



**DATE:** August 12, 2020  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 20-40

Authorizing Execution of Intergovernmental Agreement with the City of Portland Office of Management and Finance to Deploy Business Relief Grants with Federal Coronavirus Aid, Relief, and Economic Security Act Funds and Adopting Revised Portland Small Business Relief Fund Program Guidelines

#### **BOARD ACTION REQUESTED AND BRIEF DESCRIPTION**

Adopt Resolution No. 7395

This action by the Prosper Portland Board of Commissioners (Board) will i) authorize execution of an Intergovernmental Agreement (IGA) with the City of Portland (City) Office of Management and Finance (OMF) to deploy business relief grants with Coronavirus Aid, Relief and Economic Security Act funds (CARES); ii) revise the Portland Small Business Relief Fund (Business Relief Fund) Program Guidelines; and iii) authorize the Executive Director to execute contracts with service providers. If approved, this action will allow Prosper Portland to invest \$15,000,000 of critical federal resources in Portland businesses affected by the COVID-19 pandemic.

#### **STRATEGIC PLAN ALIGNMENT AND OUTCOMES**

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

#### **BACKGROUND AND CONTEXT**

On March 26, 2020, through Resolution No. 7363, the Prosper Portland Board took a series of actions to create the Small Business Relief Fund to provide grants and loans to businesses facing hardship due to the coronavirus. Since that time, staff have worked with community partners to provide \$2,000,000 in emergency relief to Portland businesses affected by the pandemic.

After federal action authorizing resources to municipalities across the country, on July 22, 2020 Portland City Council through Ordinance No. 190057 appropriated \$15,000,000 of CARES resources to Prosper Portland to provide business support through the Small Business Relief Fund and Small Business Block Grants. In order to pass the federal resources to Prosper Portland, OMF and Prosper Portland will enter into an IGA that outlines the scope of work, equity requirements, and reporting requirements. To deliver resources to community partners,

Prosper Portland will subsequently execute contracts and agreements with subrecipients to disburse funds to Small Business Relief Fund applicants and to administer Small Business Block Grants which will be administered by cultural and industry-specific business serving organizations.

Revisions to the Small Business Relief Fund Program Guidelines (see a redlined version in Attachment A) have been informed by lessons learned from previous grant cycles, business listening sessions and updated priorities outlined by City Council and the Economic Recovery Task Force. These revisions include more flexibility for allowable uses, increase maximum grant amount, and expand business eligibility to include commercial property owners and businesses with revenue under \$5,000,000, as well as to expand eligibility to childcare provider nonprofits and social enterprises.

### **EQUITY IMPACT**

The Business Relief Fund Program Guidelines prioritize small businesses that are public facing and directly impacted by new COVID-19 public health requirements and/or did not receive sufficient federal funds to support their business; those owned by Black, Indigenous, Asian Pacific Islander, and People of Color, and women; and those with limited wealth.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

Staff received feedback from the Economic Recovery Task Force and City Council regarding criteria for disbursing the federal funds. Recent business listening sessions and past grant cycles has also informed program criteria and priorities. A selection committee will guide the project team on applicant selection criteria and equity priorities. Small Business Block Grant partners will lead their own engagement processes to inform those cultural and industry specific programs.

### **BUDGET AND FINANCIAL INFORMATION**

Prosper Portland anticipates receiving \$15,000,000 of CARES. Approximately \$12,000,000 will be allocated to the Business Relief Fund and \$3,000,000 in Small Business Block Grants through community-based partners. Community-based partners involved in disbursing the \$12,000,000 can receive up to a 7.5 percent administrative allocation, while Small Business Block Grant partners can receive up to a 10 percent administrative allocation. Since these resources were not anticipated in the fiscal year 2020-21 Adopted Budget, staff through a separate action on the August 12, 2020 meeting will seek Prosper Portland Board approval of a budget amendment to acknowledge these resources.

### **RISK ASSESSMENT**

There are very few risks to this proposed action. Given the scale and timeline to deploy the resources, other project and program timelines may need to be modified to ensure there is appropriate staffing on this project.

### **ATTACHMENTS**

- A. Small Business Relief Fund Program Guidelines Redlined Edits

## Overview

The Portland Small Business Relief Fund ~~will provide~~provides grants and low or no interest loans to support Portland small businesses experiencing hardships due to new public health requirements to contain the spread of COVID-19. The goal of the fund is to provide interim relief to businesses and enable them to retain their business ~~and employees.~~

Using priority and vulnerability criteria, Prosper Portland will manage the application and selection process for these emergency relief grants. In order to simplify and accelerate the disbursement process for applicants, Community Development Financial Institutions (CDFI) ~~partners~~, community-based nonprofits and other banking institutions will process grant payments once applicants are selected. Small Business Block Grants will be administered by cultural and industry-specific business serving organizations.

~~Prosper Portland is in conversations with private, public and philanthropic funding partners to increase and coordinate funding for this purpose. If allocated, the initial \$1 million of City General Funds would be made available to impacted community businesses in the form of emergency relief grants.~~

## Equity at Forefront of Guiding Principles

The City of Portland is committed to centering racial equity in our collective responses to COVID-19. Recognizing that Black, Indigenous and People of Color, individuals with disabilities, and individuals experiencing poverty are often disproportionately affected, the City of Portland is dedicating resources and creating support systems to ensure this crisis does not exacerbate existing inequities. We also acknowledge that the Asian Pacific Islander community has been particularly impacted by increased racism and xenophobia since this crisis began.

Three guiding principles inform the development of the Portland Small Business Relief Fund as well as consideration of further near-term efforts to support economic stability:

1. Prioritize support to the most vulnerable, applying a racial equity lens;
2. Act quickly. Leverage existing networks and assets; and
3. Make a difference through action, partnership and advocacy.

The Portland Small Business Relief Fund provides support to small businesses in sectors that have been directly impacted by the necessary COVID-19 public health requirements and prioritizes businesses owned by Black, Indigenous, Asian Pacific Islander and People of Color and/or women and employees. The median white family has 41 times more wealth than the median African American or Native American household and 22 times more wealth than the median Latino family. Systemic racism and gender bias further constrict access to capital; the average size loan for women-owned business was 31 percent less than for male-owned businesses. In times of economic growth, the wealth gap and constrained access to capital creates barriers to starting or growing a business; it can come at a devastating financial cost to business owners and their employees in economic downturns.<sup>i</sup>

~~To provide resources quickly, the process to develop and refine this proposal~~ This program incorporates the input of existing equity-centered networks and advisory bodies, leaders from other cities, and financial partners. Partners from the Inclusive Business Resource Network, Neighborhood Prosperity Network, multicultural chambers, ~~and~~ CDFIs ~~provided input on,~~ Economic Recovery Task Force, City Council and businesses from industry and cultural-specific listening sessions informed eligibility requirements, urgent business needs, grant and loan program terms, and organizational capacity. As a result of this input, the proposal presents a framework grounded in racial equity priorities that leverages the trusted and nimble deployment infrastructure of our ~~local CDFI~~ community-based partners.

The Small Business Relief Fund seeks to leverage the respective strengths among Prosper Portland and its partnership networks. Prosper Portland will pair its expertise in grant program development with its partners' trusted infrastructure to disburse funds rapidly. Learnings from previous grant cycles and other major cities show that high application volume

will drastically outweigh available funds. Knowing that demand will surpass resources, staff ~~intend to will~~ engage with a selection committee that includes members from the Council for Economic and Racial Equity over the coming days, Community Cultural Business Chambers, and other community representatives to further refine prioritization criteria ~~as well as additional criteria identified by the selection committee.~~

### Small Business Relief Fund - Grant ~~(up to~~

Prosper Portland administers the grant application and recipient selection process. Disbursement partners are responsible for processing payments to grant recipients. Grant amounts will range from \$10,000-\$25,000 per applicant.

### General Fund Block Grants

Community-based partners administer the grant application, recipient selection and disbursement process. Grant amounts from these community-based partners using block grant funds will range from \$5,000-\$20,000 per applicant.

### **Equity & Vulnerability Priorities**

- ~~Businesses~~Organizations that ~~are public facing and directly impacted by new COVID-19 public health requirements and/or~~ have experienced ~~25% or more~~a decline in revenue ~~since Feb 1, 2020~~as a result of COVID-19
- ~~Businesses~~Organizations owned by Black, Indigenous, Asian Pacific Islander and People of Color and/or women (or eligible nonprofits primarily serving these communities)
- ~~Businesses~~Organizations for whom resources will help them ~~stay in business~~remain operational
- ~~Businesses who continue to pay employees and/or provide healthcare and other insurance during COVID-19~~
- Organizations that did not receive enough federal funds
- Childcare-focused organizations (businesses as well as non-profits)
- Use of funds focused on helping operations shift, pivot, or adapt to the new COVID-19 environment

### **Selection and Disbursement Process**

- Simple online application process managed by Prosper Portland.
- Prosper Portland will use established and vetted criteria to rank qualified applications in order of priority
- ~~Grant Timeline~~
  - ~~Contract with disbursement partners (March 25-30)~~
  - ~~Application live Monday March 30~~
  - ~~Application closes Wednesday April 1, potentially sooner based on demand~~
  - ~~Grant recipients selected Tuesday April 7 and connected with disbursement partners~~
  - ~~Funding provided by Friday April 10~~

~~Disbursement partners and business advisors through the Inclusive Business Resource Network will work with grant/loan recipients to identify a stabilization strategy and apply funds to most critical expenses, keeping in mind areas where other disaster relief funds or other financial products or solutions may be more appropriate supports (i.e. lease payment extension agreement with landlord, low interest loan through SBA, business interruption insurance, etc.).~~

### Eligibility

The City of Portland \$2 million investment in loans and grants will be funded as follows:

- ~~\$1 million from City of Portland general fund for maximum \$10,000 grants to Portland small businesses~~
  - ~~Up to \$5,000 for businesses where owner is the only employee and businesses are home based or do not have real estate rental payments~~

- Up to \$10,000 for all other eligible businesses
- \$1 million from Prosper Portland Enterprise Zone funds for up to \$50,000 zero-interest loans

#### Ineligible Businesses:

- Landlord companies (non-landlord property management companies may apply)
- Non-profit organizations

#### Requirements:

- Business must meet one of the following:
  - Business is public facing (e.g. retail, coffee shop, food service) and is directly impacted by new public health requirements related to COVID-19 pandemic.
- Business Organization has experienced 25% or more decline in revenue since Feb 1, 2020 (e.g. manufacturing, industrial, office-related, traded sector). Organization is primary source of income for business owner(s) (unless organization is an eligible nonprofit)
- Businesses Organizations must have \$25 million or less in annual gross revenue
- Business Organization must have 50 or fewer employees
- Principal place of business must be located within the City of Portland (<https://www.portlandmaps.com/>)
- Business Organization must have been in operation and in compliance with the State of Oregon registration requirements on or prior to July 1 December 31, 2019. (Sole proprietors operating under the owner's name are not required to register with the State of Oregon).

If an organization is a nonprofit, it must either be a social enterprise (meaning for the purposes of these guidelines that 90% or more of its activities are funded by payment for goods or services provided by the organization) or an organization whose primary activity is the provision of childcare

#### Loan Detail (up to \$50,000)

##### Additional Loan Eligibility Requirements

- Business Organization must be registered with the City of Portland on or prior to July 1 December 31, 2019
- Businesses Organizations must have \$5 million or less in annual gross revenue
- Business Organization must provide owner with primary source of income (more than 50% of monthly income should come from the business)

##### Loan Priorities (in addition to general priorities above)

- Job preservation, particularly for POC, women, low income individuals and individuals in East Portland and Neighborhood Prosperity Network service areas priority geographies
- Businesses Organizations located in industrial districts
- Businesses Organizations that pay employees \$15/hour or more and will use resources to maintain level of employment

##### Loan Terms

- 4- or 6-year term, 0% interest rate
- Payments deferred for 12 months (this is included in the term above; e.g., 1 year of deferred payments then 3- or 5- year repayment term for a total of 4- or 6-year loan term)
- Note: a loan term of 6 years will be provided to businesses that retain employees and/or continue to pay for health care premiums
- Loan balance is due at the end of the term. If it not, interest could accrue at 8% until balance is paid off.

##### Selection and Disbursement Process

- Simple online application process managed by Prosper Portland.
- Prosper Portland will use established and vetted criteria to rank applications in order of priority.

- ~~Loan Timeline~~

- ~~○ Contract with disbursement partners April 6~~
- ~~○ Application live Wednesday April 8~~
- ~~○ Application closes Saturday April 12~~
- ~~○ Loan applicants selected to advance to underwriting April 15~~
- ~~○ Disbursements begin April 22~~

#### Prohibited uses

Resources from both grant and loan funds may not be used for personal uses or those prohibited by federal (except legal cannabis), state, or local law or regulation.

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<sup>i</sup> <https://inequality.org/facts/wealth-inequality/#racial-wealth-divide>  
<https://www.cnbc.com/2019/03/07/the-lending-gap-narrows-for-women-business-owners-nationwide.html>