

Prosper Portland 2022-23 Hearing Minutes

Wednesday, June 7, 2022
3:00 p.m.
222 NW Second Avenue
Portland, Oregon

Present:

TSCC:

Chair Harmony Quiroz, Vice-Chair James Ofsink, Commissioner Margo Norton, Commissioner Mark Wubbold, Executive Director Allegra Willhite, and Budget Analyst Tunie Betschart

Absent: Commissioner Matt Donahue

Prosper Portland:

Prosper Portland Commissions: Chair Gustavo Cruz, Commissioner Willie Myers, Commissioner Peter Platt, Commissioner Sam Rodriguez, and Sereba Saudamier-Wesley

Prosper Portland Staff: Executive Director Kimberly Branam, Director of Economic Development Shea Flaherty-Betin, Budget Officer Tony Barnes

Chair Harmony Quiroz opened the public hearing by welcoming everyone to the hearing and briefly describing the duties and responsibilities of the TSCC. She reviewed the hearing process and stated the reason for the hearing was to engage the district leadership and provide an opportunity for the public to comment before Prosper Portland adopts its budget. She asked the TSCC Commissioners and staff to introduce themselves and state if they have business relationships with the district that could be perceived as a conflict of interest. Each commissioner and staff member introduced themselves and stated they had no conflict of interest with the district. She asked the district to introduce the Prosper Portland Commissioners and staff present. Then she asked if Chair Gustavo Cruz would like to make brief introductory remarks about the budget. She stated that following his introductory remarks, testimony from the public would be taken.

Prosper Portland Chair Gustavo Cruz thanked TSCC for conducting the hearing, saying it is great to meet in person after two years of meeting virtually. He was happy to share their new meeting facility with TSCC. He concluded by stating he had no introductory remarks, but the hearing questions and discussions were always informative.

Chair Quiroz asked if anyone had signed up to give public comment, stating each who wished to comment would be limited to three minutes. Executive Director Willhite reported that no one signed up to speak at this hearing, and no written comments were received.

With that, the commissioners started their questions.

TSCC Questions

Commissioner Wubbold asked the following questions:

From the information presented in the proposed budget, it is clear that Prosper Portland is at a turning point. TIF dollars and redeveloping projects are winding down. How will the district shift its focus? Can you tell us more about the primary role of Prosper Portland going forward? And how would you describe the benefit to the community?

Commissioner Wubbold asked the following questions:

Chair Cruz said Prosper Portland continues to be the City of Portland's economic development agency to create economic growth and opportunity for Portland. While the agency's TIF (Tax Increment Financing) resources are lower than they once were, the work and partnerships continue to be informed and guided by that mission. Prosper Portland's Strategic Plan calls for a consistent focus on healthy, complete neighborhoods; access to high-quality jobs; equitable wealth creation; and 21st-century networks and partnerships. These objectives ensure that the district's investments are designed to foster economic growth and equitable opportunities for Portland residents, businesses, and diverse communities.

Moving forward, Prosper Portland has recently launched a process to create an Inclusive Economic Development Strategy for the City of Portland that will articulate a three- to five-year framework for creating widely shared prosperity that is grounded in racial equity and the transition to a zero-carbon economy.

Regarding the question of Prosper Portland's benefit to the community, in the fiscal year 2020-21, to cite just a few data points on impact and outcomes, the agency's work led to 1,250 new and retained jobs; 1,108 businesses served, 172 Small Business Repair Grants, and 1,910 adult and youth workforce development participants. The agency anticipates these outcomes will continue in the coming year and beyond.

Would other board members like to share their thoughts about the agency in the future?

Chair Cruz added that during the pandemic, Prosper did a great job orchestrating various grants and providing economic support to multiple organizations. The actions of the agency show the value of the economic development programs. This is not the normal scope of activities for Prosper Portland, but the agency pivoted to take that on.

Mr. Willie Myers added that the help received from the Federal Government was funneled through Prosper Portland and the City. The agency already had the infrastructure to ensure the funds were delivered effectively.

Commissioner Ofsink asked the following questions:

We know Prosper is working on a comprehensive Financial Sustainability Plan. Can you give us a preview? What new earned revenue strategies is Prosper considering? How will Prosper secure long-term funding now that it's competing for additional General Fund dollars that are flexible and discretionary and may change in priority from year to year?

Chair Cruz said that the updated financial sustainability plan, or FSP 2.0., is based on the "FSP 1.0" plan articulated in 2018 and is being updated to address the current environment.

In the future, resources are expected to come from returns on invested capital, including development projects, lending, operating businesses, returning TIF dollars, and ongoing federal funding allocations.

In addition to the resources identified above, Prosper Portland is exploring the viability of tapping into new tax-related revenue streams, including city business license tax, utility license fees, food and beverage taxes, vehicle rental taxes, and transient lodging taxes.

Similarly, the agency believes that a more systematic approach to seeking state and federal grant funding might provide resources for agency operating expenses and sources of investment capital.

Finally, the agency expects that there will be some new TIF districts that will help fund the agency's work. These, combined with micro-TIF districts, spot districts, and Local Improvement Districts, will provide resources to carry out the agency's mission in specific neighborhoods and through specific projects.

Is Prosper Portland already receiving most of the available federal grants, or are there more funds that are available the agency could request?

Ms. Kimberly Branam explained the three main components of the financial sustainability plan for the agency. The first is to invest assets strategically. In 2018 the agency started with about \$450 million of land and TIF resources. So, taking a social impact investment approach and thinking about how the agency creates community benefits and financial return is instrumental in the plan going forward.

The second portion of this strategy is procuring public funding and, in particular, the return of property taxes which the city council will take action on with the budget. That helps to offset the loss from closing TIF districts and provide an ongoing revenue stream.

The third involves an assortment of other resources. The agency gets about \$3 million in federal funding for the Community Development Block Grant. Those are important for the Workforce Development and Inclusive Business Resource Network Program. Having the assets gives the agency a little time to pursue the third bucket.

Ms. Branam said the resources available through the economic development administration and department of commerce will be more programmatic. There are a lot of opportunities in this area. The agency will secure consultants with experience in this area to guide the district in selecting those with the most benefit for the time involved in applying and monitoring the grants.

Commissioner Norton asked these follow-up questions:

Your role is changing. Will the money drive your role, or will the agency select a role and go for the money that supports the function?

Ms. Branam said it is a bit of both. All major cities have an economic development commission. There is an important role they play in terms of helping businesses thrive and making sure the workforce has opportunities. The unique part for Prosper Portland is they have had a dual role as the Tax Increment Finance district for sixty-plus years and the Economic Development Commission since the 1980s. Just as the agency has been the tax increment finance district, they will be seeking state funding and other mechanisms available. This does not change the agency's role as an

economic development agency and urban development authority. The agency's tools, not the mission, are changing.

Mr. Peter Platt added that the inclusive economic development role is not new. Still, an emphasis on ensuring the agency is in the economic recovery process, not exacerbating that K-shaped recovery. It will be an exciting time for the agency, but it underscores the importance of the work and the reason the agency exists.

Chair Quiroz asked the following questions:

Prosper has taken a new approach to urban renewal and now introduces new TIF districts only when the community requests. Since you have changed your approach, what has been the activity level for new requests? How do you seek out these opportunities?

Mr. Myers said the agency's approach to creating new or amending existing TIF districts reflects a desire to meet community-defined needs and work collaboratively. This approach builds on work with The Neighborhood Prosperity Network TIF districts, which City Council approved in 2011. Prosper Portland extended an invitation to communities for those micro-TIF districts, who then expressed a desire to create geographically focused, community-based organizations that had identified priorities that could benefit from TIF and non-TIF public resources.

For several years, staff has worked regularly with Cully partners on the potential for a new TIF district in northeast Portland. The SW Equity Coalition, a network of partners, financially supported by Metro to engage on a potential MAX Light Rail extension on Barbur Boulevard, has requested training and education sessions on TIF, as has a coalition organized by the East Portland Action Plan.

Commissioner Wubbold asked this follow-up question:

If I understand correctly, this sounds like a "Grow Your Own strategy" where you educate at the smaller level, and they come to you and say we are ready to move forward and become a URA. Is this how this works?

Ms. Branam said of the six micro TIF districts created in 2011, two are in Cully, and the agency has seen the districts come to the end of the ten-year pilot phase. There have been numerous questions about what it means to scale up that work. The conversations have come together. It has solidified organizations and the capacity in the community to decide together and be more directive in the approach. This has been a different process to create a TIF district where the community partners have been in the lead for community engagement. It is an exciting model the agency hopes to learn from and potentially replicate if other communities similarly express interest.

Chair Quiroz asked this follow-up question?

How do you build capacity in the community beyond the micro-TIFs?

Ms. Branam said the Southwest Corridor is an example of where Metro and TriMet approached the agency because Prosper Portland's education gained from the neighborhood prosperity districts was transferable, such as what it means to do local, geographic-specific, equity-centered, economic development. So, the agency has been asked to provide information on what it means to create a TIF District. What are the regulatory components? What are the opportunities? So when Prosper

Portland is invited to the table, and there is interest, they are willing to assist using the knowledge they have gained in whatever way the partnership makes sense.

Commissioner Norton asked the following questions:

What is the status and future of the USPS site in the Broadway Corridor?

Mr. Myers said Prosper Portland is negotiating contracts with two contractors for building demolition, adjacent site work, and hot spot soil remediation. The \$3.5 million recently budgeted by the City will help cover a portion of these site preparation costs on behalf of the Portland Housing Bureau (PHB) as co-owner of the property. PHB acquired 16% of the property to deliver affordable housing within the redevelopment of the former Post Office property. The on-site work is targeted to occur from June 2022 through fall 2023. City infrastructure bureaus are concurrently progressing utility and street design work needed to support future development. Once demolition is substantially complete, the construction of utility and street infrastructure necessary to support the first development phase can begin. Three intergovernmental agreements governing the design and construction of new streets, open space, and utility infrastructure are anticipated for approval by City Council this month. The IGAs are consistent with the Master Plan. The City Council approved the funding and financing plan and the formation of a Local Improvement District. Prosper Portland and PBOT will further evaluate the funding and finance plan for the streets once additional information is known regarding a recent RAISE (Rebuilding American Infrastructure with Sustainability and Equity) grant application for \$15 million and revisions to project costs, including interim financing and construction cost estimates.

Prosper Portland is continuing to assess the best approach to seeking developer interest and securing community benefits following the announcement of Continuum's departure in September 2021. This includes research with consultant advisors and exploring a potential partnership proposal with Related, the American real estate firm and developer, (in light of their prior interest and status as runner-up in the prior developer solicitation). If needed, a developer solicitation could be issued in mid-2023 and on a timeline similar to a potential solicitation published by PHB for an affordable housing developer. However, the demolition and initial phases of public infrastructure are the critical paths to development.

What do you think the site will look like in five years?

Ms. Branam said in 2027, the first phase of affordable housing with 240 units would be opened, and one more project would be underway. By that time, the area will be significantly transformed as the post office will be removed. There will be clean-up and remediation, but utilities hook-ups should be available.

Mr. Myers added that there would be some infrastructure in place. The streets will be taking shape, and people can see what might be possible there.

Mr. Sam Rodriguiz added that Prosper Portland would not embark on a project and not have the funds to complete it.

Commissioner Wubbold asked the following questions:

The five-year extension for the Oldtown/Chinatown Action Plan is ending in 2024. What work has already been done, and what's coming in the next two years? We hear in the news about increasing

violence and livability concerns, will Prosper Portland funded programs help move the needle on these issues?

Mr. Peter Platt responded, saying due to the Covid 19 pandemic, the real estate market in Old Town has been significantly impacted. Two critical real estate projects are on hold until the market improves: the redevelopment of 4th & Burnside (next to the Chinatown Gate) and Block 25 (on NW Flanders between NW 3rd and NW 4th Avenues). The acquisition of Block 24 (east of Block 25 and north of the Lan Su Chinese Garden) was completed in July 2020 to develop a mixed-use project and a partnership with Lan Su Chinese Garden on their interest in program expansion. In addition, Prosper Portland has helped the Chinatown Museum and Japanese American Museum acquire and renovate their spaces and become permanent cultural institutions in the neighborhood. Since 2014, Prosper Portland has invested over \$11.4 million in Action Plan funding to support the key institutions.

With a down real estate market and in response to pandemic impacts, Prosper Portland has shifted focus to community infrastructure, assistance to small businesses, and activation of the neighborhood. Funding totaling \$500,000 has been reserved for repairing the Chinatown Gate and providing a quiet railroad crossing at NW Naito. Furthermore, non-profits have been awarded \$600,000 grants to improve neighborhood livability.

To help small businesses survive the pandemic, Prosper Portland has deployed over \$1 million in TIF resources, general funds, and ARPA (American Rescue Plan Act) grants for tenant improvements and to repair damaged property. To assist in improving conditions in Old Town, Prosper Portland in fiscal years 2021-22 and 2022-23 will provide \$467,000 to partners for business recruitment and retention and produce events to help bring people to the district. Prosper Portland has also acted as a convener and facilitator among safety and service-related city and county agencies, non-profit organizations, and local businesses.

Amid the pandemic, the district moved. Was there a particular reason Prosper Portland moved from Fifth Avenue to Second Avenue?

Ms. Branam said the lease was up. They scaled down to occupying three floors in the previous building. The district chose the current location because it is more accessible for everyone. Being committed to staying in Old Town, this building allowed the agency to occupy only one floor, so they moved the three blocks to the current location.

Commissioner Norton asked the following questions:

It has been a rough couple of years for property management. What have you had to do to maintain your properties, and what is the plan for the long-term? What is the current vacancy rate for your properties?

Mr. Platt said Prosper Portland's function as a landlord helped businesses and residential tenants ride out the storm.

Similar to the private sector, the impact of COVID on the properties has been significant – particularly on the parking and hotel assets which rely on visitors and hospitality demand. Parking revenue all but stopped during COVID, and as office workers continue to work from home, the resurgence of parking revenue has been slow, with some properties still seeing a negative impact. Properties with physical assets have been targets for camping, trash dumping, graffiti, and break-ins. To reduce the

impact to the community, neighbors, and the tenants leasing the properties, Prosper Portland has had to add or increase maintenance and security patrols, contract for additional graffiti removal, and cover the costs of broken windows and doors, including board-ups and replacement.

With the pandemic's impact on small local businesses and retailers, the past years have also created challenges in leasing out vacant commercial space. Prosper Portland has also reduced or abated tenant rents to keep the businesses from closing. Sales and foot traffic in and around Portland were limited as the public stayed home and limited specialty goods and services spending. Spending and foot traffic continue to be slow in some areas of town, impacting the tenants' bottom line and Prosper Portland's financial outlook.

Prosper Portland operates four commercial buildings, Alberta Commons, 10th & Yamhill, Nick Fish, and Lents Commons, with a total of 42,723 square feet of rentable space. Of the total square footage, 27,630 square feet remain available for lease.

Mr. Platt gave some information on Prosper Portland's commercial spaces. He said the agency master leased three commercial spaces at Alberta Commons with a total of 5,125 square feet and saw one tenant close business in 2021. Staff is currently executing a contract with a Broker to help market the space under a market-rate lease. Prosper Portland also master leases the twelve commercial units on the ground floor of the 10th & Yamhill, a PBOT (Portland Bureau of Transportation) owned parking garage. There are currently five spaces under lease at 10th & Yamhill, including the 6,822 square foot market hall space leased to a prominent Portland retailer. In addition to Alberta Commons, the same Broker will also help market the remaining vacant spaces at 10th & Yamhill. Although foot traffic remains slow at 10th & Yamhill, Prosper Portland continues to market the location as a shopping destination in Downtown Portland after either being under construction or closed due to COVID for the past four years.

Prosper Portland owns the nine commercial spaces at the Nick Fish under a condominium agreement, and all spaces remain vacant. However, Prosper Portland is currently working with two potential tenants that would take 3,618 square feet of the 9,471 square feet available. Lents Commons is owned by Prosper Portland, 9101 Foster, LLC, a component unit of Prosper Portland, and has one tenant occupying 1,530 square feet. The current tenant at Lents Commons remains positive even through continued low activity and sales.

Mr. Pratt reported that staff is working to finalize the leasing process and market specifics for each property and space so that Brokers can market directly to the targeted tenant.

Compared to pre-pandemic income, how does the current rental income measure up?

Mr. Tony Barnes said revenues and expenditures are projected to be at about a negative \$2.5 million by the end of the fiscal year. This is driven by property rather than revenue. Revenues are climbing to pre-pandemic levels, while expenditures are projected to level out or increase by the end of the fiscal year. He concluded by stating it would take two to three more years to come close to the previous income.

Is it fair to say that the term re-tenanting has become a euphemism for vacancies?

Ms. Branam said she thinks of re-tenanting as the active pursuit of new tenants, whether for interim or permanent retail use.

Mr. Rodriguez added the amount of second-generation space is significant in the City of Portland. It is starting to be absorbed. The city is beginning to see a recovery as a whole. Public spaces will fill as the proper marketing and brokerage of these spaces happens.

Commissioner Ofsink asked the following questions:

Prosper Portland has been conducting business assistance for some time. In the budget for next year, we see targeted expansions, such as additional support for the BIPOC business community. How are you measuring success for the business assistance program since many business startups do not succeed?

Ms. Sereba Saudamier-Wesley said that historically, the Inclusive Business Resource Network (IBRN) used metrics from surveys sent to businesses and support providers. Metrics focused on businesses involved in the IBRN program and ranged from startup to strong and stable. Next year's targets may shift as staff works through a new Request for Proposal process and implements feedback received from small businesses and technical assistance providers.

Building on a year of engagement with Black and Latine leaders within the technology industry, Prosper Portland will pilot new private sector interventions that would support Black, Indigenous, and all People of Color founded tech firms to grow, navigate barriers, and scale.

Metrics of success will include the number of founders supported to access greater financial resources and reach additional customers and markets. For example, the program aims to:

- Support 40 people of color-founded businesses through connections to potential customers or investors
- Provide 20 people of color tech founders or founding teams with up to 80 hours per year of intensive support to sell beyond the region and expand
- Build capacity at five culturally specific organizations with up to 80 hours per year of intensive support

Ms. Saudamier-Wesley concluded by stating Prosper Portland has come together to build relationships with communities of color. They are moving forward in a positive way.

What I heard in that answer is Prosper does create relationships and then provides the hours of assistance needed. It is more about how Prosper Portland will be interfacing with the business than how much the business will be generating in sales. Is this correct?

Ms. Branam explained that it is a bit of both. What Commissioner Saudamier-Wesley was referencing in terms of the co-creation is that once new providers are selected, Prosper Portland will work to identify and develop the metrics. The agency is doing the proposals a little differently this year. But certainly, job creation, being strong and stable, access to capital, and those things will continue to be measured. Some of the input will be customer satisfaction from businesses.

Mr. Shea Flaherty-Betin added for the new funding, they will be engaging specifically the BIPOC companies and will have an entirely new set of metrics that will build on relationships and trust.

Do these investments tend to be multi-year rather than single-year to facilitate the built relationship?

Mr. Flaherty-Betin responded by saying that is correct. They have an RFP for the inclusive business resource network every five years. So the agency strives to make a five-year commitment to the

organizations as long as they receive funding from the city council. They adjust accordingly if there is an increase or decrease in the budget. But the goal is to achieve five years of stable funding.

Mr. Platt added concerning the agency's leasable space, it is an advantage that the organization has space and programming to re-tenant specifically in support of the BIPOC community. He gave an example of a developer restricted to providing space to businesses with credit worthiness. So, Prosper Portland is fortunate to help these types of businesses get off the ground, even though it is a longer-term process.

Commissioner Wubbold asked the following questions:

Prosper Portland has a large Community Budget Committee that provides input and suggestions on the budget each year. Can you share an example of some suggestions that were incorporated into the budget based on the committee's input?

Ms. Saudamier-Wesley fielded this question saying the Prosper Portland Community Budget Committee (CBC) met six times since November to discuss the budget and provided valuable feedback to staff in the budget development process. For example, in discussing the funding for Small Business Stabilization Grants, the CBC encouraged staff to broaden eligible uses to include legal assistance, security, and other operational needs. In discussing funding requests for the Inclusive Business Resource Network, the CBC urged staff to increase the budget request by ten percent to acknowledge the cost-of-living increases incurred by providers and recipients, and the increase was awarded.

Chair Quiroz thanked the district for the responses to the questions and contributions to the hearing. Then she closed the hearing and opened a regular meeting of the Tax Supervising and Conservation Commission to certify Prosper Portland's 2022-23 Approved budget. She asked if the commissioners had any questions or comments to make concerning the budget.

Commissioner Norton passed along information from the meeting with the City of Portland, where Mayor Wheeler gave an example of using the City of Portland's Equity Lens when looking at East Portland's displacement program; and they chose Proposal Portland over competitors because of using the equity lens in their decision-making process.

Chair Quiroz asked Executive Director Allegra Willhite to give staff recommendations for the certification letter.

Ms. Willhite said staff found the budget estimates reasonable for the purposes stated and the budget to comply with Local Budget Law. She said staff have no recommendations or objections to the fiscal year 22-23 budget. She thanked Prosper Portland for their quick responses and willingness to answer questions.

Chair Quiroz called for a motion.

Commissioner Ofsink moved to certify Prosper Portland's Approved Budget with no recommendations or objections as recommended by staff. Commissioner Wubbold seconded the motion, which passed with a unanimous vote of the commissioners.

There being no other business, Chair Quiroz closed the meeting.