



Inclusive Business Prosperity in North/ Northeast Portland

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Executive Summary

FINDINGS

These ten key findings characterize the process of commercial gentrification and the needs of MWESB specific to the study area. These are listed at left.

1. Commercial gentrification is affecting North/Northeast businesses
2. Evolution of informal economy is characteristic of gentrifying area
3. MWESB face specific challenges
4. Access to capital is critical
5. There is a lack of integration between new and existing businesses
6. Existing business assistance programs are not networked
7. Business development stage affects business Needs
8. Flexibility is essential for many businesses
9. Ownership is not desirable for all businesses
10. Targeted public investment in one area may disadvantage businesses in close proximity.

CRITERIA

The findings (above), led to a set of criteria to apply to each of the potential policy strategies it studied. Specifically, the policy strategies were each evaluated based on their potential to address the following criteria:

- Sustainability
- Flexibility
- Potential for wealth building
- Low cost to participating businesses
- Low cost to operating organizations
- Low land acquisition, land development and redevelopment costs

Building Business Equity (BBE), a student planning workshop group at Portland State University, contracted with Portland Development Commission (PDC) in the winter of 2007 to undertake a research study on the nature of commercial displacement. Demographic data and anecdotal evidence suggest that major shifts are occurring in the population and commercial markets in inner N/NE Portland. Therefore, BBE chose to identify and evaluate strategies to assist minority, women owned and emerging small businesses (MWESB) in the area.

To address this issue, BBE reviewed relevant literature, convened a Technical Advisory Committee (TAC), and interviewed over thirty community members, over half of whom were small business owners in the study area. Throughout the research phase of the project, BBE met regularly with client representatives from PDC, the TAC committee, and one another to share and process information.

Recommendations

The first recommendation, tenant subsidies, is based on the finding that all businesses do not necessarily benefit when public investments are made in a particular area. Therefore, BBE recommends that a *graduated tenant subsidy program* which encourages businesses to adapt to market changes and stabilize within a specified time period be considered in conjunction with major future public investments in inner N/NE Portland.

The second recommendation, the *Albina Public Market*, has the potential to address several of the needs of MWESB identified through BBE's findings by providing affordable, flexible space and

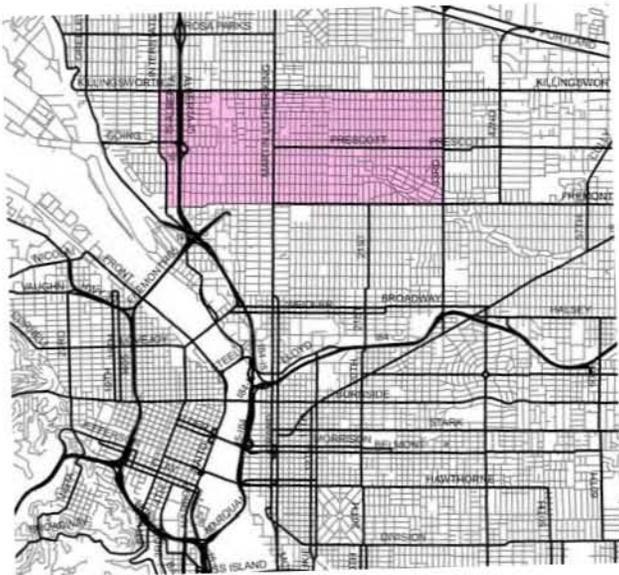
facilitating a place for diverse members of the community to come together. BBE proposes a unique structure for this development which will require several organizations to work together to achieve success. BBE recommends that PDC collaborate with a land trust entity, like Portland Community Land Trust (PCLT) to acquire or develop a commercial development and place the land in trust. The structure on the land will be sold to a non profit agency or community development corporation (CDC) who will manage commercial lease spaces for the tenants. BBE believes that this structure is capable of maintaining affordability for MWESB in inner N/NE Portland without the added burden of ownership.



These recommendations alone are not capable of meeting all of the needs of MWESBs identified throughout the course of this study. However, BBE believes that the consideration of tenant subsidies and a land trust marketplace are a good starting point for organizations and agencies who are seeking creative solutions to address the issue of commercial displacement in Portland.

The Inclusive Business Prosperity in North/Northeast Portland project examines the issue of commercial displacement and considers its potential impact on small, minority and women-owned and emerging small (MWESB) businesses in inner North and Northeast Portland. In this document, Building Business Equity (BBE) will discuss the major findings of this project, present recommendations, and lay out next steps for continuing to address this important issue.

BBE is a group of six students in the Master's of Urban and Regional Planning Program at Portland State University who were drawn together out of a shared interest in the role of equity within the planning process. Portland Development Commission (PDC) is serving as the client for this project, which seeks to address some of the key objectives set forth in PDC's 2006 MLK Boulevard Strategy Update and Action Plan. These objectives include promoting local wealth creation, engaging diverse stakeholders, and creating a livable and functional main street. The 2006 plan also promotes the facilitation of commercial, mixed-use developments through strategies including commercial condominiums, tenant subsidy programs, lease-to-own programs, asset-based models, or a commercial land trust. PDC also recognizes a need for development strategies that are equitable to MWESB groups.



While MLK Blvd remains an area for potential strategy implementation, these objectives may also be relevant and beneficial to other commercial areas nearby. Therefore, BBE has established the study area as inner North/Northeast Portland, within the Albin neighborhood. More specifically, this project focuses on the commercial corridors of Mississippi Avenue, Northeast Alberta, North Williams and Martin Luther King Jr. Blvd and the neighborhoods surrounding each. (see map, left)

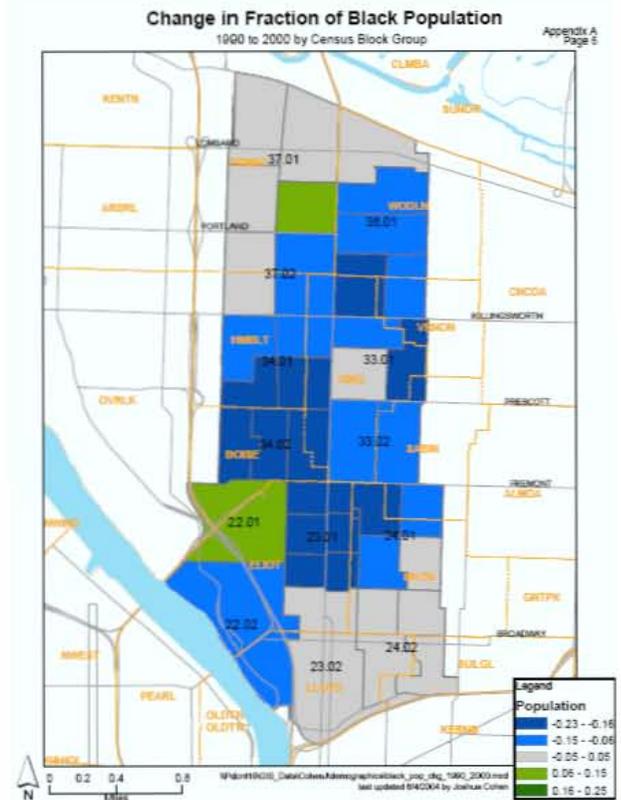
The Albin community district and its surrounding neighborhoods in North and Northeast Portland have

been the center of the city's African American community since the 1930s and 40s. The Albina community is home to "17% of Portland's total population but 39% of the total people of color in the city. Most people of color in Albina are African-American" (Oregon Environmental Council, 2000).

In the 1990's, the Albina community began to experience a shift in demographics. Anecdotal evidence and current data confirm that these neighborhoods are facing increasing development and investment pressures. For example, the average home value in the area surrounding MLK rose approximately 161% between 1993 and 2003, compared to a Portland city-wide increase of 105%. During a similar time period, between 1990 and 2000, the African-American population in the thirteen census tracts surrounding MLK fell from 45% to 36% of the total population (PDC, 2002).

Demographic shifts are changing the characteristics of the Albina community. According to PDC, "Many neighborhoods are undergoing change, with new families moving in to renovate older homes. Notwithstanding these changes and opportunities, this area still lags behind the rest of the City and the region in terms of key economic and social measures (income and poverty levels, improvements to land value ratios, building age, etc.)" (PDC, 2000). However, these measures are quickly changing.

Given that revitalization in North/Northeast Portland has coincided with the displacement of minority populations, PDC recognizes the importance of developing a model that encourages diversity. BBE and PDC seek to pursue strategies that not only prevent the displacement of existing minority, women and emerging small business (MWESB), but also to promote the creation of new minority or women-owned small businesses to serve the area's minority population.



Methodology

In gathering information about commercial displacement in inner N/NE Portland, BBE drew on a wide range of data and anecdotal evidence, making an effort to include perspectives from all levels of authority and from a wide variety of backgrounds.

Technical Advisory Committee

Three times during the study, a team of experts in the fields of small business assistance and economic development met with BBE. This technical advisory committee (TAC) served as a sounding board for ideas and provided additional information and resources as needed. In addition to client representatives, Joanne Daunt and Estee Segal, the TAC included:

Jesse Beason - Land Use Policy Director for Commissioner Sam Adams and a board member of Portland Community Land Trust

David Fischer - Owner of Dragonfly Chai on Martin Luther King Jr. Blvd.

Allison Handler - Executive Director of Portland Community Land Trust

Tina Mosca - Economic development planner with the City of Portland Bureau of Planning

Olivia Rebanal - Loan officer at Portland Development Commission

Kent Walton - Representative of Albina Community Bank

TAC Meeting Minutes are available in Appendix F.

Interviews

BBE conducted over 30 interviews with small business owners, representatives of business assistance programs, developers and other interested community members. Over half of the interview subjects were small business owners. See Appendix A for the complete list of interviews.

In the interest of consistency, BBE developed two standard sets of interview questions (see sidebar). BBE also developed a more exhaustive list of questions to be used if time permitted. That list is available in Appendix B.

Literature Review

The recommendations in this document have also been informed by material from a variety of academic publications. Many of these sources will be valuable to readers interested in better understanding commercial gentrification. However, the most notable result of the literature review is the scarcity of previous work directly pertaining to this subject. Much of the existing material relates to residential gentrification, market economics and business practices in general.

INTERVIEW QUESTIONS

For business owners:

1. How have changes in the neighborhood affected your business?
2. What are the challenges of operating a business in this area?
3. Do you plan on staying in the area?
4. What kinds of programs would help your business?

For other interested community members:

1. How have recent changes affected the neighborhood?
2. What do you think is the biggest challenge for existing businesses in NE Portland?
3. What do you think are the main opportunities for existing businesses in NE Portland?
4. What kinds of programs would help businesses?

Findings

Gentrification:

The process by which wealthier residents move into poorer neighborhoods in sufficient numbers to change their social class composition and neighborhood identity (Kennedy and Leonard, 2001)

Using the methods described above, BBE assembled a large amount of information concerning the changing markets of inner N/NE Portland and the needs of small business owners in the area. Members of BBE met frequently throughout the course of the study to share information, discuss preliminary findings, and consider the potential application of a variety of public policy solutions. As a group, BBE identified the following findings:

FINDING 1: Commercial gentrification is affecting N/NE Portland Businesses

FINDING 2: Evolution of informal economy is characteristic of a gentrifying area

FINDING 3: MWESB face specific challenges

FINDING 4: Access to capital is critical

FINDING 5: There is a lack of integration between new and existing businesses

FINDING 6: Existing business assistance programs are not networked

FINDING 7: Business development stage affects business needs

FINDING 8: Flexibility is essential for many businesses

FINDING 9: Ownership is not desirable for all businesses

FINDING 10: Targeted public investment in one area may disadvantage businesses in close proximity

FINDING 1: Commercial Gentrification is affecting N/NE Portland Businesses

Commercial gentrification is occurring in North and Northeast Portland but is not limited specifically to this area. Neighborhoods and corridors such as Hawthorne, Northwest 23rd, and the Pearl District have transformed completely through intense public and private investment. St. Johns, inner Southeast, and North and Northeast Portland, are in various stages of gentrification (see sidebar).

Areas of Inner North and Northeast Portland, particularly Mississippi and Alberta, have more recently transitioned from Stage 1 into Stage 2, whereas areas such as Alameda and Irvington have completed the gentrification process and can be characterized by Stage 3. Southeast Portland neighborhoods surrounding Belmont and Hawthorne also demonstrate Stage 3 characteristics. Household composition, education, income, rents, home sales, and tenure are indicators that demonstrate these changing demographics (PDC, 2002).

While both negative and positive consequences of gentrification within the housing market have been apparent since demographics began to shift in the early 1990's, gentrification within the commercial market has largely been viewed as positive in North and Northeast Portland. Emerging businesses opened on Alberta and Mississippi in buildings that had long suffered from high levels of disinvestment. Entrepreneurs within the first stage of gentrification saw opportunities as a result of affordable commercial lease space. Starting in the mid 1990's they began to open small-scale clothing boutiques, coffee shops, and art galleries. Displacement of existing businesses was not initially an indicator of gentrification in North/Northeast Portland, as was the case residentially, because there were few existing businesses to be displaced.

The gentrification process is categorized by three stages:

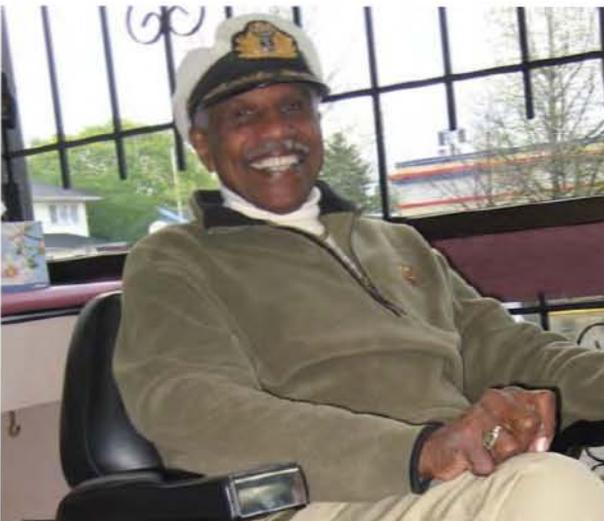
1. The first stage is characterized by the introduction of "rogue gentrifiers" who may themselves be only marginally middle-class, but who often have a higher earning potential" (PDC September 2002, 3) "Young, highly-educated, single persons, childless couples, unmarried couples, artists, and gays and lesbians" are attracted by affordable housing options and to neighborhood diversity.

2. The second stage occurs when the neighborhood has been categorized as "up and coming" and "property values are increasing rapidly as new residents feel certain they will see a return on their investment." Extensive new development and renovation are characteristic of the second stage.

3. The third stage of gentrification completes the transformation process. "The neighborhood is no longer identified as low-income or working-class neighborhood, but rather is defined by its new middle- and upper-class residents and the new businesses that serve them."

(PDC, 2002)

In May 2005 students from Portland State University (PSU) conducted a survey of 88 businesses and organizations on Alberta Street. "In evaluating changes to the street over the past five years, an overwhelming majority (83%) feel that, overall, it has gotten better, while 13% feel it has stayed about the same and 4% feel it has gotten worse. By far the most common positive change cited is growth on Alberta Street. The second most common positive change, cited by 16% of respondents, is increased safety and declining crime" (Sullivan, 2006).



Negative impacts to the commercial market have more recently begun to surface as the area transitions from Stage 1 into Stage 2. With a new confidence in the surrounding market due to higher income residents, commercial rents have recently begun to escalate so that both existing businesses and Stage 1 commercial gentrifiers can no longer afford lease space on the more bustling commercial corridors. As building owners begin to demand \$18- \$20 a square foot, the commercial market will again transition, pushing out existing businesses that cannot adjust their business models quickly enough. The PSU survey of Alberta Street businesses solicited one response saying, "'Very few of the artists that were originally here have been able to reap the benefits of this 'Alberta Arts District' or 'Alberta Renaissance' simply because we don't have a stake in it...'" (Sullivan, 2006).

Because business growth in the study area has largely been viewed as positive over the past ten years, public programs directed at maintaining commercial affordability have been slow to emerge. As a result of dramatic rent increases within the past few years however, it is now becoming clear that public assistance strategies are vital in preserving and fostering economic opportunities within the study area. This is particularly important for groups such as minorities and women who often encounter greater challenges and structural barriers.

Notice

La Villa Restaurant
has been sold. Thank
you to all our
customers who have
been supporting us all
these years. We will miss
you very much. Thank
you again.

From,

Meire, Zayde, and
Yasmine Awsem.

The story of Queen Bee Creations illuminates the transition of an informal enterprise to the formal economy. Queen Bee's owner, Rebecca Percy, relocated to Portland, OR from Olympia, WA in 2002 as she "found it increasingly difficult to run a growing business out of a town the size of Olympia" (Portland Business Journal, 2003).

Having experienced great success with her products, today she is at the end of stage 3 about to enter stage 4 of the business development stages, described on page[]. She is now focusing on product design and has a staff of 11 employees to support the production of her unique designs. She has entered the formal economy.

FINDING 2: Evolution of informal economy is characteristic of a gentrifying area

Informal economies often are characteristic of a two pronged demand market. On the one hand, the first phase of gentrification is often characterized by artists and the 'creative class' (Florida, 2002) moving into a neighborhood. This population is also referred to as technoentrepreneurs (Abbott, 2001). There is a shift in cultural values as this population both demands and creates local, custom made, high-cost products that were not previously part of the neighborhood's traditional economy. (Sassen, 1997). However there remains a demand for other types of services such as neighborhood auto mechanics, food vendors, and childcare services. Such businesses can sometimes operate from the homes of these new entrepreneurs. As a result, these informal services and products benefit, in their infancy, from lower overhead costs (ie. taxes, rent, insurance, permits and fees) as compared to businesses in the formal economy.

Many of the informal businesses of Portland's home-grown artisan economy 'graduate' into the regulated economy. As they grow, they become stronger and learn how to navigate regulations and are capable of scaling up (Heying, interview and forthcoming). Example of these businesses are Ruby Jewel Ice cream, Pix Patisserie (both started at the farmers market), and Queen Bee Creations.

If we look at the study area, the most obvious informal networks are those that are highly visible and happen at least once a month: the last Thursday on Alberta Street and the Alberta Art Hop. At these times, many of the informal businesses come to Alberta Street from all over Portland to sell services or products on the street, as Alberta is a known destination in the region.

Otherwise, because of the nature of informal networks they are hard to measure and observe. Observation and experiential knowledge of the N/NE area may reveal multiple informal networks that are culturally sensitive and diverse. Informal networks become more measurable and visible as they enter the formal economy and marketplace.



FINDING 3: MWESB Face Specific Challenges

Some minority and woman-owned, small emerging businesses (MWESB) face challenges from historical differences in status and opportunity, while others reflect ongoing prejudices within social structures. These add to the struggles that all small businesses face.

Education and Entrepreneurial Culture

The history of disinvestment in N/NE Portland may have produced a business environment that is unprepared to compete with more experienced newcomers. Those who were able to educate themselves may have left the area for more profitable prospects elsewhere (Bates, 1989).



Finance and management skills, in particular, may be low among minority and woman-owned small businesses in N/NE Portland (Loscocco and Robinson, 1991). The African-American community in N/NE Portland has been repeatedly broken up, reducing opportunities for these skills to be developed and shared. Several of the businesspeople interviewed reported that they have taken an active role in mentoring young people in the community. Such opportunities are highly valuable to the community.

Discrimination

Discrimination against minority and woman-owned business takes place as well. This can take the form of consumer discrimination, whereby a white consumer is reluctant to pay the same price for a product at a minority-owned business that he or she would pay at a white business (Meyer, 1990).

Credit discrimination also continues to be a problem. Several studies have found that African-American applicants in particular had much lower loan approval

rates than white men with similar creditworthiness (Cavalluzzo, 2002) and that when they were approved they were charged higher interest rates (Blanchflower, 2003).



Charles Bishop, the owner of Ditto's, a print and business services shop on Martin Luther King Jr. Blvd., reports that he does not have enough time or money to advertise as much as he needs to, and that this is a bigger concern than rising rents right now. He sought financing for this and other business improvements from three separate institutions and was denied by all three. His business is young, and he hopes that once it matures he will have better luck in seeking financing to help it grow.

FINDING 4: Access to capital is critical

Small businesses need capital and credit for every aspect of their operation. Though this study has placed an emphasis on the rapidly rising rents in N/NE Portland, it is not the only expense for which small businesses are coming up short.

Marketing, equipment maintenance and many other business expenses are also significant challenges, and often create a need for financing that does not qualify for storefront improvement assistance or other programs that are geared toward capital projects.

Small businesses are often not able to meet the stringent requirements banks have for small business loans. Emerging businesses rarely have any significant collateral to offer, and do not have a long history of strong earnings to demonstrate creditworthiness. While this is a natural product of cautious lending practices, it helps to entrench a situation where successful businesses flourish while the barriers to entry remain very high.

Several of the interviewees reported that they needed financing particularly during times of crisis—for a failed piece of equipment or some other unexpected expense. At these make-or-break junctures it may be especially difficult to get financing as quickly as it is needed.

FINDING 5: There is a lack of integration between new and existing businesses

Gentrification carries an inherent separation of various demographic groups based on a variety of variables: low-income earners are displaced by higher income earners, older generations by younger, and families by singles or double-income households without kids (DINK). The history of discrimination against minorities, in particular African-Americans, also influences the dynamics of gentrification. African-Americans are generally over-represented in the low-income populations of American cities. Therefore, gentrification is also often a process of racial transition.

Based on information gathered in the literature review, previously conducted N/NE neighborhood surveys, and BBE interviews with business owners and the public, it is clear that polarization exists between the new and original N/NE Portland communities. In his study of gentrification in N/NE Portland, Daniel Sullivan points out that race is the most significant determinant of respondents' perceptions of gentrification, with African-Americans perceiving gentrification negatively at much higher rates than other groups (Sullivan, 2006).

Thus, social integration may be one of the paramount issues in addressing the process of gentrification, commercial or residential in the area. In the course of this study, BBE has spoken with various business owners and community members who confirm the lack of social integration based on their experiences with consumer discrimination, or other various types of discrimination. Additionally, a couple of business owners expressed that they do not like to attend Alberta Business Alliance meetings due to frustrations with feeling excluded.

New businesses can garner resentment from the exist-

“Community collaboration is a key element to the success of a local business, regardless of size or scope” (Gary Marscke, Vice-Chair, North/Northeast Business Association).



ing community even if they are not causing direct displacement of existing businesses. "If these stores are too expensive for longtime residents and are geared instead toward the tastes of gentrifiers (Bostic and Martin, 2003), then longtime residents will not patronize them and may even feel resentment toward them" (Sullivan, 2006).

Fostering and facilitating a nexus of the diverse individuals and businesses sharing these revitalizing communities brings about the possibility of innovation. Innovation thrives on the meeting of diverse ideas, skills and experiences. Thus, it is not just a social, but a prudent economic benefit to Portland and the region to nurture a dialogue between existing and new social and business networks in N/NE Portland. Recent actions demonstrate that city leaders recognize the importance of fostering these communications. Examples of such efforts include a report that PDC and PBA (Portland Business Alliance) partnered and commissioned, entitled "Portland Small Business Prosperity Strategy" as well as a resolution to reform the Business License Fee (BLF) proposed by Commissioner Adams (Jimenez, interview).

FINDING 6: Existing Business Assistance Programs are not Networked

Entrepreneurs must not only have a marketable business concept, they must have the personal capacity to navigate the existing system of requirements for their emerging business. They must create a business plan, obtain capital, negotiate a lease, apply for business permits and licenses, and market themselves. These challenges are ongoing and require an extraordinary amount of personal dedication and time commitment, which does not leave much time for searching for business assistance resources. Testimony to these endeavors arose repeatedly throughout BBE's interviews of small business owners in N/NE Portland, as did requests for easier access to assistance programs.

There are presently a wide variety of economic and knowledge-based resources available to emerging small businesses in Portland (see Appendix E for list of available resources). Despite the availability of these resources, many small businesses in North/Northeast have not taken advantage of the assistance programs. This may be in part because business resources are scattered in the city and not always easy to locate for business owners.

In March 2003 the Portland Business Association (PBA), jointly with PDC, hired a consultant to develop an action-oriented Small Business Prosperity Strategy (SBPS) for the City of Portland. One of the key findings of the final report is that "Portland Has Tools, but it Needs to Better Organize It's Toolbox." The report confirms that there are a myriad of available resources ranging from counseling to financing to advocacy. "Unfortunately, very few of these efforts are coordinated and in some cases they are in direct competition with other efforts - creating an environment rife with turf issues and fragmentation."



As Marco Shaw of Portland's Fife Restaurant explains it, there is no shortage of organizations that will tell you what to do, however it's more difficult to find someone who will tell you how to do it.

Technical assistance programs that are well networked are needed by businesses in varying stages. While the challenges are perhaps most daunting for new entrepreneurs, knowledge based assistance remains important as the business evolves. Ongoing guidance is helpful to limit the damage that can be done by the "learn by your mistakes" approach that many businesses take by default.



FINDING 7: Business Development Stage Affects Business Needs

Businesses can be characterized by their stage of development. There are five major business development stages (see sidebar) that influence the needs of businesses as they change and grow. It is crucial to consider which business development stage the business is in to adequately understand what its needs are at a given time.

Existing business needs

Examples of needs identified for existing businesses are; assistance in adapting to changing markets, technical assistance and temporary financial assistance when in crisis. Existing businesses require assistance to maintain stability, allowing them to retain their size or grow as they choose. This is especially important for businesses located within gentrifying areas such as N/NE Portland. When rents quickly rise, businesses sometimes enter “crisis” mode in which they must reorient their business to adapt to the changing demographics or otherwise market themselves as a destination to draw customers from outside the neighborhood. Technical assistance programs can help businesses make these adjustments.

Emerging business needs

Emerging businesses have different needs from existing businesses. Examples of these needs that are; access to capital, technical assistance, legal assistance in navigating leases, and flexible affordable rent.

Business Development Phases

Stage 0 - Pre-venture

This stage covers the original business conception through its emergence in the marketplace.

Stage 1 - Existence or Infancy

This stage is characterized by a business stabilizing or ‘breaking even.’ The business is not yet profitable and its future is still unclear.

Stage 2 - Early growth

During early growth, the business transitions from breaking even into a venture that is profitable and sustainable. If market conditions do not change, businesses that have made it to this phase should survive.

Stage 3 - Expansion or sustained growth

Businesses in the expansion phase are profitable and willing to take the risk of borrowing against the equity of their established business in order to finance further growth.

Stage 4 - Maturity

Mature businesses are generally large and able to capitalize on economies of scale. Growth slows during the maturity phase but businesses enjoy high profit margins and stability.

Stage 5 - Decline

During decline, the businesses market share begins to diminish. This phase concludes with the sale or reinvention of the business.

(Lichtenstein, 2006)

FINDING 8: Flexibility is Essential for Many Businesses

Small businesses can change rapidly and often need to adapt quickly to remain successful. Two main types of flexibility surfaced in interviews and research as the most important to small businesses; (1) flexibility of physical space and (2) flexibility of lease agreements.

Flexibility of Space

As Portland Developer Eric Wentland noted, retail businesses stay in one place an average of five years. One of the hardest thing for a small business to do is to stay the same size. There is pressure to grow or shrink. For these reasons it is important for a business to have flexibility in their space. Leasing commercial space allows a business the flexibility to relocate to larger or smaller space to accommodate their evolving needs.

Flexibility of Lease Agreements

Rents are rising as a result of gentrification patterns in North and Northeast Portland. Despite the stability that long-term leases offer, business owners are often afraid to take on this level of commitment because of the inability to predict long-term growth. Though a longer lease may seem desirable as a way of locking in lease rates for an extended period of time, interviews revealed that many first time business owners didn't want the burden associated with this commitment. Technical assistance programs can help small business owners negotiate favorable lease terms with landlords who might otherwise broker deals that capitalize on the rapidly changing market.



FINDING 9: Ownership is not desirable for all businesses

BBE initially looked to ownership models as a way to prevent business displacement. Ownership provides stability by substituting a long term mortgage for a short term lease. Ownership also increases the assets of business owners by allowing them to benefit directly from rising property values by making a profit at the time of sale. While some small business owners BBE interviewed responded positively to the idea of owning commercial property, there are several factors which make ownership less than ideal for small businesses.

Owning a business and owning a building is like owning two businesses

One of the most substantial barriers is the increased demand on time and resources that property ownership requires. Small business owners already have 40 plus hour work weeks and additional demands on their time are difficult to accommodate. Commercial property ownership requires owners to take on additional responsibilities including property maintenance, leasing, and property management. Access to capital and the financing required to purchase a commercial property is also beyond the means of many small business owners due to tight profit margins.



Decreases flexibility for growing firms

Small businesses need a great deal of flexibility to respond and adapt to market changes. Commercial property ownership may actually restrict the ability of a business to grow or shrink in response to the market.

People interested in purchasing often do not need assistance

This study specifically focuses on the needs of MWESB in N/NE and the businesses most susceptible to commercial gentrification. Of the businesses interviewed, those most interested and able to consider purchasing commercial property were highly successful and had the best chance of surviving changes in the neighborhood. What this means is that the businesses that are potentially able to purchase commercial property are not the firms most in need of assistance to prevent displacement.

While BBE's findings suggest that personal commercial ownership is not an ideal solution to fight displacement, there is a great deal of potential for creating shared ownership structures for transitional areas.

FINDING 10: Targeted public investment in one area may disadvantage businesses in close proximity

It is important to recognize the inherent conflict that exists between publicly funded revitalization efforts and the goal to maintain affordable commercial lease options. The earmarking of an urban renewal area by PDC can, in itself, cause property speculation by developers looking for investment opportunities in the next “hot” market. Furthermore, any investment, whether it’s public or private, may cause rents to increase for commercial lease space within the vicinity of the primary investment location. Such revitalization efforts are intended to have long-term benefits to the neighborhood. However, the short-term consequences of any bricks and mortar development may have negative consequences to the surrounding businesses. This occurs as a result of dramatic changes to the market over a short period of time. This is true not only for large-scale development projects, but also for minor storefront improvements that increase the marketability of the property.

The Vanport Square commercial condominium development, currently under construction in NE Portland, is one example of a targeted public investment that could challenge surrounding small businesses in the future. Upon completion, the development will likely attract an increased number of customers to the area. Increased foot traffic is generally a good thing for small entrepreneurs, particularly retailers. However, existing business owners may find that their operations are incompatible with the changing market or that their rents are rising faster than their revenue streams. Therefore, when the public sector invests in local communities, it is important to consider who will gain and who could potentially lose as a result of the investment, seeking strategies that mitigate negative or inequitable impacts when possible.



Developing Criteria

The strategies BBE analyzed are:

- Commercial Community Land Trust
- Commercial Condominium
- Lease-to-Own
- Marketplace
- Incubator
- Tenant Subsidy
- Individual Development Account (IDA)

The previous ten findings are a distillation of the needs and characteristics of small businesses in N/NE Portland and they have directed BBE's choice of criteria. These criteria were used to evaluate seven strategies/models that could be used to assist small businesses in N/NE Portland.

As a team, BBE decided to use the criteria described below:

Sustainability: A measure of how well this model provides continued benefits to present and future participants of the program.

Provides Flexibility (leasing and physical space): A rating of how much flexibility is provided in physical space for a business to grow or add employees and in leasing for lessee to alter or terminate a lease.

Provides Potential for Building Wealth: This criterion measures the extent to which participants are able to build assets and participate in wealth building opportunities.

Low Cost to Participating Businesses: Low cost includes small initial start-up capital requirements, low fees and maintenance, low lease or loan rates. A "high" rating indicates the lowest cost to businesses.

Low Cost to Operating Organization: This criterion gauges the administrative costs to the organization managing the model, including staffing cost and implementation. A "high" rating on the scale indicates the lowest cost to the organization.

Land Acquisition/Development/Redevelopment Costs: This criterion considers the amount of money necessary for land acquisition and building costs related to bricks and mortar projects.

Overview of Policy Strategies

One of the major goals of the literature review, TAC and interview process was to develop a framework and set of criteria with which to analyze policy models to address and mitigate the impact of commercial gentrification. Many cities across the nation are facing similar challenges as gentrification impacts both the residential and commercial markets. A wide range of policy options has been implemented to varying degrees of success. Given the limited time frame of the study period, BBE worked to develop a conceptual model that addresses the specific challenges and situation of North and Northeast Portland. The strategies BBE explored can be subdivided into three main types; Ownership, Supported Lease and Other.

Ownership

Full Ownership Models

- Commercial Condominiums
- Lease To Own

Ownership models provide the stability and predictability of regular monthly mortgage payments. Long term mortgages with fixed interest rates can insulate small business owners from rising rents. Ownership models have other substantial benefits including increasing social capital, and creating wealth building opportunities for low / moderate income business owners.

Limited Equity Ownership Models

- Commercial Community Land Trust (CCLT)

Limited equity models like CCLT's address the barriers to accessing capital by reducing purchase prices and resource demands by sharing responsibilities. For instance, a business purchasing a unit within a commercial land trust would not pay for the land costs and therefore a typical sale or lease price is significantly reduced. There are a wide variety of programs which

(See Appendix C for fact sheets on each of these strategies)

fall under the heading of Resident Ownership Mechanisms (ROM's) which aim to make purchase more accessible by cooperatively sharing the cost and risks. For more information on ROM's and their potential applications, refer to the Policy Link white paper, 'Sharing the Wealth: Resident Ownership Mechanisms' (<http://www.policylink.org/pdfs/ROMs.pdf>). The responsibility and risks of ownership are spread out and shared in CCLT's and ROM's.

Supported Lease

Supported Lease Models

- Business Incubator
- Marketplace
- Tenant Subsidy

Supported lease models provide stability for small businesses by creating support mechanisms, predictable rents and technical assistance. The success of supported lease models depends on effective program management to a great extent. When shifting the responsibility for property management to a third party, it is imperative that the managing organization(s) have the capacity to effectively administer services and maintain a high quality environment for commercial tenants. Depending on the stability of funding mechanisms, resource development can be a significant responsibility to adequately fund and administer these models.

Business Incubator

Business incubators foster emerging firms by providing a package of services tailored to meet their needs. The services provided vary by program, but flexible, affordable rents are a key feature for any business incubator. There are two major limitations on this model that make it less applicable for N/NE Portland. First, many of the businesses impacted by rising rents are beyond the emerging business stage and are less

likely to benefit from such a program. Secondly, incubators require that firms move out of the space after a set time period, which may not be compatible with the business' time schedule. While this model is effective for certain markets, the limited incubation period seriously limits the application in N/NE when we consider the goal of creating long term, sustainable solutions.

Marketplace

Similar to incubators, public/supported marketplaces provide flexible leasing for small and emerging businesses. While traditional marketplace models cater to restaurants, crafts, local foods and artisans, the marketplace model has potential for adaptation to incorporate other business types.

Tenant Subsidy

Tenant subsidy programs provide affordable rents by filling the gap between market rate rents and what the business can actually afford to pay. This model provides direct and targeted assistance to businesses in fluxuating markets. In this regard, tenant subsidies are the most direct and effective model for preventing business displacement. However, businesses are private ventures and the market typically decides if a business is successful. Due to this fact, it is often difficult to justify a tenant subsidy program. However there are specific cases in which a tenant subsidy program may be applicable.

Other

Other Models

- Individual Development Accounts (IDA's)
- Technical Assistance

The models in this category use a variety of strategies to provide vital resources to small businesses in crisis. IDA's provide limited funding and training for emerging and existing businesses. Technical assistance programs, like the Portland State University's Business Outreach Program (BOP), provide free or reduced cost consulting services around marketing, management and accessing capital from financial institutions. While IDA's and technical assistance programs can stand on their own, it is our opinion that these programs are more effective when incorporated into or partnering with other models. Technical assistance programs provide vital services to small businesses and are a key component of any effective model.

After conducting a comprehensive review of the policy models, BBE came to the conclusion that of the above strategies, none was a full match for the challenges identified in the findings. In order to address the specific situation in North / Northeast Portland, BBE developed a set of two recommendations. Both strategies represent a hybrid of the above models.

Recommendations

Jeana Woolley, a local Portland developer, suggested tenant subsidies as a strategy for helping emerging businesses locate in rapidly revitalizing neighborhoods. These tenant subsidies could come in the form of rent subsidies and/or tenant improvement subsidies. According to Woolley, “If you can’t afford \$10-\$12/sf triple-net, you shouldn’t be in business in the existing marketplace. The problem is that rents in the study area have escalated to more like \$16-\$18/sf, leaving a \$6-\$8/sf gap.” As a result, many potential businesses are unable to afford to pay for both the higher rents and the cost of building themselves out in much of the new available space in the area, and developers cannot afford to finance these expenses either because of the high cost of development and the underlying market conditions.

It is difficult for many start-ups to get on any of the main corridors in NE Portland. Woolley emphasized that the two most critical elements of any potential tenant subsidy program are 1) Structuring the program to work toward stabilization and 2) Setting the criteria for participation so that businesses selected for assistance have the ability to grow into the market over time and the greatest chance of survival and success. While Woolley suggested that a tenant subsidy program could address the needs of emerging small businesses, Carl Talton from Portland Family of Funds believed that a similar program could also be implemented to help existing businesses adjust to changing market conditions given development projects like Vanport Square, Fremont Place, and The Heritage Building.

Recommendation 1: Buffer Tenant Subsidy for Businesses Directly Impacted by City/PDC Investments

By acknowledging that publicly funded business assistance programs may have unintended consequences, strategies can be developed to ensure that businesses located in a specified area surrounding the development are nurtured through this transitional stage. One option would be to provide financial assistance to surrounding businesses for three to five years. This would allow businesses to do one of two things. They could adapt to the changing neighborhood demographics by adjusting their business plan, including the products or services they provide. Or, they could market themselves as a destination, drawing customers from outside of the immediate neighborhood. Financial assistance would be gradually reduced until the business has fully transitioned into the new market and able to afford unsubsidized rents. If the business is not able to change, given financial assistance during this transitional phase, they will relocate or close.

A similar tenant subsidy program was recommended by researchers studying commercial displacement in Silver Spring, Maryland. In order to prevent landlords from inflating rents, the Silver Spring case study suggested using a formula to determine fair market values of commercial spaces eligible for subsidy (University of Maryland, 2005). According to the Silver Spring case study, “This program would benefit small independent businesses by giving them the opportunity to participate in the revitalization, increasing their chances of survival and profitability” (University of Maryland, 2005).

The selection criteria for this policy recommendation have been applied as follows:

Sustainability:

This model will not provide long-term affordability of commercial spaces in revitalizing areas. Instead, the tenant subsidy program is intended to support businesses as they adapt to the changing market, reducing the need for subsidy during the specified time period until the business stabilizes.

Flexibility:

This model provides great flexibility as it allows small businesses who are willing to adapt to the changing market the ability to continue operating their business in their current location.

Potential for building wealth:

One of the weaknesses of this recommendation is that it does not provide additional direct wealth-building opportunities for small business owners. However, it is possible that tenant subsidies could indirectly build wealth if the program encourages entrepreneurs to adapt their business to take advantage of the changing markets.

Low cost to businesses:

The tenant subsidy program will have no direct costs for participating businesses.

Low cost to operating organization:

The cost for the tenant subsidy program would vary based on the size of program, number of participants and the amount and duration of the subsidy.

Low land acquisition/development costs:

Not applicable

Bruce Feathers of Feather-Lite Enterprise, located on NE Martin Luther King Jr Boulevard, stresses the importance for businesses to be adaptable. Feathers began his entrepreneurial career by selling athletic footwear that was designed and marketed for the workplace. The line of shoes was sold under the brand Avia, a division of Reebok. The shoes became popular, especially within the fast food industry. The slogan was “true athletic comfort with protection for the workplace.” However, when Reebok was purchased by a competitor, Feathers quickly found other opportunities in the marketplace. Today he emphasizes that products and services must fit customer needs. He cautions against maintaining loyalty to a specific product. FeatherLite Enterprise is an importer and distributor of a variety of products ranging from latex gloves to parking meters.

Public Market:

Market located within a public space where independent merchants sell their products to the public. Public markets must have public goals. Public goals give a defined civic purpose to market activity. (Wikipedia, PPS)

Recommendation 2: Albina Public Market

A major benefit of the marketplace model is that there is considerable flexibility built in by having small vendors and very low tenant improvement and / or build out costs. This allows lessees room to respond to changing circumstances and to grow or shrink as needed. In addition, the marketplace provides the opportunity for tenants to share services and amenities and thereby, cut down on costs. Marketplaces also function as destinations, and have the power to attract shoppers from a much broader market than independent small businesses.

Based on the information gathered through literature review and community interviews, BBE recommends the creation of a small or medium sized public land trust marketplace to help foster various types of existing and emerging businesses that would otherwise remain within the informal economy or be displaced as a result of commercial gentrification within the study area. This project will require collaboration between PDC, a land trust entity, and a non-profit or CDC. For this development, a multi-story mixed-use commercial building will be developed or rehabilitated with the land held in trust by a land trust entity.

Research on existing marketplaces indicates that this model is associated with a number of benefits that may address the unique needs of MWESB within the study area. For example, the marketplace structure can help participating small businesses overcome some of the barriers they generally face by using economies of scale by pooling essential business resources and services. The marketplace model can enhance networking amongst small business owners and between these owners and small business service providers (PPS, 5). Other benefits of this model include its adaptability to meet the structural demands of a number of different business types at various phases of business development in an affordable manner.

Literature also shows the marketplace model as a method of facilitating social integration, an important aspect of bringing together the existing and new communities within N/NE Portland (PPS, 1). "As an effective place where people mix, public markets can become the heart and soul of the community." Examples of marketplaces nation-wide, show that many models are in existence today. "Public markets now come in many shapes and settings, offer a wide range of different products, and are owned and operated by various types of organizations, not just city governments." (PPS, 7)

BBE recommends that PDC explore the feasibility of partnering with the Portland Community Land Trust (PCLT) to acquire a multi-unit commercial structure to pilot the public land trust market place in an effort to create affordable commercial lease space. While the research done by BBE indicates that ownership is not generally a good fit for emerging businesses, the stability provided by a supportive leasing model has definite benefits. There are several community land trust examples nationally that have successfully incorporated commercial lease space within their development models. These examples can help determine the operational demands that exist in the management structure, though BBE envisions management of Albina Public Market to be performed by a non-profit or CDC with extensive real estate management experience.

The structure itself will contain flexible commercial space (both retail and office) that will function as a marketplace on the ground floor. Commercial spaces will be relatively small, but will vary in size and structure to address the needs of both emerging and existing businesses. The ground floor will be divided up into a series of flexible "stalls" that will primarily be leased to MWESB retail and food vendors. BBE envisions a small to medium sized marketplace, with vendors of varying sizes and levels of business devel-

According to the Project for Public Spaces (PPS), Public markets have the ability to:

- bring people of different ethnic groups and incomes together
- make inviting and safe public spaces
- reinvigorate low- and moderate-income neighborhoods and support small-scale economic activity
- provide fresh, high-quality produce to inner-city residents
- protect open space and pre-

opment located on the ground floor.



Upper floors will provide flexible commercial space to accommodate other business types. Upper floor units will be developed with minimal tenant improvements (TI) to maintain affordability and flexibility. These spaces could resemble the commercial units available in developments like ActivSpace (see sidebar). The combination of small, flexible units with minimal TI costs, the land held in trust, and non-profit or CDC management could supply affordable commercial space to MWESB in Inner N/NE Portland.

By selecting key aspects of several different existing business assistance models, BBE's Public Land Trust Marketplace recommendation is, in essence, a hybrid model formulated to respond to the needs of existing and emerging MWESB businesses in North and North-east Portland. The selection criteria for this policy recommendation have been applied as follows:

Sustainability:

This model should retain affordability by placing the land in trust and the management and operations of the project in the hands of a benevolent landlord (non-profit or CDC). With a non-profit entity as landlord, incentives to capitalize on rapidly rising property values associated with the study area should be minimized. Initial public subsidies to the development project will continue to benefit tenants that would otherwise be unable to afford higher rents in surrounding commercial corridors. When businesses leave the development, affordable lease space will be available to other businesses in need.

Flexibility:

Commercial spaces within the Albina Public Market will be leased which requires less commitment and time from small business owners than alternate ownership models. The lease model allows businesses to change in size by adding or reducing square footage easier than an ownership model would allow. Lease

terms, brokered by CDC or non-profit management, should be structured to benefit the tenant, allowing flexible lease terms without taking on additional risk to rent stability. The tenant could vacate the building as needed. Space within the marketplace will also be literally flexible. "Stalls" can vary in size and businesses may be able to grow into larger and more finished spaces within the development as their business expands.

Potential for building wealth:

One of the weaknesses of this recommendation, by virtue of the lease versus ownership structure, is that it does not provide additional direct wealth-building opportunities for small business owners. The tenant does not make any money upon leaving the marketplace development. However, it is helpful to remember that the real estate market is cyclical and ownership comes with economic risk.

Low cost to businesses:

Placing the land in trust and leasing through a non-profit agency will allow rents to remain low and stable relative to market rate commercial spaces in rapidly revitalizing neighborhoods. In addition, the small spaces and minimal tenant improvements will help maintain low rental rates for the commercial spaces. Businesses will also save money through "economy of scale" benefits such as shared marketing costs and utilities.

Low cost to operating organization:

Operating costs for this model are difficult to project as it is dependent on balancing lease rates with affordability. The basis of the public market concept is that the public good is of higher priority than financial gain. Any profits are reinvested into the development to benefit the tenants. As such, operating costs could be relatively high, at least initially, because of potential outside support required by the managing agency (non-profit or CDC). However, the long-term goal of the marketplace is to be self-sustaining, using



a portion of rental costs to pay for operational costs including management fees.



Low land acquisition/development costs:

With the Albina Public Market structured as a land trust, donation of land by PDC or another public entity is essential to achieve below-market lease rates. It is important that any such land donation is for prime real-estate with high traffic and public visibility. It is also critical that the land deed is no longer held by the public entity for future private sale and development. Deed transfer to a trust will allow long-term commitment to the Public Market. The open, flexible architectural features combined with minimal tenant improvements should keep development costs relatively low, though actual costs will require substantial investment. A portion of the development costs could potentially be offset with New Market Tax Credits or other relevant financing programs.

According to the Project for Public Spaces (PPS), "Urban revitalization practitioners - whether from government, the private sector, or from community-based organizations - are beginning to recognize that new definitions of 'urban revitalization' and 'economic development' are needed today." (www.pps.org)



BBE believes that there is unrealized potential that exists within Portland's informal economy. By reaching out to these groups through direct public policy strategies, a new economic development paradigm will better address the needs of minority, women, immigrant, and small emerging entrepreneurs who are often missed by present day City policies. If public agencies such as PDC are to meet URA goals which state that public investment is to benefit existing residents within target areas, it is essential to redefine 'revitalization' and 'economic development' strategies within Portland.

While the Albina Public Market clearly offers a number of opportunities, it is also important to understand the

challenges associated with this sort of development. While there are plenty of successful market examples from across the country to evaluate, there are also many failed or unsustainable markets to learn from. Markets that are located within low-income communities are at even greater risk for failure. While demographic shifts in North and Northeast Portland have brought higher incomes to the community, the socio-economic level of these residents remains lower than other areas of Portland.



Typical of any commercial enterprise, economic failure is a possibility as a result of “inadequate capitalization, poor understanding of the customer and the market, and poor management...” (PPS, 9) However there are aspects of publicly funded projects that can increase this risk of failure. Public agencies wanting to make a statement regarding investment can “incur unnecessarily high operating costs by having funding for a more elaborate and expensive-to-operate facility than it can support over the long term.” (PPS, 9) Other problems include over-dependence or unreliable volunteers and a poor location by using available but unsuitable land. Other challenges include the creation of a public market with no overt public purpose and failure to “produce the ‘spin-off’ benefits that multiply its effects by stimulating activity in the larger physical and economic environment.” (PPS, 10-11)

To better understand the constraints and opportunities that exist within the context of a public marketplace, PDC should conduct a feasibility study that includes a thorough market analysis. This data will help determine the appropriate number of vendors, the mix of business types, the hours of operation, and will help direct image and marketing efforts. Further studies should be conducted to determine property availability, land trust and management options, funding sources, upfront development costs, and short-term and long-term operational costs.

(See Appendix D for the ten qualities that power successful public markets, as outlined by PPS)

Conclusion

Minority and woman-owned emerging small businesses in N/NE Portland are facing pressure from increasing property values, a rapidly changing neighborhood and customer base, and will likely face increasing competition from strong businesses opening local branches. This study has identified ten major findings on the conditions under which they operate and the unmet needs they continue to have. No single solution will solve every problem that each small business is facing in this area, but BBE has identified two ways in which PDC and other interested parties can create and preserve opportunities for these groups in the future.

BBE's first recommendation is a tenant subsidy to soften the impact of major targeted public investment in gentrifying areas. It seeks to provide nearby businesses with the opportunity to survive the rapid changes brought on by the investment. These businesses will need to adjust their business plans and reorganize themselves to serve a more varied customer base or increase their marketing efforts to draw in a specialized group from across the region. Ideally, their re-structured businesses will be more profitable and able to pay the higher rents that will follow.

To provide a venue for emerging small businesses of all kinds, BBE has outlined a strategy for the Albina Public Market. It will provide a variety of flexible spaces with a range of lease durations to provide a testing ground for new businesses, as well as some long-term tenants to provide a stable draw of foot traffic and a good example to fledgling entrepreneur neighbors. This will provide an excellent opportunity for industries that have grown informally to find a structured home as well as access to shared marketing and business services.

These recommendations are a result of BBE's simultaneous desires to provide PDC with something tangible toward which it can direct its urban renewal funds, as well as to develop guiding principles for any investment organization that wants to preserve and

promote small business diversity. The analysis of alternative business assistance models is an adaptable resource for anyone interested in creating small business opportunities in a gentrifying area.

BBE's recommendations are by no means intended to represent a comprehensive solution to problems faced by minority, woman-owned and emerging small businesses in gentrifying areas. However, BBE hopes to have made the specific challenges they face more tangible and to have provided an aspirational example of how an interested community can create structured, sustainable opportunities for a diversity of small business prosperity.

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Appendix A: COMPLETE LIST OF INTERVIEWS

Allison Handler Portland Community Land Trust	Reflections Coffee and Books	
Anita Smith Hannah Bea's Poundcake & More	Gretchen Kafoury Portland State University former City Commissioner	Paul Knauls Geneva's Shear Perfection Barber-Beauty Salon
AnneAlisse Polinsky Peacfull Soul	Jasminka Mujcic Taste of Europe	Peter DeGarmo Pastaworks/Sunnyside Neighborhood
Aysha Ghazoul Zaytoon Bar	Jeanne Woolley Developer partnering with PDC on Vanport project	Polly Bangs Pasta Bangs
Bruce Feathers Featherlite	Jesse Beason Office of Comm. Sam Adams	Regena Williams Dew-Angee's Bargain Place
Prof. Carl Abbott Portland State University	Jim Brumberg Mississippi Studios	RosyIn Hill Local Developer
Carl Talton Portland Family of Funds	Josh Fuhrer Commercial Condo developer	Shelia Holden Portland Family of Funds
Charles Bishop Ditto's	Kelly Howsley PhD candidate in Urban Studies Portland State University	Prof. Steven Johnson Portland State University
Prof. Charles Heying Portland State University	Kent Walton Albina Community Bank	Tina Mosca Bureau of Planning Economic Development
Prof. Daniel Sullivan Portland State University	Linda Nettekoven Southeast Uplift	Warren Jimenez Office of Comm. Sam Adams
Prof. Darrell Millner Portland State University	Marco Shaw Fife Restaurant	
David Fischer Dragonfly Chai	Margaret Vepadoe's Deli and Catering	
Eric Wentland Developer	Michele Reeves Windermere Commercial	
Fred Stewart Maquire Mortgage	Michelle Haynes REACH CDC	
Gary Brown PSU Business Outreach Program	Mohammed Yousef Horn of Africa	
Gary Marshcke North/Northeast Business Association	[Office Manager] Portland Observer	
Prof. Gerard Mildner Portland State University	Olivia Rebanal Portland Development Commission	
Gloria McMurtry		

Appendix B: EXPANDED LIST OF INTERVIEW QUESTIONS

For Business Owners

When did you open your business?
What services/goods to you provide?
Why did you decide to locate here?
Is this your only location?
What would your ideal location provide?
How far do you live from your place of work?
Do you lease or own your building?
What do you see as the benefits of leasing?
What do you see as the benefits of owning?
Do you plan to stay in your current location?
What reasons would cause you to move?
Who are your main customers?
Where do your customers live or where do they come from?
Has your customer base changed?
Do you think the neighborhood is changing? If so how?
How does this neighborhood change affect your business?
What are the strengths, weaknesses, assets, opportunities of the area?
What are your successes and challenges in operating a business here?
What are your business assistance needs?
Do your needs get met in any way?
How could the City assist more?

For Community Members

How long have you been involved in this NE Portland neighborhood?
How has the neighborhood changed?
What do you think are the main opportunities for businesses in Northeast Portland? Does this differ for existing businesses as compared to small emerging businesses?
What do you think are the main challenges facing businesses in Northeast Portland? Does this differ for existing businesses as compared to small emerging businesses?
What is your impression of the availability of goods and services in Northeast Portland?
What do you consider the greatest challenges for existing businesses in Northeast Portland?
Do you think business displacement is occurring for small and/or minority owned businesses in NE Portland? Why?
What can city agencies do to help existing businesses?
What should the focus of public resources to assist businesses be like?

Appendix C: POLICY STRATEGY FACT SHEETS

FACT SHEET - COMMERCIAL COMMUNITY LAND TRUST

Description:

Community Land Trusts (CLT's) are non-profit organizations which acquire and hold land for the benefit of the community with the intent of maintaining housing affordability. CLT's provide affordable housing opportunities by effectively subtracting the price of land from housing purchase. By reducing the cost of ownership, CLT's provide asset and limited equity building opportunities for individuals and families who would not otherwise be able to purchase. Restrictions are placed on the resale of CLT homes thereby preserving affordability over the long term. Currently, CLT's are oriented toward homeownership but there are potential applications for the commercial market.

Case Study: Portland Community Land Trust (PCLT)

Eligibility Criteria:

Individuals and families with incomes of up to 80% of median family income. First time homebuyers or individuals who have not owned a home in three years.

Program Administration:

PCLT is a 501(c) 3 organization governed by a board comprised of diverse community members. Program staff manages the acquisition, resale for CLT homes as well as conducting outreach and training.

(sources: <http://www.iceclt.org/clt/>, <http://www.pclt.org/CLT>)

FACT SHEET - INDIVIDUAL DEVELOPMENT ACCOUNT (IDA)

Description:

Individual Development Account's (IDA's) provide grant funds for small business development by creating matched savings accounts. Participants save money in a special savings account and when the savings goal is reached, the savings account balance is matched at a set rate ranging from 1:1 to 5:1.

The match incentive is similar to a 401(k) retirement savings program. Funds may be used only for purchases that will increase the wealth of low / moderate income participants. IDA's include technical assistance and training which provides tailored training to build skills and capacity for emerging and small businesses.

Case Study: Mercy Corps NW

(source: <http://www.cfed.org/focus.m?parentid=31&siteid=374&id=374>)

FACT SHEET - INCUBATOR

Description:

Business incubators support the development of emerging businesses by providing technical assistance and commercial space at affordable rates. Incubators provide protection for young businesses and help businesses build skills. The goal of business incubators is to produce financially viable firms which will move out of the incubator to be independent and successful. Incubators provide affordable rental space, flexible leases and access to technical assistance.

Case Study: Neighborhood Development Center (NDC), St. Paul Minnesota

Eligibility Criteria:

Participants must live in targeted Minneapolis / St. Paul neighborhoods. If subsidized services are needed, applicant's income must be below 80% of the median family income (per sliding fee schedule). Students who do not qualify for subsidized services may still apply for the training program and pay the full fee of \$600.00 for the training classes; however, access to loans and technical assistance and additional services are not available. Ethnic-based training classes are available to members of the Latino, Hmong, American Indian, and African (Somali, Oromo, etc.) communities regardless of where they live.

Program Administration:

NDC is a community development corporation (CDC) which partners with a wide range of ethnic and community organizations. NDC was created in 1993 by Western Initiatives for Neighborhood Development (WIND), a community development corporation that is a subsid-

iary to St. Paul's Western Bank.

Services Provided:

NDC operates six business incubator sites and provides affordable, flexible leases, business training, commercial loans, and personal business.

(source: http://www.ndc-mn.org/3small_business_services/3d.services_bisincubation.html)

FACT SHEET - TENANT SUBSIDY

Description:

A commercial tenant subsidy program provides funds to pay for a fixed percentage of a business's monthly rent. Tenant subsidy programs help to maintain affordability for businesses in areas with rising rents. Similar to the Section 8 housing program for affordable housing, direct subsidies provide the tenants with a fixed monthly rent that is set at a rate they are able to afford.

Case Study: Vancouver B.C. Downtown East-side Lease Subsidy Pilot Program

Funding:

\$150,000.00 from City Council for 3 year program

Eligibility Criteria:

Locally based businesses governed by charitable institutions located in or expanding to the Downtown Eastside

Program Administration:

Vancouver Economic Development Commission, Director of Planning and Manager of Real Estate services

Subsidy Amount:

Year 1 of operation- 75% of the lease to a maximum of \$3,000.00/ month

Year 2 of operation—50% of the lease to a maximum of \$2,000.00/ month

Year 3 of operation—25% of the lease to a maximum of \$1,000.00/ month

Program Details:

The documentation for the program specifically states it is a grant program and as such is not to be operated on a cost recovery basis. Additionally, the program does not present a financial risk to the city as it is the business that will be responsible for signing the lease and paying the rent, if the business fails the City.

Model Highlights / Considerations:

- Funds go directly to reducing overhead costs.
- Can prevent displacement
- Not a long term solution to commercial gentrification
- Potentially difficult politically to justify subsidizing some businesses over others

FACT SHEET - COMMERCIAL CONDOMINIUMS

Description:

Commercial condominiums function much like residential condominiums. Within a multi-unit building, each business owner would own their individual unit but collectively own and maintain common areas, such as lawns, hallways, and exteriors. All owners are members of the condominium association, which cares for these shared spaces. A common model is for the condominium association to hire a property management company to care for the maintenance of the property, thereby allowing the businesses to focus on running their business.

Case Study: Commercial Condo Project at 5th and Washington, Portland, OR

Funding:

Private Developer

Eligibility Criteria:

Office businesses with capital to purchase at approximately \$260/sf. The types of businesses that were attracted to this project were real estate, attorneys, insurance and medical and dental offices.

Program Administration:

Private developers, condominium association and a property management company. Each owner would have paid \$6/sf a year in fees. This project was set in a seven story historic building in downtown Portland. Each floor was to be sold to a separate owner, and five floors had been spoken for by companies that had been in business for at least 20 years each. Though the project was progressing without challenges, the developers decided to halt development for personal reasons and the build-

ing is now being sold.

Case Study: Madison Place - 1110 SW 11th Ave, Portland, Oregon

Funding:

Private Developer, Shiels Obletz Johnson

Eligibility Criteria:

Office businesses with capital to purchase

Program Administration:

Private developers, condominium association and a property management company. This 6,500 sf, seven unit building is fully occupied.

Case Study: Vanport

Funding:

New Market Tax Credits through Portland Family Funds and other partnerships

Eligibility Criteria:

Targeted local businesses

Program Administration:

Vanport is a public/private partnership being managed by PDC. Located on the west side of NE MLK, it will provide 40,000 sf of retail and office. It is a multi phase, mixed-use development project that includes commercial condos, retail and housing. The 1st Phase includes redevelopment of an existing building to build commercial condos, phase 2 is housing and phase 3 involves market rate commercial and a parking structure. New tenants are offered low interest loans.

Model Highlights / Considerations:

- Provides opportunities to build equity
- Maintenance costs are shared with other owners in condominium.
- Requires capital for down payment, legal fees and closing costs.
- Difficult for a business to grow spatially once purchase is made
- The most desirable sized space is 2,000 - 5,000 SF
- Model works best with compatible uses in the businesses.
- This model has been used primarily in Arizona and Southern California

(source: Josh Fuhrer interview, http://www.pdc.us/ura/inner_ne/vanport_square/default.asp)

FACT SHEET - MARKETPLACE

Definition:

A marketplace in the broadest sense is a place where goods and services are exchanged. Historically, markets are one of the oldest venues for the exchange of goods and services and provide vibrant gathering places all over the world. For the purposes of this study, a marketplace is an indoor space in which several small businesses locate, share amenities and create a vibrant atmosphere. Businesses can have the flexibility of varied sized and shaped spaces, and flexible rental time periods. Traditionally, a market has vendors selling retail goods and foods, but this model can be adapted to be used for office space as well.

Case Study: 5th St Public Market, Eugene, OR

Funding:
Private

Program Administration: Spaces are leased long and short term. Tenants are a mixture of retail, restaurants and office space.

Case Study: Midtown Global Market in Minneapolis, Minnesota

Eligibility Criteria:

The tenants in the market will be roughly one-third from three different stages in the business cycle - start-up, second-growth stage and anchor

Program Administration:

The market began in 2003 when the city was looking for a use for a vacant building The Latino Economic Development Center and a group

of Latino business owners met with the Neighborhood Development Center and came up with the Global Market concept. The market is now home to 50 locally owned businesses that range from, groceries, arts and crafts, restaurants, bars, prepared foods, flowers and plants and a farmers market. The market also offers daily table rentals for vendors at approximately \$25 a day. This provides flexibility for small or emerging businesses that do not require much retail space. The market is open 7 days a week. The renovation of the old Sears building includes not only the market on the first floor, but also 350 rental and ownership residential units, and offices on the top floors.

Case Study: Souk, LLC, Portland, OR

A variation on the traditional retail marketplace, Souk uses the market model for office uses. Souk offers flexible term office space and services in a 5,000 sf loft-like space. Souk is the word for a Moroccan bazaar, and the creator of Souk LLC aimed to create that vibrant community to foster creativity and business networks. The services that Souk offers are 24 hotdesks, three private conference rooms, 2 private offices, and three lounge like areas for informal meetings. Souk also provides all the office supplies such as a copier, fax machine, phones, projectors, screens and a full kitchen. You can pay hourly, weekly or monthly for membership at Souk. Souk can seat 60 at maximum.

(sources: [tp://en.wikipedia.org/wiki/Marketplace](http://en.wikipedia.org/wiki/Marketplace), Neighborhood Development Center http://www.ndcmn.org/4ndc_special_projects/4a2.sp_redi_mkt.html, http://www.midtownglobalmarket.com/?q=about/history_soukllc.com)

FACT SHEET - LEASE TO OWN

Description:

A lease-to-own program provides a business owner with both a set lease agreement and an option to purchase the property within a specific time period. Each month the tenant pays rent plus an option fee, which is typically from 1%-5% of the purchase price.

Model Highlights/Considerations:

This model is highly adaptable to buyers and sellers needs as it is a private agreement between these two parties.

- It does require some capital to purchase.
- This is a model most commonly used in residential instances.
- This model is more common in declining areas where land pricing are not rising as rapidly as in Portland, specifically N/NE, where a property owner may not have a reason to sell to lessee.

Appendix D: TEN QUALITIES OF SUCCESSFUL MARKETS

1. **Right Vendor** - quality, appearance, cleanliness, merchandising, innovation, competitive, local, 3 Second Rule, attractiveness, services

2. **Right location** - visible, accessible, memorable, flow, parking, adjacencies, confluence, neutral, scale, spin off, opportunities

3. **Right mix** - internal competition, owner operated, choice, different price and quality levels, right vendors, innovate, local, balance, clarity, turnover

4. **Right mission** - intent, create new opportunities, self sustaining, nurturing vendors, socialization, community health, local culture, create a new frontier/paradigm, make people happy

5. **Right public spaces** - sense of entry, seating, maintenance, shade, things to look at, art, formal and informal qualities, welcoming, flexibility

6. **Right connections** - reflect community, partners, public transportation, bring neighborhoods together, bike, trails/greenways, retail, housing, local economy, sense of 'giveback', cross-cultural

7. **Right economics** - sustainable foundation, fundraising, fair rents, community health, spin off, job creation, encourage investments, keeps money local, hand to hand economy, transparent/non-exploitative

8. **Right promotion** - stretch the dollar, events/demos, public relations, press releases, market image, partners, passive education, builds local value, community connections, sponsorships/fundraisers

9. **Right value** - quality products, quality experience, boosts local economy, creates local jobs, social capital, affirm a sense of place, dividend, psychic well-being, local food systems, sense of local ownership

10. **Right management** - fair, flexible, firm, open minded, looking ahead, promotion-minded, outreach, capitalize on niche opportunities, good relations, effective behind the scenes, front of the house

(PPS, O'Neil, 1-7)

Appendix E: BUSINESS RESOURCES IN PORTLAND

Portland Business Alliance

Business Development Department
Downtown Office
520 SW Yamhill, Suite 1000
Portland, OR 97204
503-224-8684
www.portlandalliance.com

FINANCIAL ASSISTANCE

504 Loan Program

Evergreen Community Development
1618 SW 1st Ave, #401
Portland, OR 97201
503-222-7496
www.ecda.com

This program operates through CDC's and provides fixed asset financing to established small businesses in need of financing for expansion. The range of the projects financed are \$100,000 to \$3 million. A minimum of 10 percent of the funding must come from the small business being assisted.

U.S. Small Business Administration

Portland Office
1515 SW 5th Avenue, Suite 1050
Portland, OR 97201
503-326-2682
www.sbaonline/sba.gov/financing/frcdc504.html

NW Small Business Finance Corp.

15455 NW Greenbrier Pkwy.
Beaverton, OR 97006
503-629-9662
www.nsbfc.com/504loan2.html

Business Retention Service

Purpose is to help companies adapt to changes in the market through technical assistance. The program is targeted to traded sector industries, primarily manufacturing or processing companies.

State of Oregon
Economic & Community Development Department (OECD)
Small Business Program
503-986-0191
www.econ.state.or.us/businessfinance/brs.htm

Cascadia Revolving Fund

Cascadia Revolving Fund is a nonprofit community development financial institution that provides financing and technical assistance to small businesses unable to access credit from traditional sources, such as a bank. Cascadia often lends to low-income individuals, minorities and women but not for start-up companies. The loans are up to \$500,000.

Cascadia Revolving Fund
936 SE Ankeny, Suite 1
Portland, OR 97214
503-235-9635
www.cascadiafund.org

Economic Development Administration Revolving Loan Fund

This is a business assistance program that combines public and private financing to provide loans to expanding Portland businesses with an emphasis on creating new jobs. One third of the fund is targeted for minority-owned businesses.

Portland Development Commission
Economic Development Department
1900 SW 4th Avenue, #7000
Portland, OR 97201
503-823-3321
www.pdc.us

Enterprise Community Commercial Loan Fund

This loan fund provides financing for neighborhood revitalization projects, mixed-use development, industrial development and projects creating neighborhood jobs. The minimum loan amount is generally \$250,000 and the project must be located in or adjacent to the Enterprise Community.

Portland Development Commission
Economic Development Department
503-823-3321

City of Portland
Bureau of Housing and Community Development
421 SW 6th Avenue, Suite 1100
Portland, OR 97204
503-823-2386
www.ci.portland.or.us/bhcd

Fresh Start Revolving Loan Fund=

This fund is an innovative financing program targeted towards small businesses, in particular minority - and women-owned businesses. These guidelines favor start-up and existing firms seeking to borrow from \$5,000- \$50,000.

Albina Community Bank
Commercial Lending Department
NE Portland Office
2002 NE MLK Jr. Blvd.
Portland, OR 97212
503-331-3789
503-288-7295
www.albinabank.com

Microenterprise Development and Lending Programs

This program provides training, technical assistance and lending. The Portland Entrepreneur Initiative (PEI) offers loans ranging from \$500 - \$25,000 and technical assistance.

Mercy Corps/Oregon
936 SE Ankeny Street, Suite 100
Portland, OR 97214
503-236-1580
www.mercyenterprise.org

Oregon Association of Minority Entrepreneurs (OAME)

OAME provides direct financial assistance to businesses

OAME
4134 N. Vancouver
Portland, OR 97217
503-249-7744
www.oame.org



Inclusive Business Prosperity in N/NE Portland

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MEETING SUMMARY

MEETING SUMMARY: 1
PROJECT: North/Northeast Commercial Gentrification Study
MEETING PURPOSE: Initial TAC meeting
PRESENT: Name: Company Name: Fax Number: E-MAIL:
DISTRIBUTION: all present
BY: Sarah LoGiudice DATE OF REPORT: March 13, 2007

To the best of our knowledge, this is an accurate summary of the discussions and decisions that occurred during this meeting. Notification of exceptions to this summary is to be made within seven days of its receipt.

- 1. Action Items: Introduce Workshop Project and Purpose. Get feedback from Technical Advisory Committee
A. Unresolved: Action By: None at this time
B. New: Action By: PSU Group 1.1.01 Draft of Research: Prepare draft of research from literature and interviews for TAC to review at second meeting.
Action By: PSU Group 1.1.02 Business Owner for TAC: Select and invite a business owner to join the Technical Advisory Committee
Action By: PSU and 1.1.03 Confirm 2nd TAC meeting Date: Confirm that April 11th at 10:30 am works for everyone.
C. Resolved: Action By: None at this time



MEETING SUMMARY

2. Discussion:

Comment By: 1.2. 01 :
PSU Group & PDC
JB, OR

1. Discuss Workshop Purpose Statement
 - Assume there is inherent value in diversity in businesses. Use MWSEB for criteria - it's a state program.
 - Assume public policy is essential in maintaining diversity
 - Is it gentrification or displacement? Businesses can benefit from displacement. When is migration natural?
 - Displacement issue may be different than creating business equity
 - A structural barrier is access to credit, resulting from personal credit history and lack of assets to pledge as collateral (OR)
 - Commonality among businesses is size, not race/gender (OR)
2. Ownership versus rental
 - Most small businesses will be renters.
 - Ownership is not biggest issue - price point is major factor
 - Look at lease-to-own option in CLT
 - Reason for owning a home is different than owning a business
 - Ex. (Siam Society owns their building)
 - What are reasons businesses do or do not own their space?
3. Business Incubator
 - Explore business incubator option (AH) examples are OWAMI, Ecotrust, Food Innovation Center
 - Talk to businesses that have incubated and hatched
 - Are there services connected to incubation?
4. Best Use of MLK - What does MLK need?
 - MLK is not pedestrian oriented, high traffic
 - Lack of parking
 - The hope is that there would be goods and services for the neighborhood but the infrastructure may preclude that
 - Define what businesses are currently succeeding on MLK
 - Light industry?
 - What does MLK need now and what does it want to be? Consider street design.
5. Commercial Land Trust
 - Look at leasing options within the Land Trust model
 - Examples that exist are leasing to commercial (Orcas Island, Champlain Housing Complex, VT., Dudley Neighbors Inc.)
 - Ensure proper owner continues to use it - circulate and spread benefit to users.
6. Legal Issues
 - Can't exclude male/white businesses
 - Can you get loans for a portion of ownership?(look to residential Co-ops)
7. Decision Matrix

A.H.
O.R.
E.S.

O.R.
E.S.
A.H.



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MEETING SUMMARY

- See below for matrix
- BBE's tool to compare and weigh alternative strategies
- Option to look at costs of each objective and tool

END OF SUMMARY



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MEETING SUMMARY

	Priced out of Rental	Complementary Business Route	Customers left neighborhood	Uncompatible business drive customers away	Competitive Businesses look	Build Equity	Stable Rent	Business Expansion/growth	Living Wage	Environmental	Subsidy	Capital Costs	Credit Access	Sustainability of Program	Operational Cost	Legislation	Parking	
Tools	Causes				Other Goals				Obstacles									
Commercial Land Trust																		
Asset Based Programs																		
Lease-to-Own																		
Tenant Subsidy																		
Commercial Cooperative																		
Business Incubator																		

Questions/Comments:

- ◆ Program Turnover?
- ◆ Program growth/movement
- ◆ Continued targeted service
- ◆ What are the mission and critical obstacles
- ◆ When in business life-cycle is it ready to buy?
- ◆ What businesses have bought? Why? Who hasn't?
- ◆ Is it more or less attractive to sell a business with/without the land/space?



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MEETING SUMMARY

MEETING SUMMARY: 2
PROJECT: North/Northeast Commercial Gentrification Study
MEETING PURPOSE: Second TAC meeting
MEETING DATE: April 11, 2007
START TIME: 4:00 pm
LOCATION: PDC

PRESENT:

Name:	Company Name:	Fax Number:	E-MAIL:
Joanne Daunt	PDC		dauntj@pdc.us
Estee Segal	PDC		segale@pdc.us
Kent Walton	Albina Com. Bank		kwatson@albinabank.com
Jesse Beason	Sam Adams Office		jbeason@ci.portland.or.us
Olivia Rebanal	PDC		rebanalo@pdc.us
David Fischer	Dragonfly Chai		
Tina Mosca	City of Portland		
Max Coffman	PSU		max.coffman@gmail.com
Erin Grushon	PSU		eringrushon@gmail.com
Sarah LoGuidice	PSU		sarahl@pdx.edu
Sara Vonde Veld	PSU		sarav@serapdx.com
Sanela Ruznic	PSU		Sanela_ruznic@yahoo.com
Renee Garrels	PSU		garrels@pdx.edu

BY: Sarah LoGuidice
DATE OF REPORT: April 17, 2007

To the best of our knowledge, this is an accurate summary of the discussions and decisions that occurred during this meeting. Notification of exceptions to this summary is to be made within seven days of its receipt.

1. **Action Items:**
 Discuss project status, present initial BBE findings, explore strengths and weaknesses of strategies
 - A. **Unresolved:**

Action By: None at this time
 Due Date:
 - B. **New:**

Action By: PSU Group 1.1.01 **Draft of Final Report:**
 Due Date: 5/9/2007 Prepare draft of final report, including analysis of strategies and recommendations.
 Action By: PSU Group 1.1.02 **Set 3rd TAC meeting Date: May 9th 10:30 am at PDC**
 Due Date: 3/15/2007
 - C. **Resolved:**

Action By: PSU Group Identify and invite a business owner to the TAC - David Fischer from Dragonfly Chai has joined the TAC
 Due Date: 4/11/2007
 Action By: PSU Group Draft of research - progress on research was presented to TAC
 Due Date: 4/11/2007



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MEETING SUMMARY

2. Discussion:

Comment By:
PSU Group

1.2. 01 :

1. Update TAC on our progress
 - We are nearing completion of literature review
 - In the middle of community interviews
2. Commercial Gentrification and Market Forces/Equity Summary
 - North/Northeast Portland is in the early part of the second stage of gentrification when looked at as a three stage process.
 - Will old businesses become incompatible with new businesses?
 - Public policy can intervene if government has a bias against certain small businesses
 - Evidence of existing credit discrimination
 - There is a lack of entrepreneurial mentorship and training in this community. (From interview with Michelle Reeves)
3. Explore Strengths and Weaknesses of Strategies
 - Commercial Condominiums
 - Vanport is not necessarily a replicable model because of the funding that was available for that project specifically but may not be available for others.
 - Examples to look into at 5th and Washington and 11th and Madison
 - Tax incentives for individual ownership, recommendation to keep separately from the ownership of company or business (KW).
 - San Francisco- condo parks are selling 3,000-10,000 sq ft units
 - Can't have a multi-purpose condo project unless there is high foot traffic. Need to be clear about what the project is (KW).

A.H.
O.R.
E.S.

Commercial Land Trust

- Think about land trust colleges, PSU could take part in the experiment and acquire land
- Port of Portland is also a large landowner and could be part of CLT
- What is the incentive to leave and go into open market once you are successful if you have a good deal with the CLT? Don't want to have a business there that can operate in the open market
- What costs are required in terms of administrative support

T.M.

K.W.
J.B.

O.R.

J.B.

General

- How do we decide who has access to these opportunities?
- Need a complex matrix to separate office and retail
- Need to look at what type of business we are targeting
- Make sure that businesses still do a business plan/pro forma -even if they are part of a subsidy program (Michelle Reeves)
- Important to think about developing a technical assistance program



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MEETING SUMMARY

- Make sure subsidies aren't a one time thing.

END OF SUMMARY



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MEETING SUMMARY

	Priced out of Rental	Complementary Businesses gone	Customers left neighborhood	Uncompatible businesses drive customers away	Competitive Businesses took	Build Equity	Stable Rent	Business Expansion/growth	Living Wage	Environmental	Subsidy	Capital Costs	Credit Access	Sustainability of Program	Operational Cost	Legislation	Parking	
Tools	Causes				Other Goals				Obstacles									
Commercial Land Trust																		
Asset Based Programs																		
Lease-to-Own																		
Tenant Subsidy																		
Commercial Cooperative																		
Business Incubator																		

Questions/Comments:

- ◆ Program Turnover?
- ◆ Program g
- ◆ rowth/movement
- ◆ Continued targeted service
- ◆ What are the mission and critical obstacles
- ◆ When in business life-cycle is it ready to buy?
- ◆ What businesses have bought? Why? Who hasn't?
- ◆ Is it more or less attractive to sell a business with/without the land/space?



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MEETING SUMMARY

MEETING SUMMARY: 3 **MEETING DATE:** May 9, 2007
PROJECT: North/Northeast Commercial Gentrification Study **START TIME:** 10:30 pm
MEETING PURPOSE: Third TAC meeting **LOCATION:** PDC

PRESENT:

Name:	Company Name:	E-MAIL:
Joanne Daunt	PDC	dauntj@pdc.us
Estee Segal	PDC	segale@pdc.us
Kent Walton	Albina Com. Bank	kwalton@albinabank.com
Allison Handler	PCLT	
Olivia Rebanal	PDC	rebanalo@pdc.us
David Fischer	Dragonfly Chai	
Tina Mosca	City of Portland	
Max Coffman	PSU	max.coffman@gmail.com
Erin Grushon	PSU	eringrushon@gmail.com
Sarah LoGuidice	PSU	sarahl@pdx.edu
Sara Vonde Veld	PSU	sarav@serapdx.com
Sanela Ruznic	PSU	Sanela_ruznic@yahoo.com
Renee Garrels	PSU	garrels@pdx.edu

BY: Sarah LoGuidice **DATE OF REPORT:** May 13, 2007

To the best of our knowledge, this is an accurate summary of the discussions and decisions that occurred during this meeting. Notification of exceptions to this summary is to be made within seven days of its receipt.

1. **Action Items:**
Present BBE findings, discuss challenges of alternatives no longer being considered, highlight remaining alternatives
- A. **Unresolved:**
 - Action By:BBE BBE needs to solidify recommendation
 - Due Date:
 - Action By:BBE Create Criteria Scales
 - Look into management structures
- B. **New:**
 - Action By: PSU Group 1.1.01 **Draft of Final Report:**
 - Due Date: 5/14/2007 Prepare draft of final report, including analysis of strategies and recommendations.
 - Action By: PSU Group 1.1.02 **Prepare for May 30th Presentation at PDC**
 - Due Date: 5/30/2007
- C. **Resolved:**
 - Action By: PSU Group Narrow down to a recommendation
 - Due Date: 5/9/2007



2. **Discussion:**

Comment By: PSU Group
1.2. 01 :

1. Renee updates all on the model overview in three categories:

Ownership Models

1. Ownership

Barrier is access to capital -might be beyond capacity of businesses

Doesn't look good for emerging businesses

ROM - look at policylink report - cooperative limited equity structures

Downside of limited equity is not as much wealth creation.

2. Supported Lease

Marketplace option

Incubator - not long term - business is forced to leave after months

3. Direct Subsidy

-Functions like Section 8

-Given to business adjacent to a project that impacts them, such as

TriMet construction - Could have a geographic boundary criteria -

would offset costs and be a mitigation to development

-Could create a fund to help businesses through a changing time

-Mostly targeted to existing businesses - not for access to capital in emerging businesses

2. Program Management

BBE wants to take this component out of comparison and assume most fitting management structure for each model.

TAC's feedback is that we need to explore who will manage the models

Options:

Board of Directors

Non-profit

CDC (ex. Reach has commercial space that they lease)

PCLT (no capacity to do leasing)

PCLT holds land in trust and another entity manages and leases

Who qualifies (this is easier with residential than commercial)

How do you deal with vacancies in the marketplace model?

3. BBE has found that we need to create separate recommendations for emerging and existing business as they have very different needs.

Existing business need help in adapting to the changing market

4. Marketplace is a good model for emerging businesses

- Drawback is that it doesn't suit all businesses

- Activespace is a good model for small businesses

- Final product needs financial analysis who bears cost on front end, ongoing maintenance cost

- The cost is spread over more people

- New Market tax credits could be used

- Build on existing funds -don't invent new sources



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MEETING SUMMARY

- *Addresses microenterprises well*
- *Possible blended market and cubespace model.*
- *Could be afternoon or night market*
- *This model may not address the current market, but perhaps the future market - which we do not know.*

5. Eligibility

- *for just MWSB or everyone? (max)*
- *Use a point system (geography, tenure, minority owned, income, revenues/profits)*
- *Relate to state MWSB certified business - meets the goals of this area*
- *Can choose based on who it is marketed to*
- *If we tie to state model we need to create a model for assistance to businesses in becoming certified*

END OF SUMMARY

Appendix G: ADDITIONAL RESOURCES

Adopted Albina Community Plan. Bureau of Planning, Portland, OR., 1993.

Revised Albina Community Plan: Action Charts. Bureau of Planning, Portland, OR., 2000.

The History of Portland's African American Community (1805 to the Present). Bureau of Planning, Portland, OR., February 1993.

Cornerstones of Community: Building of Portland's African American History. Bosco-Milligan Foundation, Portland, OR., August 1995.

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"Portland Small Business Prosperity Strategy - Final Report" http://www.pdc.us/pdf/bus_serv/pubs/portland_small_business_prosperity_strategy.pdf, retrieved May 7, 2007

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"New PDC liaison has her own ties to build," The Oregonian, January 15, 2007

"New PDC Director Pledges Change in Minority Policies," The Scanner, May 10, 2007

"Small Business; the Minor Leagues of Entrepreneurs," The New York Times, April 26, 2007

"Burger Wars," The Willamette Week, May 2, 2007

"Chop, Chop Shop," The Willamette Week, May 2, 2007

"Queen Bee Makes Vinyl Fashionable," Portland Business Journal, August 22, 2003 <http://www.bizjournals.com/portland/stories/2003/08/25/story3.html?page=2>

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Lichtenstein, G., Lyons, T. S., & Kutzhanova, N. (2004). Building entrepreneurial communities: The appropriate role of enterprise development activities. Journal of the Community Development Society, 35(1), 5-24.

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Bates, T. & Williams, D. (1995). Preferential Procurement Programs Do Not Necessarily Help Minority Owned Businesses. Center for Economic Studies of U.S. Bureau of Census, CES 95-1, January 1995.

Zukin, S. (1987). Gentrification: Culture and Capital in Urban Core. *Annual Review of Sociology*, Vol. 13. (1987), 129-147.

Smith, Neil. (2002). New Globalism, New Urbanism: Gentrification as Global Urban Strategy. *Antipode* 34 (3), 427-450.

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