

N/NE COMMUNITY DEVELOPMENT INITIATIVE ACTION PLAN

“Fostering Economic Prosperity among African Americans and People of Color”

DISCUSSION DRAFT

**80% Complete
September 26, 2016 Version**

N/NE COMMUNITY DEVELOPMENT INITIATIVE
Fostering Economic Prosperity Among African Americans & People of Color
Draft Five-Year Action Plan

About this Draft Plan

This Draft N/NE Community Development Action Plan (Draft Plan) has been developed to guide how the Portland Development Commission (PDC) invests the remaining \$32 million in Tax Increment Financing (TIF) resources for economic development in the [Interstate Corridor Urban Renewal Area](#) (Interstate Corridor URA).

The Draft Plan was developed by PDC based on guidance and advice of the N/NE Community Development Initiative Committee, the input of thirty-five stakeholders who participated in 1:1 or group interviews, public input at Advisory Committee meetings, and feedback from the Portland Bureau of Housing and the Bureau of Planning and Sustainability. The Draft Plan is consistent with and has been informed by: the Urban League's [State of Black Oregon Report](#), the [Interstate Urban Renewal Area Plan \(Adopted, 2000 and Amended and Restated, 2011\)](#), and PDC's [2015-2020 Strategic Plan](#).

TIF resources are limited by state laws to be used for the planning and construction of physical improvements. TIF funds cannot be used to fund programs or initiatives such as business technical assistance (business planning, marketing, accounting, etc.) or job training and employment assistance. These programs and initiatives are important in supporting economic growth and opportunity for businesses and individuals. Page 10 of this Draft Plan has further information about ongoing City/PDC funded work that supports business technical assistance and workforce development, and activities that would complement the objectives of this Draft Plan that are currently not funded.

The Portland Housing Bureau has a separate plan for the remaining Interstate Corridor TIF funds that are available for affordable housing (households under 80% Median Family Income). The Housing Bureau's plan is known as the [North/Northeast Neighborhood Housing Strategy](#). It currently addresses funding for \$20 million in TIF affordable housing funds and will be amended soon to propose the plan for spending an additional \$32 million in TIF affordable housing funds.

Your Feedback on the Draft Plan Needed:

This Draft Plan will be updated following input from community members between September 26, 2016 and October 20, 2016. ***Opportunities for input include:***

Community Forums:

- October 6th (5-9 p.m.): Review and Discussion of Draft Plan
- October 20th (5-8 p.m.): Review and Discussion of the Final Draft Plan

Both forums will be held at ***New Song Church, 220 N. Russell***. Refreshments served and child care is available with reservation. Register for the Community Forums [here](#).

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Introduction

Goal:

The goal of the N/NE Community Development Initiative (CDI “Initiative”) is to foster economic prosperity among African Americans and People of Color by participating in, benefiting from and contributing to the local, regional and global economies.

Why:

When the Interstate Corridor URA was established in 2001, it was done so with an understanding that investments would be made to:

Primarily benefit existing residents and businesses within the Area through the creation of wealth, revitalization of neighborhoods, expansion of housing choices, creation of business and job opportunities, provision of transportation linkages, protection of residents and businesses from the threats posed by gentrification and displacement, and through the creation and enhancement of those features which enhance the quality of life within the Area. A special emphasis will be placed on providing timely benefits to groups most at risk of displacement (e.g., the elderly, people of color, small businesses, low income people, the disabled).¹

While many public investments were made to improve transportation, revitalize neighborhoods, and create commercial corridors, the benefits of the investments have primarily been felt by businesses and residents who are White, newly arrived, and with higher incomes. Between 2000 and 2013, African-American population in the Interstate Corridor URA experienced a precipitous 49% decrease (from 10,795 residents to 7,251), while White population grew by 23%, Asian-Americans grew by 13%, and Latinos grew by .2%.

Over the same 13 year period that African-American population decreased in the Interstate Corridor. Median income fell sharply (by 31%), bringing the median household income for African-Americans in the Interstate Corridor to \$24,322, 13% lower than African-American median income in Portland. Whites and Latinos experienced a moderate rise in median income in the Interstate Corridor, while Asian-American median income rose by 20%.

Since 2000, African-Americans living in poverty rose by 9% and now 1 in 3 African-Americans in the Interstate Corridor are below the poverty rate. While Latino median income barely changed between 2000 and 2013, the percent of Latinos under the poverty rate fell by 5%.

PDC recognizes that the destabilization of the African American community within the Interstate Corridor URA has significantly restricted access to employment and wealth creation opportunities, thereby, weakening the community capacity to produce economic opportunities and support cultural/community assets. This Draft Plan, and the investments are, therefore, specifically pointed to

¹ [Interstate Corridor Urban Renewal Plan, Adopted 2000 and Amended and Restated, 2011](#)

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ensuring that with the remaining Interstate Corridor economic development resources are directed towards the community that has been most negatively impacted by the changes.

Summary of Proposed Investments:

This Draft Plan proposes to invest the remaining TIF economic development resources in the following ways.

Objective	Investment Amount
Objective 1: Foster Multi-Generational Wealth Creation	\$19 M
Objective 2: Create Vibrant and Culturally-Relevant Spaces	\$10.5 M
Objective 3: Increase Access to Jobs	\$2.5 M
Total	\$32 M

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Investing the \$32 Million in Tax Increment Financing

Objective 1: Foster Multi-Generational Wealth Creation	Timing	Outcomes	Total Over 5 Years
1.A. Promote Property Ownership and Redevelopment			
<ul style="list-style-type: none"> • Provide Financing and Support for Property Improvements and Redevelopment: Assist to property owners to improve and develop their underutilized and underdeveloped commercial and residential properties. <ul style="list-style-type: none"> ✓ Grants: Provide 1:1 matching grants of up to \$50,000 to assist property owners to improve and develop their assets. Up to \$25,000 may be used for project planning. ✓ Property Development Loans: <ul style="list-style-type: none"> • Interest Rate: A fixed rate based on the current Prime Rate plus 3% points (with the ability to reduce by a maximum of the three percentage points for meeting certain public objectives) (Currently: 3.5% - 6.5%) • Fee: 1% loan fee • Payments: Construction Loan: Interest-only, and may include a period of deferred payments; Permanent Loan: Principal and interest • Borrower’s Contribution: Minimum 10% equity contribution – can include land value • Collateral: Security interest in the subject property or other real estate • Guarantee: Personal and/or corporate guaranties from all principals and entities with 20% ownership interest in the property 	Start immediately, annual allocation for five years	30 property improvement grants for smaller-scale projects	\$1.5 M
		10 property development grants for larger-scale projects	\$500,000
		20 property improvement loans for smaller-scale projects (Assumes loan size of \$50,000)	\$1 M
		10 property development loans (Assumes a loan size of \$500,000)	\$5 M
1.B. Promote Business Ownership and Growth:			
<ul style="list-style-type: none"> • Provide Financing for Small Business Growth: Assist small business growth through grants and loans: <ul style="list-style-type: none"> ✓ Grants: Provide 1:1 matching grants of up to \$50,000 to assist property owners to improve and develop their assets. Up to \$25,000 may be used for project planning. ✓ Tenant Improvement Loan: Offer small business loans to pay for match. <ul style="list-style-type: none"> • Interest Rate: Range from Prime to Prime+3% based on leverage and adjusted for risk (Currently: 3.5% - 6.5%) 	Start immediately, annual allocation for five years	60 grants for tenant improvements	\$3 M
		30 loans for tenant improvements	\$1.5 M

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<ul style="list-style-type: none"> • Fee: 1% loan fee • Payments: Principal and interest in real payment; up to 1 year of interest-only payments, based on project underwriting • Guarantee: Personal and/or corporate guaranty from all principals and entities with at least a 20% ownership interest in the business. 		(Assumes loan size of \$50,000)		
<ul style="list-style-type: none"> • Create Affordable Retail Space: Assist emerging or displaced small businesses owners by creating affordable commercial space. 	Start immediately	15,000 sq ft commercial space at 10 - 25% less than market	\$1.5 M	
<p>1.C. Invest in New and Existing Homeowners</p> <ul style="list-style-type: none"> • Support Homeownership: Expand the availability of PHB’s Down Payment Assistance Loan program to those with incomes between 80-120%. <ul style="list-style-type: none"> ✓ Provide zero percent interest loan of up to \$80,000 for first-time homebuyers. • Expand Home Repair Program: Expand the availability of PHB’s Single Family Home Repair Programs <ul style="list-style-type: none"> ✓ Provide zero percent interest loans of up to \$40,000 per home to provide critical home repairs for homeowners at 80-120% of median family income. • Promote Accessory Dwelling Units: Expand proposed PHB programming for 17/18 to support development of accessory dwelling units and cottage homes to those with incomes between 80-120% of median family income as a way to bring more affordable housing units to market in the ICURA and as a way to support multi-generational families. <ul style="list-style-type: none"> ✓ Program is currently under development. Details will be available by July 1, 2017 	Start Immediately, annual allocation for five years	20 households	\$1.6 M	
	Start Immediately, annual allocation for five years	40 households	\$1.6 M	
	July 1, 2017	Households = TBD	\$1.8 M	
Objective 2: Create Vibrant, Culturally-Relevant Spaces		Timing	Outcomes	Total Over 5 Years
<ul style="list-style-type: none"> • Invest in Anchor Projects: Invest in community-driven, anchor projects that celebrate and honor Portland’s African American culture and history. 	Within 6 months of adoption of the plan a	1-2 loans for anchor projects	\$8 M	
<ul style="list-style-type: none"> • Invest in Community Livability Projects: Build community prosperity by supporting the growth, development and sustainability needs key community-based organizations that serve the African American 	Notice of Funding	8-12 Community	\$2.5 M	

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<p>community, particularly those who drive economic development outcomes.</p> <ul style="list-style-type: none"> ✓ Community Livability Grants of up to \$300,000 	<p>Availability (NOFA) will issued to identify Anchor and Community Livability projects.</p>	<p>Livability Grants to non-profit organizations</p>	
<p>Objective 3: Increase Access to Jobs</p>	<p>Timing</p>	<p>Outcomes</p>	<p>Total Over 5 Years</p>
<ul style="list-style-type: none"> • Invest in Middle Wage Job Growth and Workforce Diversity: Support high growth and traded sector businesses who commit to workforce diversity. <ul style="list-style-type: none"> ✓ Same terms as previously discussed in Objective 1 (See Property Development Loan and Tenant Improvement Loan). Loan type will be determined based on whether the applicant owns the building or is a tenant. 	<p>Start Immediately, annual allocation for five years</p>	<p>4-10 loans</p>	<p>\$2.5 M</p>

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New Practices and Policies

I. Oversight Committee:

PDC will establish an Oversight Committee (OC) comprised of community stakeholders that will guide implementation of this Plan. The OC will track and advise on implementation of the Action Plan; the OC may also serve as the independent review committee for any notices of funding availability that may arise from the Plan. The goal is to form the OC by February 2017. Members of the OC will be selected in an open and transparent manner.

II. Who Has Access:

1. Given the demographic shifts that have occurred since the implementation of the Interstate Corridor URA and the ongoing wealth disparities in this area, this Draft Plan is intended to primarily benefit the African American community.
2. TIF investments will be prioritized as follows:
 - a. Business owners, property owners and residents of color who owned businesses, owned property or lived in the Interstate Corridor URA boundaries prior to its establishment in 2000.
 - b. Existing African American owned businesses and property owners
 - c. Other businesses and property owners of color
 - d. Investments in traded sector and high growth firms who make commitments to diverse hiring practices through a Public Benefit Agreement.
3. Priority will be given to businesses and property owners who have not previously accessed PDC's resources and those who have only had minimal financial assistance from PDC.

III. Changes to Improve Outcomes:

1. Work with lenders and community stakeholders to assess whether PDC's financial tools need modifications to achieve greater access to capital among business and property owners of color.
2. Proactively work with private and non-profit lenders to discuss ways to better partner to leverage TIF funding to achieve intended wealth creation goals AND to address racial bias in lending which communities of color continue to experience.
3. Explore new financing tools:
 - ✓ Explore a down payment assistance program for commercial real estate purchase.
 - ✓ Explore a tax abatement program to maintain affordability for existing businesses who own their property.
 - ✓ Expand the secured lines of credit program.

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4. Pair PDC business loans with ongoing business technical assistance.
5. Use Public Benefit Agreements (PBAs) as part of business assistance loans, grants or tax abatements to grow middle-wage employment opportunities and diversify the workforce.
6. Improve marketing and outreach to African Americans and other people of color about PDC grants, loans, and programs for businesses, property owners and residents.
 - ✓ Utilize trusted and well known community ambassadors to discuss PDC loans, grants and technical assistance with businesses, property owners, and residents.
 - ✓ Go to existing meetings and gatherings of African American residents and business to educate them about PDC offerings.
 - ✓ Develop user friendly and accessible collateral regarding programs including videos and print media.
7. Improve practices and tools for working with long-time property owners including:
 - ✓ Provide tailored technical assistance, mentoring and education to allow property owners to understand their development options.
 - ✓ Develop a user-friendly real estate development tools to use in educating property owners about development options. Tools will include: a range of development types, typical lot sizes and land values in N/NE Portland, building design prototypes; typical real estate partnership structures; conventional financing structures and land values.
 - ✓ Ensure that development plans are scaled to the financial capacity and equity position of the property owners.
 - ✓ Ensure that professional advice regarding development options take into account the long-term operational issues associated with the new asset and that the future owner is set up for success.
 - ✓ Facilitate development partnerships with long-time property owners (LTPO), when necessary, to protect their equity position.
 - ✓ Make minor amendments to the Interstate Corridor Urban Area to ensure inclusion of key properties immediately adjacent to the URA boundary.
8. Continue to apply and strengthen PDC's Business and Workforce Equity Policy to ensure that the benefits of PDC's investments in constructing improvements flow to minority and women owned contractors and trades people.
9. Make minor amendments to the Interstate Corridor Urban Area to ensure inclusion of key properties immediately adjacent to the URA boundary.

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IV. Other TIF Expenditures Within the 5-Year Timeframe:

PDC’s budget and forecast includes funding for projects that have previously been approved in the URA. These projects are in addition to the \$32 million articulated in this Draft Plan. One project will be cancelled. Please see below for more detail.

1. Planned projects in the Interstate Corridor URA that ***will be completed over the next five years*** that are not covered by the \$32 million for economic and community development:

Committed Projects/Activities	Budget Amt.
MLK/Alberta Development Project (a.k.a. Natural Grocers)	\$1.3 M
Lombard Streetscape – if a financially feasible solution can be developed	\$2.2 M
Alberta and St Johns Main Street District Improvement Grants	\$250,000
Complete Past Grant Award Projects: Includes completing past Community Livability Projects, Development Feasibility Grants and Storefront Improvement Grants	\$834,000
Real Estate Management: Primary activities include: 1) managing properties in Kenton and leasing developed spaces to industrial and local businesses; 2) managing MLK/Alberta site Master Lease and tenant spaces to local small minority-owned businesses.	\$3.5 M

2. Planned projects in the Interstate Corridor URA that will ***not move forward***:
 - ✓ Bridgeton Trail – PDC and Metro have been unable to acquire necessary right of way for this project despite efforts over many years. Further, while this is a worthwhile public infrastructure investment, it does not align strongly with the PDC Strategic Plan nor this Draft N/NE Action Plan. PDC will allocate project funding (\$1.5 M) to the Final Action Plan in the following input from the public at the Community Forums on October 6th and October 20th.

V. Non-TIF Resources:

Tax increment resources available in the Interstate Corridor URA are limited to physical construction. While this is a beneficial economic development tool, it is an incomplete tool. Non-restricted, non-TIF funding sources are needed to assist with the wealth creation goals of this Draft Plan. The following are recommendations regarding non-TIF funding sources.

1. Continue City support for existing PDC programs that will contribute to the success of this Draft Plan:

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- ✓ **Support Business Technical Assistance:** Continue to provide culturally-appropriate, easily accessible business technical assistance and mentorship to start-ups, small businesses and youth entrepreneurs.
 - ✓ **Provide Workforce Development Opportunities:** Continue to support workforce development for low-income youth and adults through Economic Opportunity Initiative.
2. New activities that should be initiated and funded to increase the likelihood of success of this plan:
- ✓ **Develop Business Opportunities with Anchor Institutions:** Increase market opportunities for local businesses by establishing productive connections to large employers and anchor institutions with substantial purchasing power. ***NEW Funding Needed***
 - ✓ **Connect People to Jobs:** Proactively connect unemployed and underemployed residents to jobs created by PDC's economic development activities, and to workforce development opportunities available through the public workforce system. Key activities include:
 - Establish a community-based workforce navigator focused on N/NE and particularly on the returning residents and current residents of publically supported housing. ***NEW Funding Needed***
 - Establish a system for notifying community-based workforce development organizations and other CBOs of jobs created through PDC's economic development activities.
 - ✓ **Increase Job Training Support:** Support training for high-demand, living wage occupations: health care, manufacturing, banking, construction. ***NEW Funding Needed***
 - ✓ **Develop Job Opportunities with Anchor Institutions:** Support the development of career-track, middle-wage jobs through a citywide anchor institution strategy focused on health care, public sector and/or educational institutions. ***NEW Funding Needed***
 - ✓ **Promote STEM and STEAM:** Support youth workforce development through initiatives such as science, technology, engineering, arts, and math (STEM and STEAM). ***NEW Funding Needed***
 - ✓ **Establish a Neighborhood Prosperity Initiative Area:** Identify and support community based organization to drive economic development outcomes in the Interstate Corridor URA with an emphasis on supporting economic opportunities for African Americans. ***NEW Funding Needed***