

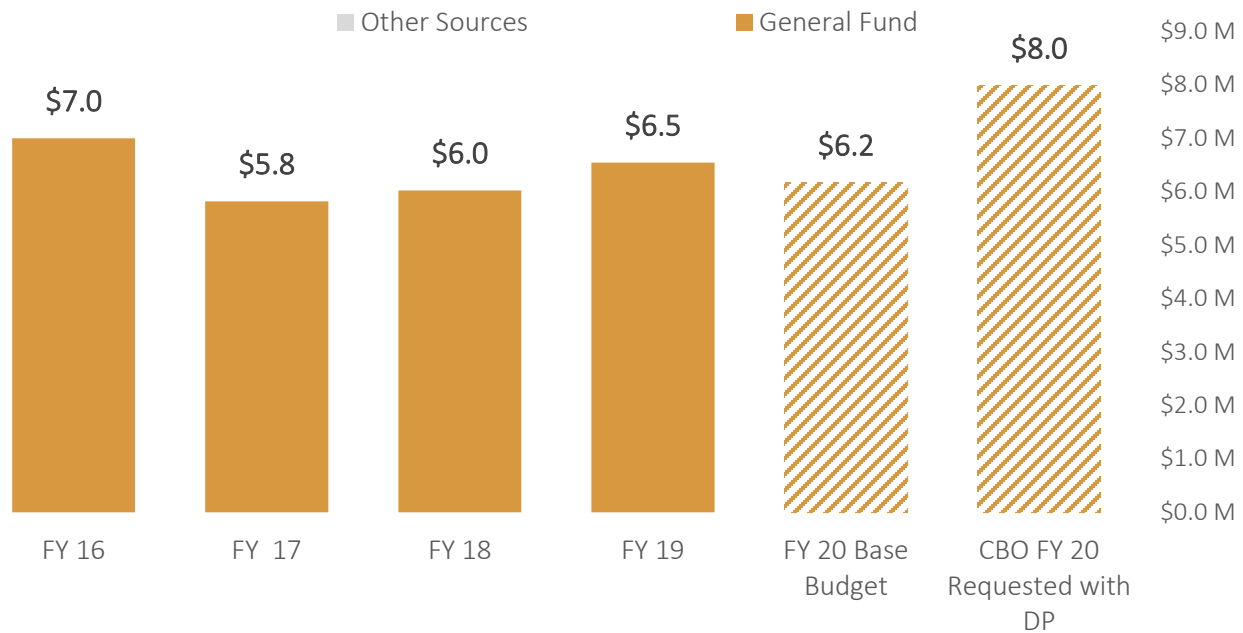


**City
Budget
Office**

Prosper Portland

Analysis by Josh Harwood

Adopted Budget Revenues - 5-Year Lookback



INTRODUCTION

Prosper Portland is the City’s urban renewal agency and the City’s General Fund component of its budget largely funds economic and workforce development initiatives. Prosper Portland provides a contract management role that brings together all City resources (General Fund, CDBG, and Enterprise Zone) to focus workforce efforts on specific goals and outcomes. In addition to programmatic management of economic development initiatives, Prosper Portland works with contract partners on workforce development efforts to support Prosper Portland's Strategic Plan and other specific needs as part of the overall economic development strategy.

BASE BUDGET KEY ISSUES

As has been discussed in prior reviews, Prosper Portland's key budget issue remains fiscal sustainability. The agency has shrunk significantly over the last decade as the City's urban renewal areas matured and reached the maximum debt levels. Prosper Portland's five-year forecast contemplates further decreases in both funding and employees.

The current model used for Prosper Portland's Financial Sustainability Plan assumes some resources from future districts. With the expiration of a number of districts over the next decade, the creation of new URAs would serve to offset the benefit of returning taxes to the General Funds of local jurisdictions. The City, and other jurisdictions, are already engaged in financial planning around what to do with the returning taxes, which are projected to be nearly \$40 million annually by FY 2028-29. URAs have come under increased scrutiny over the last decade, most notably being banned in California. CBO recommends that City Council and Prosper Portland schedule a Council work session over the next year or so discuss the specifics of both new plan development and the City priorities around spending the returned taxes from expiring URAs.

DIRECTIONS TO DEVELOP

Coordinated Community Plan & Development

\$723,000, 0.00 FTE

Direction Language

Collectively, Prosper Portland, Portland Bureau of Transportation, Portland Housing Bureau, and the Bureau of Planning and Sustainability were directed to develop a decision package to coordinate community planning and development initiatives in three geographical areas of Portland: East Portland, the Southwest Corridor, and North/Northeast Portland. The three project areas are comprised of independent initiatives tied together with common goals. Currently, partner bureaus are conducting projects in various stages in these three communities; however, efforts are not always coordinated regarding communications, community outreach, implementation, or outcomes. The partner bureaus state the goal of this multi-bureau package is to "coordinate communication, improve bureaus' collective community development practices, clarify roles, and make the impact of our shared equity goals more real." This request highlights a significant effort to coordinate community development work plans among bureaus to maximize effectiveness and deliver on project goals, especially as related to equitable development outcomes and community benefits.

Many of the projects align with City Council project and policy priorities, including ongoing work on the 2009 East Portland Action Plan, implementation of the Southwest Corridor Equitable Housing Strategy (adopted by Council in 2018), and coordination on the I-5 Rose Quarter Improvement Project to ensure its alignment with the City's N/NE Quadrant Plan (adopted by

Council in 2012) and the Albina Vision (a community-based plan for the Rose Quarter), among other initiatives. Bureaus were directed to work with the Bureau of Revenue and Financial Services to identify a City funding strategy for continuation and stabilization of these efforts, including property and asset management.

The projects would be coordinated by a team of bureau senior managers who would report regularly to the Planning and Development Directors on project progress. Across all bureaus, the requested amount of General Fund one-time resources is \$2,368,000, including:

- Prosper Portland: \$723,000 for Prosper Portland to identify specific funding needs and options for future coordinated real estate and infrastructure development in the three communities, including the potential leveraging of grants and/or the implementation of new Tax Increment Financing (TIF) Districts.
- PBOT: \$125,000 to support equity impact methodology development and analysis on its projects in the three project areas, including Division Bus-Rapid-Transit, the 2009 East Portland Action Plan, the Southwest Corridor Equitable Housing Strategy, and I-5 Rose Quarter Improvement Project, among others.
- PHB: \$1,000,000 to establish a Land Acquisition Fund for affordable housing investments. This would be used as a financing tool to develop and/or preserve “naturally occurring affordable housing,” which are unregulated units currently affordable to families earning approximately 80% of Area Median Income. This request is in addition to existing planned expenditures and funding streams that could be used to increase investment in the target geographies included in this proposal.
- BPS: \$520,000 to serve as one of the chief bureau coordinators of this work, in addition to providing services in area planning, land use research and analysis, urban design, zoning map and code amendments, and community engagement on projects in the three communities.

CBO Analysis

While this package proposes to provide clear benefits aligned with City and bureau adopted goals and plans, the return on investment for the Prosper Portland components of this plan are unclear. This request is essentially four distinct packages, and CBO has reservations about allocating limited resources based upon the following: first, CBO notes that City Council has declined to fund the programming for the Division Bus-Rapid-Transit for each of the past three years.¹ Second, Prosper Portland has within the past year received \$225,000 for community engagement and outreach on the Hill Block project, of which approximately \$162,000 has been spent. Should City Council decide that more funds are required, CBO recommends that Prosper Portland provide a detailed timeline for moving forward with the project. Finally, given the timing of the development of the southwest corridor, there is likely time to determine the appropriate role and funding level for Prosper Portland in that development project.

¹ See prior CBO reviews on this package: <https://www.portlandoregon.gov/cbo/article/675830>, <https://www.portlandoregon.gov/cbo/article/631365>, <https://www.portlandoregon.gov/cbo/article/567868>

In general, CBO recommends that formalized, multi-bureau coordination continue irrespective of whether new resources are allocated in FY 2019-20, given the interconnectedness of partner bureau's efforts and workplans. This is in line with previous CBO recommendations to preserve funding for a Program Coordinator within BPS that would be allocated to this specific role, ensuring that the City's long-term development objectives are reflected in plans, projects, and investments. Prioritization of bureau coordination on planning and development projects within partner bureaus' base budgets will ensure this effort is ongoing. Currently, there is insufficient designated outcomes and details regarding the intersection of these separate bureau initiatives for CBO to recommend allocation of limited available discretionary resources towards this effort.

CBO Recommendation: \$0

Portland Means Progress

\$300,000

Direction Language

This package would promote private sector investment in programming that supports inclusive economic growth and job creation, based on findings from the Mayor's Council of Economic Advisors (CEA). Funding would be used for the following:

- Business technical assistance;
- An annual celebration of program success, focused on recognizing commitment from companies and support from service providers;
- Provide lunch and engagement opportunities for companies and service providers;
- To seek additional funding from private sector in-kind support, private sector sponsorships, and foundation support for technical assistance and business grants;
- Social media promotion, web presence, video, and promotion & marketing; and,
- A dashboard to provide company outcomes on each aspect of the initiative.

CBO Analysis

Though this package was developed with input from the Mayor's Council of Economic Advisors, some members of Prosper Portland's Budget Advisory Committee found it to lacking in specifics and were not convinced that the package had been fully developed. The following is from the letter the committee authored for inclusion in Prosper Portland's requested budget:

"Some Committee members noted that Portland Means Progress is a new, unproven initiative and that should there be hard choices in funding the Directions, proven programs such as the Inclusive Business Resources Network and Neighborhood Prosperity Network are more critical to protect."

CBO agrees with the sentiment expressed above. While the goals of the package appear laudable, given the limited resources available, CBO cannot recommend funding at this time.

CBO Recommendation: \$0

Mercatus My Peoples Market

\$100,000

Direction Language

Mercatus is a web-based platform and directory providing a networking opportunity for entrepreneurs of color. Funding will support the following:

- My People's Market, a market that is held twice a year and includes more than 100 businesses and includes sales totaling approximately \$200,000 in sales generated for entrepreneurs of color.
- Mercatus facilitates six business workshops a year, including a networking and business resource fair provided in conjunction with the Prosper Portland's Inclusive Business Resource Network that pairs more than 200 businesses with financial and legal assistance.
- Mercatus Directory maintenance and support with the goal of directory growth from 500 to 800 businesses between FY 2018-19 and FY 2019-20.

CBO Analysis

Mercatus My People's Market fills a community need and advances Citywide equity goals through both a web-based networking environment and events that allow for business owners to sell products to the public. It also has demonstrable outcomes. Due to limited available resources, CBO has only recommended allocating funding to those proposals which will result in a direct and significant financial or legal cost if not funded and which cannot be absorbed within existing resources. Though there are not enough resources to recommend additional funding at this time, due to the exhibited success of this program, CBO would encourage Prosper Portland to prioritize this program within its current funding base.

CBO Recommendation: \$0

NPN OTCT District Manager

\$30,000

NPN Staff Assistance

\$175,000

IBRN - NPN Business Support

\$194,000

Direction Language

The three above packages all support Prosper Portland's Neighborhood Prosperity Network. The first would provide funding for the Old Town Community Association (OTCA) district manager position to assist in its mission of promoting equitable development, job creation and livability in the Old Town/Chinatown neighborhood.

The second package would fund ongoing staffing for Neighbored Prosperity Network to support the strategic programming that the organizations have developed. This increased staffing allocation was funded in FY 2018-19 by other Prosper Portland one-time funding. This package would add \$25,000 to each district, which would fund an additional half-time employee for a second year and reduce the disruption of services. Prosper Portland partners with seven community-based organizations in neighborhoods. These districts include Cully Blvd Alliance, Division-Midway Alliance, Historic Parkrose, Jade District, Our 42nd Avenue District, St. Johns Center for Opportunity, and Rosewood Initiative.

The third package would support the Micro Program, which has become part of the Inclusive Business Resource Network (IBRN) and provides both long term support (programs that provide 40+ hours of technical assistance a year) and light touch support (programs that help navigate businesses to programs within IBRN and provide approximately 10 hours of service a year).

CBO Analysis

Due to limited available resources, CBO has only recommended allocating funding to those proposals which will result in a direct and significant financial or legal cost if not funded and which cannot be absorbed within existing resources. These packages do not meet this criteria. If council desired to fund a portion of these packages, CBO would recommend prioritizing the third package. The IBRN has, among Prosper Portland's programs, some of the most demonstrable outcomes and thorough data. In particular, part of the program tracks businesses that engage in Prosper Portland services over time, measuring outcomes like revenue and employment growth. With respect to the first package, The City has completed its stated obligation to help support the Old Town/Chinatown District. The district manager position was created three years ago as part of a grant awarded by Prosper Portland from the General Fund and matched by donations from Old Town businesses, nonprofits, property owners and community members. Additionally, the City funded this position on a one-time basis in FY 2018-19. When established, it was intended that the district would be self-sufficient. Though it appears that has not happened to this point, given the limited resources available, CBO does not recommend funding the district manager. CBO notes that the second package was funded using one-time resources within Prosper Portland for FY 2018-19. Thus, it may be possible for the bureau to continue the program internally if it is deemed a priority.

CBO Recommendation: \$0

Portland Innovation Quadrant

\$150,000

Direction Language

Funding would be used to support the goals and long-term success of the Portland Innovation Quadrant. The Portland IQ spans the Central Eastside Industrial District, South Waterfront and South of Market/PSU University District. It is envisioned that IQ development would include a broad set of stakeholders, such as PSU, OHSU, OMSI, and PCC. Funding will be used to support

the following:

- The finalization of a 3-year strategic plan for the Innovation Quadrant. This will include the development of a vision and mission for the organization.
- The development of an IQ newsletter; a video telling the IQ story.
- A variety of initiatives that would support IQ development through special events and life science industry consulting.

CBO Analysis

Due to limited available resources, CBO has only recommended allocating funding to those proposals which will result in a direct and significant financial or legal cost if not funded and which cannot be absorbed within existing resources. This package does not meet this criteria. While the collaboration element of this package is appealing, it is unclear what the ultimate outcomes are for the development of the Innovation Quadrant, what the potential impact of the City's contribution would be, and how these benefits would meaningfully further City and bureau goals.

CBO Recommendation: \$0

Portland Film Office

\$142,000

Direction Language

The Mayor's Office and in response to a FY 2018-19 Budget Note directed Prosper Portland to request \$142,000 in one-time resources for the Portland Film Office for FY 2019-20.

CBO Analysis

In response to a FY 2018-19 Budget Note, the Portland Film Office is requesting \$142,000 in General Fund one-time resources for FY 2019-20. Although Prosper Portland believes that permitting bureaus, such as Parks and PBOT, will be responsible for funding half of the Film Office, discussions with the relevant bureaus are ongoing and no revenues outside of Prosper Portland's request have been budgeted. CBO notes that \$142,000 is 100% of the Film Office's funding for FY 2018-19. The Portland Film Office is a City entity supporting film production activity in Portland by coordinating with producers and permitting bureaus.

The FY 2018-19 budget note asked permitting bureaus to submit funding for half of the Portland Film Office as part of their requested budgets – which would have been equal to about \$71,000 based on the one-time funding provided by the General Fund for FY 2018-19. As mentioned above, no adjustments were made in the relevant bureau's requested budgets. In discussions with the Film Office over the course of the last two years, the Film Office had agreed to create a universal film permit to both provide a one-point-of-contact for film production companies and relieve some of the work that is currently being done in the City's large film permitting bureaus (particularly Transportation and Parks). To date, this has yet to be accomplished. Furthermore, the overall goal is to make the office self-sustaining on only permitting revenues, thus eliminating the General Fund subsidy. CBO recommends that the Film Office more fully demonstrate that it

can relieve some of the regulatory burden on City bureaus and fulfill its promise of a universal film permit. Prosper Portland indicates that a rollout of a universal permit will not likely be operational until FY 2020-21. Though CBO cannot recommend funding at this time due to limited resources, should City Council want to continue to fund the Film Office on a one-time basis, CBO believes, based on last year's budget note, it should only do so at the \$71,000 level.

CBO Recommendation: \$0

SUMMARY OF REQUESTS AND RECOMMENDATIONS

Below is a summary of Prosper Portland's total budget.

| | Adopted FY 2018-19 | Request Base (A) | Bureau Decision Packages (B) | CBO Recommended Adjustments (C) | Total Recommended Revised (A+B+C) |
|---------------------------------|-----------------------|------------------------|------------------------------------|---------------------------------------|---|
| Resources | | | | | |
| General Fund Discretionary | 6,014,424 | 6,168,120 | 1,814,000 | (1,814,000) | 6,168,120 |
| Total Resources | \$6,014,424 | \$6,168,120 | \$1,814,000 | (\$1,814,000) | \$6,168,120 |
| Requirements | | | | | |
| External Materials and Services | 6,014,424 | 6,168,120 | 1,814,000 | (1,814,000) | 6,168,120 |
| Total Requirements | \$6,014,424 | \$6,168,120 | \$1,814,000 | (\$1,814,000) | \$6,168,120 |