

Oregon Growth Board Special Meeting

March 26, 2020

Conference Call

Attendance via Conference Line

Members Present: Sabrina Parsons, Co-Chair, Palo Alto Software; Sayer Jones, Co-Chair, Consultant; Tobias Read, Oregon State Treasurer; Wendy McGrane, US Bank; Chris Cummings, Business Oregon; Gudrun Granholm, Box One; Elmer Huh, Murdock Charitable Trust; Rep. John Lively, State Legislature; Stephen Green, Pensole; Amber Schulz-Oliver, The Affiliated Tribes of NW Indians Economic Development Corp.

Staff Present: Kate Sinner, Ricardo Lopez, Jenny Wilfong, Nathan Buehler, Ruth Hall.

Guests: Steve Bender, Legislative Fiscal Office; Meredith Coba, Oregon Treasury; Steve Hartt, Meketa Investment Group (MIG); Ethan Samson, MIG; Danny Chan, MIG; Steven Marlowe, Oregon Department of Justice; Jim McCreight, OTBC; Ashley Henry, BBPDX; Jennifer Groth RDI; Melissa Leoni, LPRO; Caroline Cummings, Oregon RAIN; Jennifer Damiani, Oregon RAIN; Alex Wick, Cascadia Carbon.

Meeting was called to order at 2:03 pm.

Welcome, Introductions, Minute Approval

Co-Chair Sabrina Parsons welcomed everyone to the conference call.

Public Comment

Ashley Henry shared that BBPDX is opining on the needs of small businesses with both the governor's office and the legislature. She felt that there should be more opportunity for small business owners to weight in as policy makers consider relief and recovery packages. She also informed the board that BBPDX and partners submitted a letter to the Joint Legislative Committee and asked that Staff share that letter with Board members. She conveyed that small businesses are most vulnerable and in need of assistance.

Alex Wick from Cascadia Carbon briefly spoke about his company and their need for start-up funding.

OGF CDFI Stabilization

Steve Bender, Legislative Fiscal Officer, provided an update to the Board on funding for the Oregon Growth Account (OGA). He noted that Oregon Lottery revenues have fallen precipitously to the tune of 80-90% during the Coronavirus crisis. For every month of closure, he added, the reduction to the OGA will equate approximately \$1 million. As such, OGA can anticipate a \$3 million reduction in revenue if Lottery machines remain closed for a quarter. Considering the OGA receives roughly \$3.4 million per quarter, this would represent a drastic cut in funding.

Sabrina Parsons thanked Steve Bender for sharing this information and extended an offer to return in the future.

Ricardo Lopez provided background to the Board on the work he has done since the previous meeting and gave examples of potential tactics to support CDFIs. Ricardo shared that support to OGF's current CDFI partners is a strategic approach to shore up support for both CDFIs and small businesses during this crisis time. He has been working with the Oregon Community Foundation, who is leading an effort to stabilize small businesses by supporting mission-driven lenders. Foundations, the Oregon Banker's Association, Prosper Portland, and the City of Portland are all working together with the Oregon Community Foundation and Business Oregon to support these intermediaries. Regarding the CDFIs with current outstanding loans from OGF, Ricardo Lopez highlighted how they have managed to raise and leverage significant funding from other sources. Additionally, these CDFIs manage thousands of active loans, have years of experience, extraordinarily low default rates, strong relationships with borrowers, and are in need of additional assistance at this time. However, after not being able to find typical options to fund them significantly and expediently, Staff came to the conclusion the best approach to support CDFIs and their borrowers would be through grants and loan forgiveness.

Ricardo Lopez then presented the first Staff recommendation: to amend the OGF Investment Policy Statement to allow grants as deployment vehicles. The specific language added to the OGF Investment Policy by Staff under Section VI Strategy, subsection 6 Investment Vehicle Types, would be "The Board can also award grants, as defined in ORS 279A.010(1)(k), with money from the Fund". Elmer Huh expressed his concerns about awarding grants and fundamentally changing the Investment Policy in perpetuity. Sayer Jones commended Ricardo Lopez on his work and provided additional context. He explained how other entities like banks and foundations are collaborating to identify resources that can be deployed to support businesses and stabilize micro-lenders now, before federal funding is available. He continued by emphasizing that the Oregon Growth Board is one of the few state government entities with the flexibility to move swiftly and make a difference. Regarding how this would affect the Investment Policy, Sayer Jones noted the change should only be temporary so the Board can revert to investments once the crisis diminishes. Elmer Huh was comfortable with a temporary exception to the Investment Policy allowing grants. Treasurer Read introduced a **motion to approve the proposal from Staff to amend the OGF Investment Policy Statement to allow grants as deployment vehicles and added that the Board acknowledged that the change is temporary**. Elmer Huh seconded the motion agreeing to the caveat that it would not be a permanent change. The motion passed unanimously.

Ricardo Lopez proceeded to present Staff's second proposal: to forgive outstanding OGF loans to CDFIs or restructure them as grants. Loan principal include \$250,000 to Community Lending Works (CLW); \$225,000 to Craft3; and \$110,000 to Micro Enterprise Services of Oregon (MESO). Elmer Huh questioned whether forgiving the loans would be the same as restructuring them as grants. Ricardo Lopez explained that restructuring the loans into grants or forgiving them would have the same effect from an accounting perspective, so that particular decision was mainly contract-related. The Department of Justice would review each contract and recommend whether to add an amendment to forgive each loan or restructure them as grants. Amber Schulz-Oliver **motioned to approve Staff's recommendation to forgive outstanding OGF loans to CDFIs or restructure them as grants**. Sayer Jones seconded. The motion passed unanimously.

Ricardo Lopez presented Staff's third proposal: to award a grant of \$700,000 to Oregon Community Foundation's (OCF) Small Business Stabilization Fund. He clarified that collaborating with OCF would allow the OGB to tap into OCF's bandwidth, leverage their network of donors and partners, coordinate with relevant organizations across the state, and address strategic goals. Furthermore, the ability to appoint a Business Oregon representative to OCF's Steering Committee would allow the Board to have continuous oversight over grant deployment. The grant amount represents the entirety of OGF's current cash available from its investments.

Treasurer Read asked how they can ensure that OGF funds will go to the audiences that the Board wants to support. Ricardo Lopez answered that, unlike large banks, CDFIs have a significant track record of operating on slim margins, developing fruitful relationships with borrowers, providing technical assistance on top of financing, and have a specific mission to help the same vulnerable communities the Board is focused on. Treasurer Read asked if this approach is consistent with the Board's fund of funds approach and how resources would be distributed geographically. Ricardo Lopez confirmed that OCF's Steering Committee would not award grants to individual companies; only to mission-driven lenders. He also reassured that OCF's Fund has a statewide mandate targeting every economic development district with lending capacity during the crisis. Stephen Green asked how much control the Board would have over the funds once granted. Ricardo Lopez replied that were he to sit on the Steering Committee as proposed, he would be part of the deployment decision-making process.

Sayer Jones shared that OCF has already committed \$300,000 to the Fund, and that credit unions, economic development districts, and CDFIs are all key lending partners to support. Stephen Green stated that CDFIs may have capacity issues and may not be able to handle additional resources, so he is worried about overlooking other opportunities. Sayer Jones asked Stephen Green which lenders Stephen thinks may be left out of this OCF proposal and which businesses are being overlooked. He asked Stephen to identify potential solutions in addition to problems so OCF and partners can focus on solving them. Stephen Green responded that some companies need an online presence and he does not think CDFIs necessarily help with that.

Ricardo Lopez asked if everyone was comfortable with him being the Board's representative on OCF's Steering Committee. Everyone was in agreement. Amber Schulz-Oliver declared a potential conflict of interest. Sabrina Parsons noted that she verified with the Department of Justice and she does not have a potential conflict of interest, but wanted to state that she is on the Board of OCF. Stephen Green abstained from voting because he is on the Board of Built Oregon and was concerned about a potential conflict of interest. Wendy McGrane **motioned to approve Staff recommendation to award a grant of \$700,000 to Oregon Community Foundation's (OCF) Small Business Stabilization Fund and to designate Ricardo Lopez as the Board's representative in OCF's Steering Committee.** Treasurer Read seconded. The motion passed as every Member voted in favor with the exception of Amber Schulz-Oliver and Stephen Green, who abstained.

Adjourn

Co-Chair Sabrina Parsons adjourned the meeting at 3:07 pm.

Approved by:

Signature on file

Sayer Jones, Co-Chair
Oregon Growth Board

Date

Ricardo Lopez, Capital Strategist
Business Oregon

Date