
Budget Message from Kimberly Branam

Executive Director

To Members of the Prosper Portland Board of Commissioners (Board) and Portland City Council:

This will be a pivotal year. The city faces lingering pandemic-related impacts of small business closures, office and retail vacancies, coupled with a rising cost of living, persistent racial inequities, and skills gaps. Businesses are dealing with new and ongoing challenges, from supply chain issues, rethinking of how business is done – in hybrid environments and with new technologies – to operational issues related to retention, hiring, and inflationary pressures. Many small businesses, the heart of Portland’s economy, are experiencing reduced revenue as consumer behavior fluctuates, labor shortages continue, and operational costs increase.

Prosper Portland’s fiscal year 2022-23 Proposed Budget supports interventions and investments to address these pressing challenges and embraces equitable growth as our guiding principle for economic recovery. Building on existing work that is grounded in racial equity and the power of partnership as the path toward stability and resilience, investments are designed to foster economic growth and equitable opportunities for Portland residents, businesses, and diverse communities by:

- Increasing access to quality jobs and household stability
- Stabilizing diverse small businesses
- Strengthening impacted business districts
- Enabling commercial activity and investment

Proposed funding supports projects and programs designed to achieve key Comprehensive Plan objectives:

- Vigorous economic growth and a healthy, diverse economy that supports living wage jobs
- The reduction of systemic inequities
- An attractive environment for innovation, job growth, development, and trade, and
- Vibrant commercial districts with healthy local small businesses throughout the city

The Proposed Budget supports continued investments to help small businesses operate and stay open, access critical resources, and adjust their business offerings to realize growth (while still recovering from pandemic impacts) – through community-driven, equity-centered programs like IBRN, Mercatus, My Peoples Market, Portland Means Progress, and the Neighborhood Prosperity Network. Recognizing the critical need to strengthen diverse small businesses, funding will provide BIPOC-owned businesses with tech-specific business development support; facilitate efforts that offer lease and operating funding for small businesses working to stay open; re-tenant vacancies to fill in holes and create opportunities for diverse businesses; and ignite commercial district marketing and activations to drive foot traffic.

Prosper Portland is poised to meet the challenges before us and deliver programs and services that benefit the residents of Portland. Working collectively, we can achieve a globally competitive, healthy city where Portlanders are able to reach their greatest potential.

FY 2022-23 BUDGET OVERVIEW

The Proposed Budget includes total expenditures of \$199 million, 81 full time positions, and 12 limited term positions. The Proposed Budget includes expenditure of Housing Set-Aside resources totaling more than \$47 million for FY 2022-23 and \$108 million over the next five years. The total Five-Year Forecast includes all remaining tax increment proceeds for existing Tax Increment (TIF) Districts and amounts to \$164 million.

The Proposed Budget is balanced using a variety of revenue resources that have been impacted differently by the continuing economic effects of the COVID-19 crisis.

1. Tax increment debt proceeds are unchanged based on the financial capacity of each TIF District. The budget includes \$66 million in new tax increment debt resources to fund TIF District Action Plans and the affordable housing set-aside in each district. River District and most of the NPI districts have reached maximum indebtedness. Lents and Jade districts will reach maximum indebtedness in the next year.
2. The Mayor's Proposed Budget includes \$15.3 million for new one-time funding in General Fund, Cannabis and American Rescue Plan resources to support critical small business needs, workforce development priorities, and catalyze economic recovery.
3. COVID-19 significantly impacted Prosper Portland's operating revenues – property income in particular. While the FY 2022-23 Proposed Budget assumes growth in this earned revenue as activity returns, it may take several years to return to pre-pandemic levels.

The financial impacts of the COVID-19 pandemic on existing operating revenue and development projects resulted in an immediate and enduring effect on Prosper Portland's Ten-Year Financial Sustainability Plan. Prosper Portland is working to update the Financial Sustainability Plan alongside the Inclusive Economic Development Strategy and will be providing an updated proposal to City Council this Fall. The expiration of multiple existing TIF districts represents a structural shift in how economic development is funded in the City of Portland in the coming decade. Our ability to maintain the current level of inclusive economic development programming and partnerships through the end of our Five-Year Forecast will depend on implementation of the Plan. Allocation of 25% of the returning TIF funds to the General Fund along with the implementation of new earned revenue strategies are critical to maintaining the level of service for the City.

FY 2022-23 BUDGET HIGHLIGHTS

Prosper Portland's General Fund, Cannabis Fund, Community Development Block Grant, and Enterprise Zone Funds, along with new federal funds from the American Rescue Plan, provide the critical resources for **household, business, and community-partner** stabilization and recovery efforts to those most impacted by the COVID-19 crisis.

Prosper Portland submitted one-time funding add packages for General Fund, Cannabis Fund and American Rescue Plan funding as part of the Requested Budget submitted in January to further economic stabilization and recovery efforts. The Proposed Budget aligns to the Mayor's Proposed Budget by including the following programming:

- **Enhance Services for the Inclusive Business Resource Network:** Through additional Cannabis Fund and General Fund resources, the IBRN network will be expanded to provide additional services to Portland's BIPOC entrepreneurs. Through additional Cannabis Fund resources, **Professional Services** a la Carte programming will be expanded to deepen a pool of professional service coaches and expand IBRN services to **Digital Marketing Support**, and additional **Cannabis Business Advising** to support cannabis entrepreneurs in business development. Additional, one-time General Funds are proposed to fund a Capital Access Advisor who will provide further financial technical assistance to BIPOC entrepreneurs. New funds will also help Scale BIPOC Technology Firms through a pilot project that would support BIPOC-founded tech firms to grow, navigate barriers, and scale.

- **Support capacity of Neighborhood Prosperity Network (NPN), Old Town Community Association and Venture Portland:** additional General Fund resources to sustain current service levels to the six Neighborhood Prosperity Network Districts and the Old Town Community Association as existing funding expires to support equitable development, job creation, retail viability and livability. Grants and technical assistance from Prosper Portland will enable seven district organizations to connect job-seekers and businesses to critical resources. The network will leverage approximately \$750,000 in private investment and 10,000 volunteer hours through engagement with their communities on district priorities and recovery. The funding will also support six major events in the Old Town neighborhood. The Mayor's Proposed Budget also includes \$1.78 million in ARPA resources to provide additional **Business District** support through Venture Portland to provide significant aid to the six identified Catalytic Investment Initiative (CII) districts in East and North Portland - Midway, Gateway, Lents, Foster, Williams Vancouver, and St. Johns.
- **Workforce Development:** The Mayor's Proposed Budget includes \$3 million in round 2 ARPA funding to provide paid work opportunities and rapid re-careering services through Worksystems Inc. to Portlanders who have been impacted by the COVID-19 economic crisis.

The FY 2022-23 Proposed Budget includes the implementation of strategies and plans to invest in **business and neighborhood stabilization** in TIF districts, as well as citywide with General Fund and American Rescue Plan (ARPA) grant funds. Projects and programs include:

- **Small Business Support:** Make stabilizing investments in small businesses citywide through operating grants and technical assistance. The Mayor's Proposed Budget includes \$4 million in ARPA funding to support **Small Business Stabilization Grants** that will provide business owners with resources to address issues necessary to stabilize their business, from insurance costs to outstanding rent needed to avoid eviction. Provide ongoing support through TIF funding by providing tenant improvement loans and Prosperity Investment Program grants to businesses in N/NE, Gateway, Lents, Central Eastside and Old Town. We will also continue to tenant affordable commercial space in the TIF Districts at Lents Commons, The Nick Fish, and 10th & Yamhill to support BIPOC- and women-owned businesses offering community goods and services.
- **Community and Business Activations.** In partnership with Parks, PBOT and Travel Portland, Prosper Portland will engage residents, businesses, and visitors with unique experiences in key commercial areas prioritizing BIPOC-owned businesses and community-based organizations. The Mayor's Proposed Budget includes \$2.25 million in ARPA funding to support **Commercial Activations and Re-Tenancing**. Programming will focus on creating events and attractions, retail advising and re-tenancing activities and district marketing. The Mayor's Proposed budget also includes \$1.57 million in General Fund to maintain current level of capacity to support the film industry and one-time resources to establish an **Office of Events, Film and Music**. These investments will continue film development and recruitment activities, maximize synergies and recognize the economic value of cultural programming in the community. This proposal includes an expansion of existing grant funding programs and special projects into 2023 and beyond, in addition to paving the way to a formal office for these activities.
- **Equitable Development Partnerships:** Support community-centered development and infrastructure projects, including Workshop Blocks in the Central Eastside, 92nd & Harold in Lents, and Broadway Corridor, and Central Gateway investments and partnership. Ensure projects provide opportunities for certified businesses, increase employment, and create healthy, complete neighborhoods. Prosper will also support the Portland Housing Bureau on a \$2.5 million Mayor's Proposed Budget allocation to **82nd Avenue Equitable Development** to support affordable housing, workforce development and commercial stabilization concurrent with PBOT's 82nd Avenue transportation improvements.

BUDGET PROCESS

The Prosper Portland FY 2022-23 Adopted Budget was informed by the Prosper Portland Strategic Plan, ongoing pandemic relief activities, and the agency's annual work plan. Prosper Portland staff reviewed the FY 2022-23 Draft Budget with its 18-member Community Budget Committee (CBC), which met four times over the course of the budget cycle and whose members represent a diverse array of geographic, industry-sector and community stakeholders. The Prosper Portland Board held a work session on January 26, 2022, to review General Fund programming and TIF district spending plans that were incorporated into the Requested Budget. Staff also reviewed specific TIF district Requested Budgets with community and neighborhood organizations to receive input. The CBC letter and a summary of TIF district budget outreach is included in the Budget Process section of the Adopted Budget.

These partnerships will continue to shape programmatic priorities in economic relief, recovery, and resilience in fiscal year 2022-23.