PDC | PORTLAND DEVELOPMENT COMMISSION
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PDC Financial Sustainability Committee

Briefing Book and Presentation

December 16, 2015

Financial Sustainability Committee Process

Analyze Peer Organizations

Research Funding Sources

Deep Dive on Priority Funding Sources

Framework for New Funding Base

Meeting #1
PDC History and National Perspective

Meeting #2
Prioritize Funding Sources

Meeting #3
Discuss "Deep Dive" Relative to Local Conditions

Meeting #4
Discuss Organizational Implications

Business Plan Creation

Business Plan Review

Business Plan Adoption

Implement Business Plan

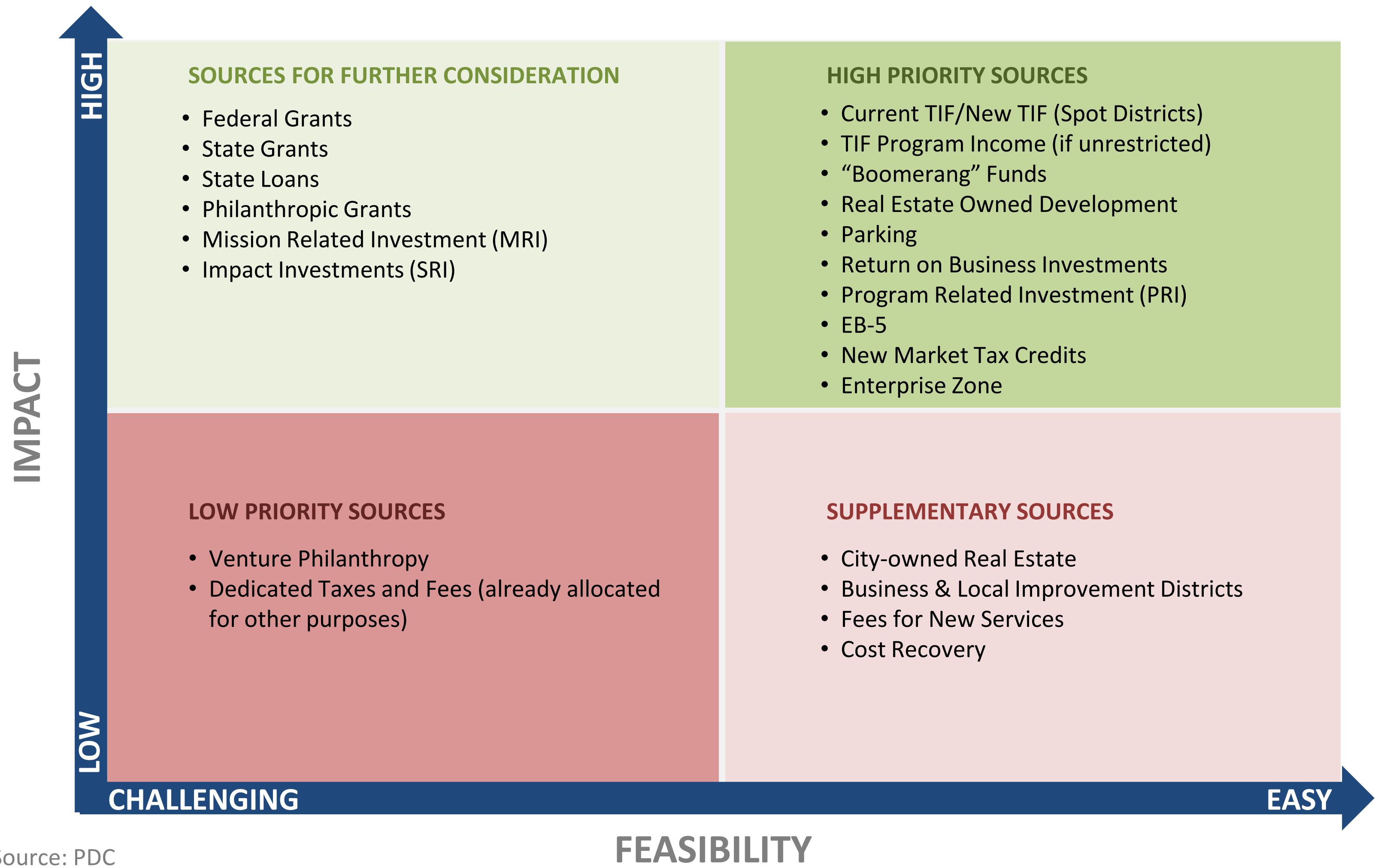
Meeting #5
Business Plan Critique

Meeting #6
Finalize Recommendation

PDC Board
City Council

Funding Source Impact/Feasibility Matrix

Assessment of Potential New Resource Opportunities



Source: PDC

Summary of Recommended Resource Opportunities

Priority Opportunities

- Remaining TIF and Program Income
- Real Estate Investment & Development
  - PDC Portfolio
  - Other Public Portfolios
  - Parking
- New Public Funding Based on “Boomerang” Funds
- Targeted Use of New TIF Districts

Supplemental Opportunities

- Existing Revenues (e.g., Enterprise Zone)
- New Initiatives (e.g., Property Assessed programs (CPACE))
- New Project Capital Sources (e.g., Impact Investing, EB-5, NMTC)

Fees for Service

Case Study: Invest Atlanta

CONTEXT

- **Atlanta Emerging Markets, Inc. (AEMI)** was established by Invest Atlanta as a wholly-owned subsidiary and Community Development Entity to manage the City's New Market Tax Credit program.
- The **Urban Residential Finance Authority (URFA)** was established to provide tax-exempt bond financing for residential housing and to provide down payment assistance.
- The **Downtown Development Authority (DDA)** was created to promote the revitalization and redevelopment of Downtown Atlanta by financing place-based projects.

GOVERNANCE

- AMEI is a **wholly-owned subsidiary** of Invest Atlanta and is staffed by Invest Atlanta through a management agreement. The AEMI **board is appointed by the Invest Atlanta board**.
- URFA and DDA operate as **departments within Invest Atlanta** and their **board is substantially the same as that of Invest Atlanta.**

BRANDING

- In 2012, the Atlanta Redevelopment Authority **rebranded** itself as Invest Atlanta, Inc. to better reflect its renewed focus on company recruitment and job creation.
- All subsidiaries conduct its activities under the Invest Atlanta brand.

LESSONS FOR PDC

- PDC can rebrand itself to shed its public perception as a place-based redevelopment authority.
- Subsidiaries could be controlled through **ownership and/or shared board membership.**

INVEST ATLANTA
Atlanta's Development Authority

Atlanta Emerging Markets, Inc. (AEMI)
Established as a subsidiary Community Development Entity to administer the City's New Markets Tax Credits program.

Urban Residential Finance Authority (URFA)
Established as public finance authority to provide bond financing to projects pursuant to the State of Georgia's URFA Act for Large Municipalities

Downtown Dev. Authority (DDA)
Created specifically for downtown redevelopment and the issuance of specific bonds (e.g. Recovery Zone Economic Development Bonds)

Wholly-Owned/Controlled Subsidiary
Affiliated Entities

Source: HR & A

Case Study: Philadelphia Industrial Development Corporation

CONTEXT

- **Philadelphia Authority for Industrial Dev. (PAID)** is a public authority incorporated by the City and manages properties on its behalf; it also issues taxable and tax-exempt bonds and serves as a conduit for governmental contracts and grant funds.
- **PIDC Community Capital (PIDC-RDC)** is a Community Development Entity (CDE) and Community Development Finance Institution (CDFI) charged with attracting private, public and philanthropic capital for community lending and development.
- **PIDC Regional Center** is a partnership between the City, PIDC, and CanAm Enterprises that administers the EB-5 immigrant investor program in Philadelphia.

GOVERNANCE

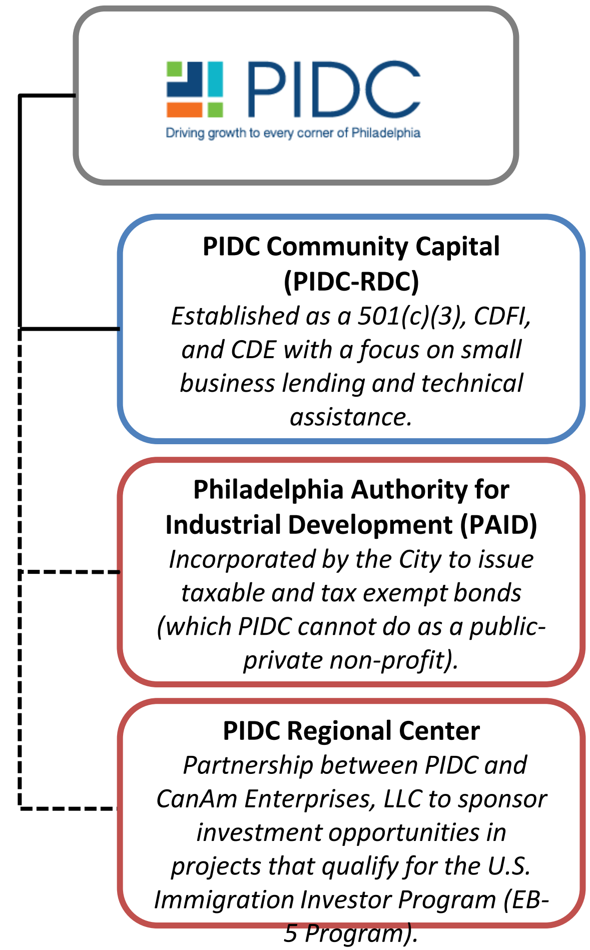
- PAID and PIDC-RDC have **independent boards, but are staffed by PIDC** through management contracts.
- The EB-5 Regional Center is jointly managed with CanAm Enterprises, a private investment management firm.

BRANDING

- PAID and PIDC-RDC are clearly branded as a subsidiary of PIDC, though project information is usually promoted under the PIDC banner.
- The Regional Center is co-branded with CanAm.

LESSONS FOR PDC

- PDC could consider **special purpose subsidiaries** to access funding sources (e.g. EB-5, NMTC, CDFI Fund) that would otherwise not be available.
- Coordination and control can be maintained through **shared st**



Wholly-Owned/Controlled Subsidiary | Affiliated Entities

Source: HR & A

Case Study: New York City Economic Development Corporation

CONTEXT

- **New York City Industrial Development Agency (NYCIDA)** is a public benefit corporation of the State and a component unit of the City of New York, providing access to double and triple tax-exempt bond financing (as the conduit bond issuer) and/or tax benefits to acquire or create capital assets.
- **Build NYC Resource Corporation (BNYC)** is a nonprofit local development corporation and a component unit of the City of New York and facilitates access to tax-exempt and taxable bond financing.

GOVERNANCE

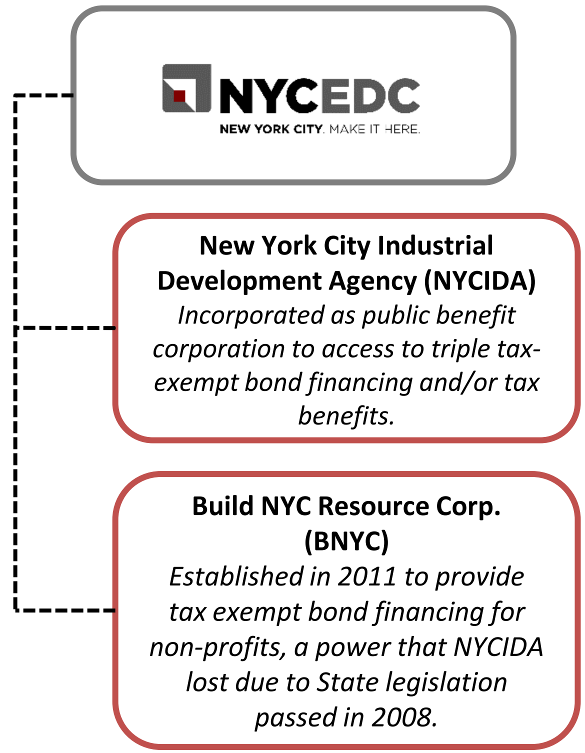
- Both entities are **staffed and administered by NYCEDC**.
- NYCIDA and BNYC share the same 15-member Board of Directors, which is independent of NYCEDC but whose appointment process is also **controlled largely by the Mayor (similar to the NYCEDC)**. The President/CEO of NYCEDC serves as the chair of both boards.

BRANDING

- NYCIDA and BNYC maintain separate brands, which are almost always used in conjunction with the NYCEDC brand.

LESSONS FOR PDC

- PDC could conduct its activities within **multiple legal entities** (e.g. 501(c)(3), 501(c)(4), public authority)
- Coordination and control can be maintained through **shared staff and branding.**
- The parent entity and its affiliates may have **independent boards, which are appointed/controlled through similar processes.**



Wholly-Owned/Controlled Subsidiary — Affiliated Entities

Source: HR & A

Key Lessons On National Organizational Best Practices

- Consider **special purpose subsidiaries** to access funding sources (e.g. EB-5, NMTC, CDFI Fund) that would otherwise not be available. This is common for peers such as Invest Atlanta, PIDC, and NYCEDC, who provide economic development services through **multiple legal entities** (e.g. 501c3, 501c4, public authority).
- Control subsidiaries and/or affiliates through **ownership and/or shared board membership.** In cases where affiliates have independent boards, they have **similar appointment processes** (e.g. mayoral appointment) that ensures coordination of activities.
- Maintain coordination and control through **shared staff and branding**. Specifically, staff and administrate subsidiaries/affiliates with parent entities through management contracts.

Source: HR & A

In order to access alternative funding sources, PDC is currently evaluating the potential for new organizational structures.

CONTEXT

- PDC was originally structured to utilize TIF for urban renewal. Other revenue sources and financing structures were not seen as essential to accomplish PDC's mission.
- Beginning about 15 years ago, PDC began exploring the creation of affiliated entities that could attract capital through programs such as New Market Tax Credits. Due to the governing structure of the affiliate, PDC no longer retains control over the new capital resources that were created.

PORTLAND ECONOMIC INVESTMENT CORPORATION ("PEIC")

- In 2013, PDC sponsored the creation of Portland Economic Investment Corporation ("PEIC"), a 501(c)(4) organization. Because PEIC has a narrowly focused mission and PDC serves on the PEIC board, PDC retains much greater control than with previous efforts.
- PEIC's current activity is limited to serving as the sponsoring entity for the Portland Seed Fund and the Inclusive Startup Fund, which were capitalized by PDC, the City of Portland, and other stakeholders.
- PEIC has no shareholders, and therefore isn't classified as a "commercial" entity.
- Under PEIC's Bylaws, the Board consists of members appointed by PDC, Greater Portland, Inc., and the Portland Business Alliance.

LESSONS LEARNED

- PDC charter allows significant flexibility in structuring and controlling affiliated organizations.
- The purpose, control, and utilization of affiliates must be clearly considered and articulated before the entity becomes operational.
- While PDC can't participate as an "owner" (shareholder) in an enterprise, it is permitted to control many forms of non-profit organization.
- TIF now represents only one method for funding urban renewal, community development, affordable housing, and business development. Many new funding sources require their own specialized entities. PDC's willingness to form such entities will directly impact the amount of capital it can attract.
- Funding has become more structured, with many "gaps" that require filling. PDC's ability to create adaptable and flexible structures will permit greater participation at different "gap" levels.

PDC SWOT Analysis

STRENGTHS

- Existing financial resources allow for long term plan and significant additional investment
- National and international reputation for sustainability & place-making; industry cluster development; entrepreneurship development; financial tools and structures
- Competencies – project management, program development; brokering relationships w/ public, private, non-profit and institutions ; real estate development/business facilitation & technical assistance, financial reporting, financial underwriting/structuring
- New ambitious strategic plan

WEAKNESSES

- Poorly defined value proposition
- Perceptions of benefits to wealthy developers, lack of independence from political influence, and opaque decision-making
- Expectation that PDC provides free money without accountability
- Minimal internal culture of financial sustainability
- Rigidity of TIF as primary source of financing and lack of control over other public financing tools

OPPORTUNITIES

- Institutionalization of financial sustainability
- Visible commitment to become antiracist, multicultural institution
- Success with initiative-oriented brands:
  - Neighborhood Prosperity Initiative
  - WeBuildGreenCities
  - Start-up PDX
  - Portland Seed Fund
- Partnership relationships
- Value capture from core competencies, real estate development & investment, & Portland/PDC brand
- New organizational structures to attract new forms of capital

THREATS

- Legacy of race-based outcomes that have negatively affected African Americans and other communities of color
- Development community overly reliant on public investment for risk without commensurate return.
- Stakeholders unwilling to accept new business model for PDC
- Strategic plan represents a deviation from traditional role of PDC
- New activities subject to the risk tolerance of the City

Proposed Business Plan Elements

- Problem Statement
- Articulation of Value Proposition
- Operational Requirements of the Strategic Plan
- Public Benefits and Outcomes
- Opportunities for Financial Sustainability
- Proposed Organizational Structure and Governance
- Financial Metrics
- Implementation Plan and Timeline

Long Term Financial Sustainability Draft Schedule

- January through March – Staff creates business plan
- April/May – Committee and Community Review
- June – Finalize Committee recommendation
- PDC Board and City Council adoption