

***The Portland Seed Fund:
Planting High Hopes,
Reaping Few Results***

by Joel Grey

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About the Author

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The Portland Seed Fund:

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The Portland Seed Fund is a public-private venture intended to close a funding gap for entrepreneurs.¹ It invests \$25,000 in each startup selected and reserves money for follow-up investments as well.² The City of Portland, the City of Hillsboro, and the State of Oregon (through the Oregon Growth Account) supplied most of the money for the first Seed Fund and a significant portion of the second Seed Fund. So far, the public funds amount to \$3.4 million, with another \$100,000 likely to come from this year's Portland Development Commission (PDC) budget. The City of Portland and the Oregon Growth Account are the two biggest supporters, each contributing \$1.5 million or more.

The Seed Fund was promoted as a way for public entities to help³ private companies begin, with the expectation that the Fund would earn money.⁴ However, it is not possible to determine whether or not the Seed Fund is earning money, despite the fact that it utilizes public funds.

THE USE OF PUBLIC MONEY FOR PRIVATE GAIN

It is possible to discover how much money was given to the Portland Seed Fund by public entities, but it is difficult, especially with the City of Portland. The funding from Portland is spread across multiple years and includes not only budget items, but also money specially voted to the Seed Fund. The best estimate of total Portland expenditures is as follows:

Which Seed Fund	Source of Funding	Type of Allocation	Amount (\$)
First	City of Portland	Budget 2011-2012	\$500,000 ⁵
First	City of Portland	Budget 2012-2013	\$300,000 ⁶
First	City of Portland	Allocation 2012	\$200,000 ⁷
First	Oregon Growth Account	Allocation 2011	\$750,000 ⁸
First	City of Hillsboro	Allocation 2011	\$250,000 ⁹
Second	City of Portland	Allocation 2013	\$500,000* ¹⁰
Second	City of Portland	Budget 2013-2014	\$150,000 ¹¹
Second	City of Portland	Budget 2014-2015 (Proposed)	\$100,000 ¹²
Second	Oregon Growth Account	Allocation 2013	\$750,000 ¹³

* The same resolution also appropriated \$75,000 for the cost of management of the Portland Economic Investment Corporation (the intermediary).

This is a total of \$1.75 million from the City of Portland, assuming the PDC budget is approved. The next greatest amount came from the Oregon Growth Account at \$1.5 million.

FOLLOWING THE MONEY

Of the 46 companies¹⁴ funded, most appear to still be open. However, Vizify, one of the highest-profile investments, moved to California after being purchased by Yahoo.¹⁵ Another company, Good Works Now, has closed.¹⁶ Two more companies appear to have closed, although this is difficult to confirm. bubL and CoCollage both lack corporation status, recent activity on social media, and functioning websites; and the addresses listed on social media are occupied by other companies. The Seed Fund itself does not post which businesses are still open, and it was fairly laborious to determine which companies still exist and which have failed or moved. When contacted, the Seed Fund did not respond to provide a figure for return on investment (ROI).

RECORD OF CONTACT WITH PUBLIC ENTITIES

The public entities supplying the venture capital were unable to provide the Fund's ROI. When the Portland Budget Office was contacted, it took four weeks of emailing and phone calls before any information was provided. According to Chris Harder at the Budget Office, "funds like the PSF typically don't expect exits or investment returns until year 4 or 5."¹⁷

When the PDC was contacted, the first person said the Seed Fund didn't sound familiar but eventually directed me to a man named Jared Weiner.¹⁸ He never responded to my inquiries.

Jillian Detweiler of the mayor's office was also contacted. She had just started the previous day, so she did not know much about the Portland Seed Fund. She said she would research and call back.¹⁹ She never provided any information.

The Treasury Investment Division said that the Oregon Growth Account, the state entity that supported the Portland Seed Fund, no longer existed and had been replaced by the Oregon Growth Board.²⁰ They said they could not help and that the Portland Seed Fund should be contacted directly.²¹

My call to the Portland Seed Fund went to voicemail and I left a message. No one responded.

The City of Hillsboro could not help immediately, but Sarah Garrison returned my call. She sent an email with the city's most recent information on the Seed Fund but said that it was not technically an investment by the city due to state law.²² Because of this, the intermediary, Oregon Entrepreneurs Network, also would receive any return on investment, so the city was not aware of those numbers.²³ She said the city's ROI was the jobs and economic activity created for the community.²⁴

CONSTITUTIONAL CONCERNS

Regarding the investments by Portland and Hillsboro, the Oregon Constitution Article XI Section 9 states, “[n]o county, city, town or other municipal corporation, by vote of its citizens, or otherwise, shall become a stockholder in any joint company, corporation or association, whatever, or raise money for, or loan its credit to, or in aid of, any such company, corporation or association.” The two cities were able to get around this provision by giving money to the Oregon Entrepreneurs Network instead of giving money directly to the Seed Fund.²⁵ However, this seems to ignore the spirit of the article. The actions of the cities would still seem to qualify under the phrase “raise money for, or loan its credit to, or in aid of, any such company, corporation or association.” Skirting the law in this manner may be legal, but it is disturbing to see a public entity look for a way to follow only the letter of the law while ignoring the spirit.

CONCLUSION

The Portland Seed Fund has spent large amounts of taxpayer money to subsidize private-for-profit companies, yet governments which gave money cannot provide information about the success of those expenditures. It is not even clear that there are any defined expectations for this fund. Very little information is available, and the average taxpayer would have no way of knowing where tax funds are being spent. The Seed Fund is not even listed on the City of Portland's Investment Reports.

In addition, it is unclear why the government should be picking winners and losers through a shadowy venture capital fund. If these businesses are good investments, they will attract private capital and won't need government money to succeed. If they are poor investments, it is irresponsible for public officials to be spending tax dollars on them.

The City Councils of Portland and Hillsboro should have public discussions about the Seed Fund, and either explain why tax funds are being spent on private companies or shut the Fund down.

APPENDIX A: A List of Companies Funded by the Portland Seed Fund

First class:

4-Tell
Audio Name
Geoloqi
Hively
Homeschool Snowboarding
InvestorInMe (now LaunchSide)
Vizify
Zinofile (now Comic Rocket)

Second Class:

- Beeminder
- Gliph
- Global Sherpa
- Good Works Now
- Indow Windows
- SERPs
- Showkicker
- Tell it in 10 (now Glider)
- Cloudability

Third Class:

- Brandlive
- bubL
- CoCollage
- InGrid Solutions
- Mobilitus
- Tellagence
- Vadio
- Wikisway

Fourth Class:

- Alum.ni
- Appthwack
- Celly
- Indie Vinos
- Measureful
- Minetta Brook
- Opal Labs
- Presto Box
- Rally Cause
- Simple Emotion
- Smart Mocha

Fifth Class:

- Auth O
- Better Bean
- Bright.md
- Droplr
- Energy Storage Systems
- Honey Comb
- Muut
- Nurse Grid
- Snapflow
- Surefield

ENDNOTES

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