



Prosper Portland

Analysis by Yung Ouyang

Adopted Budget Revenues | 5-Year Lookback



INTRODUCTION

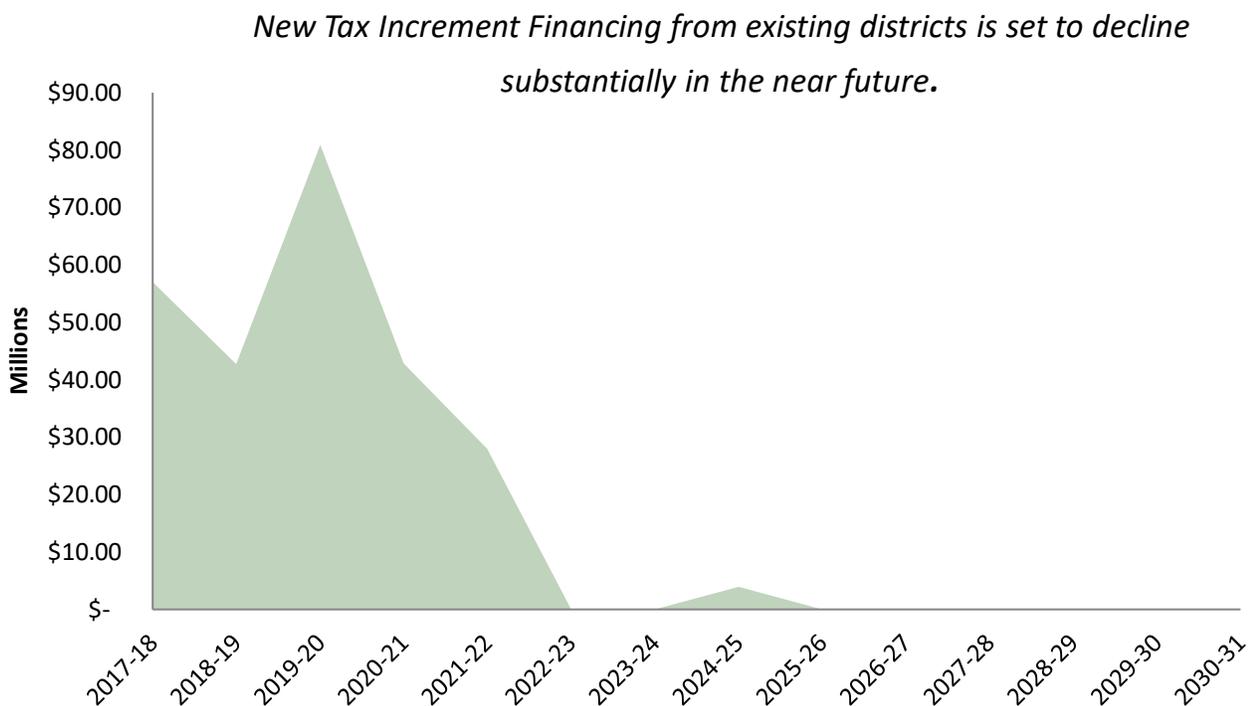
Prosper Portland is the City’s economic and urban development agency. The City General Fund component of the agency’s budget largely funds economic and workforce development initiatives. Prosper Portland acts as a pass-through for much of the workforce development activities that are funded by the City and actively manages several economic development initiatives that are funded by the City’s General Fund. The agency’s long-term financial sustainability continues to be the main challenge as the City’s tax increment finance districts mature and reach their maximum debt levels. The FY 2020-21

Requested Budget includes three requests for additional General Fund one-time resources to continue the Portland Film Office, pay half of the bureau’s share of the Portland Harbor Superfund obligation, and to fund a business anti-displacement initiative.

BASE BUDGET KEY ISSUES

Long-Term Financial Sustainability

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 in preparation for the maturation of the City’s urban renewal areas, which will soon reach their maximum debt levels. Prosper Portland’s five-year forecast contemplates further decreases in both resources and employees. The chart below illustrates the planned decline in new Tax Increment Financing (TIF) revenues over the next ten years.



A possible component of Prosper Portland’s long-term fiscal sustainability are new tax increment finance districts. With the expiration of nine of the ten districts over the next decade, the creation of new TIF Districts would offset the benefit of returning taxes to the General Funds of local jurisdictions. The City, and other jurisdictions, are presently engaged in financial planning around what to do with the returning taxes, which are projected to be nearly \$40 million for the City of Portland alone, annually by FY 2028-29. URAs have come under increased scrutiny over the last decade, and perhaps most notably are now banned in California, whose system was found to be rife with abuses. However, the dissolution of URAs in that state have contributed to less affordable housing being developed there, and California is now considering the restoration of TIF using some of the policy changes that the State of Oregon and the City have implemented over the last ten years, including increased local input and an emphasis on affordable

housing and transit-oriented development.¹ CBO recommends that City Council and Prosper Portland explicitly set forth a plan for determining if new URAs are going to be part of Prosper Portland's long-term fiscal sustainability plan so that the City and its overlapping jurisdictions may prudently plan for their own long-term sustainability. In addition to planning for future financial stability, the CBO recommends structured conversations that explicitly discuss the trade-offs associated with returning expired TIF resources to the City's General Fund as compared to reinvesting in economic and community development strategies supported by Prosper Portland.

The Financial Sustainability Plan (FSP) adopted by the Prosper Portland Board in July 2018 has not been formally updated and remains the benchmark by which the agency is measuring overall performance. Prosper provides updates annually to the Board to highlight the tracking actions and subsequent results – for example, reporting program income versus what is in the FSP, progress implementing property plans for all properties, the status of launching a New Market Tax Credit program, and success securing new public resources. The primary issue the agency has addressed with its Board is the timeline for implementing investments that will yield returns for the agency and replace tax increment financing (TIF) resources in the mid-2020's. Prosper will be developing a more robust forecasting tool to create updates to the overall plan based on current activity and scenarios for properties and TIF investments.

DECISION PACKAGES

Portland Harbor Cleanup

\$364,600, 0.00 FTE

Request Summary

Prosper requests \$364,600 in one-time General Fund resources for half of its share of the agency's FY 2020-21 obligation to the Citywide effort to clean up the Portland Harbor Superfund site.

Offset Summary

As Prosper's obligation for FY 2020-21 is \$729,200, in accordance with the Mayor's budget guidance to either offset half of the costs with reductions elsewhere or match the requested resources with outside revenues, the agency has designated \$364,600 of TIF from the River District URA as the matching funds. Most of the properties identified by the City as requiring development of a legal defense for Prosper are located within this URA.

CBO Analysis

Work on the Portland Harbor site has progressed from the investigation phase to cleanup design and implementation with the release of Record of Decision in 2017. A settlement process is underway to allocate the estimated \$1.05 billion cleanup costs among the numerous potentially liable parties; this process is estimated to take several years. The City's goal is to promote cleanup as expeditiously as possible while the potentially responsible parties continue to work on allocating the parties' obligations. CBO established a central reserve in January 2020 to collect funds City-wide to help meet these obligations, and Prosper's obligation, along with those of the other City bureaus involved, will be transferred to this trust fund. In addition to the \$729,200 obligation for FY 2020-21, the City has estimated that Prosper's obligations in FY 2021-22 and FY 2022-23 will be \$637,200 and \$76,800, respectively, and obligations in out-years are unknown. These estimates are expected to change annually as the City gains additional information.

¹ <https://www.latimes.com/politics/la-pol-ca-urban-renewal-program-returns-20180212-story.html>

Prosper believes that using TIF from the River District URA for a part of its obligation is consistent with the usage of those revenues for environmental remediation of properties owned or acquired by an urban renewal agency such as itself. While the agency intends to request continued General Fund support for a portion of the outyear obligations, it states that it will continue to fund a portion out of the River District URA. These amounts are not included in the district's Five-Year Forecast submitted as a part of the agency's FY 2020-21 Requested Budget, but Prosper plans to include them in the next version of its Five-Year Forecast. The forecast will continue to be updated and the budgets balanced as decisions on investments, repayment of the line of credit, and disposition of the USPS site are finalized.

However, the River District Five-Year Forecast currently shows a deficit of \$42 million based on current anticipated resources and all currently identified commitments. Therefore, Prosper states that allocating the entire \$728,200 of its FY 2020-21 obligation to the River District URA would effectively cripple that TIF District and even allocating \$364,600 will require additional reductions to other planned expenditures related to the USPS project or the Union Station project in the Broadway Corridor. CBO notes that the agency's Five-Year Forecast projects a 31.9 million *deficit* in fund balance by the beginning of FY 2022-23 partially due to large obligations in FY 2020-21.

Prosper states that its conservative estimate of resources in the district is not enough to fund all the commitments currently identified in the district. Total required expenditures include:

- Current cost estimates to prepare the USPS site for development,
- Commitments for the River District portion of the Old Town/China Town action plan,
- Providing matching funds for the next anticipated infrastructure grant for Union Station,
- Repaying the \$35 million General Fund backed line of credit that supported infrastructure investments in the district,
- and related Prosper Portland staffing/administrative expenses for these projects.

Past district forecasts have been balanced, assuming lower cost estimates on the USPS site and the site property sale repaying the \$35 million line of credit in the early 2020s as planned. USPS cost estimates have risen for relocation of the USPS retail site, demolition of the existing structure, and planned infrastructure improvements. Moreover, the timeline for land sales, which are dependent on demolition and infrastructure, have been moved to later years. The balancing required to implement the Broadway Corridor framework plan and USPS site is an active negotiation with the development partner and community members.

In light of this information, CBO has significant concerns about the financial situation of the district as a whole. There is a need for a larger understanding of options and tradeoffs to make the district financially viable, and a commitment to a comprehensive solution. CBO does not recommend allocating General Fund resources but recommends that the financial obligation for current and future payments for Portland Harbor cleanup should be part of this larger conversation that should be addressed imminently. As this request represents the first of several years of financial obligations for Prosper regarding Portland Harbor cleanup, any decision to allocate General Fund resources towards this effort should not just weigh current year trade-offs but also consider the future plan and trade-offs for this financial obligation as a whole. Until the larger solution is determined – which may well have an impact on General Fund resources – CBO recommends that these costs be incorporated in the district financing plan.

CBO Recommendation: \$0 one-time | 0.00 FTE

Portland Film Office (PFO)

\$142,000, 0.00 FTE

Request Summary

Prosper Portland is requesting \$142,000 in General Fund one-time resources for the Portland Film Office (PFO) for FY 2020-21. The requested amount will cover one (1.0) FTE and materials & services.

Offset Summary

When Prosper initially developed this request, it was expecting a \$180,000 match from Travel Portland. However, this arrangement has since fallen through, and there is currently no revenue match or budget offset for this request.

CBO Analysis

Prosper states that the request is in response to a FY 2018-19 Budget Note and that if approved, the resources will fund the Office while it works to centralize permitting functions and to become self-sustaining. Prosper states that the minimal need for the Office is \$230,000 annually, although a full-service office with a business development function equal to peer cities would require approximately \$365,000.

The PFO has been funded with one-time General Fund dollars since ongoing funding was cut from the FY 2017-18 Adopted Budget. A Budget Note and council resolution were adopted in November 2018 outlining Council's priorities for transitioning the Office off the current dependence on General Fund monies and towards a funding model that incorporates existing permit revenues. Prosper states that in subsequent conversations with PBOT and Parks, it became clear that these permitting bureaus were unable to commit any resources towards the PFO. Since it was determined that existing permit revenue was not available to contribute any funding, Prosper has been engaged in seeking alternative funding pathways and has concluded that true self-sufficiency is no longer feasible. Despite these challenges the agency states that the PFO is working diligently to identify alternative funding sources that would ultimately remove the need for the annual General Fund contributions. These alternative sources represent models used in most other markets around the U.S. for funding film initiatives. This includes the rollout of the universal film permit program estimated to bring in \$70,000 annually, a possible materials & services grant from Travel Portland, and a possible contribution from the Regional Arts and Culture Council.

In FY 2019-20, Prosper received \$142,000 of General Fund resources for the PFO, and the request for FY 2020-21 is for the same amount. CBO does not recommend an additional appropriation of General Fund resources for the PFO in FY 2020-21. The agency has indicated that it would like to request a total of \$425,000 for three years, with FY 2020-21 being the first year. Prosper states that the convening of industry, partners, and stakeholders to develop a long-term strategic plan for the office and the industry has been on hold due to funding uncertainty. However, the current request already represents the fourth year of one-time funding with the intent of reaching financial sustainability. CBO believes that the development of the plan itself should precede the City devoting additional General Fund dollars to the office.

Furthermore, while the office does have programmatic goals, there are no performance indicators that measure outcomes. Prosper states that in previous years estimates of economic impact of the industry have been \$140 million to \$170 million statewide and that 2,950 direct jobs for productions were generated in FY 2018-19. However, these are figures associated with the State of Oregon's incentive program; it is unclear what amount of economic activity the PFO itself has helped generate. Should the

Film Office continue in its current form, CBO recommends that the Office more fully demonstrate that its activities have indeed been responsible for significant economic benefits, provide some relief of the regulatory burden on City bureaus, and fulfill its promise of a universal film permit. If the universal permit is ready for deployment in July 2020 and Council does not provide General Fund resources for the PFO to continue to operate next year as it has been operating, the permit can potentially be managed by existing staff in PBOT and Parks.

CBO Recommendation: \$0 one-time | 0.00 FTE

Community Development Mitigating Displacement

\$350,000, 0.00 FTE

Request Summary

The Mayor's FY 2020-21 Budget Guidance included as one of seven priority issue areas a directive for the Bureau of Planning and Sustainability, the Portland Housing Bureau, the Portland Bureau of Transportation, and Prosper Portland to develop, implement, and manage equitable community development while mitigating displacement alongside infrastructure bureau partners. This effort was expected to include:

1. Collaboration alongside Portlanders to center community needs;
2. Improvement of East Portland to catalyze equitable and sustainable community development; and
3. Prioritization of residents who have displaced or who are at risk of displacement to achieve shared economic prosperity.

For FY 2020-21, the Housing Bureau, Bureau of Planning & Sustainability, and Prosper Portland put forward a collective one-time General Fund ask of \$1.14 million to support specific activities, which is anticipated to total \$3.42 million over the next three years.

Offset Summary

The components' requested General Fund resources would be matched by:

- Division Transit Business Support - \$100,000 of Enterprise Zone (E-Zone) resources
- Inclusive Business Resource Network - \$100,000 of E-Zone resources
- Retail Navigator - \$100,000 of TIF resources and \$50,000 of E-Zone resource

CBO Analysis

Following the Mayor's budget guidance, Prosper Portland is requesting \$350,000 in General Fund one-time resources to provide culturally specific business support to prevent small businesses in east Portland from being displaced as a result of the City's transportation and other investments in the area. This request is submitted in conjunction with separate requests from the Portland Housing Bureau and the Bureau of Planning and Sustainability's (BPS). The group is initially focusing on programming to address potential displacement of residents and businesses in east Portland related to two specific projects: the Division Bus Rapid Transit project and Parklane Park. Over the long-term, the group identified the need to strengthen the internal and external governance/network as well as improve tools for understanding and mitigating the impact of major City investments.

There are three components to Prosper's effort:

- Division Transit Business Support (\$100,000) – continue the delivery of culturally responsive business outreach, support services, and technical assistance through the Inclusive Business Resource Network (IBRN) to businesses located in the outer SE Division corridor;
- Inclusive Business Resource Network (\$100,000) – deliver light touch support via the districts in the Neighborhood Prosperity Network (NPN);
- Retail Navigator (\$150,000) – expand “boots-on-the-ground” support for small business owners operating retail or interested in operating retail around space programming, improvements, lease review and negotiation, broker connections, resource navigation, and other commercial retail business topics.

This request is the first of 3 years of one-time requests anticipated to complete this work, although the agency had already requested funding for the Division Transit component over several budget development and amendment processes, most recently in the FY 2019-20 Fall BMP, and City Council has consistently declined to fund the effort. Through partnership with other City and regional partners, the agency was able to secure grant funding for these costs for the first two years of the Portland Local Action Plan for the Powell-Division corridor. This funding source has recently come to an end.

The request offers clear goals in terms of the workload that would be conducted:

- Division Transit Business Support – Conduct outreach to 150 businesses, or at least 350 outreach hours, with 30 businesses each receiving approximately 10 hours of business support services;
- Inclusive Business Resource Network – 150 clients who live or work in the NPN districts will be served;
- Retail Navigator – 50 east Portland businesses will receive light touch support, and ten businesses will receive intensive support

The agency states that it will be tracking client transitions from light touch to long term IBRN programming and mentions that IBRN uses a qualitative and quantitative badge tracking system that measures outcomes around business strength, stability, and scalability. While the bureau has been tracking IBRN program performance through the badge tracking system since the program began in FY 2017-18, it is unclear whether the five-year goals will be reached. Prosper Portland emphasizes that the program is multi-year, and expectations are that businesses take multiple years to stabilize and prepare for growth. This should be kept in mind as the program’s performance is evaluated.

	Five-Year Goal	FY 2018-19 Target	FY 2018-19 Actual	FY 2018-19 Target Achieved?
Number of Strong and Stable business owners who have established a foundation for the future and receive a benefit from their business	1,000	200	118	No
Number of Growth businesses that have realized efficiencies in ordering operating, and/or production	250	30	44	Yes
Number of Scale businesses that have a market-proven product or service and are investing in the expansion of their business footprint	25	4	5	Yes

Number of Getting ready to Launch traded sector startups - aspiring entrepreneurs that move past concept and launch a product or technology into a new market	100	35	46	Yes
Number of businesses receiving light touch technical assistance	I/A	400	594	Yes
Number of businesses receiving long-term technical assistance	I/A	400	497	Yes
Percent of business owners of color served by the network	I/A	75%	70%	No

IBRN was able to achieve most of its performance goals for FY 2018-19. While the program was not able to develop 200 business owners to the level of having a foundation for the future and who receive benefits from their businesses (“Strong and Stable”), there are still a couple more years for Prosper Portland to ensure that the five-year goal of 1,000 will be met. On the other hand, the inability to meet the FY 2018-19 goal is a concern since the targets for the earlier years of the five-year period are lower than future targets, raising the question of how the program would be able to achieve the higher targets of the future years if it cannot meet the lower ones now. While acknowledging that businesses take multiple years to stabilize and prepare for growth, CBO recommends that Prosper Portland consider conducting an evaluation of the effectiveness of activities that it has undertaken to move business owners to the Strong and Stable level if it has not already begun to do so. With 2.5 years of the program already passed, now is a good time to evaluate and make the necessary improvements.

In addition, Prosper states that IBRN’s community of practice and outcomes committee are working to identify trackable outcomes for its light touch programming. The agency notes that these light-touch services are essential for providing lower barrier access to services and have been intentionally developed to solve for specific problems and tailored to a community’s specific needs. Prosper notes that 11% of clients served through Neighborhood Prosperity Network services have transitioned into long term programming to date and 27% have achieved a Strong and Stable badge. The agency emphasizes that the ultimate outcome of businesses prevented from displacement as intended in this budget request will involve a timeframe longer than the one-year budget reporting period and would require putting in place on-the-street surveying and inventorying. This is notable as it indicates there is a longer required investment to understand and assess effectiveness.

The goal of this request is to help pilot an approach to coordinating and sequencing bureau interventions prior to major public capital investments that are likely to result in increased property values, taxes, rents, and other cost of living increases. This connects to Comprehensive Plan policies to combat displacement of residents and business owners spurred by changes in neighborhood affordability. The Bureau of Planning and Sustainability has been charged with creating and managing a master inventory of these policies, which will help to align and prioritize efforts across bureaus. CBO recommends funding BPS’ request to continue this work, which is critical to ensuring the overall success of the City’s anti-displacement strategy.

CBO notes that Prosper’s request would advance the City’s equity goals, as the programs are prioritized for under-represented business owners, including people of color, women, and those who are low-income. However, the extent to which inequity would be reduced is unknown. While Prosper does utilize the badge tracking system to evaluate IBRN, the agency has not provided specific numerical outcome goals associated with this request. While the request addresses a clearly defined and pressing need, the

extent of the impact of the proposal is not easy to quantify. In addition to the uncertainty around impact, CBO is concerned about potential future costs that may be required to sustain and ensure this investment has the intended impact and/or meets community expectations once the work has begun.

However, there may be initial evidence from performance data that IBRN’s efforts are benefitting community members. Recognizing that we are at a particular time in the City’s development history where there is urgency to address the displacement of small businesses in east Portland, particularly those owned by minority and low-income communities, and also recognizing that this goal is also one of the Mayor’s priorities for FY 2020-21 and is related to an adopted City policy, CBO is supportive of this proposal. Given aforementioned concerns, CBO is not recommending a specific dollar amount be allocated to this proposal; rather, CBO recommends the Council determine the appropriate scale of new resources versus existing resources that should be allocated to this effort based upon Council priorities and available resources. Prosper’s FY 2020-21 Requested budget includes \$2.2 million of funding for IBRN; reallocating resources already focused on disadvantaged businesses and those more likely to be displaced towards this effort in east Portland would require a service level decline in other Portland neighborhoods; however, that may be an option for Council to consider given the priority of this issue and competing proposals for available resources.

CBO Recommendation: \$0 one-time | 0.00 FTE

SUMMARY OF REQUESTS AND RECOMMENDATIONS

Below is a summary of only that portion of Prosper Portland’s budget that is in the General Fund.

Prosper Portland - All Funds

		2019-20 Adopted Budget	2020-21 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Expense	External Materials and Services	\$7,609,120	\$6,682,944	\$856,600	(\$856,600)	\$6,682,944
	Total	\$7,609,120	\$6,682,944	\$856,600	(\$856,600)	\$6,682,944
Revenue	General Fund Discretionary	\$6,871,994	\$6,294,504	\$856,600	(\$856,600)	\$6,294,504
	Miscellaneous Fund Allocation	\$737,126	\$388,440	\$0	\$0	\$388,440
	Total	\$7,609,120	\$6,682,944	\$856,600	(\$856,600)	\$6,682,944