information about the program’s various loan products, target loan volume, and average default rate will be necessary to evaluate the need. Given the other needs in the City and limited resources, CBO recommends the reduction.

CBO Recommendation: (\$111,923)

SE Works Youth Transition Program, ZD_08, (\$40,956)

The SE Works Youth Transition Program assists youth as they pursue a GED, providing both educational and support services. This funding supports a full time social worker. SE Works applied for a competitive grant through PDC’s workforce development program in FY 2013-14, but was not awarded a grant.

Subsequently, Council chose to provide a special appropriation to SE Works as part of the FY 2013-14 budget process, and ongoing funds were subsequently added to PDC's budget. Given the recent audit highlighting the need for competitive grant authorization, CBO recommends that this cut be accepted. To the extent which Council wishes to restore this cut, CBO recommends that the funds be added to PDC's workforce development grants and that SE Works compete for the funds.

CBO Recommendation: (\$40,956)

Voz, ZD_09, (\$30,717)

Voz is a labor support organization that connects day laborers and immigrants with hourly work, skills development, and support services. This funding – the entirety of the City's support to Voz – provides approximately 40% of Voz's operations expenditures at their Martin Luther King, Jr. Worker Center day laborer center. PDC also provides the land on which the center operates for a nominal lease amount. The discontinuance or reduction of services provided by the Worker Center may exacerbate the housing and homelessness crisis the City is experiencing, as Voz employees estimate that as many as 50% of the day laborers they served in FY 2014-15 were homeless or housing insecure. The services provided at the center are also important components in stated equity goals of the City. CBO does not recommend the package. Furthermore, because it is a pass-through grant, CBO recommends that this package move to the Office of Equity and Human Rights or a newly formed special appropriations office for administration and oversight.

CBO Recommendation: \$0

Greater Portland Inc., ZD_10, (\$50,000)

Greater Portland Inc. (GPI) is a public-private partnership organization that acts as a chamber of commerce for the Portland metro area. This cut would halve PDC's contribution to GPI's operation. Potentially, this cut could eliminate one of the City's two appointed positions on GPI's board. Though CBO recognizes the value in regional partnerships, PDC's contribution would remain significant even after this cut. Therefore, given the City's internal needs, CBO recommends accepting this cut.

CBO Recommendation: (\$50,000)

City of Portland
Decision Package Recommendations
(Includes Contingency and Ending Balance)

	Bureau Priority	Bureau Requested					CBO Analyst Recommendations				
		FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses	FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses
Portland Development Commission											
<u>Adds</u>											
ZD_01 - Powell/Division BRT Local Action Plan	01	0.00	0	400,000	0	400,000	0.00	0	0	0	0
ZD_02 - Small Business Increase Project	02	0.00	200,000	0	0	200,000	0.00	0	0	0	0
ZD_03 - Portland Benefit Corporation (B Corp) Program	03	0.00	350,000	0	0	350,000	0.00	0	0	0	0
ZD_04 - OT/CT Action Plan District Management	04	0.00	0	30,000	0	30,000	0.00	0	30,000	0	30,000
ZD_05 - Healthcare Cluster	05	0.00	150,000	0	0	150,000	0.00	0	0	0	0
<i>Total Adds</i>		<i>0.00</i>	<i>700,000</i>	<i>430,000</i>	<i>0</i>	<i>1,130,000</i>	<i>0.00</i>	<i>0</i>	<i>30,000</i>	<i>0</i>	<i>30,000</i>
<u>Reductions</u>											
ZD_06 - Small and Microenterprise Business Development	01	0.00	(35,133)	0	0	(35,133)	0.00	(35,133)	0	0	(35,133)
ZD_07 - Small Business Working Capital	02	0.00	(111,923)	0	0	(111,923)	0.00	(111,923)	0	0	(111,923)
ZD_08 - SE Works Youth Transition Program	03	0.00	(40,956)	0	0	(40,956)	0.00	(40,956)	0	0	(40,956)
ZD_09 - Voz	04	0.00	(30,717)	0	0	(30,717)	0.00	0	0	0	0
ZD_10 - Greater Portland	05	0.00	(50,000)	0	0	(50,000)	0.00	(50,000)	0	0	(50,000)
<i>Total Reductions</i>		<i>0.00</i>	<i>(268,729)</i>	<i>0</i>	<i>0</i>	<i>(268,729)</i>	<i>0.00</i>	<i>(238,012)</i>	<i>0</i>	<i>0</i>	<i>(238,012)</i>
<u>Realignments</u>											
ZD_11 - Adult/Youth Workforce realignment	01	0.00	0	0	0	0	0.00	0	0	0	0
ZD_12 - Cluster/Entrepreneurship Support Realignment	02	0.00	0	0	0	0	0.00	0	0	0	0
<i>Total Realignments</i>		<i>0.00</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0.00</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total Portland Development Commission		0.00	431,271	430,000	0	861,271	0.00	(238,012)	30,000	0	(208,012)