



PROSPER
PORTLAND
Building an Equitable Economy

DATE: May 12, 2021
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 21-11
Adopting Budget Amendment No. 3 for the Fiscal Year Beginning July 1, 2020, and Ending June 30, 2021; and Making Appropriations

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7415

This action by the Prosper Portland Board of Commissioners (Board) will formally amend the current fiscal year (FY) 2020-21 Adopted Budget for the third time in the following ways:

- (1) Move planned tax increment finance (TIF) district expenditures for planned projects to contingency so that the funds can be recognized in the Beginning Fund Balance and expenditures in the FY 2021-22 Proposed budget;
- (2) Appropriate additional funds allocated by City Council in the City of Portland's (City's) Spring Budget Amendment;
- (3) Adjust property management expenses based on updated forecasts;
- (4) Update other revenues based on latest forecast for loan collections, estimated interest on cash balances, and property income;
- (5) Update Affordable Housing Set Aside budgets based on estimated timing of expenditures from the Portland Housing Bureau;
- (6) Adjust administrative expenditures, as needed, between internal departments and accounts, recognizing an overall savings for the year; and
- (7) Establishes the Affordable Commercial Tenanting Fund and recognizes resources from the first project participating in the program.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

The FY 2020-21 Budget Amendment No. 3 ensures that the Prosper Portland Board has appropriated adequate public funds to be lawfully expended by Prosper Portland to implement all planned projects and programs established through the strategic planning and agency work planning processes. This action will also address any changes to these efforts since adoption of the budget in June 2020 and the latest budget revision in November 2020. Outcomes related to budgeted projects and programs will be measured over time to determine how Prosper Portland's allocation of resources will impact all Strategic Plan goals and the agency's ongoing efforts to build an equitable economy.

BACKGROUND AND CONTEXT

The FY 2020-21 Budget Amendment No. 3 is anticipated to be the final budget amendment of the fiscal year. Most of the changes in Budget Amendment No. 3 are related to recognizing which budget

appropriations for TIF district project budgets should move into future fiscal years based on project timelines. Also, during approval of the City's Spring Budget Amendment on April 21, 2021, City Council allocated additional General Funds to Prosper Portland that will go towards Venture Portland and the Small Business Repair Grant Program. These funds need to be appropriated in Prosper Portland's budget revision in order to be expended in the current fiscal year. Staff are also updating property income and expense assumptions based on the year-end forecast. Updating the budget to reflect the most recent forecast will provide a more accurate picture of resources available to balance the FY 2021-22 budget.

EQUITY IMPACT

The FY 2020-21 Adopted Budget incorporates projects and programs critical to advancing Prosper Portland's Strategic Plan and equity goals. This amendment ensures that appropriations are adequate for current year planned spending and adjusted for programs that will carry forward to the next fiscal year. The budget maintains 100 percent of the original spending that was included in the Adopted Budget for General Fund, Community Development Block Grant, and Enterprise Zone resources used to implement the Inclusive Business Resource Network, workforce development, Neighborhood Prosperity Network, and traded sector activities. Staff working to implement these initiatives are centering on racial equity and creating systems to ensure the pandemic does not exacerbate existing inequities.

COMMUNITY PARTICIPATION AND FEEDBACK

No specific outreach has taken place regarding this action; however, notice of the public hearing to be held by the Prosper Portland Board on Budget Amendment No. 3 was published prior to the meeting in the manner required by local budget law. As with all agency budget actions, the public can testify at the public hearing held by the Prosper Portland Board on May 12, 2021. All other changes included in FY 2020-21 Budget Amendment No. 3 are consistent with funding priorities established in the FY 2020-21 Adopted Budget and four-year forecast.

BUDGET AND FINANCIAL INFORMATION

Recommended changes included in Budget Amendment No. 3 reflect the financial implications of business decisions which amount to \$149,559,783 in program and project expenditures. The total budget amounts to \$572,861,093 when including interfund transfers and contingency (see Exhibit A to Resolution No. 7415 for all fund appropriation changes). In summary, key changes to resources and requirements are:

Changes to Total Resources:

- **City General Fund:** increase of \$262,000 from City Council allocating additional funds towards the Small Business Repair Grant and Venture Portland in the Spring Budget Amendment.
- **Fees and Charges:** Increases a net \$511,034 mostly from recognizing fee revenue associated with the first participant in the Affordable Commercial Tenanting Program (authorized by City Council last year). Fee revenue will be programmed in next fiscal year's budget.
- **Grants-Federal except HCD:** Decreases a net \$180,000. The decrease is mostly from moving planned grant reimbursements for EDA revolving loan fund grant funding to the second year of the program (FY 2021-22).
- **Grants-HCD Contract:** Decreases a net \$1,134,820. The decrease is mostly from moving planned grant reimbursements for CDBG CARES ACT funding to the second year of the program (FY 2021-22).

- **Grants-State and Local:** Decreases a net \$81,521. Most of the decrease is related to recalculating the amount of revenue sharing grants from Multnomah County (County) and the City of Portland to the Neighborhood Prosperity (NPI) Districts based on the intergovernmental agreement between Prosper Portland, the City and the County. Most of the amount is reallocated instead as tax increment debt proceeds that will go to the NPI Districts based on the calculation. The net change is partially offset by a \$70,000 increase is related to planned grant draws for a Metro Grant related to community involvement and development a potential TIF district in Cully.
- **Interest on Investments:** Increases \$81,592 to take into account higher interest earnings than was budgeted in the River District.
- **TIF Debt Proceeds:** Increases a net \$4,004,374 to take into account higher tax increment revenues in several districts as well as the release of bond proceeds in Lents from bond reserves that can now be used towards projects.
- **Other Debt Proceeds:** Increases \$4,000,000 to recognize loan from the Portland Parks & Recreation to Prosper Portland to support acquisition of Block 24 (which closed on June 30, 2020). The loan matures in 2022.
- **Property Income:** Increases a net of \$155,556 across TIF districts and the portfolio based on revised estimates of year-end property income.

Changes to Total Requirements (summarized):

Note: While appropriations in total show decreases across all categories, appropriations by fund include both increases and decreases based on specific activity. Please see the attached fund detail in Exhibit A for specific changes by funding source.

- **Administration:** Decreases a net \$900,321. Approximately \$600,000 of the decrease is related to reduced lease costs and other facility costs in the current fiscal due to Prosper Portland's move to 220 NW 2nd Avenue. Another \$400,000 is decreased for expected interest payments to the City for the River District interim line of credit based on lower interest costs. Higher TIF district debt administration costs and costs related to the Interstate TIF District amendment is increased approximately \$100,000, slightly offsetting the reductions.
- **Economic Development:** Decreases a net \$1,480,563. Most of the changes is related to moving appropriations for two federal grants (CDBG CARES Act funding and EDA Revolving Loan funding) that were added this fiscal year to next fiscal year based on implementation of programming.
- **Housing:** Decreases \$17,228,238. The decreases are to match up to the Portland Housing Bureau's estimate for current year Housing Set Aside spending that was established in the City Spring Budget Amendment. Funds are being reallocated to next fiscal year based on project timing.
- **Infrastructure:** Decreases \$4,404,894. The decreases include moving funds related to several intergovernmental agreements with the Portland Bureau of Transportation to next fiscal year based on project timing. Projects include 106th and Halsey Local Improvement District funding in Gateway as well as work in North Macadam and Central Eastside.

- **Property Redevelopment:** Decrease of \$27,075,560. Substantial decreases in appropriations occur primarily in Downtown Waterfront (OT/CT Action Plan), River District (Broadway Corridor demo), Lents (Lents Action Plan phase II), and North Macadam (south portal) for project funding that will be moved to next fiscal year. Majority of the decrease is in North Macadam for a planned acquisition that is not anticipated to close this fiscal year. Decrease is slightly offset by several increases for predevelopment activity in the current year for several Old Town/Chinatown projects in River District as well as addition Small Business Repair Grant funding from the City's General Fund.
- **Contingency:** Increases a net \$56,681,828 across all funding sources as a result of the net increases in revenues and net decreases in expenditures. The increased contingency will result in higher beginning fund balances for the FY 2021-22 Proposed Budget.

RISK ASSESSMENT

Should the Prosper Portland Board decide not to approve FY 2020-21 Budget Amendment No. 3, there may be inadequate appropriations for some projects and programs that are underway. An over-expenditure of an appropriation within a fund is a violation of local budget law (Oregon Revised Statutes 294); therefore, the recommended budget amendments ensure proper appropriations authority for all expenditures.

ATTACHMENTS

None.