

# Prosper Portland 2021-22 Hearing Minutes

Wednesday, June 9, 2021

3:00 p.m.

222 NW Fifth Avenue

Portland, Oregon

Via Zoom Meeting

Present:

**TSCC:**

Chair David Barringer, Vice-Chair James Ofsink, Commissioner Margo Norton, Commissioner Harmony Quiroz, Commissioner Mark Wubbold, Executive Director Craig Gibons, and Budget Analyst Tunie Betschart.

Absent: None

**Portland Development Commission:**

Chair Gustavo Cruz, Commissioner Willie Myers, Commissioner Peter Platt, Executive Director Kimberly Branam, Development Manager Lisa Abuaf, Budget Officer Tony Barnes.

Mr. Cruz welcomed everyone to the TSCC Public hearing on the 2021-22 Prosper Portland Budget hearing saying Prosper Portland is pleased to participate in today's TSCC hearing. He then turned the floor over to Chair Barringer

Chair Barringer opened the public hearing and asked the Commissioners and staff to introduce themselves. He then asked if any Commissioners have business relationships with the district that could be perceived as a conflict of interest. There were none. He then asked the district to introduce the commissioners and staff. Following those introductions, Chair Barringer asked the district to give a brief overview of their budget.

Chair Barringer said testimony would be taken at the end of the prepared questions.

Prosper Portland Chair Gustavo Cruz said he had not prepared an overview of the budget but wished to express his appreciation to TSCC for conducting today's hearing.

## **TSCC Questions**

### **Chair Barringer asked the following questions:**

Please tell us how the pandemic has impacted your work. What new programs will you be carrying forward from that work? If there is ongoing work, how will you pay for ongoing work? What lessons have you learned this year?

Prosper Portland Chair Cruz answered the first question saying, given their role as the city's economic development agency, the economic impact of the pandemic significantly shaped their work. He said they quickly responded to business and community needs by:

- Creating the Small Business Relief Fund
- Deploying new resources from the Economic Development Administration
- Launching the Small Business Repair Grant
- Deferring lease and loan payments
- Distribution of PPE and collateral

He said they pivoted all work to digital formats and the engagement of hundreds of partners. They impacted community members through the Economic Recovery Task Force and numerous listening sessions. At the same time, they continued to deliver on key objectives that existed before the pandemic.

They will carry lessons learned from the pandemic response into future work. Mr. Cruz gave several examples. They broadened their outreach to priority populations by expanding translation services, and next fiscal year's budget will include resources for staff to translate materials into multiple languages. They have learned that they can conduct some work and community outreach by engaging with community members virtually. While there are still significant digital divide considerations, some of their community engagement will be more accessible. It will not require stakeholders to travel to events but rather to participate digitally.

Furthermore, they have always appreciated working with partners closer to the constituents they are trying to serve. The pandemic response made it even more apparent that having partners 'close to the ground' such as Inclusive Business Resource Network, Neighborhood Prosperity Network, and culturally-specific chambers of commerce is critical to quick and effective business relief and support.

Have you expanded your brand during this situation?

Prosper Portland Chair Cruz said he believed they had. He said their profile had been heightened during this process as they expanded their ordinary work well beyond the typical projects, doing some unusual, high-profile relief programs.

**Commissioner Wubbold asked the following questions:**

What parts of Prosper Portland's work were interrupted by the pandemic? When will that work get back on track? How has the pandemic impacted the district's MWESB (Minority, Women, and Emerging Small Businesses) program and goals?

Prosper Portland Commissioner Myers fielded this question saying while timelines have been extended and a significant degree of market uncertainty remains, the agency has continued to make progress on both core priorities and the pandemic response at the same time.

The pandemic caused the slowdown of some key projects because of staff capacity, community partner capacity, and because of market uncertainty – particularly those projects in the pre-development phase such as the Workshop Blocks in the Central Eastside, Block 25 and 4th & Burnside in Old Town, and investments anticipated under various action plans in Old Town, N/NE and East Portland.

He said they postponed updating action plans in Lents and Gateway, given the uncertainty in the market to focus on immediate community relief needs. In summer 2020, the lending team shifted

its focus from Prosper Portland's business finance programs to working with the U.S. Economic Development Administration to get greater flexibility on their funding and getting those funds out the door focusing on business relief. The agency adjusted contract requirements with workforce development, Inclusive Business Resource Network, and Neighborhood Prosperity Network districts to enable them to concentrate on pandemic-related challenges and had to postpone several national and international trade shows.

Concerning meeting contracting goals, the current construction projects have met the business and workforce goal of 20%, with nearly 25% of total construction project costs going to DMWESB (Disadvantaged Minority, Women, and Emerging Small Businesses) certified firms. Additionally, 11% of construction costs went to minority-owned firms – totaling \$21M in business.

The data show that workforce compliance on the current construction projects is well underway. Eight of nine projects utilizing 30% or higher apprentice labor, eight of nine projects use 25% or higher minority contractors, and three of nine utilizing female contractors. The data remind us that there is room for growth in diversifying the construction industry, particularly for women and women of color.

In comparison to last year, do you have a sense of your change?

Prosper Portland Commissioner Myers said they are constantly monitoring that and setting goals higher each year to ensure they reflect the communities they are serving.

**Commissioner Ofsink asked this follow-up question:**

At the Port of Portland's hearing earlier today, one of the things they talked about was using their influence to build the pipeline they wanted to see in this area. Metro had a similar theme about how they were investing toward a pipeline they wanted to see in the future. Is PP thinking along similar lines?

Prosper Portland Commissioner Myers answered, saying the nature of their transactions involves many public/private partnerships. They are more complex than working with a public agency. So the way that they work does not fit the way that public owners use.

Ms. Branam added that they have been working with the City as part of their one-percent for Construction Equity Fund to think about how the agency supports the pipeline of workforce capacity and make sure that the agency has a diverse construction industry as well as supporting the business diversity side. This is around technical assistance, so helping businesses be ready to bid and have the capacity to do that. It is a program the agency has been piloting with the city. Just last month, the board approved a new business and equity workforce policy that will put 25% toward that pipeline development.

Prosper Portland Commissioner Myers added that the importance of the workforce equity work they are doing would reflect in the contractor equity program. He said that 95% of the minority workers come from Workforce.

**Commissioner Quiroz asked the following questions:**

Prosper Portland began receiving pandemic-relief funding last year, and that will continue into next year. In the end (assuming the pandemic ends), how much funding will you have received in this area, and how has it benefited the community? We understand that that as part of your DEI program, you had some targets. Did you achieve the outcomes you intended?

Prosper Portland Chair Cruz explained that Prosper Portland received \$1,000,000 in General Fund resources from the City of Portland to help launch the Small Business Relief Fund and \$15,000,000 in CARES Act funding that helped more fully source the Small Business Relief Fund. Prosper Portland also received \$1,480,000 in new CARES Act related Economic Development Administration loan funds to support small business and another \$1,300,000 in CARES Act funding as part of the annual Community Development Block Grant funding from the City of Portland for small business funding.

While some of these resources have already been invested, others provided a multi-year window for expenditure, so the funding will continue to go out in the coming fiscal year.

Through the Small Business Relief Fund, the agency provided \$11,080,000 in direct grants and \$2,769,993 in block grants. Fifty-seven percent of recipients identified as women, and eighty-nine percent identified as non-white.

As for the Economic Development Administration resources, Prosper Portland provided seven loans totaling \$706,339; five of these loans were provided to people of color owned businesses.

He summarized by stating they did pretty well overall. All of this was done under considerable time pressure given the state of the world during that time.

Did you have specific targets in terms of your funding?

Ms. Branam said they did not have targets in place but prioritized people who were most adversely impacted. The agency knows that the pandemic disproportionately impacted black, indigenous, and all people of color and key industries. This was the lens the agency used when making decisions.

**Commissioner Norton asked this follow-up question:**

You have been providing some additional supplemental services to businesses, small businesses, and struggling businesses who are becoming dependent on that additional support and will have expectations in the future. Will you be able to support them when the federal money ends?

Prosper Portland Chair Cruz said he is not sure that they have analyzed that in great detail or how long it will continue at an extremely high level. There have been more outreach, and many things have been done through the Inclusive Business Resource Network. A lot of those services are provided through them. They may continue to see more requests for assistance.

Ms. Branam said she would like to echo Chair Cruz's response and add that she thinks this has been an economic shock for most businesses. So the one-time infusion of resources was critical in the same way having the \$1,400 payments to individuals was very helpful at a very crucial moment. She does not feel they have created more expectations but instead thinks businesses were really hurting and there were resources there to support them. The Inclusive Business Network is a critical program that will continue. It will be a place where businesses can continue to seek support.

**Commissioner Norton asked the following questions:**

What is the state of the pandemic rent deferral program? How many tenants took advantage of it? Will you forgive any rent payments? Are you still deferring rent? When do you anticipate collecting the past due rent?

Prosper Portland Commissioner Peter Platt tackled these questions, saying that Prosper Portland has not offered rent deferment to support tenant resiliency during the pandemic. Instead, they have provided rent abatements based on the type of businesses tenanted their properties and the level of public health requirement impacts to those businesses' ability to operate. The abatements Prosper Portland offered go through June 30, 2021. Twelve tenants have taken advantage of the abatement offered.

At this time, Prosper Portland has not considered forgiving any unpaid rent in addition to the abatements already provided. Prosper Portland has offered and worked with many tenants to apply for and receive a grant from Business Oregon in commercial rent relief funds to help pay down the tenants' owing rent balance after abatement. Any additional forgiveness in addition to abatement and grant assistance awarded by Business Oregon would be on an as-needed basis and would have to be reviewed and approved by the agency's finance committee. Most of the tenants do not have significant past due rent with abatement and award of Business Oregon commercial rent relief awards to date. Prosper Portland will review any past due rent and work individually with each tenant as Prosper Portland's abatement term concludes in summer.

**Commissioner Ofsink asked this follow-up question:**

You said there are 12 that have taken advantage of the rent the abatements provided. So that is 12 out of how many?

Ms. Lisa Abuaf fielded this question by saying that most of their tenants have received the abatement because most of them were impacted and could not operate through the pandemic.

**Commissioner Norton asked this follow-up question:**

If I understand correctly, the abatements are due to end in just a couple of weeks. However, it appears that the rental income for next year remains at a lower level. That is what gave me the impression that this would continue. Am I misunderstanding something?

Ms. Abuaf said they have other properties such as parking garages, and those would not receive rent abatements. Therefore, this would show as a significant decrease. She concluded by saying the most prominent hit came from hotels and garages.

Mr. Tony Barnes added that they are ramping up the forecast for parking lease and other property rental revenue over the next two years. So it is a gradual process to come back to pre-pandemic over the next few years.

**Commissioner Ofsink asked the following questions:**

It is not clear from your approved budget what capital projects you will be undertaking next year. Would you please brief us on those activities?

Prosper Portland Commissioner Myers fielded this question saying Prosper Portland has several capital projects that will be undertaken next year, either through development partnerships or direct

contracting. Tenant improvements will be under construction at the Nick Fish (106th/Halsey); Lents Commons; and the 10th & Yamhill ground floor to support small local businesses leasing and tenancing in those commercial spaces. In response to the pandemic's impact on the community and local small businesses, Prosper Portland supports efforts to activate vacant parcels and the public realm in partnership with community-based businesses and organizations. Capital projects will include improvements to the streets and park space at Ankeny West to support food carts locating to that site. Prosper will also be undertaking temporary utility improvements to properties in Old Town and potentially the Central Eastside.

Capital projects to prepare Prosper Portland owned properties for redevelopment include:

- Demolition of the post office main facility and horizontal site work at Broadway Corridor;
- Removal of piling at Centennial Mills;
- Demolition of the fire station building on Block A&N in Old Town

Disposition of Prosper Portland's 100 Multnomah property is anticipated to occur next fiscal year, with construction led by the acquiring development partner after closing.

As part of the asset management activities, the agency is scoping significant improvements to the Inn at the Convention Center in inner NE, which could get underway in FY 21-22, depending on the timing of design completion and receiving permits. Roof improvements to one of our Nelson properties in N/NE, currently tenanted by Spar-Tek, are anticipated in the next fiscal year's budget. Prosper Portland is also working closely with Portland Parks and Recreation to replace the Holman Dock in the Central Eastside; upon completion of the dock replacement, the dock will permanently transfer to Parks.

Finally, infrastructure resources budgeted in the Oregon Convention Center area for the Earl Blumenauer Pedestrian and Bike Bridge support the Portland Bureau of Transportation's construction efforts.

It seems like the biggest ticket item is the post office demolition. Will the focus next year be mainly demolition? What is the plan for the development of that property at that site? What is the rough timeline?

Ms. Branam said in August 2020, they secured support for the Master Plan. They are finalizing the Development and Disposition Agreement with the partners for the northern portion of the district. She went on to say the demolition of the building is the next critical step. They anticipate this taking about a year. That will be followed by site preparedness, environmental remediation, putting in streets, connecting utilities. She said they are not sure where the first building will be, but they hope to see an affordable housing project in the next three to five years.

**Chair Barringer asked the following question:**

What is the status and prognosis for the Williams and Russell project?

Prosper Portland Commissioner Platt responded, saying this is a politically and culturally sensitive project. However, they are taking care to ensure it is guided in the right way. The Williams & Russell project is a community-led project guided by the Project Working Group (PWG). In February 2021, the PWG issued a Request for Proposal (RFP) seeking development teams to partner with the PWG and affiliated community organizations in the development of the property and in alignment with community-identified priorities and values. The RFP closed on April 8, 2021, and the PWG is

in the process of evaluating proposals received and is aiming for a selection of a development team in July 2021.

In March 2021, the PWG identified an ownership and stewardship structure for long-term land ownership and development of the site. The community is moving forward with forming a new non-profit registered as the Williams & Russell CDC. The new non-profit will be a continuation of the PWG and will be accountable to the broader community. The CDC has been formed such that the structure of the Board of Directors and the meetings for the non-profit and its ongoing partner engagement reflect the work of the PWG.

With a selection of a preferred development team, Prosper Portland and the Portland Housing Bureau stand ready to support the project through financial investment. Legacy Health is preparing for the land transfer of the property to the new non-profit.

**Commissioner Ofsink asked the following questions:**

We are tracking all the districts' affordable housing work, and Prosper Portland is using TIF funding to finance some of the city's affordable housing work. How much control do you have over the use of those funds? How many units currently being constructed are being financed by Prosper Portland, and how many are in the pipeline? Does this work tie into your equity work and goals?

Prosper Portland Chair Cruz tackled these questions saying on an annual basis, Prosper Portland and the Portland Housing Bureau (PHB) execute an intergovernmental agreement that provides 45 percent of tax increment finance resources to PHB for their investment in affordable housing. Prosper Portland does not assert any control over the administration of these resources; instead, they are administered at the sole discretion of PHB and Portland City Council. PHB provides regular reports to City Council and produces a publicly available State of Housing report that can be found on their website.

On particular community-based projects in N/NE, Gateway, and Broadway Corridor, Prosper Portland and PHB have additional day-to-day funding coordination based on the shared investment. The day-to-day project coordination includes co-investments in the Nick Fish in Gateway; the Broadway Corridor master plan and future build-out; and investment in homeownership and home repair programs in N/NE.

Thank you, Executive Director Branam, for inserting the link in the meeting "chat" for additional details.

**Commissioner Wubbold asked the following questions:**

You have a new fund in the budget, the Affordable Commercial Tenancing Act Fund. How will that program work? What are the results so far? What results do you anticipate for next year?

Prosper Portland Commissioner Platt responded, saying Prosper Portland is the City Council designated administrator of the City of Portland's affordable commercial mixed-use zones bonus. This program is enshrined in the city's zoning code. It allows real estate development projects in commercial mixed-used zones to access a floor area ratio bonus, provided that the development project offers affordable commercial space. In lieu of providing affordable commercial space, the program allows for developers to pay a fee that is administered by Prosper Portland to provide

affordable commercial space. The new fund was established as the repository for three payments into the fund since the bonus program was established.

Prosper Portland has four affordable commercial pilot projects within the Affordable Commercial Tenanting (ACT) program at Alberta Commons, Lents Commons, 10th & Yamhill, and the Nick Fish @ 106th & Halsey. Prosper Portland's investments of the ACT fund resourced through the mixed-use bonus will be guided by our pilot project work over the past few years. Support to stabilize businesses via the pilots have included tenant allowance and improvements; warm shell build-out; and other lease support such as decreased lease rates

Can you help me understand what a warm shell build-out means?

Prosper Portland Commissioner Platt said to him in the restaurant business, it meant a cold shell was four walls, floor, maybe some electrical hookups, and that is about it. A warm shell would indicate gas hookups, hood installed, grease traps, basically everything but the kitchen equipment.

Have any investors taken advantage of this fund yet?

Ms. Branam replied that three developers had paid the fee in lieu into the fund. They currently have about half a million dollars in the fund. However, they want to see it grow a bit more and anticipate it doing just that. Then they will be able to secure long-term affordability in Projects that Prosper Portland is managing or even ones other developers are bringing online.

**Commissioner Quiroz asked these follow-up questions:**

What is the fee structure for that fee in lieu of? What is the cost differential between building affordable or tenanting affordable spaces versus the fee?

Ms. Branam said she would get back to the commissioners with an answer to those questions.

**Commissioner Quiroz asked the following questions:**

The district has performance measures for each program. Still, in its review of the requested budget, the Budget Advisory Committee urged Prosper Portland to develop measurable, human-focused outcomes that convey the impact of the work. What is the basis for this request, and how is the district responding?

Prosper Portland Commissioner Myers fielded these questions saying Prosper Portland has many business lines with different funding sources that don't necessarily lend themselves to readily comparable outcomes. The Community Budget Committee recognizes that while it may be difficult to compare the impact of technical assistance to entrepreneurs with large capital projects like Broadway Corridor, they have encouraged staff to strive to develop measurable, comparable outcomes across business lines. Prosper Portland's Governance, Learning, and Outcomes team is taking the lead on this effort by working with teams in the operating departments to identify quantitative and qualitative data points to measure the impact of their work. Furthermore, Prosper Portland and the City of Portland have committed to employing a Results-Based Accountability approach to the work. Over half the staff at Prosper Portland have participated in RBA training. This work is ongoing, and the agency is looking forward to more progress in the year ahead.

**Commissioner Norton asked the following questions:**



After this tumultuous year, what is Prosper Portland doing near term and long term to restore Portland's reputation and climate for investment, particularly in the downtown core?

Prosper Portland Cruz responded, saying Prosper Portland is working closely with the Mayor's Office's Action Tables focused on relief and response to the near- and long-term economic impacts of the pandemic on downtown. One of those tables, the Reputation Recovery, and Rebranding Table, is focused on telling Portland's story using public opinion research and creating innovative market strategies with an optimistic and confident voice for a better Portland. The Action Table priorities include:

- Ensure diverse engagement and involvement
- Engage public, private, and non-profit leadership with a clear plan and timing expectations;
- Activate residents and visitors through suggestions for simple actions to help the cause, such as shop, eat, see art, and play local
- Celebrate and amplify new and ongoing events and activations.

Parallel to the Action Table discussions, Prosper Portland is undertaking several near- and long-term investments to restore downtown. Near term, these include General Fund and TIF investments in the Small Business Repair Fund; ongoing support through the TIF funded small business grant and loan programs available throughout downtown; and holiday and summer focused activations in Old Town, the downtown retail core, at the North and South Park Blocks, and the Central Eastside and Lloyd District in partnership with community-based and culturally specific organizations together with the Portland Bureau of Transportation and Portland Parks Bureau's programs to activate the adjacent public realm.

Longer-term, Prosper Portland's has sizable multi-year investment commitments to downtown business and economic stabilization and growth, including via Broadway Corridor, the Old Town Action Plan, the Workshop Blocks, and OMSI's development plans in the Central Eastside.

I would be interested to hear from other board members. If you are going to be continuing your investments you must have confidence that this short-term blip in the City of Portland's reputation, including the national market, that it is short term. You are hopeful that it will be overcome reasonably quickly. How confident are you that this will happen?

Prosper Portland Commissioner Platt was first to weigh in, saying the short answer is he does not know. He does have confidence that that community resiliency that Portlanders have shown in past crisis at the business level as well as the activist level, and the competency that he has seen throughout the agency, they have the tools and the man-power to do the job. There is a lot of political coordination that needs to happen at the City Council level. Everyone there is aware of the community's expectations; and that the council will deliver the results expected. That political expectation translates to the appropriate amount of pressure to get things done. He said behind the scenes several efforts are already underway at the City level as well as several business groups to make sure downtown recovers as quickly as possible.

Prosper Portland Chair Cruz responded next, saying on a personal level, he is pretty optimistic. He thinks it will bounce back faster than people think it will. People are eager to get back to business and get back to work downtown. They will work through some of the problems. It will not be easy and will take some time, but people love this city and want to see it rebound. He said now

is the time to lease for commercial tenants and exert leverage. In a year, the leverage may be shifted around to the landlord's side.

Prosper Portland Commissioner Myers was the last to respond, saying he too was optimistic. Portland is a resilient city that has come back from various adverse situations. Seeing what is happening now, especially in the construction industry, it is still booming, has never stopped booming. A lot of businesses have grown during the pandemic and made their place in the region. This will be a factor that will bring in more business. Nothing breeds success like success.

Chair Barringer thanked Prosper Portland's Commissioners and the staff for their answers to the questions and participation in the hearing. He checked and said there were no members of the public that had signed up to speak at the hearing.

There being no other comments, questions, or testimony, Chair Barringer closed the public hearing and opened the meeting of the TSCC Commissioners to consider Prosper Portland's 2021-22 budget.

He asked Executive Director Gibons to review the budget from the staff's perspective. Mr. Gibons said staff recommends the commissioners certify the budget with no recommendations or objections. The budget was well put together and met all the requirements.

Commissioner Norton moved to certify that the Commissioners have no recommendation or objections concerning Prosper Portland's 2021-22 Approved Budget. Commissioner Quiroz seconded the motion. Motion passed with a unanimous vote (5).

There being no further business, the regular meeting Chair Barringer adjourned the meeting.

**Minutes approved by Commission  
At June 17<sup>th</sup> Meeting.**