



**PROSPER
PORTLAND**
Building an Equitable Economy

DATE: January 24, 2024
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 24-03

Authorizing Acceptance of the Economic Development Administration Revolving Loan Fund Award Via Transfer from the City of Portland; Authorizing the Executive Director to Apply to Economic Development Administration for Defederalization of the Award

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7516

The action by the Prosper Portland Board of Commissioners (Board), will authorize Prosper Portland to accept the Economic Development Administration (EDA) Revolving Loan Grant Award from the City of Portland (City), and authorize the Executive Director to submit an application to the EDA seeking to defederalize the grant.

STRATEGIC ALIGNMENT AND OUTCOMES

Transference of the grant to Prosper Portland and planned defederalization will allow Prosper Portland more flexibility in lending to support goals of Advance Portland and the Financial Sustainability Plan.

BACKGROUND AND CONTEXT

Since 1979, the City has been an officially recognized grantee of an EDA revolving loan fund grant (Grant). In that same year, Prosper Portland, as the City's economic development agency, entered into an agreement with the City to administer the Grant as a revolving loan fund to local businesses; since that time, Prosper Portland has made 176 loans in the aggregate amount of \$14,790,000.

In 2020, the EDA informed Prosper Portland that the Grant funds were eligible to be "defederalized," allowing for a broader use of lending activity and removing ongoing reporting requirements to the EDA. To proceed with defederalization, EDA requires that the grant is first transferred from the City to Prosper Portland.

Defederalization will allow Prosper Portland increased flexibility in supporting small businesses, most notably by:

- Allowing for debt refinance: EDA generally does not allow Grant funds to be used for the refinance of debt without meeting very strict federal guidelines. Given that Prosper Portland borrowers often have a need to refinance debt, the agency will now be able to access the Grant funds without federal restrictions.
- Allowing use of funds for tenant improvements: EDA does allow Grant funds to be used for tenant improvements, but it triggers prevailing wage requirements, which is burdensome for small projects. This requirement will be removed with defederalization.

- Aligning with Prosper Portland’s other loan programs: Prosper Portland’s loan programs have features such as interest rate reduction when borrowers complete technical assistance or engage in equity work. Defederalization will allow the agency to provide those benefits to the EDA Grant as well.
- Providing latitude for lending requirements: EDA requires a 2:1 match of EDA funds to Prosper Portland funds on a portfolio-wide basis. Removing this requirement will provide Prosper Portland with the flexibility to waive requirements on borrowers such as providing 10 to 20 percent of the requested loan amount, which can be a financial burden.

EQUITY IMPACT

This action provides an opportunity for Prosper Portland to increase access to capital to historically underserved communities in alignment with the agency’s strategic goals.

COMMUNITY PARTICIPATION AND FEEDBACK

There was no community participation or feedback related to this proposed action.

BUDGET AND FINANCIAL INFORMATION

The Grant and revolving loan fund have been managed by Prosper Portland since 1979 as a Special Revenue Fund. The fiscal year (FY) 2023-24 Budget includes approximately \$1,000,000 in anticipated lending. It is expected that Prosper Portland will originate three to four loans for a combined total of between \$500,000 and \$1,000,000 annually. While there are no specific changes required to the budget as a result of this action, upon defederalization the funds may be merged with the Strategic Investment Fund for use in other, existing loan programs in a future budget revision or in the FY 2024-25 Adopted Budget.

RISK ASSESSMENT

There are few to no risks to this action.

ATTACHMENTS

None.