

Prosper Portland 2023-24 Hearing Minutes

Wednesday, June 21, 2023
3:00 p.m.
222 NW Second Avenue, Room 200
Portland, Oregon

Present:

TSCC:

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

Absent: None

Prosper Portland:

Prosper Portland Commissions: Chair Gustavo Cruz, Commissioner Willie Myers, Commissioner Sam Rodriguez, and Commissioner Sereba Stoudamire-Wesley; Commissioner Peter Platt (joined via video),

Prosper Portland Staff: Director of Equity, Policy & Communications Chabre Vickers, Economic Development Director Shea Flaherty-Betin, and 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 that 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 said 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. Following his introductory remarks, testimony from the public would be taken.

Prosper Portland Chair Gustavo Cruz thanked TSCC for conducting the hearing and stated 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 Ofsink asked the following questions:

Last year, we spoke with you about Prosper Portland moving into a new era. You told us about developing an inclusive economic development strategy for the city, a three- to five-year framework for creating widely shared prosperity grounded in racial equity and the transition to a zero-carbon economy. Can you tell us more about the work that has been done on this strategy over the last year?

Chair Cruz said the preparation of Advance Portland was informed by extensive engagement of stakeholders and technical experts. The consulting team completed robust engagement through interviews and focus and affinity groups. To date, this engagement has included:

- Convening a Steering Committee for six meetings, and a Leadership Roundtable for additional meetings, both of which were made up of diverse groups of experts and leaders
- Interviewing each member of the Portland City Council
- Interviewing each member of the Prosper Portland Board
- Conducting more than 110 interviews with experts and leaders in the public, private, and non-profit sectors, including a sequence of meetings with City of Portland bureau partners to provide input and increase alignment with other City led initiatives
- Hosting 19 focus and affinity group discussions

We'd like to hear more about community involvement in developing the Advance Portland plan - can you share a specific example or two of community input that was incorporated into the five-year strategy?

Chair Cruz gave the following two examples of how community input informed the development of Advance Portland:

- During interviews with community partners supporting small businesses along Portland's commercial corridors – from N/NE to East Portland – they consistently flagged the impact of vacant brick and mortar spaces on existing small businesses and business districts, and this input is captured in Objective 3's recommendations to encourage conversion of nuisance vacant ground floor commercial into active uses.
- Actions outlined under Objective 1.3 to address barriers to inclusive business growth – such as addressing city-wide policies and practices pertaining to industrial land use, pursuing permitting process improvements, and requiring an economic impact analysis as part of City policy development and approvals -- came from City of Portland bureau partner discussions and input.

Ms. Chabre Vickers added that the extensive outreach and having board members alongside staff as they were gathering input felt invaluable and informed the process.

Commissioner Norton asked these follow-up questions:

Can you share the role of the Advance Portland Steering Committee and your role in implementing this plan going forward?

Chair Cruz said the role was to engage with staff and consultants. Going forward, that is part of Prosper Portland Commissioners' goal - to watch and supervise this plan being implemented

citywide. The Commissioners will be getting updates and monitoring as it goes along. There has been a change in how Prosper is integrated with the city council. City Commissioner Rubio now has Prosper Portland along with other bureaus that are a similar fit with Prosper Portland. This will be a good development in terms of implementation of the plan. Hopefully, the model will progress as the governance structure changes next year.

Commissioner Wubbold asked the following questions:

The Portland City Council adopted the Advance Portland plan in April 2023. Are elements of this plan reflected in your budget for the upcoming year? How are you doing business differently as a result of this plan?

Chair Cruz said the fiscal year 2023-24 budget was developed in anticipation of Prosper Portland Board endorsement and City Council adoption. The Advance Portland plan is not a one-year plan but a longer-term one with individual initiatives identified to begin in the next year, the next three years, and the next five years. Moving forward into the fiscal year 2024-25 budget development process, staff will intentionally allocate resources to deliver Advance Portland priorities – particularly those identified in the implementation timeline for the following year.

Examples of how the Advance Portland recommendations were reflected in the budget include:

- New funding from the City Council to move forward TIF district exploration processes in East Portland and the Central City
- Pivoting traded sector General Fund supported work to refine and deliver on updated cluster action plans, including launching a new Food & Beverage Manufacturing cluster and action plan
- Initiating a Strategic Investment Fund to support investments helps to address gaps in access to capital for early-start developers and community-identified priorities

In terms of doing business differently, what would you say about that?

This is a plan that is meant to be implemented. As the new initiatives are rolled out, there will be a shift in the agency's focus. The changes will not be dramatic deviations from the current plans. The new TIF for the central city is a change. In the past, Central City has not been an area of focus; now it is. The agency doesn't expect changes tomorrow but will see shifts in direction going forward.

Commissioner Donahue asked the following questions:

The Advance Portland plan contains specific outcomes for your goals, which we always like to see. We'd love to hear more about how you will measure progress. What's your plan for tracking results and reporting to the community and stakeholders on these outcomes?

Mr. Willie Myers said the implementation of Advance Portland is expected to occur from July 2023 through June 2028. While the City facilitated the development of the strategy, actions will require leadership, funding, and engagement from a broad consortium of public, private, and community-based organizations. Accordingly, a Steering Committee will be established to monitor progress, support accountability, and advise on implementation. Additionally, an Implementation Task Force will be selected to coordinate and implement city-led actions, which will be guided by and provide regular reporting to the City Council on progress, challenges, and resources needed related to implementation. These two committees will refine the proposed actions throughout the life of the five-year strategy.

To deliver on the outcomes outlined in Advance Portland and make evidence-based decisions, we will to adjust actions and priorities as needed, which requires ongoing monitoring of available data. The Advance Portland document includes high-level indicators, including key inclusive growth measures reflecting the collective impact of market shifts and actions by public, private, and community-based partners. Program-level performance metrics will be developed with input from the Steering Committee to evaluate and make progress on these indicators.

What is the membership of the of the steering committee?

Ms. Vickers answered, saying the steering committee moving forward will be an amalgamation of people from those who have extensive knowledge of what Advance Portland looks like and how it was true-tested to get to where it is. This membership will be open over the five years, and they are expected to move in and out. But this is an ideal place for the community to continue to true-test what has been said and what has been lifted as the plan.

Commissioner Norton asked this follow-up question:

There were some measures included in the report transmittal letter. They seemed to rely heavily on the city of Portland's position about peer cities. What peer cities are you looking at and how recent and reliable are the peer cities data?

Ms. Vickers said the peer cities will be determined with the steering committee. There will be an evaluation framework coming out. Each city has different data available. They are looking at about ten peer cities. Six of the cities on the list are Charlotte, San Diego, Oakland, Denver, Austin, Raleigh, Boston, Minneapolis, and Atlanta. Most cities are just coming out with 2022 data. They will be looking at data for the same years across the board. They want to be comparing comparable cities.

Mr. Peter Platt shared some information regarding Advance Portland. He said what Prosper Portland is attempting to do is go back to basics. In the past, there has been an over-reliance on Portland's livability and amenities to attract young, talented people to the city. The region has benefited from this approach over the last few decades. The current crisis, partially brought on by Covid, has exposed the weaknesses in that approach. Post-COVID, the agency, the city of Portland, and the advising consultant firm intend to return to basics and reforge connections with businesses on all levels but focused on the trade sector.

Chair Quiroz asked the following questions:

Part of Prosper Portland's purpose is to support businesses. Businesses are saying they continue to see big challenges, from security to garbage to declining foot traffic. This is not just impacting small and emerging businesses but is now impacting our anchor institutions. Some of them are threatening to leave the area. What is Prosper Portland planning that might address these issues?

He said Prosper Portland continues to offer the Small Business Repair Grant program citywide, funded by the City Council, to provide support of up to \$10,000 to local small businesses needing immediate repairs like window repair. Prosper Portland recently launched the Small Business Stabilization Restore Grant Program to support Portland small businesses experiencing hardships resulting from the COVID-19 pandemic with City Council allocated American Rescue Plan Act funds. These grants will complement the Repair Grant program and offer one-time direct grants to help stabilize small businesses by addressing operational expenses for businesses within particular

districts, such as from East Portland to N/NE to 82nd Avenue to Central City and the inner west side. The Restore Grant Program will provide up to \$25,000 to eligible small businesses to reimburse for qualified expenses incurred due to damages and vandalism since January 2022.

While Prosper Portland's programs are focused on providing direct funding to small businesses impacted by the pandemic, staff are also coordinating with the Public Environment Management Office, leading the City's work related to cleaning up non-homelessness-related trash, graffiti, illegal dumping and abandoned cars, and other initiatives.

He said everyone knows of companies considering relocating outside the city. Prosper Portland is identifying available resources and finding additional resources needed to retain employer presence in the city. Though livability and safety are at the forefront of employers' minds, the agency knows the scale and prolonged nature of the crisis means aligned financial tools are needed to keep companies in Portland. Prosper Portland has convened an internal team to lead retention responses; the team is prepared with existing incentives and resources such as Enterprise Zone and limited Tax Increment Financing funds in critical areas. They are working with partners to identify additional tools needed for tenant retention, focusing on traded sector firms and companies that do business in the Central City. Prosper Portland also offers loan programs that can be utilized to provide working capital, equipment, and tenant improvement loans to businesses in the city.

What feedback are you getting from the small business support and recipients of this support? Is it helping? Is it improving livability or just a stop-gap measure?

Mr. Platt said being a small business owner, he speaks from experience. Every bit helps. Also, it's never enough. There are challenging times for small businesses, retail businesses in particular.

What is helping the most at present is business stabilization initiatives. Much of that comes from the peer-to-peer network established years ago through Prosper Portland's Neighborhood Prosperity Initiatives. The NPIs have proven to be a worthwhile investment of time and money. These are trusted relationships that the agency can draw from.

The challenges are not the same throughout the city. Old Town and Central City have been disproportionately impacted, especially with the overlap of houselessness, drug crisis, and behavioral issues. The most important thing is the safety of employees going to and from work and during the work day in these areas. This is out of the agency's purview, but those concerns can be brought to the council's attention.

Commissioner Ofsink asked this follow-up question:

That tells us more about responses to acute issues such as the pandemic. What about those long-term issues, such as the changing nature of consumer decisions, decreased foot traffic, and shift to more remote work?

Mr. Platt said those conversations are happening. No one in the country has a working model for addressing the "downtown death spiral." The agency needs to work towards office conversions into affordable housing. He said he would expect the housing crisis to continue for 10-15 years. Unlike many peer cities, Portland does not have a robust relationship between government and businesses. The problem is more significant than one organization can solve. Work must be done to rebuild the connections between the government and the large and small business communities. Prosper Portland has the opportunity to be the bridge between the local businesses and the city government and do it with an equity mindset. There is still a lot to do.

Ms. Vickers said Advance Portland is looking at an Office for Small Business that will look at those ongoing issues and move past rapid response to rebuilding. They plan to revisit how they are supporting businesses.

Chair Cruz said the city is looking at promoting converting office space to affordable housing and making the permitting process easier, waiving SDC charges to make it more affordable. They are encouraging conversions.

Commissioner Norton asked the following questions:

What about the future of funding Prosper Portland's work? With a number of large TIF districts closing, Prosper Portland was working on a Financial Sustainability Plan (FSP) 2.0, which was completed earlier this year. How have plans for sustainable funding changed from the first FSP plan?

Chair Cruz said the original Financial Sustainability Plan focused on four key components, optimizing public benefits and financial return of the remaining tax increment funds and securing additional public funding being most critical to the plan. The updated plan retains many of the original concepts. Still, it is adjusted to incorporate lessons learned based on the first few years of performance and to reflect a new economic landscape, primarily due to the impact of the COVID-19 pandemic.

The plan retains securing public resources as foundational to the plan. It anticipates 25% of the TIF revenue returning to the City's General Fund to support economic development programming in the fiscal year 2024-25, consistent with direction from the City Council. Two other foundational elements include:

- Identifying and optimizing how remaining TIF district funds are invested in alignment with community priorities and district action plans and
- Investing Strategic Investment Fund resources generated from returning TIF investments, including loan repayment, property sales, and net operating income.

The Strategic Investment Fund will be available city-wide and can be used to achieve public benefits and create financial returns through new lending and real estate programming. The fiscal year 2023-24 budget includes a \$45 million Strategic Investment Fund that can deploy into new lending and real estate programming.

The budget message mentions part of the FSP 2.0 is to continue "searching for new revenue opportunities". Can you share some examples of what you're exploring? How likely is it that additional sources will materialize?

New revenue opportunities include local, state, and federal potential sources. For example, earlier this spring, Prosper Portland, in partnership with City bureau partners, applied to the U.S. Department of Transportation for a \$15 million RAISE grant to fund local street improvements at the Broadway Corridor site. Grant awards are expected to be made no later than June 28, 2023. Grants are not a reliable source of income, but combined with fees, interest on loans, recycling of funds, and funds transferred from the General Fund, will help ease the district away from TIF funding.

Commissioner Ofsink asked the following questions:

It's been over a year since Prosper Portland shifted to a community-led approach for the creation of new TIF districts. Can you describe the current process for starting new TIF districts? How does Prosper Portland let communities know about the availability of TIF districts? What tools are available to help the community understand TIF districts and prepare for the process of TIF creation and maintenance?

Ms. Serena Stoudamire-Wesley said the exploration of new TIF districts in East Portland and the Central City was identified by community partners during the Advance Portland engagement and outreach. In East Portland, the action also reflects conversations that were initiated and are being led by East Portland Action Plan (EPAP) staff who convened meetings between East Portland community members and partners with Prosper Portland and the Portland Housing Bureau. EPAP is a community-led effort working together to advocate for all areas of livability.

At the June 28 Portland City Council meeting, staff will seek approval of a resolution to launch a process to explore new TIF districts in East Portland and the Central City. Prosper Portland and Portland Housing Bureau staff would facilitate an approximately 15-month process and report back to City Council in October 2024 if approved. In East Portland, this process includes supporting a 20-member Steering Committee and up to three geographic-specific working groups. This process and approach were created through the early engagement work led by EPAP. The process in the Central City will sequentially follow the work in East Portland and is also expected to include convening community partners to explore new Central City TIF districts in alignment with the Advance Portland direction and to make recommendations to the City Council.

These processes will lean heavily on lessons learned in the Cully TIF district process, including:

- providing TIF district information and education
- centering community priorities and perspective during the process and any plan creation
- providing subject matter and technical expertise as part of the exploration process and any district plan drafting.

From there, the agency will come up with a process.

Commissioner Wubbold asked the following questions:

How do you respond to critics who suggest Prosper Portland is in danger of disappearing unless it creates new TIF districts or those that may suggest more involvement on your part than simply letting the community come to you? The description seems like the community must approve of the agency's projects. This approach indicates that you will have a much deeper relationship with the community, and to get the TIF districts moving forward, you will need the community support. Are others doing this type of community-driven approach to urban development?

Chair Cruz said the Cully district is unique. In the past, urban renewal had negatively impacted some communities. Prosper Portland is aware of this and is shifting the philosophy from a "top-down" to a "bottom-up" approach. This reflects the evolution of the agency, which is evolving more towards the role of an economic development arm for the city, not just TIF. Instead of approaching the development projects the agency wants, it is more about doing the right thing for the community in the way the community wants to see it developed.

Ms. Stoudamire-Wesley said it is essential that the agency does not repeat past mistakes. The agency needs to listen to and learn from the various communities. Then, develop the strategy for development from what was learned from that conversation. She gave a personal experience due

to redevelopment that harmed her family. She said getting the community's voices at the table is important.

She said most U.S. cities have a bureau that leads the city's economic development and community development services. While TIF has been and continues to be a primary resource in implementing the economic growth and urban development work of Prosper Portland, through the FSP update, the agency has diversified how Prosper Portland is funded to ensure less singular reliance on TIF resources. Deploying a balanced approach in investing remaining TIF and non-TIF funds alongside increased General Fund support is the foundation for maintaining economic development work in the future. These new resources also offer the advantage of providing resources to implement Advance Portland priorities city-wide rather than in specific areas for specific projects. TIF continues to be an important and complementary resource, particularly in specific areas where there is a need for public funds to help stabilize small businesses and residents and leverage inclusive growth in the face of market forces. The agency anticipates that future TIF districts will continue to build on lessons learned through practices like the Neighborhood Prosperity Network, five-year Action Plans, and the Cully TIF district creation governance model.

Commissioner Donahue asked the following questions:

We've discussed the housing crisis and its community impacts with many of our districts this year. What is Prosper Portland's role with housing as of right now? Do you see this evolving in the coming years? Who are the key partners you plan to coordinate with?

Mr. Sam Rodriguez said yes, it does have a role in this. Portland allocates 45% of its annual TIF revenue to the Portland Housing Bureau in alignment with the City Council-adopted Affordable Housing Set-Aside Policy to deliver regulated affordable rental and home-ownership housing within TIF districts. The set aside focuses on delivering controlled affordable housing units serving those with incomes between 0 and 60% of the area median income.

Prosper Portland invests in middle-income housing in various ways. In north/northeast, a portion of Prosper Portland's N/NE Community Development Initiative Action Plan investments are administered by the Portland Housing Bureau to expand the availability of their single-family residential home-ownership programs, such as the Down Payment Assistance Loan program and Home Repair Program, to those with incomes between 80-120% area median income. In Lents, at Oliver Station, Lents Commons, 92nd & Harold, and Gateway at the Nick Fish, Prosper Portland has invested in public-private partnerships to deliver on market rate, middle-income, or mixed-income projects in response to community advocacy for mixed-income housing communities. In Old Town, Prosper Portland's TIF district funding commitments in the Old Town Action Plan are focused on attracting new neighborhood investment and activating key properties by supporting market-rate housing that complies with the City's Inclusionary Zoning Policy.

Prosper Portland is engaged with the Portland Housing Bureau, Bureau of Sustainability, and Bureau of Development Services in identifying city-wide strategies to unlock middle-income and market-rate housing together with additional regulated affordable housing. This is also reflected in many Advance Portland recommendations, including increasing mixed-income housing in Central City subdistricts with a lack of residential use and addressing housing production across a continuum of affordability along the commercial corridors. Given the history of partnership with the Portland Housing Bureau and direct involvement with funding to support middle-income or mixed-income projects, Prosper Portland expects staff will be increasingly engaged in city-wide discussions on housing production.

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 2023-24 Approved budget. She asked if the commissioners had any questions or comments concerning the budget. There were none.

Chair Quiroz asked Executive Director Allegra Willhite to give staff recommendations for the certification letter. She thanked Prosper Portland staff for their work in preparing the budget. She acknowledged the amount of work and time spent preparing this document. TSCC Staff collaborates with Prosper Portland Staff about budget law or other issues throughout the year. Prosper Portland's staff are very helpful in providing information about TIF districts for the TSCC annual report. Ms. Willhite said she appreciates the partnership with the district.

Ms. Willhite said staff found the budget estimates reasonable for the purposes stated and complied with Local Budget Law. She said staff have no recommendations or objections to the fiscal year 23-24 budget. She thanked Prosper Portland for their quick responses and willingness to answer questions.

Chair Quiroz called for a motion.

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

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