



**PROSPER**  
**PORTLAND**  
Building an Equitable Economy

**DATE:** September 27, 2023  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 23-25  
Adopting Budget Amendment No. 1 for the Fiscal Year Beginning July 1, 2023, and Ending June 30, 2024; and Making Appropriations

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

Adopt Resolution No. 7498

This action by the Prosper Portland Board of Commissioners (Board) will amend the current fiscal year (FY) 2023-24 budget by:

- (1) Allocating Strategic Investment Fund contingency to specific program areas in response to community investment needs.
- (2) Updating contract amounts for the Community Opportunities and Enhancement Program and USDA Regional Food Assistance Grants based on available remaining funding.
- (3) Updating select project, program, and administrative expenditures that are underway for committed carryover.

### **STRATEGIC ALIGNMENT AND OUTCOMES**

The FY 2023-24 Budget Amendment No. 1 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 the Prosper Portland Board adopted the FY 2023-24 budget in June 2023. Outcomes related to budgeted projects and programs will be measured over time to determine how Prosper Portland's allocation of resources will impact all Advance Portland and Financial Sustainability Plan goals and the agency's ongoing efforts to build an equitable economy.

### **BACKGROUND AND CONTEXT**

The FY 2023-24 Budget Amendment No. 1 is the first budget amendment of the fiscal year. The FY 2023-24 Adopted Budget included a transfer of \$45,000,000 of residual earned income from tax increment finance (TIF) districts not required to implement existing commitments or action plans in those districts to the Strategic Investment Fund. While potential uses were identified as part of the transfer consistent with the Financial Sustainability Plan, no specific allocations of the \$45,000,000 occurred at budget adoption. A significant focus of Budget Amendment No. 1 is to seek Prosper Portland Board approval of line-item allocation of the Strategic Investment Fund across investment types and a transfer of funds to support the creation of the Retention and Expansion Fund. In addition, the amendment includes allocations to support several contract updates necessary to implement projects and programs in FY 2023-24.

Budget Amendment No. 1 does not include changes related to updating the budget to reflect actual beginning fund balances because the FY 2022-23 financial audit will not be complete until October 2023. Staff will bring a comprehensive budget revision to the Prosper Portland Board for consideration in November or December 2023 to recognize actual beginning fund balances and related carryover requests, as well as any funding adjustments identified in the City of Portland Budget Monitoring Process for General Fund and Recreational Cannabis Tax funds.

### **EQUITY IMPACT**

The FY 2023-24 Adopted Budget incorporates projects and programs critical to advancing Prosper Portland's Advance Portland and equity goals. Budget Amendment No. 1 augments the adopted budget by providing additional resources to advance ongoing projects and programs. Specifically, proposed Strategic Investment Fund allocations will increase resources available for Prosper Portland's business and commercial property loan programs, enabling Prosper Portland to offer these programs citywide, with a priority focus on underserved communities.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

Prosper Portland's FY 2023-24 budget development process included extensive public outreach through meetings with the agency's Community Budget Committee and other stakeholders, including through TIF district focused engagement. As part of that engagement process, stakeholders reviewed and provided feedback on potential Strategic Investment Fund priorities, including i) increasing availability of funds for citywide working capital and commercial real estate loans and ii) making direct investments to maintain Prosper Portland held real estate assets for ongoing net operating income revenues and related programming.

While no specific outreach has taken place regarding this action, notice of the public hearing to be held by the Prosper Portland Board on Budget Amendment No. 1 was published prior to the meeting in the manner required by local budget law and the proposed substance of the amendment aligns with information shared as part of the budget development process. As with all agency budget actions, the public can testify at the public hearing held by the Prosper Portland Board on September 27, 2023. All changes included in FY 2023-24 Budget Amendment No. 1 are consistent with funding priorities established in the FY 2023-24 Adopted Budget and four-year forecast.

### **BUDGET AND FINANCIAL INFORMATION**

Recommended amendments to the FY 2023-24 Revised Budget reflect the financial implications of business decisions which amount to \$243,272,525 in program and project expenditures. The total budget amounts to \$477,359,033 when including interfund transfers and contingency (Exhibit A to Resolution No. 7498 identifies all fund appropriation changes).

In summary, key changes to resources and requirements are:

#### **Changes to Total Resources:**

- **Fees and Charges:** Increases by \$1,138,171 for current year contract with City of Portland for Communities Opportunities and Enhancements Program (COEP) to support business and construction workforce training programs funded by City of Portland bond programs.
- **Grants-Federal except HCD:** Increases \$38,257 for true-up of current year USDA grant revenue to support the Regional Food Partnership program.
- **Transfers In:** \$2,000,000 increase in transfers to the General Fund to fund the Retention and Recruitment Fund. \$1,000,000 is being transferred from the Strategic Investment Fund and \$1,000,000 being transferred in additional, residual TIF District earned income recognized since

adoption of the budget available for programming.

**Changes to Total Requirements (summarized):**

- **Economic Development:** Increases \$8,150,428 across several funds. Includes \$2,000,000 Retention and Recruitment programming (funded by earned income/Strategic Investment Fund resources) in the General Fund, \$1,138,171 for Community Opportunities and Enhancement Program funding, and an increase of \$4,950,000 to support additional Small Business Lending in the Strategic Investment Fund. Funding for additional Small Business lending is from uncommitted earned income identified as part of the Financial Sustainability Plan consolidated from expiring TIF districts into the Strategic Investment Fund.
- **Property Redevelopment:** Increases \$17,522,000. Most of the increase is in the Strategic Investment Fund reallocating contingency to support prospective Commercial Real Estate Lending programming in the Strategic Investment Fund and investments in Prosper Portland held assets. Funding is from uncommitted earned income identified as part of the Financial Sustainability Plan consolidated from expiring TIF Districts into the Strategic Investment Fund. \$522,000 in funding is to appropriate funding for committed development grants in South Park Blocks and Downtown Waterfront TIF District Funds.
- **Transfers:** Increases \$2,000,000, to transfer uncommitted earned income from the Interstate TIF District and Strategic Investment Fund to the General Fund to providing funding for the Retention and Recruitment Fund.
- **Contingency:** Net decrease of \$24,496,000 to balance total revised resources with total revised expenditures for the year. The decrease occurs in the Strategic Investment Fund to move funding that was allocated to the Strategic Investment Fund as part of the FY 2023-24 Budget Adoption to specific program line items in Economic Development and Property Redevelopment activities for FY 2023-24.

**Additional background on Retention and Recruitment and Strategic Investment Fund changes included in the Economic Development and Property Redevelopment revisions:**

The FY 2023-24 Adopted Budget included a transfer to the Strategic Investment Fund of \$45,000,000 in residual earned income from investments made in TIF districts to support citywide income generating investments aligned with the updated Financial Sustainability Plan. This amount is combined with \$3,700,000 in resources already in the Strategic Investment Fund to support small business lending activity, creating a total of \$48,700,000 available in the Strategic Investment Fund.

Consistent with the conceptual investment framework staff shared with the Prosper Portland Board during the FY 2023-24 budget development process, staff recommends the following as part of this amendment package:

- Transfer \$1,000,000 of Strategic Investment Fund resources and another \$1,000,000 in additional TIF district residual program income identified since the adoption of the budget to support non-revenue generating initiatives and investments to create a Retention and Expansion Fund, which will support business recruitment, retention, and expansion projects with a focus on traded sector industries identified in Advance Portland Objective 1 and geographic areas identified in Advance Portland Objective 3. This is consistent with conversations with the Prosper Portland Board during the FY 2023-24 Budget Development Process wherein staff proposed \$2,000,000 of the Strategic Investment Fund be committed to economic development activities aligning with Advance Portland that do not result in revolving resources back to the agency.

- The remaining \$47,700,000 is recommended to be allocated into the following three programmatic areas within the Strategic Investment Fund i) Small Business Lending, ii) Commercial Real Estate Lending, and iii) Net Operating Income focusing on investments in Prosper Portland held real estate. The goal of the programs will be to provide a revolving citywide fund to respond to access to capital needs and to generate a return on and return of capital, while achieving programmatic goals consistent with Advance Portland. The amendment includes the following FY 2023-24 allocations to these programmatic areas based on near term and longer-term projected demands for financial assistance within key Central City and Corridor areas of the city:
  - \$7,700,000 towards the Small Business Loan Fund, including Creating Opportunity, Revenue-Based Financing, and Thriving Small Business programs. These loan programs are collateralized by business assets.
  - \$7,000,000 towards real estate lending activities largely outside of TIF districts including predevelopment and construction loans as well as acquisition and permanent loans for borrowers; these loans are secured with a lien on the project being financed. Twenty percent, or \$1,400,000, of the resources will be reserved for non-residential projects; when combined with the \$7,700,000 above, approximately sixty percent of all anticipated Strategic Investment Fund lending activity will support small business and commercial property projects.
  - \$10,000,000 towards Net Operating Income real estate investments, providing funding to support Prosper Portland held operating real estate assets, such as Inn at the Convention Center.

Remaining resources are programmed in future years of the Strategic Investment Fund and will be revisited as part of the FY 2024-25 budget development process.

#### **RISK ASSESSMENT**

Should the Prosper Portland Board decide not to approve FY 2023-24 Budget Amendment No. 1, there may be inadequate appropriations for some projects and programs that are committed and underway that did not fully expend in the prior fiscal year. 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.