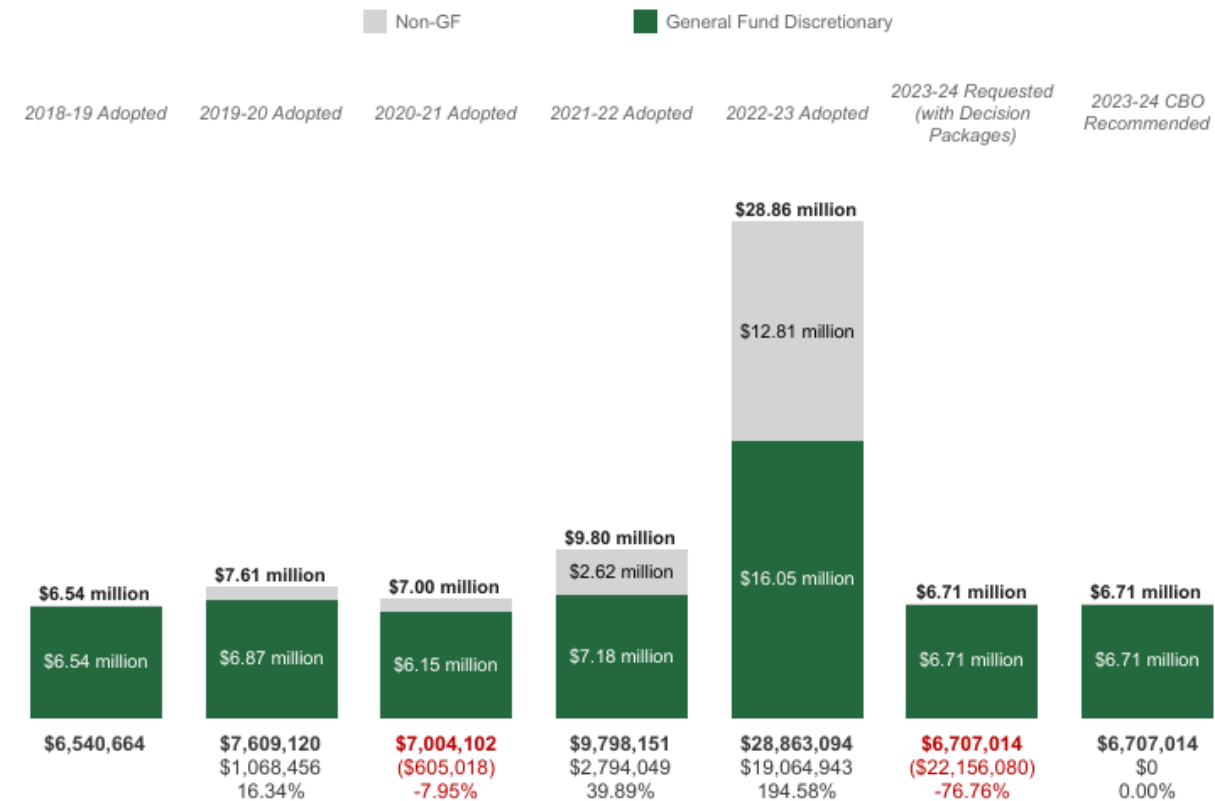




# Prosper Portland

## Adopted Budget Revenues | 5-Year Lookback



Adopted Full-time Equivalent Totals

## EXECUTIVE SUMMARY

Prosper Portland is the City's economic and urban development agency. The agency receives revenues from multiple City sources, including the General Fund, to deliver services related to the economic and workforce

development components of the agency's budget. Prosper Portland acts as a pass-through for much of its workforce development activities, contracting with third-party provider Worksystems Inc. to provide services, while actively manages several economic development initiatives funded with City discretionary resources. Additionally, Prosper engages in a redevelopment projects resourced with debt proceeds generated by Tax Increment Financing (TIF) districts and also receives program revenue through loan interest and property income. The following provides an overview of the FY 2023-24 Requested Budget for Prosper Portland. Please note, the CBO analysis does not include programing or financial data for Prosper funded outside of the City's General Fund obligations:

- Long-term financial sustainability remains the primary challenge for the agency as current TIF districts mature and reach their maximum debt levels— the FY 2023-24 Requested Budget includes \$58 million in TIF resources. Approximately \$45.5 million of these resources (27.7% of Prosper's operating budget) will expire in the next two years.
- The agency is actively exploring new TIF districts and recently brought the Cully TIF district online. The Cully TIF district is expected to generate \$537,000 in FY 2023-24 and reach \$20 million in debt resources by FY 2027-28.
- Council has allocated \$28 million of one-time General Fund, Recreational Cannabis Tax, and ARPA resources since FY 2020-21. Prosper anticipates that \$19.7 million of these funds will be expended by the end of FY2022-23, while the remaining \$8.3 million will be expended in the subsequent year.
- The agency's FY2023-24 Requested Budget resources total \$389,311,696, which is 18% lower than the FY 2022-23 Revised Budget, a decline driven largely expiring TIF funds, grants, one-time funding, and reductions in beginning fund balance.

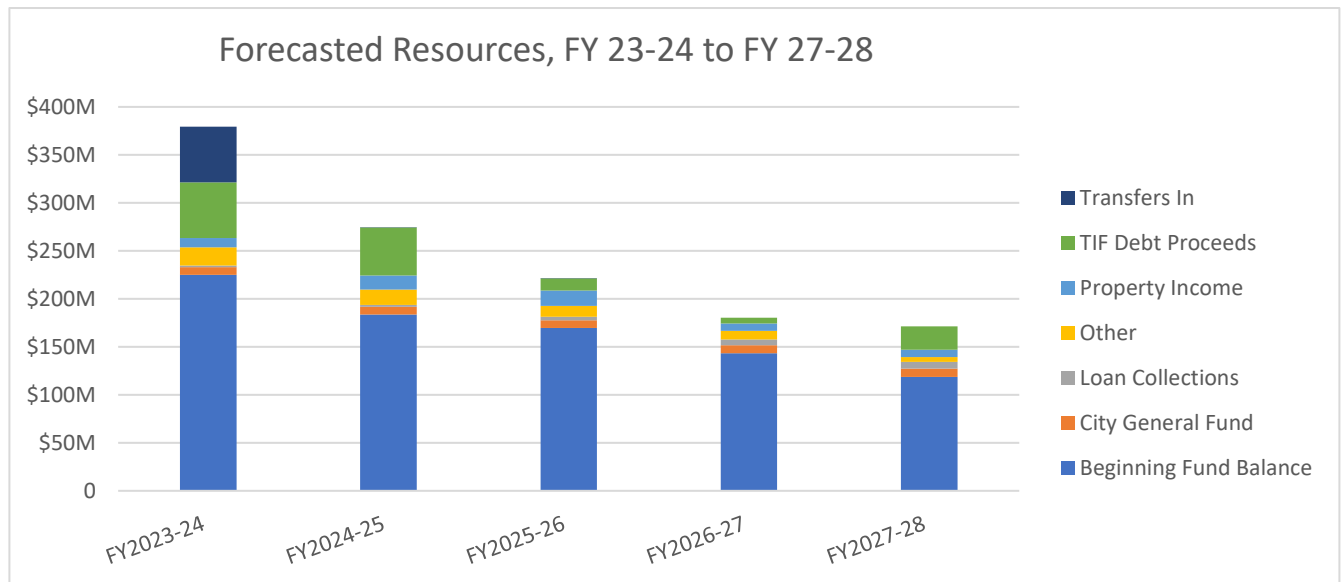
## BASE BUDGET & KEY ISSUES

### Financial sustainability over the next five years

As has been discussed in [prior reviews](#), Prosper Portland's key budget issue remains its financial sustainability over the next two to five years as Tax Increment Financing districts expire. The agency has shrunk significantly over the last decade in preparation for the maturation of the City's urban renewal areas, many of which will soon reach their maximum debt levels. Over the last two years the agency has also received \$28 million in allocations of one-time resources. A significant portion of these funds were allocated to a new and existing services aimed at economic recovery efforts related to the COVID-19 pandemic. However, expiration of these one-time funds now further complicates Prosper's forecasting and service delivery as the agency must sunset or consolidate programming funded with expiring resources as remaining funds are expended. The agency's 5-yr forecast also assumes continuation of current service levels through its Economic Development programs. However, as with programs resourced with one-time allocations, unless the agency secures alternative revenue streams, Prosper Portland will need to balance the agency's forecast by reduction in service levels to programs that are resourced with TIF revenues as those resources return the City's General Fund. The Budget Note directs the City Economist to set aside \$20 M in ongoing resources from expected returning TIF revenues beginning in FY 2024-25...and CBO is directed to place \$8 M in a policy set aside to PHB, \$8 M to Prosper Portland. Prosper Portland's budget and 5-yr forecast does not include TIF revenues indicated in the Budget Note and therefore the forecast is out of balance beginning in FY 2024-25.

Revenues from Tax Increment Financing (TIF) Debt Proceeds are currently forecasted to dwindle to less than 1/10<sup>th</sup> their current level by FY 2026-27, a decrease of nearly \$60 million, bringing total TIF resources from \$66 million to \$6 million. In FY 2027-28 a partial rebound increases TIF resources by \$24 million as debt proceeds from the newly formed Cully TIF district come online. The decline of TIF resources, otherwise known as the "TIF Cliff", requires development of alternative funding strategies for Prosper to achieve long-term financial sustainability. Preliminary sources of revenue identified by Prosper to address the TIF cliff includes requesting and receiving new General Fund resources, increasing program income (i.e., loan

collections and property income), amendments to existing TIF districts, and creations of new TIF districts. The agency has been working on and plans to release its updated Financial Sustainability Plan 2.0 in FY 2023-24. At the time of this review the information is not available for analysis.



\*Other includes: Fees and charges, Interest on investments, Miscellaneous, Reimbursements, and Service reimbursements

### Agency reliance on General Fund resources to replace expiring TIF

The likelihood of additional, ongoing resources being added to Prosper’s budget in future years are dependent on many factors, not least of which is the City’s financial condition, which in turn is dependent on the macroeconomic factors. Over the last five years, the actual amount of General Fund resources allocated to Prosper fluctuated between \$6.6 million to \$20.5 million, with a majority of resources being one-time discretionary funds.

The most recent [five-year forecast for the General Fund](#) issued in December 2022 indicates a modest ongoing surplus of \$6.5 million in FY 2023-24. General Fund resources increase notably starting in FY 2024-25 due in part to the expiration of the TIF Districts and the subsequent return of property tax revenues to the City. This forecast also includes a \$20 million set-aside per a Budget Note within FY 2022-23 Adopted Budget directing the City Economist to set aside \$8 million to be pre-committed to Prosper starting in FY 2024-25. While this amount is set-aside in the five-year forecast, it has yet to be formally allocated by Council as only appropriations voted upon in the Fiscal Year budget solidify resources in any bureau or agency budget.

As the agency’s 5-yr forecast assumes current programming levels yet does not include returning TIF funds, their forecast shows a General Fund deficit of roughly \$2.4 million in FY 2025-26 which increases to \$20.7 million in FY 2027-28. This makes FY 2023-24 an opportune time for City Council to signal if property taxes generated by expiring TIF Districts do, in fact, return to the General Fund as originally intended nearly twenty years ago with their establishment, to maintain current levels of economic development service as a baseline for Prosper Portland, or some combination of reallocation and reduced level of economic development services. The agency will need time to wind down current programs if this resource is returning to the General Fund to support other municipal services. Without these resources, Prosper must enact service cuts, reduce personnel or administrative costs, recover this amount through alternative revenue sources, or some combination of these options. While the Budget Note is intended to provide certainty of funding for Prosper and Portland Housing Bureau, the CBO recommends the agency not rely on this directive as a certain resource given the significant cost pressures on the General Fund. Likewise, should existing TIF districts be

amended, or new ones be created (in addition to the recently created Cully District), the Citywide forecasted General Fund resources will subsequently decline as this increment would be directed to supporting economic development, affordable housing production, and redevelopment programming outside of the General Fund.

### **TIF Amendments**

Amendments that extend the expiration of TIF districts delay the return of property tax revenue to the City's General Fund as well as those of other local governmental jurisdictions (e.g., Multnomah County and Portland Public School District). An amendment to the Interstate Corridor District, for example, extended the date the City will begin receiving incremental assessed value to FY 2024-25, instead of in FY 2022-23 without the amendment. The value of those taxes and impact to the City in FY 2023-24 is \$6.8 million. Absent this amendment, these funds would have returned associated property tax revenues to the City's General Fund and would have increased the FY 2023-24 forecast of combined one-time and ongoing resources by the same amount.

Likewise, in June 2022, the Prosper Portland Board amended the Gateway Regional Center Urban Renewal Plan removing the last date to issue debt; allowing the district to access additional resources gained by the savings and the ability to issue debt after June 30, 2022. However, given the timeline of the amendment, which is outside the five-year forecast window, there is no estimated impact in the agency's General Fund forecast.

### **New TIF Districts**

There have been several community-led conversations centered on the creation of new TIF districts- both geographic locations and districts that operate with a focus on equity in the outcomes. In 2022, Prosper Portland and Portland Housing Bureau staff's coordination with Cully partners culminated in establishing a new TIF district. The total estimated impact to taxing jurisdictions through FY 2058-59 is anticipated to be between \$350 million and \$478 million, which is dependent upon the amount of long-term borrowing. The estimated high impact of \$478 million assumes \$150 million in long-term debt (bonds) with terms of 20 years and conservative interest rates, and \$200 million in short-term debt with no interest. The impact to the General Fund at this level is estimated to be a cumulative \$115 million through FY 2058-59. Higher use of short-term (pay-as-you-go) debt proceeds or more favorable interest rates for long-term bonds may reduce the financial impact. Lowering the financial impact to \$350 million requires the issuance of only short-term debt that has no interest and minimal issuance costs, but also limits resources earlier in the district's first 5 to 10 years. This will result in an estimated \$84 million in foregone revenue to the City of Portland General Fund through FY 2053-54. Of the resources generated by the new Cully TIF district, Prosper's five-year forecast includes \$537 thousand in FY2023-24 which eventually increases significantly to \$20 million in FY2027-28. Beyond Cully, Prosper Portland and the Portland Housing Bureau are engaged in exploration of new TIF districts in East Portland as well as the Southwest Corridor.

## **Expiring One-time Resources**

As noted, Prosper Portland has received significant one-time funding in recent years, much of which was allocated to programs in response to the economic impacts of the COVID-19 pandemic. As circumstances have stabilized, one-time funding is likewise being spent down. Between FY 2022-23 and FY 2023-24 alone, the agency has a combined \$28 million in one-time resources allocated from the General Fund, Recreational Cannabis Tax, and American Rescue Plan Act (ARPA) that are anticipated to expire. Prosper anticipates that roughly \$20 million of these funds will be expended by the end of FY 2022-23, while the remaining \$8 million is expected to carry forward into FY 2023-24. While most one-time resources were directed towards one-time projects and programs in accordance with financial policy, a portion was also allocated to ongoing needs for which there are no ongoing resources identified. This includes needs within economic development programming, such as personnel for the Inclusive Business Resource Network (IBRN) and increasing capacity within the BIPOC in Tech initiative. These instances reflect a broader budget trend in recent years of one-time funds being allocated towards ongoing needs and has amounted a significant one-time spending cliff across City bureaus. Ultimately, this presents a choice to either stop programing recently started, or to stop existing

programs to support new initiatives with existing ongoing resources.

As Prosper directs most of the City's economic development programming, the allocation of additional one-time resources was deemed necessary to respond to pandemic economic recovery efforts. These resources provided funding to both new programs such as Small Business Repair Grants, Small Business Relief Fund, and Childcare Relief Fund, created to address pandemic-specific challenges, as well as to established economic programs such as the Inclusive Business Resource Network (IBRN), Venture Portland, Workforce Development, and Neighborhood Prosperity Networks. Meanwhile, funds were directed at miscellaneous one-time investments such as establishment of the Portland Events & Film Office, Future of the Central City study, BIPOC in Tech initiative, Neighborhood District Strategy, among other investments. A list of these allocations and their funding sources can be seen below.

### Prosper's One-Time Resources, FY 2022-23 to FY 2023-24

Projects Funded 1-Time	FY22-23			FY23-24			Total
	General Fund	Cannabis	ARPA	General Fund	Cannabis	ARPA	
<b>Economic Development</b>							
82nd Ave			\$ 640,000				\$ 640,000
BIPOC in Tech	\$ 246,450						\$ 246,450
Branding & Marketing - Commercial Business Corridors			\$ 273,726				\$ 273,726
Chamber Support	\$ 700,000		\$ 473,738				\$ 1,173,738
Childcare Relief	\$ 100,000						\$ 100,000
Equitable Development outside of TIF	\$ 200,000						\$ 200,000
Future of Central City	\$ 200,000						\$ 200,000
IBRN A la Carte		\$ 186,450			\$ 186,450		\$ 372,900
IBRN Capital Access Advisor	\$ 131,450						\$ 131,450
IBRN Digital Marketing		\$ 372,900					\$ 372,900
Inclusive Economic Development Strategy	\$ 559,712						\$ 559,712
My People's Market Site Location	\$ 250,000						\$ 250,000
Neighborhood District Strategy	\$ 200,000						\$ 200,000
Neighborhood Prosperity Network District Support	\$ 435,000						\$ 435,000
Office Events and Film	\$ 750,000		\$ 268,800	\$ 750,000		\$ 260,661	\$ 2,029,461
Portland Film Office	\$ 71,000						\$ 71,000
Small Business Resource Navigation & Technical Assistance			\$ 1,843,033				\$ 1,843,033
Small Business Stabilization Grants & Technical Assistance			\$ 1,803,856			\$ 791,683	\$ 2,595,539
Venture Portland			\$ 1,043,030			\$ 1,000,000	\$ 2,043,030
Workforce Training & Employment			\$ 2,823,823			\$ 2,500,000	\$ 5,323,823
<b>Property Redevelopment</b>							
Ankeny West Food Carts	\$ 166,658						\$ 166,658
Broadway Corridor Demo	\$ 3,500,000						\$ 3,500,000
East Portland Investment Strategy	\$ 1,000,000						\$ 1,000,000
Fairfield						\$ 1,900,000	\$ 1,900,000
Repair Grants	\$ 600,000		\$ 900,000			\$ 1,100,000	\$ 2,600,000
<b>Total</b>	<b>\$ 9,110,270</b>	<b>\$ 559,350</b>	<b>\$ 10,070,006</b>	<b>\$ 750,000</b>	<b>\$ 186,450</b>	<b>\$ 7,552,344</b>	<b>\$ 28,228,420</b>

In discussions with Prosper, the agency notes that while ongoing funding will sustain most of their core programming, maintaining service levels over time will require additional funding sources, for which the Prosper had originally intended to submit decision package requests prior to the release of the Mayor's Budget Memo 3. Among these current one-time allocations, Prosper expects BIPOC in Tech and Neighborhood Prosperity Network to spend down resources by end of fiscal year 2022-23. The agency is currently considering how BIPOC in Tech could be folded into other agency-wide programs, minimizing the exposure of loss of the one-time resources. Similarly, funding for the Office of Events and Film, IBRN financial advisor and additional one-time funding for IBRN professional services will likely carry over in part to FY 2023-24, after which, additional funding would be required to continue current service levels. Meanwhile several American Rescue Plan Act programs will continue over the next 2 years – business stabilization, relief grants, rapid workforce training and employment, and Venture Portland Catalytic Investment. Likewise, programs supported by ARPA resources would likely run out in FY 2024-25, at which point programming would sunset unless additionally revenue streams are secured.

## River District Update

### Broadway Corridor

Development of the United States Postal Service (USPS) site in the Broadway Corridor represents a significant redevelopment project in the River District. The 34-acre Broadway Corridor site is located within the Central City in northwest Portland and has been under various levels of redevelopment planning efforts since the location was vacated by the USPS and purchased by Prosper Portland. Most properties within the Broadway Corridor are owned by Prosper Portland, including the 14-acre U.S. Postal Service (USPS) site, which is jointly owned with the Portland Housing Bureau (PHB). Currently, Prosper Portland is drafting Intergovernmental Agreements (IGAs) with the Portland Housing Bureau for land transfer and development of affordable housing on PHB parcels. The agency is also coordinating with the Office of Management and Finance (OMF) to develop a final funding and finance package tied to infrastructure and benefit delivery. Prosper Portland anticipates presenting future Intergovernmental Agreements (IGAs) to City Council for consideration in the fourth Quarter of FY 2022-2023. Prosper Portland also entered into a one-year Exclusive Negotiations Agreement (ENA) with Related Inc. through January 2024. During the term of the ENA, Related Inc., together with local partners, will evaluate the site including market analysis while also serving as an adviser to Prosper Portland, including on the open space and green loop design analysis, to be managed by Portland Parks and Recreation. Under the agreement, the City will contribute 50% of contract costs up to a maximum of \$50,000 to help cover pre-development work conducted by Related Inc.

## DECISION PACKAGE ANALYSIS

Prosper has no Decision Package submission included in their FY2023-24 Requested Budget

# SUMMARY OF REQUESTS & RECOMMENDATIONS (ALL FUNDS)

## Prosper Portland

		2022-23 Adopted Budget	2023-24 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Revenue	Miscellaneous Fund Allocation	\$1,781,528	\$0	\$0	\$0	\$0
	Intergovernmental	\$11,028,002	\$0	\$0	\$0	\$0
	General Fund Discretionary	\$16,053,564	\$6,707,014	\$0	\$0	\$6,707,014
Revenue	Sum:	\$28,863,094	\$6,707,014	\$0	\$0	\$6,707,014
Expense	External Materials and Services	\$28,863,094	\$6,707,014	\$0	\$0	\$6,707,014
Expense	Sum:	\$28,863,094	\$6,707,014	\$0	\$0	\$6,707,014