

Prosper Portland 2020-21 Hearing Minutes

Wednesday, June 10, 2020
3:00 p.m.
222 NW Fifth Avenue
Portland, Oregon
(Via Zoom)

Present:

TSCC:

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

Absent: None

Prosper Portland Commissioners:

Chair Gustavo J. Cruz Jr. Commissioner Francesca Gambetti, Commissioner Alisha Moreland-Capuia, Commissioner William Myers, Commissioner Peter Platt.

Prosper Portland Staff: Executive Director Kimberly Branam

Chair David Barringer opened the public hearing and asked the Commissioners and staff to introduce themselves. He then asked if any of the Commissioners have business relationships with the district that could be perceived as a conflict of interest. There were none. He commended the district for stepping up to meet the current public health crisis. He acknowledged that it is difficult forecasting the budget for next year in the current environment of constant change. He encouraged them to continue to monitor the budget as the year unfolds.

He asked the district to introduce their board members and make brief introductory remarks about the budget and then the commissioners would ask a few questions. Succeeding the questions, testimony from the public will be taken.

After introductions were completed, Prosper Portland's Chair Gustavo Cruz said the board had no remarks with regard to the budget but Ms. Branam may wish to make some introductory remarks.

Ms. Branam thanked TSCC for conducting the hearing and also for their flexibility this year.

With the commissioners moved to the prepared questions.

TSCC Questions

Commissioner Wubbold asked the following questions:

In the current year ending June 30, is the district expecting any year-end budgetary problems arising from revenue shortfalls or unanticipated expenditures due to the Covid-19 situation? What impact will this have on the district's ending fund balances that are not yet reflected in upcoming budget?

Prosper Portland Commissioner Cruz answered saying;

Prosper Portland is experiencing major decreases in property revenue and loan collection revenue in the 4th quarter as a result of the impact of COVID-19.

- Prosper Portland anticipated about \$12 million in the FY 2019-20 Adopted Budget (\$2.7M in loan collections and \$9.3 million in property income).
- This number has been revised downward in the most recent budget amendment to decrease to \$7 million.
- Approximately \$600,000 of the figure is represented by loan and lease deferrals between April and June.
- Most of the revenue reduction has been from loss of parking revenue from several garages and lots as well as income from Inn at the Convention Center.

The impacts have been incorporated into the most recent budget amendment for the current fiscal year and are represented in the estimated ending balances for each TIF District and the estimated beginning fund balances for next fiscal year.

The reduced loan and property income and City of Portland General Fund next fiscal year required reductions in Prosper Portland's operating budget and, in certain cases, specific TIF District expenditures to balance the budget.

Most reductions are addressed in the FY 20-21 Budget. The FY 20-21 Budget incorporates a \$1.2 million reduction in Prosper Portland's operating budget from what was planned in February's Requested Budget.

- This includes a net 7% reduction to planned personnel costs through the agreement reached with AFSCME Local 75 where non-management staff will be taking 12 furlough days;
- management will be taking a 7.5% pay reduction from what was planned;
- Three currently vacant positions will not be filled; and
- Reductions were also made to the general materials and services budget.

The planned operating budget reductions will not offset the income loss in FY 2019-20 and FY 20-21 completely. The loss of program income requires reductions to projects and programs in certain districts where the losses are higher. The most significant impact is in the Oregon Convention Center TIF Fund where reduction of property income from the Convention Center Garage and Inn at the Convention Center necessitated reductions in loan and grant programs in the district. Also, due to the reduction in City of Portland General Fund resources, some program reductions (about 5% on average) are necessary to balance the General Fund budget in addition to the operating budget reductions.

Chair Barringer asked the following questions:

For the upcoming FY 2020-21 budget year, should the economy remain stalled, where are the district's greatest vulnerabilities? How will the district monitor and respond timely if revenue collections go off track or if unanticipated service requirements continue?

Prosper Portland Commissioner Gambetti answered saying:

The FY 2020-21 budget includes conservative estimates, which assume the economic shock continues and impacts loan collection and property revenue.

- For example, operating revenue for the Inn at the Convention Center is programmed at 20% what was planned in the original forecast;
- Parking revenue at various facilities is programmed at 50%; and
- Some leasing activity has been revised to 30-50% of what was originally forecast for the year.

The conservative estimates called for Prosper Portland to take steps to reduce its operating budget and in projects and programs in certain areas as addressed in the prior question. The Five-Year forecast includes an assumption that income from property and loans will come back slowly through FY 2021-22 and FY 2022-23.

Vulnerabilities are greater in several TIF Districts, including Oregon Convention Center and River District that are relying on future program income to help continue investment in key initiatives as TIF proceeds to sunset.

The City General Fund resources is also a vulnerability as the City will not have a better understanding of the economic impact of lodging taxes and business licenses taxes until later this summer and fall. Prosper Portland is accordingly reserving 2.5% of the Approved City General Fund budget anticipating these resources may be reduced in the Fall Budget Monitoring Process by the City. If higher reductions are necessary from the City, Prosper Portland will reevaluate programming and determine if one-time reserves should be used to backfill any additional losses in order to maintain critical citywide economic development programming during the recovery.

Staff monitors the loan and property portfolios closely through monthly budget to actual review, quarterly financial reporting, and through property management activities. Staff will also embark over the next six months to develop an updated forecasting process that leverages new tools like Yardi property management and forecasting software to help produce budget updates as well as more regular updates to Prosper Portland's Financial Sustainability Plan.

Commissioner Ofsink asked these questions:

Give us an update on how you are responding to the current economic hardships. How it is affecting the funding sources for your work. How are the agency's public outreach and small business support efforts changing?

Prosper Portland Commissioner Platt answered saying:

Annual Prosper Portland and the City of Portland responded to the crisis quickly by forming the Economic Recovery Task Force. Prosper Portland immediately deployed three-month deferral options on leases for tenant and certain loans. In partnership with the City of Portland, we launched a \$2 million Small Business Relief fund providing grants and loans to small businesses. Program guidelines for loans funded by our EDA revolving loan have been temporarily revised to provide greater flexibility and this week we are apply for \$1.3 million in new EDA grants to fund EDA loans. Prosper Portland is also anticipated to receive a portion of the federal funding allocated to the City of Portland – notably an additional \$1.3 million in Community Development Block Grant resources that can add resources to the Small Business Relief Fund.

All efforts to respond to the impacts of COVID-19 through the deployment of new resources or pivoting with existing resources are being accomplished by centering on racial equity and creating systems to working to ensure the crisis does not exacerbate existing inequities.

The agency has pivoted how work is being done by the main program areas currently funded by City General Fund, Cannabis, existing CDBG grant, and Enterprise Zone resources in order to be responsive to the needs of the community by increasing the provision of light-touch business technical assistance and workforce development services, for example. We're engaged in listening sessions with businesses from diverse backgrounds and industries and retooling our programs to a recessionary posture.

Given above financial impacts previously noted, General Fund and Cannabis resources received from the City of Portland, are, more than ever, a critical funding source (alongside Enterprise Zone and Community Development Block Grant resources) to fund the agency's economic development work outside of TIF Districts..

Commissioner Ofsink asked this follow-up question:

How many of the small business grants have been given out thus far and what is the typical median or size of those loans or grants?

Ms. Branam added:

To date about 250 grants and then about 30 loans. The grants on an average are between \$2,500 and \$10,000. So the average is around \$5,000. Then the zero interest loans could go up to \$50,000. The majority of those were between \$40,000 to \$50,000.

Commissioner Ofsink asked this questions

Of that 280, how many applications were received?

Ms. Branam answered saying:

We received a total between the loan and grant program of about 12,000 applications.

Commissioner Quiroz asked these questions:

The budget was prepared and approved in a constantly changing environment due to the COVID-19 pandemic. Now that you have had a little time and a little more information, what budget changes are you planning for adoption or early next fiscal year?

Prosper Portland Commissioner Myers answered saying:

Since we included conservative assumptions to operating income, no changes are planned at this point for Adoption and early next fiscal year. Staff has begun analyzing updated assumptions around loan and property income and will continue to monitor over the summer. There is early indication that the level of program income from loans could increase slightly as our initial estimates included in the Adopted Budget appear to be more conservative. However, as mentioned, General Fund resources from the City may further change as the City's overall economic impact from business license and lodging taxes become better understood in the coming months. Significant changes that deviate from the Adopted Budget and any potential impacts to the operating budgets will be evaluated later in the summer/early fall

Commissioner Norton asked these questions:

I have a question regarding your earlier discussion about the reduction in operating income as a result of deferrals in loan and lease payments. We're interested in the duration of these deferrals, whether you believe they are actually deferrals or whether they will go into default. What impact does that have on your program?

Prosper Portland Commissioner Myers answered saying:

It is anticipated that some of the decrease will be due to deferrals (to-date about \$600,000 in loan and lease deferrals have occurred), however, the vast majority is related to losses. As mentioned, most of the losses are due to parking and other property operating income that is not occurring with stay at home orders, and we anticipate a slow recovery as phased reopening occurs.

Some background on how we are working with borrowers and tenants....

Recognizing the devastating financial impacts that the stay at home order related to COVID-19 would have on some of our borrowers, in mid-March we offered a three-month deferral of loan payments for businesses experiencing a decline in revenues. We prioritized public-facing businesses, those that had experienced at least 10% decline in sales, and borrowers with annual revenues of \$1 million or less. Borrowers who are property owners and requested relief also had to show that the benefit was passed on to their tenants. In all, 37 loans were placed on a three-month payment deferral. All interest and principal that would have been due over the three months was deferred to the end of the loan term. Given the ongoing public safety requirements in place, we are currently considering extending some form of continued relief to affected borrowers and anticipate that further loan modifications will have to be considered.

Prosper Portland offered a three-month deferral of rent and triple-net expenses to our tenants who requested it and experienced a decline of revenue of 10% or more due to COVID-19. Deferral requests by public facing business that had been directly impacted by the new health requirements (retailers, restaurants, bars, coffee shops, food, and entertainment related) were given priority. If a tenant was not public facing they could still request deferral by providing a current year-to-date P&L statement. Approved deferrals will be amortized, interest-free, over the remaining term of their lease. Given the ongoing public safety requirements in place, we are currently considering extending some form of continued relief to affected tenants on a case by case basis.

Your 90 day deferral period is coming to a close and you are considering extending those case by case. Anything you can share with us about the potential duration of the deferral.

Ms. Branam answered saying:

The asset and investment team has come up with a proposal for our finance and investment committee to review. We are conscious that the timeline is coming up. We anticipate wanting to be both supportive and flexible, but also not take a one size fits all approach, acknowledging that different industries have had different experiences.

So some have been open the whole time at reduced capacity. We'll take a different approach there than with those who aren't opening until phase three. We would probably be flexible for another six months or so, but again, it's really going to be on a case by case basis.

Commissioner Wubbold asked this follow-up question:

Have any of our MWESB businesses requested a deferral or were they prioritized in this process?

Ms. Branam answered saying:

Yes, we reached out to business tenants and made sure that, in particular, black, indigenous and other people of color on businesses were prioritized, both from a tenant standpoint in our spaces, but also from our lending portfolio, which is actually larger. We based it both on demographics, but also on the topology of business and the size of the business. We can follow up with the team to get additional details on the composition of who asked for those and what the makeup was. The team proactively and very quickly after the state of emergency reached out to make sure that nobody experienced the stress of needing to pay rent or to service a loan that they didn't have resources to cover during this time.

Chair Barringer Ofsink asked these questions:

Tell us about your role on the Economic Recovery Task Force and what recovery initiatives are in the works. What economic sectors is this group targeting and, in particular, does this include hotels? What fund is or may be available? What plans are solidifying for an economic recovery?

Prosper Portland Commissioner Dr. Moreland-Capuila answered saying:

Prosper Portland staffs and leads the Economic Recovery Task Force providing input and guidance for recovery planning in the city. The Task Force has been a crucial link between community and government in ensuring programs and proposals are vetted, and that community priorities are given attention by decision makers. A central tenet of all of these activities is the consistent application of a strong equity lens to ensure that the most vulnerable businesses, particularly those owned by BIPOC community members, have ready access to resources. The economic shock and recovery is significantly impacted by the trajectory of the virus and the necessary public health responses. The Economic Recovery Task Force immediately focused on Economic Relief, in line with the call to Stay Home, Save Lives. The work in this phase focused on:

1. Increased communication
2. Mitigating the economic hardship on impacted individuals;
3. Helping small businesses stay solvent and retain employees; and
4. Evaluating City/Prosper business practices and redirecting available resources.

The Small Business Relief Fund, previously mentioned, supported 280 businesses with grants, 90% of which went to BIPOC for businesses up to 50 employees with annual Revenue under \$5M. Recipients ranged from childcare and preschool providers to health and wellness services to beloved local food carts, consumer product makers and coffeehouses – businesses that are essential to the fabric of the community.

The Economic Recovery Task Force began focusing on stabilization efforts through a number of workgroups, which have led to projects such as getting laptops into the community to address digital divide issues, webinars for commercial tenants and landlords, examining city procurement practices, as well as informing city advocacy priorities for larger federal relief.

As Multnomah County prepares for Reopening with Care, the Economic Recovery Task Force and Prosper Portland are focused on supporting businesses through reopening listening sessions

and following up on that we hear from businesses in a variety of sectors and different cultural communities. To date, we are focused on three elements:

1. Providing businesses with information that supports a confident and careful re-emergence,
2. Ensuring that businesses have the tools to reopen such as PPE
3. Providing financial and technical assistance as small businesses adopt to changing business conditions.

The industry-focused listening sessions have tracked with phases of reopening. To date, retail, restaurants and personal services industries as well as several of the culturally specific sessions have been completed. We are exploring hosting similar sessions for Phase II industries in the governor's reopening framework starting in July.

At the moment we do not have specific programs serving the hotel industry, but our partners at Travel Portland and Travel Oregon have rolled out some support infrastructure. Most hotels have also been able to access the PPP and we are seeing upticks in demand for lodging as people are starting to plan travel again.

From a resource perspective, we will continue to deploy General Fund, Cannabis Tax, Community Development Block Grant (CDBG), and Enterprise Zone as described earlier. And TIF funds are pivoting to respond to changing business needs and community and market realities through support for small business support through tools like our Prosperity Investment Program, where we have \$3 million committed for the coming year, and continuing to support catalytic projects like the 106 & Halsey, the Williams & Russell site, the N/NE Community Development Initiative Cultural Business Hub Request, ODOT Blocks, 92nd and Harold in Lents, and the Broadway Corridor project.

Depending on future economic conditions we may need to build out significant interventions for parts of the traded sector economy, where particularly metals & machinery and Athletic & Outdoor businesses may be affected, the former due to impacts to regional aerospace and transportation anchors like Boeing and Daimler, the latter because of flagging consumer demand for high-end apparel.

Commissioner Norton asked this follow-up question:

I have a question of curiosity. It's come up twice in your comments so far. The cannabis business tax income, how flexible are those funds? Is the eligibility narrow, broad? What can you tell us about that?

Ms. Branam answered saying

I haven't looked at the regulations really closely recently, but my understanding is that support for small businesses, particularly from diverse communities, those communities that were most adversely impacted by the war on drugs, is the focus, in addition to the other portions of it. The relevant focus for the programs we lead is relatively flexible. There needs to be a nexus with supporting businesses whose communities were adversely impacted, through technical assistance or through direct investments. It operates more like a General Fund resource than it does a tax increment finance or other capacity capital product.

Commissioner Ofsink asked the following questions:

Last year when we met, you talked about your new community development displacement mitigation effort. Please brief us on the status of the program now and in the 2021 budget. How is that effort going and how has it changed with the economic slowdown? How is the effort funded?

Prosper Portland Chair Cruz answered saying:

Within tax increment finance districts, along commercial corridors, we are continuing to coordinate closely with the Bureau of Transportation, Portland Housing Bureau, and Bureau of Planning and Sustainability on a shared approach. Our investments within TIF districts are focused on supporting commercial stabilization via grants to small businesses and affordable commercial space to help mitigate any displacement impacts. We are continuing to build out our ability to offer affordable commercial space at sites like Lents Commons at 92nd and Foster, 106th & Halsey, 10th and Yamhill, and Joyce Hotel. In addition, in alignment with our community-based Action Plans and priorities, we are looking at potential increased foreclosure risk to property owners due to COVID-19 and are also working to identify opportunities or financing that can help stabilize property owners and properties, including via property acquisition. We also have some revolving loan funds to use outside of TIF Districts that can be used to help support in the anti-displacement effort.

In SW Corridor along the Barbour Boulevard corridor, we are jointly participating in the City's Intergovernmental Agreement with TriMet and partnership with Metro to help achieve objectives for commercial corridor development-related small business support, retention, and job creation. In coordination with City bureaus and community partners we will create strategic objectives regarding any provision and delivery of future tax increment financing or otherwise funded projects that further community development and economic development outcomes. Any TIF district decision will be based on Council discussions and actions during the coming fiscal year. Moving on to Cully. Over the last 18 months, Prosper Portland staff have been working with a coalition of seven community-based organizations in the Cully neighborhood of northeast Portland to explore a potential new tax increment finance district. The coalition is concerned about residential and commercial gentrification pressures and is curious to explore whether TIF would be an appropriate and effective tool to mitigate these pressures. Since the last TSCC hearing, staff has secured a grant from Metro to fund community engagement work and Prosper Portland has committed resources to fund a coalition staffer in order for this effort to continue to move forward. It is expected that the coalition will decide whether to more formally pursue a TIF district, including statutory steps and requirements, at some point this summer or fall.

Commissioner Ofsink asked this follow-up question:

Can you tell me what the newest TIF district is?

Ms. Branam answered saying:

The chair was talking about the potential new TIF district. We don't want to make any headlines on this one, just initial conversations, that some of our Cully partners that consortium of seven organizations are discussing and beginning to have conversations within the Cully area. So it hasn't been created yet.

What is the most recent one that had been that was created?

I think the most recently created district, and Justin is on the call and can correct me. But I believe that the most recently created district is the education district, which was then, some portion of it was folded into the North Macadam TIF district in 2015. And so that doesn't exist anymore as a stand-alone district.

I was just trying to remember if I had been on the commission when a new district was created, which it sounds like I was. I don't know if you, Director Brennan, and some of the commissioners could weigh in. You were saying that the Cully Community partners are exploring this. What considerations does Prosper Portland take into account when, as in your comments, Chair Cruz, you said we're considering if TIF is the right mechanism, to use in the Cully area. What are the factors that go into that decision?

Ms. Branam answered saying:

I can share a little bit, and then commissions can weigh in. Justin just reminded me that we created the six neighborhood prosperity initiative districts at the same time as we created the education district. So those are slightly different, but those were also created in the same time period. So thanks to Justin for helping to update the record.

There are both strategic considerations and then there are technical considerations. I'm going to start with the technical considerations and then the strategic. On the technical side there are acreage limitations. Only 15% of the city can be within a tax increment finance district, or only 15% of the assessed value. We are monitoring what available acreage and what available assessed value there is. So that's just one consideration. Is there the acreage and where should it be best deployed? Where would it be best, to use that acreage within a tax increment finance district? That's a key consideration.

The other consideration is just a financial one. How large would a TIF district have to be in order for it to make meaningful revenue to meet the needs of the community? And that's something that is done with a financial analysis. That's Tony's team that's looking and seeing whether it actually makes sense. When they say whether the tool makes sense, it's, is it enough resources? Is it the right kind of resources? These resources are restricted to investing in buildings and infrastructure improvement. Affordable housing and the like can be supported, but workforce development can't be.

As the Cully community is thinking about it, they're considering what signals this might send to the market that might go counter to the anti-gentrification approach that they're considering. What would the value be of having concentrated resources to support affordable housing or long-term affordable commercial spaces? Those are the strategic conversations that are being held. Just thinking about the neighborhood prosperity networks that really was a community led, community driven process, in terms of how those resources have been invested. This would certainly be a partnership. We believe strongly that having the community decide if this is a partnership that they want to engage in is a very important step.

Commissioner Wubbold asked this follow-up question:

Can you name some of the partners in that emerging coalition, Living Cully?

Ms. Branam answered saying:

Native American Youth Association (NAYA), Hacienda Community Development Corporation, Habitat for Humanity, and Verde.

Chair Cruz added the following:

If I could just add and piggyback onto what Executive Director Branam said, Commissioner Myers and I joined right after those last TIF districts were established. My impression has been that it's a community driven process and that Cully neighborhood is a very active neighborhood. They seem very strategic. They've had good leadership over the years. They've also had good local management. They're on the ground helping coordinate people's efforts. They've testified before our commission a number of times and they're really an impressively well-organized group. That's an example of one where the community will really drive a lot of this process.

Chair Barringer said that's the end of our questions and I want to thank you all for contributing to this discussion about your budget. He asked Executive Director Gibons if anyone had emailed about speaking or is anyone indicated that they would like to give testimony. He said there were no emails and no one waiting to give testimony. There being no other comments, questions or testimony, he closed the public hearing and opened the meeting of the TSCC to consider Prosper Portland's 2020-21 budget.

He asked if the Commissioners had any additional questions or comments. There were none.

He asked Executive Director Gibons to review the budget from the staff perspective. He recommended they approve Prosper Portland's budget with no recommendation or objections with regard to the 2020-21 budget and budget process.

Commissioner Norton moved to certify that the TSCC Commissioners have no recommendation and no objections with regard to Prosper Portland's 2020-21 Approved budget. Commissioner Ofsink seconded the motion which passed with a unanimous vote.

There being no further business the regular meeting was adjourned.

Minutes reviewed and approved at the Commission's June 18, 2020 meeting, with Commissioner Norton edits included.



Craig Gibons