



DATE: September 14, 2022
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 22-30
Proposing the Cully Tax Increment Finance District Plan, Report, and Governance Charter and Forwarding to Portland City Council with a Recommendation for Approval

BOARD ACTION REQUESTED

Adopt Resolution No. 7465

This action by the Prosper Portland Board of Commissioners (Board) will set forth the process for establishing the Cully Tax Increment Finance District (Cully TIF District) and ultimate adoption of the Cully Tax Increment Finance Plan (TIF Plan), the Cully TIF District Report (TIF Report), and the Cully TIF District Governance Charter (Governance Charter). If approved, this action will initiate the formal public review process including a consult and confer process with impacted taxing districts; review by the Planning and Sustainability Commission for conformance with the City's Comprehensive Plan; a city-wide notice; and a hearing by the Portland City Council to consider adoption of a non-emergency ordinance that is currently contemplated to occur in November 2022.

This board report is accompanied by the proposed district boundary (Attachment A) and Exploration Leadership Committee member list (Attachment B). The Cully TIF Preliminary Report (Preliminary Report and Exhibit 1 to the Plan) reflects a multiyear engagement process by a coalition of community partners in the Cully area. Adopting these documents through Resolution No. 7465 will satisfy requirements under Oregon Revised Statutes (ORS) Chapter 457 and begin the process of establishing the Cully TIF District.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action will deliver on Prosper Portland's Strategic Plan goals to create healthy, complete neighborhoods; foster wealth creation within communities of color; and form 21st century civic networks, institutions, and partnerships.

BACKGROUND AND CONTEXT

Historically, TIF districts in Portland have been created as a vehicle to serve ambitious mixed-use, transit-oriented development; affordable housing projects; and local and regional infrastructure investments like light rail.

In 2011, City Council approved the creation of six micro TIF districts through the Neighborhood Prosperity Network (NPN) with the goal of supporting equity-based community economic development at the neighborhood level. The NPN fosters economic opportunity and vitality with a focus on low-income populations and communities of color. Through grants, training, and support from Prosper Portland, NPN organizations are responsible for planning and implementing projects along specific corridors to improve their local communities and commercial districts.

The NPN embodies a community-driven, self-help model where stakeholders from the commercial district and surrounding service area organize a non-profit organization, raise funds, hire a salaried district manager, complete physical improvement projects through small-scale TIF funding, develop marketing initiatives, and pursue other efforts to improve economic conditions – including workforce services, business technical assistance, and district-specific programming. Districts leverage Prosper Portland operational funding and staff support through building rental fees, program income, and traditional fundraising efforts.

Two NPN districts, Our 42nd Avenue and Cully Blvd Alliance, are within the proposed Cully TIF district and both districts form an important foundation for future economic development work based on their successes to date, including:

- Administering more than \$1 million of TIF funding to respond to community's needs, including exterior and interior physical improvements, signage and lighting, murals, community plazas, street furniture, and predevelopment/feasibility grants. These grants have also played a key role in managing and tenanting affordable commercial space with the NPN holding master leases on two properties;
- Engaging community and businesses with events that highlight the activities of the district such as the Cully Famers Market and Community Coffee Hour and providing regular opportunities for community to share and learn what happening throughout the district;
- Creating connections to business technical assistance and workforce supports. From fiscal year (FY) 2015-16 to FY 2021-2022, through the Community Workforce Navigator program, 249 people, 76 percent of whom were people of color, received hands-on, community-based approach workforce training and career counseling. From fiscal year (FY) 2017-18 to December 2021, 128 businesses within the two NPN service areas received technical assistance services through the Inclusive Business Resource Network (IBRN); and
- Deploying critical resources to address community and business needs during the pandemic in partnership with Prosper Portland, the City and Multnomah County. Capitalizing on the relationship and trust they had built over the years, districts were able to effectively disburse multiple rounds of grant funding, provide PPE, encourage diverse businesses to apply for federal funds, and assist with grant applications.

Cully Exploration Leadership Committee Formation and Background. In 2018, a coalition of community-based partners in the Cully neighborhood, including the two NPN districts, approached Prosper Portland to explore the creation of a large-scale, community-centered TIF district. The coalition proposed an engagement process that could lead to a new TIF model that centers historically underserved, marginalized, and underrepresented community voices in the Cully TIF district creation and prioritization process. Funded with resources from Metro and the City, an Exploration Leadership Committee (ELC) made up of community-based organizations and Cully residents led an extensive engagement process that resulted in the Preliminary Report (Exhibit 1) which served as the foundation of the TIF Plan (Exhibit A) and TIF Report (Exhibit B) as proposed.

With support from Living Cully, members of the ELC include:

- Cully Association of Neighbors
- Cully Blvd Alliance
- Habitat for Humanity Portland Region
- Hacienda CDC
- Native American Youth and Family Center (NAYA)
- Our 42nd Avenue
- Verde
- Residents of the Cully Community

The community's long-term vision is to transform Cully into a place that provides a sense of belonging for its residents, particularly for Priority Communities. This means Cully will have plentiful safe, affordable housing, thriving Black-, Indigenous-, and People of Color (BIPOC)-owned businesses, rewarding employment opportunities, safe and accessible transportation options, parks and open spaces, a clean and healthy environment, climate resiliency, with places and programs that reflect the cultural diversity of BIPOC individuals.

Prosper Portland and Portland Housing Bureau (PHB) staff provided technical support to the ELC during the development of the Preliminary Report and community-led engagement process and co-created the TIF Plan proposal under consideration by Prosper Portland Board and Portland City Council. This co-creation model centers those most vulnerable to displacement and elevated the voices of historically underserved and marginalized communities while leveraging the technical and professional capabilities of City partners in the TIF Plan, TIF Report and Governance Charter.

Proposed Cully TIF District. Maximum indebtedness for the new district is proposed at \$350,000,000, of which approximately \$143,000,000 (45 percent of net proceeds) would be reserved for PHB affordable housing investments in alignment with the City of Portland's Set Aside policy. The remaining funds will be administered by Prosper Portland with a minimum of 45 percent reserved to support small businesses and economic development initiatives.

Both affordable housing and economic development investments within the Cully TIF District will be guided by 5-Year Action Plan priorities, which will be co-created with a forthcoming Community Leadership Committee as further outlined in the proposed Governance Charter. Since 2014, Prosper Portland's TIF investments have largely been guided by Action Plans that reflect input from extensive engagement with community partners and identifying areas of priority for investment together with outcome metrics and measures of success. Action Plans implement on community priorities through Prosper Portland programs - like small business and nonprofit physical improvement grant and loan tools together with larger land acquisition and disposition projects – and PHB programs – like home repair and down payment assistance tools together with larger affordable multifamily land acquisitions and project investments. Action Plan priorities will align with the list of eligible TIF investments listed within the proposed TIF Plan which include:

- Affordable housing, homeownership, and home repairs
- Business support, commercial property acquisition, development, and renovation
- Arts, culture, and signage
- Land acquisition and land banking
- Recreational improvements
- Infrastructure improvements

The proposed TIF Plan, TIF Report and Governance Charter build on partnerships and lessons learned from existing localized economic development and housing capacity building, stabilization, and investment to date in Cully. NPN partners have been critical to maintaining place-based community capacity that connects community businesses, organizations, and residents to resources within the city and regionally while serving as a key navigator, pipeline and referral for smaller TIF investments. Implementation of this plan will be similarly undertaken with significant community leadership, input and involvement, a key component of which is the Community Leadership Committee as set forth in the Governance Charter (Exhibit 2). The Governance Charter details ongoing cocreation involved with Action Plan development and implementation; the Committee's role in decisions, recommendations, and accountability oversight; how the Committee will make recommendations regarding implementation; as well as membership, Charter compliance, and other pertinent matters.

EQUITY IMPACT

Over the past ten years, Cully has experienced increased market and gentrification pressures through rising retail and office lease rates (37% and 51%, respectively) and increased housing costs, making rental housing unaffordable to average three-person extremely low-income households, Black residents, and single mothers in Cully-Roseway. As market pressures intensify, there is demonstrated need for community-centered investments of scale that can proactively mitigate displacement pressures, which disproportionately affect low-income people and people of color. Future stabilization investments build on PHB's recent bond investments in affordable housing projects like Las Adelitas in partnership with Hacienda CDC, Hayu Tilixam in partnership with NAYA and Community Development Partners, and others. The proposed TIF Plan provides a unique and timely opportunity to shape investments that increases equitable access to capital, housing stability and economic opportunities for those that reside or own a business in Cully and secure those benefits for future generations of Priority Communities.

The TIF Plan and TIF Report center "Priority Communities," a term that refers to the intended beneficiaries of the Cully TIF District. Priority Communities is a defined term used throughout the TIF Report and includes: African American and Black persons; Indigenous and Native American persons; persons of color; immigrants and refugees of any legal status; renters; mobile home residents; persons with disabilities; low-income people; houseless people; and other population groups that are systemically vulnerable to exclusion from Cully due to gentrification and displacement.

The ELC-led engagement process, the process of co-creation between the ELC and the City, the proposed governance structure, and TIF Plan goals and priorities similarly center stabilizing community and ensuring investments actively counter displacement pressures and gentrification. Goals of the Cully TIF district as memorialized in the TIF Plan include:

- Prevent displacement of vulnerable people
- Preserve existing opportunities for affordable housing and economic prosperity, and create new opportunities
- Ensure that current residents benefit
- Ensure that those most affected will play lead roles
- Develop and inspire a new model for TIF
- Actively work to remove access barriers
- Spur innovation of environment and climate change

Without TIF district funding, there is limited public funding available to respond to and intervene in ongoing market pressures in Cully, be it through affordable housing investments or small business

support and stabilization. Based on the proposed TIF funding model, if approved, the Cully TIF district would generate \$25 million in the first 5 years of the district and an additional \$35 million in years 6 through 10. Based on past investments this could support an additional 2 to 3 larger multifamily affordable housing projects and help stabilize Priority Communities owned businesses and organizations through grants, loans, and affordable commercial space.

COMMUNITY PARTICIPATION AND FEEDBACK

ELC-Led Preliminary Report Engagement. A subcommittee of the ELC created and implemented a community led engagement strategy which resulted in the Preliminary Report. To ensure the engagement of community members, all community organizations involved with the ELC helped recruit and activate Community Leaders (CL). CL are active and trusted Cully residents who helped connect our effort to people that our project partners might not otherwise be able to reach. CL engaged residents, committed to approximately 40 hours of involvement between October 2020 and June 2021, and received stipends for their time and efforts.

The subcommittee and partners hosted multiple focus groups within various communities. Each focus group targeted a specific community for outreach and recruitment. The CL helped support these organizations during the focus groups. The focus groups and target communities included:

- Latina/o/e/x community members;
- Black and African American community members;
- Urban Native/Indigenous community members;
- Mobile home park community members;
- Somali community members;
- Low-income homeowners;
- Small business community members; and
- Houseless community members.

Recognizing that focus groups might have limited reach, the subcommittee also developed a survey using feedback from pilot focus groups. The goal of the survey was to capture community responses to a wide range of questions about creating the TIF plan, including investment priorities and values around decision-making. The survey was available in both English and Spanish.

This engagement process resulted in the Cully Preliminary Report which establishes a 2040 vision of the Cully neighborhood, provides a baseline of input from community members, and shares initial priorities for the district.

Prosper Portland and ELC Led TIF Plan Engagement. To further broaden community outreach beyond the ELC work and network, from December 2021 to June 2022, Prosper Portland staff proactively engaged all neighborhood associations within the proposed TIF boundary, including:

- Cully Association of Neighbors
- Concordia Neighborhood Association
- Beaumont-Wilshire Neighborhood Association
- Sumner Neighborhood Association
- Rose City Park Neighborhood Association
- Roseway Neighborhood Association

Staff offered briefings and notified the associations of engagement opportunities from open houses (March 2022 and June 2022) through adoption. Approximately 50 individuals across all neighborhood

association meetings and open houses participated in the outreach efforts. Further, the Cully Association of Neighbors published information regarding the open houses on their webpage, reaching a broader audience. Prosper Portland established a webpage on its site for this exploration as a tool for sharing information about the Cully TIF District.

Additionally, between January and May 2022, staff supported and participated in monthly engagements with priority groups led by the ELC. These monthly meetings were intended to both inform participants of the proposal (TIF Plan, TIF Report, and Governance Charter) and obtain feedback from priority group members through affinity spaces/focus groups. The ELC and partners involved with this exploration hosted multiple focus groups within various communities, with each focus group targeted to a specific community for outreach and recruitment.

These conversations with priority group members supported ongoing iteration between the Preliminary Report and the proposed TIF Plan and TIF Report. Partners built on the foundation of the Preliminary Report to develop the TIF Plan District Plan and TIF Report and related eligible TIF projects. The ELC formally approved moving this proposal forward to the Prosper Portland Board, Planning and Sustainability Commission, and Portland City Council in August 2022.

BUDGET AND FINANCIAL INFORMATION

As noted above, should City Council ultimately approve establishing the Cully TIF District and adopting the associated TIF Plan, TIF Report, and Governance Charter, PHB and Prosper Portland will have access to resources beginning in fiscal year (FY) 2023-24, with significant resources available in FY 2028-29. Staff currently estimate that the Cully TIF District will sunset in FY 2058-59.

The total estimated impact to taxing jurisdictions through FY 2058-59 is anticipated to be between \$350 million and \$478 million which is dependent upon the amount of long-term borrowing. The estimated high impact of \$478 million assumes \$150 million in long-term debt (bonds) with terms of 20 years and conservative interest rates, and \$200 million in short-term debt with no interest. Higher use of short-term (pay-as-you-go) debt proceeds or more favorable interest rates for long-term bonds will reduce the financial impact. Lowering the financial impact to \$350 million requires the issuance of only short-term debt that has no interest and minimal issuance costs, but also limits resources earlier in the district's first 5 to 10 years. Long-term bonds are currently included in the model to illustrate when higher levels of resources could be made available by leveraging tax increment revenues. Through the duration of the district, staff will coordinate annually with the Portland Housing Bureau and Office of Management and Finance to forecast if and when lines of credit and long-term debt (bonds) should be issued to raise resources for planned projects.

In addition to TIF Plan resources and investments, the ELC has initiated discussions with Prosper Portland and PHB regarding non-TIF based community capacity funding required for ongoing community capacity building and to ensure the full vision of the district as outlined in the Preliminary Report is realized. Staff anticipate these discussions to continue in preparation for City Council consideration. This could include community-based staff as well as continued capacity building for the Neighborhood Prosperity Districts or hyper-localized community partners. These partnerships would ensure complementary community supports are in place to deliver on housing, wealth creation, and economic development needs of the district that cannot be funded through TIF.

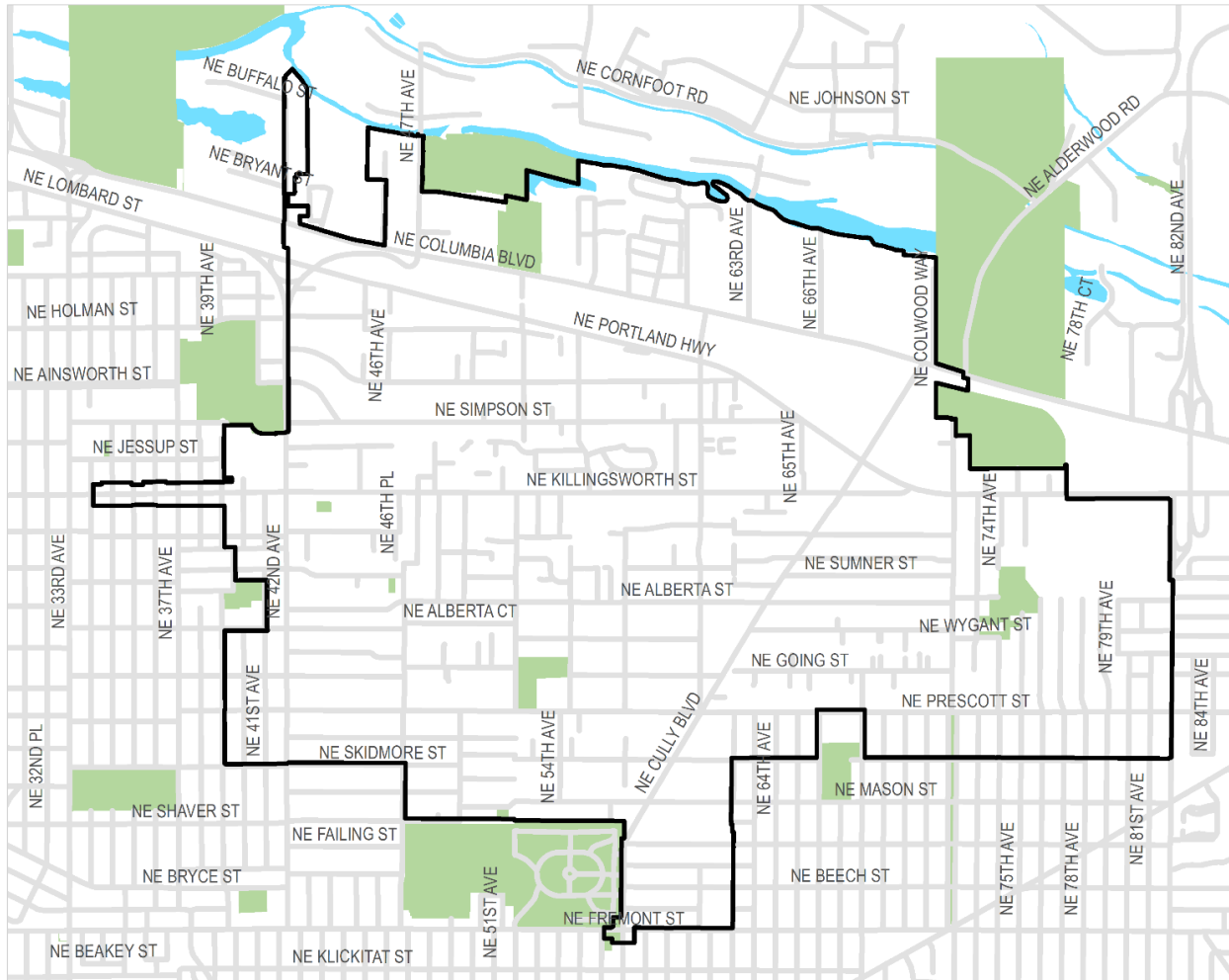
RISK ASSESSMENT

There are few to no risks to approving this action, as it initiates the public approval and engagement processes to establish a new TIF district in NE Portland. If the Prosper Portland Board or City Council

elect not to approve this action, creation of the district and access to resources will be delayed and resources will not be available to counter increasing displacement pressures in Cully.

ATTACHMENTS

- A. Cully TIF District Boundary
- B. ELC Member List



Organization	Name
Cully Association of Neighbors	
	David Sweet
	Maria Grzanka
Cully Boulevard Alliance	
	Sky Waters
	Vena Rainwater
	Eron Riddle
Habitat for Humanity Portland Region	
	Annette Pronk
	Matina Kauffman
	Steve Messinetti
Hacienda CDC	
	Jessica Lam
	Ernesto Fonseca
NAYA	
	Oscar Arana
	William Miller
Our 42nd Avenue	
	Edy Martinez
	Tracee Wells-Bryant
Verde	
	Candace Avalos
	Vivian Satterfield
	Anna Gordon
	Malin Jimenez
<u>AT-LARGE COMMUNITY REPRESENTATIVES</u>	
	Clarence Larkins
	Frankie Heart
	Mulu Terefe
	Gary Hollands
	Elizabeth de Jesus
<u>COMMUNITY ENGAGEMENT COMMITTEE PARTICIPANTS</u>	
	Mayra Torres
	Cecilia Lente
	William Francis
	Robert Schofield