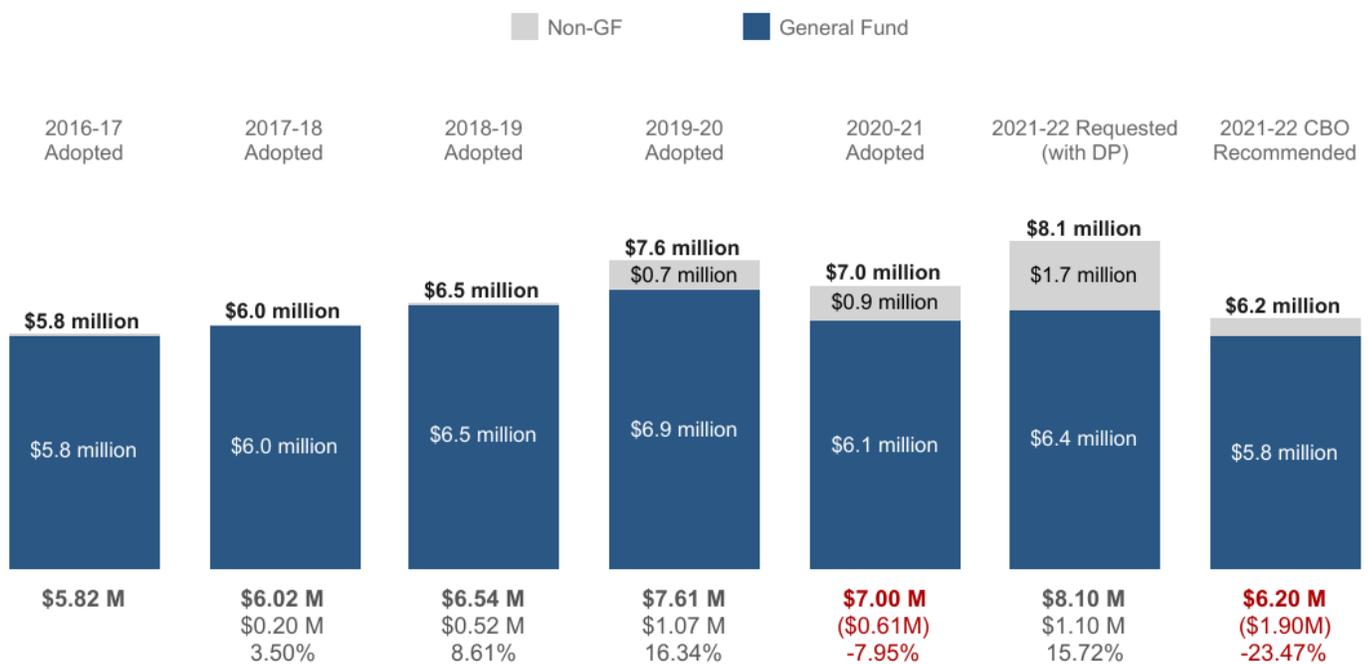




## Adopted Budget Revenues | 5-Year Lookback



*Adopted Full-time Equivalent Totals*

## INTRODUCTION

Prosper Portland is the City’s economic and urban development agency. The 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 General Fund.

- Prosper’s long-term financial sustainability continues to be the agency’s primary challenge as

the City's Tax Increment Finance districts mature and reach their maximum debt levels.

- The agency's FY 2021-22 Requested Budget in the General Fund and the Recreation Cannabis Tax Fund totals \$8,104,830, which is 9.0% higher than its FY 2020-21 Revised Budget.
- The FY 2021-22 Budget includes a reduction of 5% as required by the Mayor's Budget Guidance. Prosper elected to reduce 5% of each of its five economic programs' budgets to submit as the bureau's constraint option. The agency also requested these resources be added back in addition to two separate requests for new General Fund resources.
- CBO recommends restoring the 5% reduction for two programs: Inclusive Business Resource Network and the Workforce Development program.
- CBO does not recommend new General Fund resources for the Portland Film Office and the Small Business Repair grants.
- Prosper also requested resources from the City's Recreational Cannabis Tax (RCT) Fund. CBO does not provide recommendations on requests for resources from this fund, and Council is currently scheduled to discuss requests for RCT at a work session on April 1, 2021.

## BASE BUDGET & KEY ISSUES

### Program Revenue Losses Related to COVID Impacts

During the FY 2020-21 Fall BMP, CBO reported on Prosper Portland's program revenue (loan interest, lease and parking income) losses in FY 2019-20 due to the economic impacts of the COVID pandemic. Prosper indicated that the decline in revenues in FY 2019-20 combined with the forecasted reductions in FY 2020-21 required expenditure reductions in the FY 2020-21 budget. Using a revised forecast, staff rebalanced several TIF Districts, reducing lending and grant programs in order to balance where necessary. The agency also implemented personnel services reductions to help offset the decrease in program revenues in the current year.

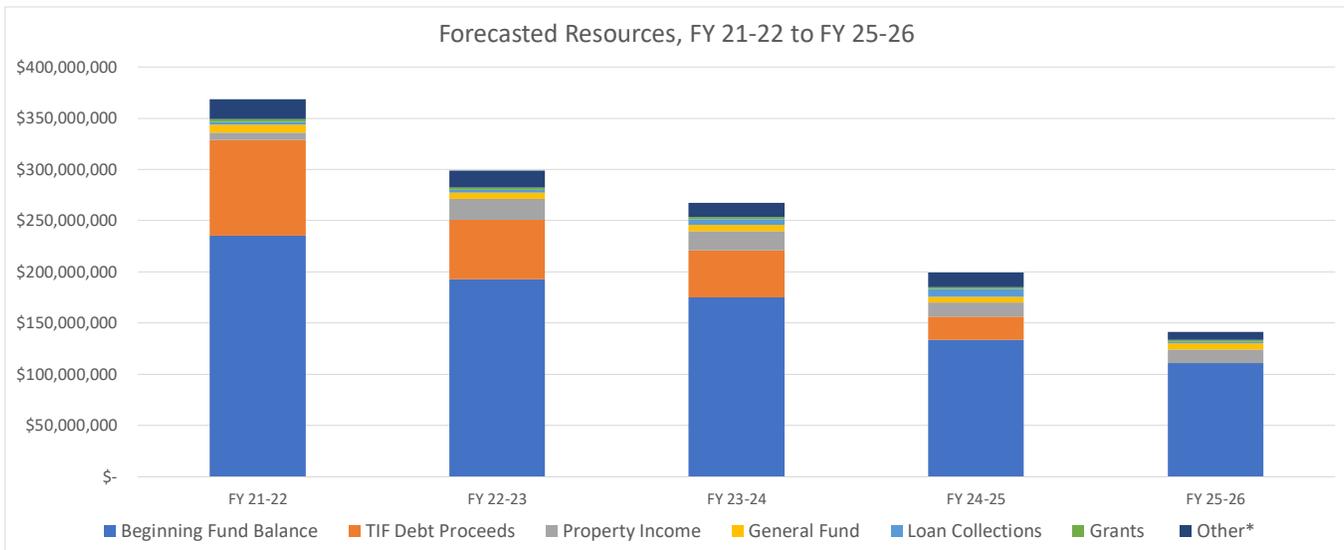
Prosper included conservative assumptions in the FY 2020-21 budget related to the loss of loan and property related income; the FY 2020-21 Revised Budget for property income is about 40% of last year's pre-pandemic budget. Nevertheless, actual collections as of the second quarter of the current fiscal year shows that the agency has collected only 39% of the Revised Budget amount. The primary drivers in reduced property income are attributable to loss in revenues from parking receipts at Prosper's three garages and other surface lots, and from lease and other property income, most notably from the Inn at Convention Center. Loan collections are reduced due to deferrals but are generally on the same level as prior year collections.

Included in the agency's Requested Budget for FY 2021-22 are forecasts for loan and property revenues for the next five years. The forecast generally includes higher loan loss assumptions, i.e., lower collectability, for the next three years, with uncollectable rates gradually decreasing in later years. Furthermore, operating income from parking and lease revenues are projected to increase over the next three years as the economic recovery progresses. A "spike" in property

income is expected in FY 2022-23 (\$20.1 million compared to \$7.0 million for FY 2021-22) due to the recovery, as well as two other factors: 1) higher operating income from planned improvements at Inn at the Convention Center, and 2) property sales in the River District.

## Financial Sustainability

Revenues from Tax Increment Financing (TIF) Debt Proceeds are currently forecasted to dwindle to zero dollars in FY 2025-26. Facing this “TIF Cliff”, strategies to achieve long-term financial sustainability for Prosper Portland include: increasing General Fund resources, increasing program income, amendments to existing TIF districts, and creations of new TIF districts.



\*Other includes: Fees and charges, Interest on investments, Miscellaneous, Reimbursements, Service reimbursements, and Transfer in

**General Fund** – The likelihood of additional, ongoing resources being added to Prosper’s budget in future years are dependent on many factors, not the least of which is the City’s financial condition, which in turn is dependent on the overall economy. The actual amount of General Fund resources allocated to Prosper fluctuated between \$5.8 million to \$7.0 million over the last five years. Bureaus receiving ongoing General Fund resources were directed to propose ongoing reductions funded by those resources during four of these last five years. The most recent five-year forecast for the General Fund issued in December 2020 indicates substantial near term shortfalls, followed by additional ongoing resources becoming available starting in FY 2023-24 due to the expiration of the Urban Renewal Areas and the subsequent return of property tax revenue to the City.<sup>1</sup> Should existing TIF districts be extended or new ones be created, the Citywide forecasted General Fund resources would decline. Should Council determine a portion of returning URA resources be allocated to current recipients of TIF (Prosper and the Housing Bureau), the “TIF Cliff” would be mitigated for those bureaus, but the amount of General Fund available Citywide would be reduced.

**Program revenues** – These revenues include loan collections and property income. While

<sup>1</sup> <https://www.portlandoregon.gov/cbo/article/779876>

Prosper's five-year financial forecast does include revenues for loan repayments, it does not assume new income from any loans being made over the same five-year period. Prosper states that property income (primarily operating income from parking, leases, and other operating income) is a key component of the agency's Ten-Year Financial Sustainability Plan. The plan assumes that net operating income from certain properties continued to be held by Prosper will support its operating and capital budgets over the next ten years and beyond. As noted above, the pandemic significantly reduced the projection for property income for this year and over the next several years, increasing reliance on existing TIF resources to support assets and implement projects.

**Amendments to existing TIF Districts** – Most recently, the Interstate Corridor Urban Renewal Plan was amended to increase maximum indebtedness and is expected to generate \$67 million, most of which will be devoted to developing affordable housing with about 30% to be allocated to Prosper for economic development activities. The amendment will delay the return of property tax revenue to the City's General Fund as well as those of other local governmental jurisdictions, potentially resulting in missed opportunities that require the use of the resources. There is only one other potential amendment to an existing TIF District in the near future: stakeholders in the Gateway area have expressed an interest in extending the last date to issue debt for the Gateway Regional Center TIF District. If the Prosper Portland Board of Commissioners approves this extension, it can allow the district to reach maximum indebtedness and generate resources for community economic development and affordable housing.

**New TIF Districts** – There have been several community-led conversations about creating new TIF districts. In the Cully area, staff have been working with seven community-based organizations to explore the creation of a community-centered TIF district that would provide resources for business and residential stability. The Cully partners are currently conducting community outreach and aim to seek City Council approval of a new district by the end of 2021. In the SW Corridor, while voters rejected a measure to fund a new light rail line in November 2020, the SW Equity Coalition is advocating for planning and investments along the Barbur Boulevard corridor in anticipation of the new line and is exploring the applicability of TIF as a tool to meet community priorities. In East Portland, Neighborhood Prosperity Network (NPN) district managers recognize the TIF resources originally made available a decade ago through the NPN program are at or close to expiring. There is potential for this to lead to a larger TIF district east of I-205 focused on community investment priorities.

## River District TIF Funding Deficit

The River District is the only TIF district showing a funding deficit in Prosper's Five-Year Forecast. In the FY 2020-21 Budget and Five-Year Forecast, the River District showed a deficit of over \$50 million due to the inclusion of a \$34 million line of credit repayment, existing commitments such as the Old-Town/Chinatown Action Plan, anticipated Broadway Corridor investments, and conservative property sale and program income assumptions on the resources side.

The current forecast still shows a deficit starting in the third year, but it has been significantly reduced due to various reasons. With Council approval of the US Postal Service (USPS) site

funding and finance plan last fall, the \$34 million repayment is removed from the Five-Year Forecast. With the new loan/line of credit repayment arrangement, Prosper will contribute \$20 million after FY 2032-33 and also repay the General Fund \$7.5 million in FY 2033-34, when a significant land sale is estimated, while the General Fund will pay \$24 million from FY 2022-23 to FY 2032-33. Prosper notes that this ties to the nominal cash flow of its “low value” model which results in a \$15 million net present value obligation for the General Fund. In addition, costs pertaining to the long-term staffing and administration of the district have been revised based on anticipated levels of work compared to other districts and available resources. Finally, sales revenue assumptions for properties held by the district but located outside the Broadway Corridor were increased by a net of \$3 million. Prosper has indicated that the remaining \$2 million deficit in the forecast may, in the future, be solved by the release of excess bond reserve funds when the district pays of its final debt in 2023.

Two of the most prominent and costly properties in the River District are the USPS site and Union Station. Prosper is progressing on redevelopment of the USPS property in alignment with the funding and finance plan and agreement terms approved by City Council last fall, including site preparation and negotiating the Disposition and Development and the Community Benefits Agreements. Negotiations will also include the determination of the purchase price with Continuum Partners, allowing Prosper and OMF to finalize the restructuring of the line of credit obligation. Concerning Union Station, the estimated cost of improvements was \$165 million as of 2018, but sources of funding for this body of work have not yet been identified.

## DECISION PACKAGES

### Restore Economic Development Program – Inclusive Business Resource Network

*\$85,292, 0.00 FTE*

#### Request Summary

Prosper Portland requests to add back \$85,292 in ongoing General Fund resources to support its Inclusive Business Resource Network (IBRN) program so that it can provide professional service business technical assistance to 40 businesses that it would otherwise not be able to serve.

#### CBO Analysis

IBRN is a group of 20 organizations funded and facilitated by Prosper Portland that provide business technical assistance and entrepreneurship support to under-represented entrepreneurs. Approximately 1,000 businesses were served last year through the Network, of which more than 70% were owned by people of color and more than 55% were owned by women.

Prosper primarily tracks the effectiveness of the program using what it calls a “badge” system, which is a cumulative count of the number of businesses at various stages of development, with five-year targets for each stage. This method of tracking was developed to acknowledge the multi-year nature of the effort it takes to move a business from being launched to it becoming

strong and stable and able to invest in expansion. FY 2020-21 is the fifth year since the tracking began, and Prosper has had to revise its targets for these three measures. By the act of revising these targets down, the agency is perhaps acknowledging that it has not been able to reach the initial targets previously set. What this inability to reach the initial targets means in terms of the effectiveness of the agency’s efforts is not so clear, as there can be many reasons why the targets have not been met, including resource constraints or factors outside the agency’s span of control.

|   | <b>Initial target</b> | <b>FY 21-22 target</b> |
|---|-----------------------|------------------------|
| Startup businesses launched in 5 years    | 100                   | 80                     |
| Strong and stable businesses in 5 years   | 1,000                 | 250                    |
| Businesses invest in expansion in 5 years | 25                    | 10                     |

Prosper’s pivot to providing more light touch assistance during the COVID-19 pandemic contributed to the slow progress on the badge system last year. In order to assess how businesses in the IBRN portfolio are adapting to challenges posed by the pandemic, business advisors have been asked to give a status update on the businesses they are working with and designate whether the business is permanently closed, distressed, transitioning, recovering or stable. Of the 479 businesses represented in the January 2021 pulse check, 51% were stable or recovering and only 3% were permanently closed.

Another method of tracking effectiveness is the Client Satisfaction Survey, which was last administered in November 2019. The survey indicated that 78% of respondents report that the services they received contributed to the growth or success of their businesses, while 57% believed that because of the services received, they have seen the sales of their businesses increase. Prosper states that business-specific data via an online outcome tracking platform is only available for clients receiving 30 to 40 hours of service a year, and these include gross revenues, jobs created and retained, and key milestones that tie to the badge system. However, the agency has not reported on this business specific data to CBO.

CBO recommends returning the \$85,292 in ongoing General Fund resources for the IBRN program. This program advances the City’s equity goals as a purpose as it aims to assist under-represented entrepreneurs to progress in the development of their businesses. While the performance data provides an uncertain picture of the program’s effectiveness, the Client Satisfaction Survey data indicates a positive impact. CBO recommends the development of additional metrics that assess outcomes. As the program has pivoted to assisting businesses impacted by COVID-19 with technical assistance, it advances the City’s priority to help Portland’s businesses recover from the negative economic impacts of the pandemic. CBO also notes that the program may also be eligible for funding by the Recreational Cannabis Tax and the second round of federal funding for Coronavirus relief. Under the Federal American Rescue Plan’s current draft language, this request would likely be eligible for future federal stimulus funding, for which the rules and distribution are anticipated to be finalized this Spring. Although CBO is recommending General Fund for this request at this time, CBO would recommend Council allocating American

Rescue Plan resources towards this request to free up General Fund resources for other essential City needs.

**CBO Recommendation: \$85,292 ongoing | 0.00 FTE**

## Restore Economic Development Program – Workforce Development

*\$66,302, 0.00 FTE*

### Request Summary

Prosper Portland requests to add back \$66,302 in ongoing General Fund resources for its Workforce Development program, to enable a part-time Community Workforce Navigator to continue to provide direct service to 100 vulnerable job seekers in low income neighborhoods.

### CBO Analysis

Prosper Portland, in collaboration with Worksystems, Inc. (WSI), funds adult and youth workforce development programs for low-income Portlanders, helping them to better connect and compete in the regional economy. The Community Workforce Navigator Program (CWNP) is designed to increase access to appropriate workforce development services for high barrier job seekers, with the target population being under- and unemployed residents, low-income residents, people of color, and/or those who speak English as a second language. Workforce navigators provide tailored workforce support, and services include: individual needs assessment, resume review, interviewing skills, and job search and placement support.

WSI implements performance measures that cover employment, income, retention, and advancement for a period of one year after program exit. Performance highlights include:

- 98% percent of adult participants who completed the program in 2018 retained employment four quarters after exit, and 62% of participants advanced in employment as demonstrated by gains in earnings, wages and/or benefits.
- Adult participants who completed the program in FY 2019-20 had an average pay at program entry of \$15.72 compared to \$16.84 at program exit. Youth participants who completed the program had an average pay of \$13.08 at program entry compared to \$16.25 at program exit.
- Prior to the COVID-19 pandemic, the year over year job placement (or education placement for youth) has been consistent, with 60% to 65% of participants placed into a job or enrolled in training or post-secondary education. In FY 2019-20, placement for workforce programs was 58% due to the economic impact and loss of jobs resulting from the COVID pandemic but Prosper believes that it also indicates the program's continued ability to place job seekers into employment.

CBO recommends the restoration of \$66,302 in ongoing General Fund resources to the Workforce Development program to avoid the loss in services to vulnerable job seekers. Prosper's Workforce Development program strives to serve under-represented communities, and the services of the CWNP are explicitly devoted to such populations, thus seeking to advance the City's equity goals. The program may also advance the City's priority to help Portland recover

from the negative economic impacts of the pandemic by training up under-represented job seekers so that they are poised to enter and compete in the job market after completion of the program, which may be when the region's economy is recovering from the economic impacts of the pandemic. CBO also recommends that the program develop and report on metrics that assess the long-term (beyond four quarters) impact of the program's efforts. CBO also notes that the program may also be eligible for funding by the second round of federal funding for Coronavirus relief. Under the Federal American Rescue Plan's current draft language, this request would likely be eligible for future federal stimulus funding, for which the rules and distribution are anticipated to be finalized this Spring. Although CBO is recommending General Fund for this request at this time, CBO would recommend Council allocating American Rescue Plan resources towards this request to free up General Fund resources for other essential City needs.

**CBO Recommendation: \$66,302 ongoing | 0.00 FTE**

## **Restore Economic Development Program – Traded Sector**

*\$71,995, 0.00 FTE*

### **Request Summary**

Prosper requests to add back \$71,995 in ongoing General Fund resources for its Traded Sector Economic Development program. According to Prosper, if the funds are not added back, the effects include:

- four fewer trade shows or approximately 20 fewer businesses being provided technical assistance to increase sales from outside of the region and access new markets;
- approximately 20 fewer businesses being provided introductions to capital partners, technical assistance for giving a pitch, and access to capital;
- elimination of specific Diversity, Equity, and Inclusion (DEI) trainings, reductions in resources being developed, and limits to TechTownPDX programming.

### **CBO Analysis**

The program's cluster development work includes direct and referral assistance for traded sector companies to become more inclusive and/or grow, business recruitment, global trade support and investment attraction, and support for Portland Means Progress. While Prosper is able to quantify the outputs that would be affected by the loss of the General Fund resources - for example, the number of businesses introduced to capital partners - the ultimate outcomes resulting from the loss of these outputs are not readily ascertainable. The agency has provided the following example of the effects of investments in export assistance: in the Athletic and Outdoor cluster over the last three years, a \$45,000 investment in export assistance at the New York Now Trade Show led to \$150,000 in wholesale orders in new markets for 15 women and BIPOC-owned Portland businesses. For other components of the request, Prosper has similarly provided past examples as similar benefits that would be lost if the General Fund dollars are not added back.

Prosper Portland acknowledges the difficulty of quantifying the direct impacts to middle-wage

jobs of budget cuts to the Traded Sector program. The agency states that reduced capacity would limit the number of business, recruitment, and expansion visits – one of the bureau’s workload performance measures - which provide relationship building and engagements with businesses to retain jobs and discuss potential expansions. Additionally, it notes that reductions to programming that lead to access to capital, access to new markets, and technical assistance to small businesses that are otherwise poised to grow with these interventions can lead to loss of potential new middle-wage jobs. Most of the program’s performance measures pertain to workload, however, with only the number of jobs resulting from Traded Sector business relocations and expansions within Portland being an outcome one. The FY 2021-22 target for this measure is 500 jobs, while Prosper ended last year with 1,108 jobs added due to the program.

CBO is not recommending the return of \$71,995 of ongoing General Fund resources to the program. While the program has clear goals in terms of workload and outputs, there is limited data on the effectiveness of its efforts. In addition, while equity is a component of the program as it provides direct and referral assistance for traded-sector companies to become more inclusive, it is not clear how much such assistance would be affected by the loss of funds among all the other impacts of the cut. CBO acknowledges that not restoring the funding may have impacts, but the tradeoffs may be acceptable compared to new adds or other requested addbacks.

**CBO Recommendation: \$0 ongoing | 0.00 FTE**

## **Restore Economic Development Program – Neighborhood Prosperity Network**

*\$39,714, 0.00 FTE*

### **Request Summary**

Prosper Portland requests to add back \$39,714 in ongoing General Fund resources to provide its Neighborhood Prosperity Network (NPN) program with grant writer support services. The amount would be spread across the network’s seven districts. Grant resources supports district specific programming and staff costs not covered through the program’s General Fund resources.

### **CBO Analysis**

Through its Neighborhood Prosperity Network (NPN) program, Prosper Portland partners with seven community-based organizations located in north, northeast and east Portland, to support economic opportunity, small business growth, and build community capacity in these neighborhoods. Each NPN district focuses on the unique needs of its community with the goal of growing businesses and increasing employment opportunities. Grants and technical assistance from Prosper Portland enable the organizations to hire staff, make physical improvements, encourage community led development projects, and increase the visibility of the district. These districts are in neighborhoods with the lowest average household incomes and higher than average diversity compared to Portland as a whole.

Prosper states that grant-writing support has helped to leverage an average of \$770,000 in additional funds annually across the network. Indeed, the amount of private funds leveraged by NPI Districts is one of the program’s performance measures, with the program raising almost \$1.1

million last year and a target of leveraging \$750,000 next year.

Due to limited available General Fund resources, CBO is not recommending the return of the \$39,714 in ongoing General Fund dollars to the program. While leveraging additional resources through grants may be important, it is not an indicator of how well the NPN districts are performing in their ultimate goals of growing businesses and increasing employment opportunities. If the \$39,714 amount is divided equally among the seven districts, the amount for each district would be \$5,673, which could possibly be prioritized from other sources such as Enterprise Zone funds. In addition, these resources do not have to be across the board allocations; some districts have greater flexibility to absorb the expense than other less-resourced districts.

**CBO Recommendation: \$0 ongoing | 0.00 FTE**

## **Restore Economic Development Program – Venture Portland**

*\$27,756, 0.0 FTE*

### **Request Summary**

Prosper Portland requests to restore \$27,756 of ongoing General Fund resources to retain support for two of Venture Portland’s Catalytic Investment Initiative (CII) districts in North, Northeast or Southeast neighborhoods.

### **CBO Analysis**

Venture Portland aims to spur neighborhood small business connectedness and growth by providing technical assistance, grants, and trainings to approximately 50 neighborhood business districts throughout Portland. Its Catalytic Investment Initiative (CII) provides high touch assistance to address historic and structural disparities and issues with affordability and displacement in six targeted business districts in East and North Portland. These districts have higher percentages of immigrants, people of color and people living below Portland’s median household income.

Venture Portland states that if the funds are not restored, the decision of which two districts would have their staff support eliminated would need to be thoroughly reviewed in coordination with the Mayor, Prosper, and itself. Venture has calculated that the cost to support each CII district is about \$16,400 per year, primarily composed of \$12,480 in staff support (pay for an organizer working 12 hours a week at \$20 per hour) and \$3,500 for grants. Therefore, if not restored, the eliminated funding would equate to support for 1.7 districts. Venture states that other arrangements such as eliminating support for one CII district while another would receive very limited staff support, or reducing the organizer’s work hours for all districts, are not tenable because of the difficulty of hiring organizers who are willing to work for so few hours.

The organization states that it measures the effectiveness of the CII program through three deliverables:

1. increasing Business District Association (BDA) membership,
2. increasing the number of BDA volunteers, and

### 3. increasing BDA revenue.

Venture states that individually tailored workplans are developed for each district each year, detailing activities and metrics such as revenues and volunteer hours. However, the organization notes that the COVID-19 pandemic has made such workplans difficult to implement.

Furthermore, the pandemic has caused many small businesses to close, leading to decreased volunteer support, membership, and revenues to the BDAs, with the BDAs turning to Venture Portland for additional support. Venture believes that during the pandemic, the metrics that it has traditionally used are not applicable, and the usual standards do not meet the needs of the small business owners and the BDAs.

CBO does not recommend the restoration of funding to Venture Portland. While the program has explored several different arrangements for what reductions in CII service the elimination of the \$27,756 could entail, there are still other possibilities, such as the elimination of all grant funding and minor reductions in staffing hours to all six districts, or reductions to other services provided by Venture instead of the CII. While the CII does seek to advance the City's equity goals as its aim is to address historic and structural disparities in the six districts, how effective it is in doing so is unclear as Venture has indicated that the usual metrics it had previously used to measure effectiveness are not applicable during the COVID pandemic.

Under the Federal American Rescue Plan's current draft language, this request would likely be eligible for future federal stimulus funding, for which the rules and distribution are anticipated to be finalized this Spring. Due to limited available General Fund resources, CBO does not recommend General Fund support for this proposal; however, Council could consider allocating American Rescue Plan resources towards this request once the rules and funding are finalized.

**CBO Recommendation: \$0 ongoing | 0.00 FTE**

## Local Small Business Relief Repair Grants

*\$300,000, 0.00 FTE*

### Request Summary

Prosper Portland requests \$300,000 in one-time General Fund resources to provide 65 local small businesses with funding to address their immediate physical repair needs. During the Fall BMP, Prosper received the same amount in General Fund dollars that it matched with \$300,000 of TIF funding and with the combined funding, provided 144 small businesses with an average of \$4,500 in grant funding for their repair needs.

### CBO Analysis

Prosper has indicated that there continues to be a pressing need for these repair grants during the pandemic, as it received 240 applications during the previous round (but was only able to fulfill 144 of the requests), and the funds were fully allocated within three months. Although the General Fund resources were disbursed based on a first come, first serve basis, Prosper states that it administered the funds with an equity lens. Of the 144 businesses served by the first round of grants, 41% were to African American, Asian, Middle Eastern, and Latino/a/x-owned businesses, and 28% self-described, chose not to identify, or entered "N/A."

Businesses first apply for the grant and indicate a general cost area where they will use the grant funds. Once eligibility is confirmed, the business submits receipts for those expenditures and is reimbursed based on the final eligible cost. If a business submits through its insurance to align the amount of grant funding with the deductible, Prosper staff requests a copy of the insurance claim. It is not a requirement of the program as several businesses, particularly in the downtown area, have opted not to go through insurance in fear of rate increases or inability to renew their policy. The agency states that many small businesses have reported increasing difficulty in securing property insurance, particularly if they have had multiple break-ins within a single year period as was experienced in 2020. In terms of tracking on return on investment, Prosper is considering issuing follow-up surveys to gauge how the funds have impacted the business.

If the request is funded, Prosper has indicated that the agency would likely leverage additional TIF funds as it did in the prior round. The repair grants address a clearly defined and pressing need, and while disbursed on a first come, first serve basis, would have an impact on BIPOC-owned businesses. CBO does recommend that Prosper conduct follow-up surveys to determine impact and long-term effectiveness, potentially requiring the grantees to report back as a condition of receiving the grants. Under the Federal American Rescue Plan’s current draft language, this request would likely be eligible for future federal stimulus funding, for which the rules and distribution are anticipated to be finalized this Spring. Due to limited available General Fund resources, CBO does not recommend General Fund support for this proposal; however, CBO would recommend allocating American Rescue Plan resources towards this request once the rules and funding are finalized.

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

## Portland Film Office – Economic Recovery

*\$192,960, 0.00 FTE*

### Request Summary

Prosper requests \$192,960 in ongoing General Fund resources to staff the Portland Film Office (PFO) with 1.5 FTEs and cover associated materials and services costs. Among other responsibilities, the office engages in recruitment of film projects, the active marketing of city as a desirable place to film, and assisting production companies with permitting/regulatory issues.

### CBO Analysis

The PFO has been funded each year 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 dependence on General Fund monies and towards a funding model that incorporates existing permit revenues. Prosper stated that in subsequent conversations with PBOT and Parks, it became clear that these permitting bureaus were unable to commit any resources towards the PFO, although a surcharge on the permits was implemented in FY 2020-21 to help fund the office.

In the past, the PFO worked 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 in the U.S. for funding film initiatives, including the rollout of a universal film permit. At this point, Prosper has concluded that true self-sufficiency is no longer feasible and is therefore requesting ongoing General Fund resources to permanently staff the office. The PFO still has plans for the universal film permit but states that a software solution is needed to implement it. The office has indicated that with 1.5 FTEs and associated materials and services costs funded by the General Fund, this universal film permit can be rolled out within 18 months. In the past, the PFO estimated that this special permit would generate \$70,000 annually.

In addition to one-time General Fund resources of \$142,000, the PFO is currently funded in part by Prosper Portland's Indirect Fund, which is predominantly covered by TIF resources. This funding source covers about 10% of the 1.0 FTE that is currently working in the office. This year, the PFO also began to collect revenue from a 40% surcharge added to PBOT and Parks permits. For the first half of FY 2020-21, Prosper collected about \$20,000 from this surcharge, but the office believes that the surcharge will need to be reduced for Portland to remain competitive with other regions as an attractive location for filming

CBO does not recommend an additional appropriation of General Fund resources for the PFO. While the office does have programmatic goals, there are no performance indicators that measure outcomes. Prosper states that in FY 2019-20, at least 30 projects equating to \$135 million of local spending were based and shot in the Portland area. For this year, the State of Oregon's incentive program is projecting approximately \$150 million in direct local spending with 1,300 local crew jobs in the area. Despite these estimates, it is unclear what amount of economic activity the PFO itself has helped generate. In regards to this, the office has pointed to testimonies from production companies who stated that they would not be filming in Portland if not for the PFO. The office also cites efforts it has made on the policy front that have practical implications, such as those regarding permits, that have been essential in motivating companies to film in the city.

Prosper notes that the PFO has become a high priority for the agency due to the economic benefits from direct local spending that filming brings to the city. Moreover, it states that the priority of the request is heightened this year because of the economic impacts of COVID-19, noting that spending from the film industry directly impacts jobs most negatively impacted by the pandemic, such as those in the accommodations and catering sectors. If funding is ultimately approved by Council in the FY 2021-22 Budget, the CBO recommends that the Portland Film Office more fully and quantitatively 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.

**CBO Recommendation: \$0 ongoing | 0.00 FTE**

## **BIPOC Cannabis Business Development and Relief**

*\$420,000, 0.00 FTE*

### **Request Summary**

Prosper Portland requests \$420,000 in one-time Recreation Cannabis Tax dollars to operate a culturally specific accelerator for cannabis entrepreneurs of color and provide them with

technical assistance, access to capital, and relief grants. Prior years' Recreation Cannabis Tax funding for similar efforts were allocated in FY 2018-19 (\$150,000), FY 2019-20 (\$210,000), and the current year (\$420,000), with Nu Leaf Project selected by a competitive process to implement Prosper's cannabis business development efforts. Nu Leaf will work with Prosper's IBRN program to track outcomes, including returns on investment.

## **CBO Analysis**

The requested amount of \$420,000 can be broken down as follows:

- \$10,000 for first stop solutions for cannabis entrepreneurs (approximately 40 businesses receiving four hours of direct service)
- \$100,000 for access to capital for three or four businesses
- \$210,000 for relief grants to 20 to 25 businesses
- \$100,000 for the culturally specific accelerator

Prosper states that in 2020, the cannabis industry faced inequitable closure rates and market share loss for undercapitalized people of color-owned businesses trying to weather increased costs coupled with sales volatility and changing consumer behavior. The industry also faces the potential for less diverse pipeline of startups for the next two to three years resulting from founder financial instability. Identifying the BIPOC-owned business needs presented by the pandemic early, the Nu Leaf Project spent 2020 deploying capital and technical assistance to BIPOC-owned cannabis businesses to capture growth, stabilize businesses, and incubate startups.

Some of the funded program's outcomes in 2020 included:

- One business doubled sales in 2020 and another increased sales by 7% because of their grants yielding a five-fold return on the grant.
- For one business, the relief grant was spent on increased marketing, and the sales increase resulted in a six-fold return on investment.
- One business was able to use the relief grant to invest in equipment that helped it to streamline processes and recoup sales lost due to the pandemic.
- For one cannabis delivery business, a zero-percent loan enabled the business to pay for license renewal, stay compliant, and remain open.
- One business was able to rehire a furloughed employee due to the relief grant.

Requested and current Recreational Cannabis Tax allocations will be discussed with the Council at a work session on April 1<sup>st</sup>.

## **Small Business Legal Support for Recovery**

*\$500,000, 0.00 FTE*

### **Request Summary**

Prosper requests \$500,000 in one-time Recreation Cannabis Tax resources to leverage \$1.2

million in federal Community Development Block Grants CARES Act funds to provide 250 businesses with legal support services, including lease and contract review and negotiation, bankruptcy and asset retention support, mediation between tenants and landlords, and advice related to the commercial eviction moratorium. If the program is funded, Prosper anticipates that 75% of businesses served will be BIPOC-owned and 60% will be owned by those who identify as women or gender-expansive.

### **CBO Analysis**

The existing legal support program within IBRN has consistently been funded, since 2013, at \$100,000 each year with a mix of Prosper Enterprise Zone funds and General Funds resources, with a one-year decrease to \$85,000 in 2017 based on budget availability. The agency notes that the program consistently exceeds its goal of serving 100 clients and has not been able to meet the needs of IBRN referrals. With cash-strapped businesses pivoting or needing to renegotiate their leases, Prosper has seen an enormous increased need for legal support over the last ten months and expects the trend will only continue as the grace period for paying unpaid rent from the commercial eviction moratorium ends on March 31, 2021. Economists predict many small businesses will consider filing for bankruptcy at this time.

Prosper indicates that the capital access support component refers to providing assistance to businesses to apply for capital and gain access to capital. These supports include business plan review, developing bookkeeping strategies, financial planning, budgeting, goal setting and projections, market research and analysis, and support with completing complex loan and grant applications and various backup documentation including translation and digital literacy support.

Without considering the CDBG funds, the \$500,000 requested alone would provide 250 businesses with additional services that are not currently offered, or are offered but the providers are not currently accepting new clients because they are at capacity. The IBRN program's ongoing funding supports roughly 1,000 small businesses annually. Some of these 1,000 businesses might take advantage of the new services, and thus be included in the 250 businesses receiving new services.

Requested and current Recreational Cannabis Tax allocations will be discussed with the Council at a work session on April 1<sup>st</sup>.

### **Small Business Digital Divide and Ecommerce**

*\$350,000, 0.00 FTE*

#### **Request Summary**

The COVID-19 pandemic has contributed to changes in consumer behavior, such as the drastic shift towards online interactions as opposed to in-person or on-premise interactions. Prosper requests \$350,000 in one-time Recreational Cannabis Tax dollars to assist BIPOC businesses with their digital marketing and e-commerce efforts. Businesses participating in the program will receive up to eight hours of one-on-one consultation, as well as mini-grants to increase their sales and diversify sales channels, while advisors in IBRN will receive professional development on digital marketing. The effort will involve My People's Market (MPM), leveraging the MPM

audience to increase ecommerce sales for 75 MPM vendors year-round.

### **CBO Analysis**

In 2019, Prosper Portland received one-time funding from the State of Oregon to implement a Digital Marketing Support Pilot for its Mercatus Directory of BIPOC entrepreneurs. With 12 businesses served in the first year and further demand for the program, Business Oregon renewed the program in FY 2020-21 to serve an additional 45 businesses. Need for the program continues to outstrip available resources, with ten businesses currently on the program's waitlist.

Business Oregon has asked for qualitative feedback regarding the impact of the program and will work with the Prosper Portland program manager to create an outcome survey to be sent out at the conclusion of the program in June 2021. Currently, business owners have shared testimonials about the impact of the program that credit it with helping businesses to develop a digital strategy, empowering them with the tools, the knowledge, and the funding to become successful. Prosper does not believe State funding is available again next year. Business Oregon provided one-time special appropriation funding to support the launch of the program in 2018, and Prosper Portland has served 57 businesses to date.

Prosper states that this one-time funding will have long term impacts in that by supporting businesses to build out their e-commerce operations, they will learn how to use digital marketing tools to grow or scale their business. However, the service is similar to a light touch professional service in that businesses receive the digital marketing service and training they need at the moment, and the program can report impact six months to one year after the service is received. Long-term outcomes are reported through long-term programming where a business has an ongoing relationship with a business advisor; many participants in the digital marketing program are also receiving support through IBRN where long-term outcomes are tracked.

Requested and current Recreational Cannabis Tax allocations will be discussed with the Council at a work session on April 1<sup>st</sup>.

# SUMMARY OF REQUESTS & RECOMMENDATIONS (ALL FUNDS)

## Prosper Portland

|                |                                 | 2020-21<br>Adopted<br>Budget | 2021-22<br>Requested<br>Base<br>(A) | Bureau<br>Decision<br>Packages<br>(B) | CBO<br>Recommended<br>Adjustments<br>(C) | Total<br>Recommended<br>Budget<br>(A+B+C) |
|----------------|---------------------------------|------------------------------|-------------------------------------|---------------------------------------|--|---|
| Revenue        | Miscellaneous Fund Allocation   | \$858,440                    | \$451,593                           | \$1,270,000                           | (\$1,270,000)                            | \$451,593                                 |
|                | General Fund Discretionary      | \$6,145,662                  | \$5,890,277                         | \$492,960                             | (\$632,425)                              | \$5,750,812                               |
| <b>Revenue</b> | <b>Sum:</b>                     | <b>\$7,004,102</b>           | <b>\$6,341,870</b>                  | <b>\$1,762,960</b>                    | <b>(\$1,902,425)</b>                     | <b>\$6,202,405</b>                        |
| Expense        | External Materials and Services | \$7,004,102                  | \$6,341,870                         | \$1,762,960                           | (\$1,902,425)                            | \$6,202,405                               |
| <b>Expense</b> | <b>Sum:</b>                     | <b>\$7,004,102</b>           | <b>\$6,341,870</b>                  | <b>\$1,762,960</b>                    | <b>(\$1,902,425)</b>                     | <b>\$6,202,405</b>                        |