



PROSPER
PORTLAND
Building an Equitable Economy

DATE: June 10, 2020
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 20-27
Authorizing an Application to the United States Economic Development Administration for a \$1,480,000 Grant

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7377

This action by the Prosper Portland Board of Commissioners (Board) will authorize Prosper Portland to apply for the Coronavirus Aid, Relief, and Economic Security (CARES) Act Revolving Loan Fund Supplemental Disaster Recovery and Resiliency Awards (Grant) in the amount of \$1,480,000 from the United States Economic Development Administration (EDA). If awarded the Grant, Prosper Portland will have access to critical capital for traded sector industry businesses and small businesses, with a focus on those owned by women, communities of color, and entrepreneurs from low-income neighborhoods.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action aligns with Prosper Portland's Strategic Plan by securing growing family-wage jobs, advancing opportunities for prosperity, collaborating with partners for an equitable city, creating vibrant neighborhoods and communities, and creating a financially sustainable agency.

BACKGROUND AND CONTEXT

The EDA's Revolving Loan Fund (RLF) is a United States Department of Commerce program designed to provide financial assistance for small and startup businesses that expand and create high quality employment opportunities, especially in distressed neighborhoods. Prosper Portland has administered these funds on behalf of the City of Portland since 1979.

The EDA requested that Prosper Portland apply for additional funds through the CARES Act RLF Supplemental Disaster Recovery and Resiliency Awards. This Grant will be administered in accordance with the project narrative in Attachment A of this report. The financing provided through the EDA RLF (both current and new Grant) will offer much needed capital to cluster industry businesses and other small businesses, many of which will struggle as a result of the economic impact of the COVID-19 pandemic. Providing working capital to cluster industry firms and businesses owned by underserved populations will allow for businesses to pay back rent and utilities; purchase inventory or personal protective equipment; meet payroll costs; set up or improve online sales/e-commerce infrastructure for pivoting the business to address COVID-19 social distancing requirements; and provide needed technological support to employees for pandemic required teleworking environments and other business stabilization and recovery needs. Reopening the local economy will be a slow process that will likely be accompanied by an equally slow return of consumers, so businesses will need to have adequate

financial resources to stay viable. The Grant will allow Prosper Portland to provide needed financing that will serve as a lifeline to these businesses, especially those owned by women and people of color.

EQUITY IMPACT

Prosper Portland strives to improve access to capital for small businesses, with a focus on those owned by women, people of color, and entrepreneurs from low-income neighborhoods. Many of these businesses fall within four target cluster industries (Athletic & Outdoor, Metals & Machinery, Green Cities and Technology & Media) that receive supporting services from Prosper Portland. As these cluster industries generally create living wage jobs, ensuring their survival is a priority and access to capital and other resources can improve their chances to recover from the downturn.

COMMUNITY PARTICIPATION AND FEEDBACK

Staff did not solicit any public participation or feedback on the Grant Application.

BUDGET AND FINANCIAL INFORMATION

If Prosper Portland is awarded the Grant, staff will amend the fiscal year 2020-21 Adopted Budget to include the revenue and projected expense.

RISK ASSESSMENT

There are no risks to accepting the Grant. Prosper Portland has partnered with the EDA on a previous revolving loan fund and is familiar with the reporting requirements.

ATTACHMENTS

- A. Project Narrative



May 26, 2020

Gustavo J. Cruz, Jr.
Chair

Francesca Gambetti
Commissioner

Dr. Alisha Moreland-
Capuia
Commissioner

William Myers
Commissioner

Peter Platt
Commissioner

Ted Wheeler
Mayor

Kimberly Branam
Executive Director

United States Department of Commerce
Economic Development Administration
Seattle Regional Office
915 Second Ave, Room 1890
Seattle, WA 98174

RE: Project Narrative, Funding Opportunity Number FY2020-
EDA-RLF-CARES

To Whom It May Concern:

Prosper Portland focuses on building an equitable economy, based on four cornerstones: growing family-wage jobs, advancing opportunities for prosperity, collaborating with partners for an equitable city, and creating vibrant neighborhoods and communities. To support that work, Prosper Portland invests financial and human capital to serve the city and its residents. The city of Portland is the lending area for this RLF.

A priority for Prosper Portland is to improve access to capital for small businesses, with a focus on those owned by women, communities of color and entrepreneurs from low-income neighborhoods. As a result of the COVID-19 pandemic, these businesses face increased difficulty in obtaining much needed capital. Additionally, other businesses within the city of Portland have been negatively impacted as a result of the unfolding economic downturn and require access to capital in order to stabilize their businesses and position them to recover. Many of these businesses fall within four target cluster industries (Athletic & Outdoor, Metals & Machinery, Green Cities and Technology & Media) that receive other supporting services from Prosper Portland. As these cluster industries generally create living wage jobs in the city, ensuring their survival is a priority and access to capital and other resources can improve their chances to recover from the downturn.

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The Comprehensive Economic Development Strategy (CEDS) that covers the defined lending area (Greater Portland 2020) aligns economic priorities across the bi-state, multi-county region. The CEDS is an action-oriented, five-year plan that focuses on what is needed to achieve economic prosperity in Greater Portland. This includes how to best direct limited resources to those business sectors that have the greatest potential to support future job creation, business investment and wage growth in Portland. Additionally, access to capital and the challenges businesses face in this regard are also addressed as a focus of the CEDS.

CARES Act Supplemental EDA RLF Award

Project Narrative

May 26, 2020

The financing provided through the EDA RLF (both current and new non-competitive funds) will address the goals and objectives of the CEDS by providing much needed capital to cluster industry and other small businesses, many which will struggle as a result of the economic impact of the COVID-19 pandemic. Providing financing to cluster industry firms and businesses owned by underserved populations will provide much needed working capital to pay back rent and utilities, purchase inventory or personal protective equipment, meet payroll costs, set up or improve online sales/e-commerce infrastructure for pivoting the business to address COVID-19 social distancing requirements, provide needed technological support to employees for pandemic required teleworking environments and other business stabilization and recovery needs. Reopening the local economy will be a slow process that will likely be accompanied by an equally slow return of consumers, so businesses will need to have adequate financial resources to stay viable. The proposed RLF will allow Prosper Portland to provide needed financing that will serve as a lifeline to these businesses, especially those owned by women and people of color.

With this application for the CARES Act Supplemental EDA RLF Award, Prosper Portland is asking for approval to add the following terms to this award and the EDA RLF we currently manage (items 4-7 were recently approved for our current RLF):

- Prosper Portland can provide a loan term up to 10 years for business loans (the maximum term allowed in our current RLF is seven years for term loans)
- Prosper Portland would like to structure loans with an interest rate that increases by up to 3% every three-four years to encourage repayment as the economy improves. A feature of this loan would allow borrowers to maintain the initial low rate if they complete 30 hours of technical assistance or engage in equity training, with a goal of creating a more diverse, inclusive workforce. Prosper Portland would like the flexibility to include this feature in our loans.
- Our current plan calls for loan fees of up to 2.0%. We're asking for flexibility to waive the loan fee. Doing so will reduce the cost of this financing for businesses, which is needed during this difficult time.
- Our current plan states that positive cash flow should be demonstrated over a 3-year projection period with at least an average DSCR of 1.0x. Due to the still unfolding impact of COVID-19 on the business community, we're asking for the flexibility to waive this requirement, which will allow us to fund a business that may not meet the minimum DSCR during the initial 12 month period based on projections. We will still require a business to provide projections and will use them to form effective ways to mitigate the risk such as timing of the disbursement of loan proceeds, requiring business owners to inject cash into the company if the DSCR remains below 1.0x in subsequent years, etc.

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- Our current plan allows for up to 2-years of interest only payments or capitalized interest for the initial 2-years, as long as the average Debt Service Coverage (DSCR) for the projected initial three years is above 1.0x. We're asking to waive the DSCR requirement for this provision, in line with the requested change noted above.
- Our current plan requires that loans are first recommended to the Asset & Investment Manager, then to Development and Investment Director, after which it goes to the Finance Investment Committee (FIC) for consideration and then the Executive Director for final approval. To provide maximum flexibility and the ability to get funding to businesses as quickly as possible, we're asking for approval of an expedited process. As long as loan requests meet current and proposed changes to EDA loan program guidelines, requests can be approved by the Asset & Investment Manager, up to their spending approval limit and those that exceed that level can be approved by the Development & Investment Director, up to their spending approval limit. Any loan requests exceeding those spending limits will be presented to FIC for consideration and to the Executive Director for final approval.

The administrative activities that will be funded through the administrative costs portion of the award includes:

- Underwriting loan applications, which includes pulling of credit reports, gathering and analysis of financial documents and other borrower information, completing loan write-ups and presenting to internal financial committee and Board of Commissioners (when applicable).
- Closing loans, which includes preparation of loan documents and recording UCC filing and trust deeds (when applicable), obtaining borrower signatures and other documents required for closing and entering borrowing information into loan portfolio management system.
- Loan servicing, which includes monthly invoicing of borrowers, entering payments into loan portfolio management system, contacting borrowers regarding late payments and modifying loans when required. May includes referring borrowers to technical assistance services
- Miscellaneous loan servicing duties that arise but do not fit into one of the descriptions above.

Prosper Portland has reviewed the scope of work for the supplemental award and is ready, willing and able to perform the duties outlined within it.

Respectfully,

Adam Lane
Digitally signed by Adam Lane
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ou=FBO,
email=lanea@prosperportland.us, c=US
Date: 2020.06.03 10:22:18 -0700