



**DATE:** October 25, 2017  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 17-43  
Update on Prosper Portland Asset Management Activities

**BRIEF DESCRIPTION OF INFORMATION ITEM**

No action is requested; information only.

At the October 25, 2017 Prosper Portland Board of Commissioners (Board) meeting, staff will provide an update on current approaches, planned revisions to activities, and systems governing management of Prosper Portland-owned real estate. Staff anticipates returning to the Prosper Portland Board in early 2018 to seek approval of proposed changes to real estate and asset management policies.

**STRATEGIC PLAN ALIGNMENT AND OUTCOMES**

By regularly reviewing, updating, and making adjustments on how the agency manages its real estate assets, Prosper Portland will deliver on its 2015-2020 Strategic Plan goal of operating an equitable, innovative, and financially sustainable agency.

**BACKGROUND AND CONTEXT**

Historically, Prosper Portland purchased real estate for the purposes of wholesale redevelopment – acquire property, remediate if environmentally contaminated, conduct site preparation (including demolition), and seek a development partner to build and tenant a project that met Prosper Portland’s public goals. The agency employed this general practice for decades, leading to dozens of redevelopment projects across the city, such as Burnside Bridgehead, RiverPlace, and Killingsworth Station.

More recently, Prosper Portland’s approach to acquiring real estate has evolved from being exclusively focused on redevelopment to a model of acquiring some strategic properties for long-term ownership and income generation, allowing the agency to invest real estate proceeds from these properties in other economic development and other agency priorities.

Currently, Prosper Portland’s real estate asset portfolio consists of 54 properties including vacant land, retail, industrial, mixed-use, residential, and special purpose assets currently valued at \$322,600,360 (Multnomah County Real Market Value Estimate). The properties generated \$4,677,191 in gross revenue in fiscal year (FY) 2016-17. See Attachment A for maps and aerials of the properties.

Just as the agency’s asset approach has evolved, so has its systems, plans, and policies. Following is description of four crucial principles of sound asset management, including actions that staff has taken to date and what remains to be done.

1. Software Solutions—the Foundation of Effective Property and Asset Management

In order to effectively manage its real estate assets to maximize delivery on Strategic Plan goals, Prosper Portland needs the proper software for asset management. Historically, Prosper Portland has managed its assets at the property level and focused on day-to-day property management operations; as the agency's approach to a comprehensive portfolio level evolves, staff must have these tools to make longer-term strategic decisions. While staff has developed a system of spreadsheets databases to manage properties and our enterprise-wide financial system track income and expenses at a high level, asset management software solutions not only allow staff to monitor individual properties, they offer robust tools for a portfolio-level analysis. Staff has identified a software solution that is anticipated to be fully implemented and operable by May 2018. The new software will enable staff to manage assets at the portfolio level and evaluate the impact individual decisions at the property level have on the portfolio as a whole.

2. Policy Updates— Codifying Asset Management Principles

Prosper Portland real estate policies govern staff activities on a day-to-day as well as on a long-term basis. These current policies, some of which are Prosper Portland Board-adopted and others are administrative policies adopted by the Executive Director, govern property acquisition, property disposition, real property management, property valuation, and relocation. While there have been minor modifications to these policies over the years, staff is currently engaged in a comprehensive assessment of all policies and, in early 2018, will present the Prosper Portland Board and Executive Director with a package of proposed, aligned changes to best reflect the agency's asset management strategy.

3. Capital Planning —Maintaining Sound Investments

Capital planning and budgeting are critical to the long-term health of a real estate portfolio. Each asset has unique needs for maintenance and capital replacements. If these items are neglected and deferred maintenance accumulates, the overall cost of maintenance will rise and the portfolio will suffer from cash-flow problems. However, by proactively budgeting funds for known future capital upgrades and maintenance, Prosper Portland will be prepared for future large expenses and will more easily be able to maintain its assets in adequate condition. To date, staff has begun evaluating how to integrate a capital planning approach into the agency's annual budgeting process. Over the next six to twelve months, staff will engage a consultant to evaluate the condition of properties in Prosper Portland's real estate portfolio and develop cost estimates for long-term needs.

4. Individual Property Plans— a Roadmap for Portfolio-Wide Management

No two Prosper Portland's properties are alike and therefore each deserves its own, unique individual property plan. Staff is currently assessing each of these properties and how they can help deliver on the Strategic Plan. When complete, the individual property plans will provide a roadmap for implementing activities for each property including the hold or disposition strategy, transaction guidelines, operational considerations, and minimum return on investment.

**EQUITY IMPACT**

Prosper Portland's asset management approach delivers on many of the agency's equity objectives. For example, by ensuring that Prosper Portland is able to realize a financial return on its most valuable real estate, those proceeds can be invested in economic development and other redevelopment priorities. Similarly, by maintaining keeping held real estate in sound condition, Prosper Portland can offer leases to local businesses that are owned by people of color, women, and long-term business owners.

**ATTACHMENTS**

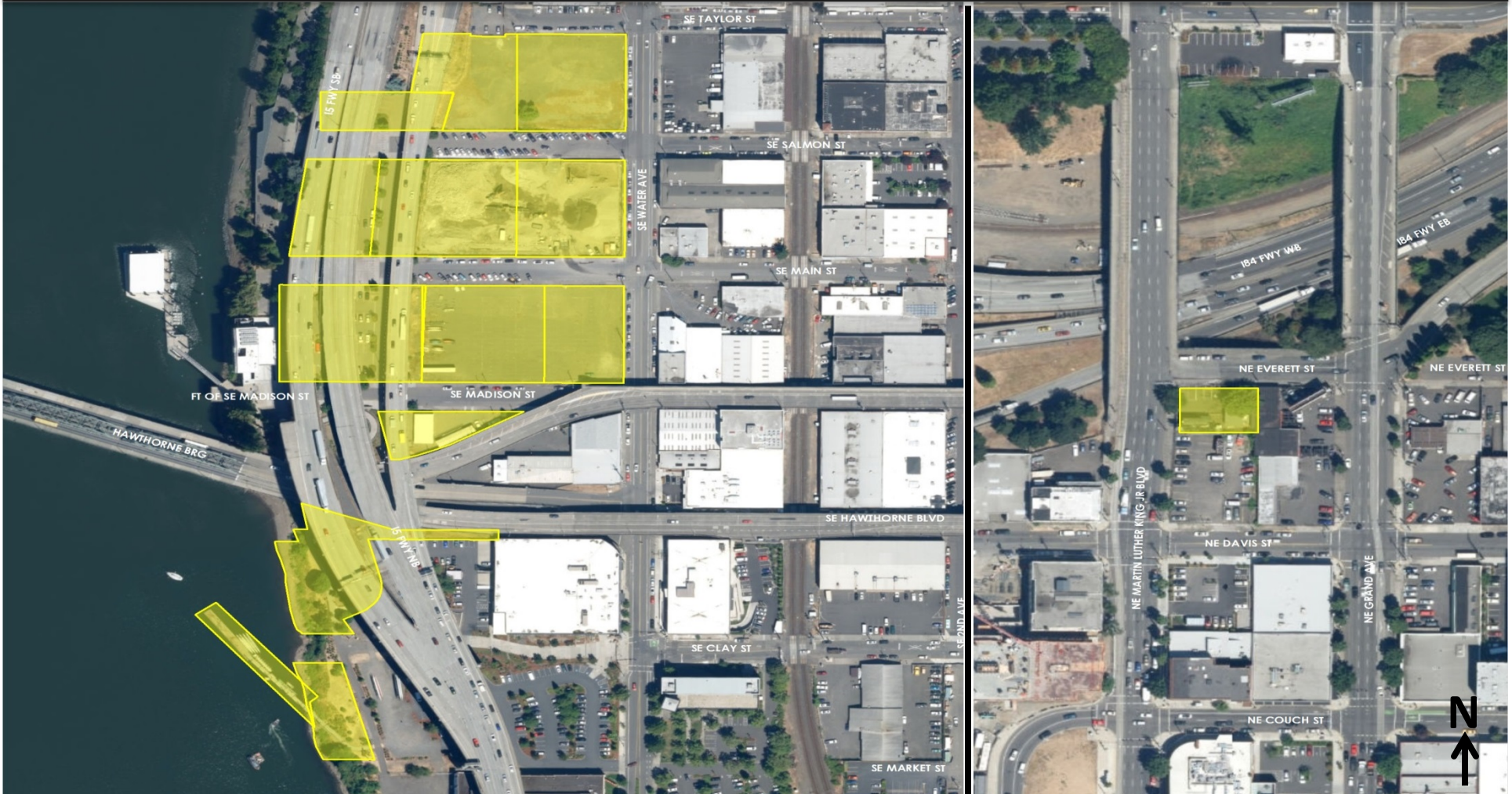
- A. Prosper Portland Property Aerials

# Airport Way URA





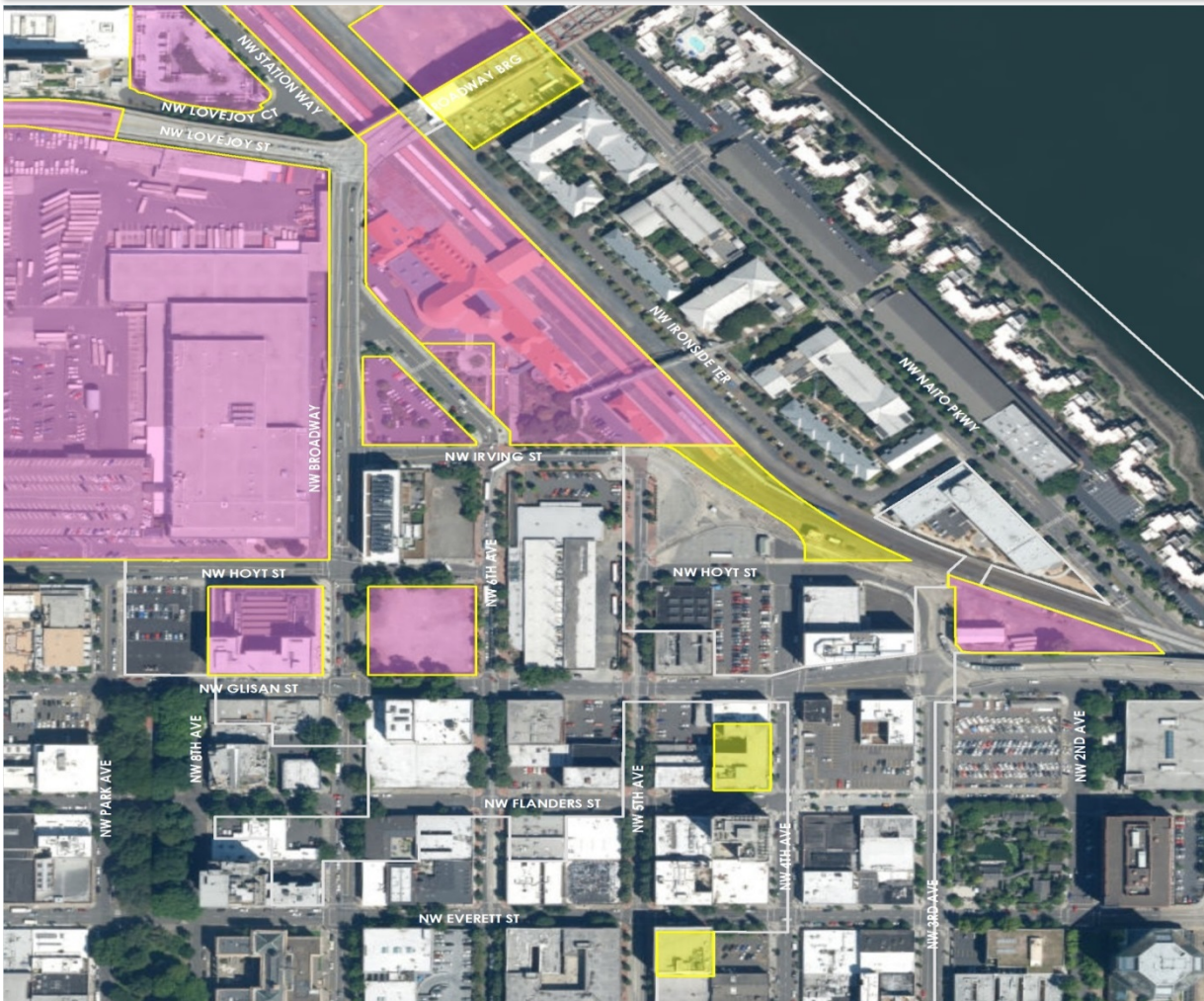
# Central Eastside URA



Real Estate Property Portfolio - October 2017

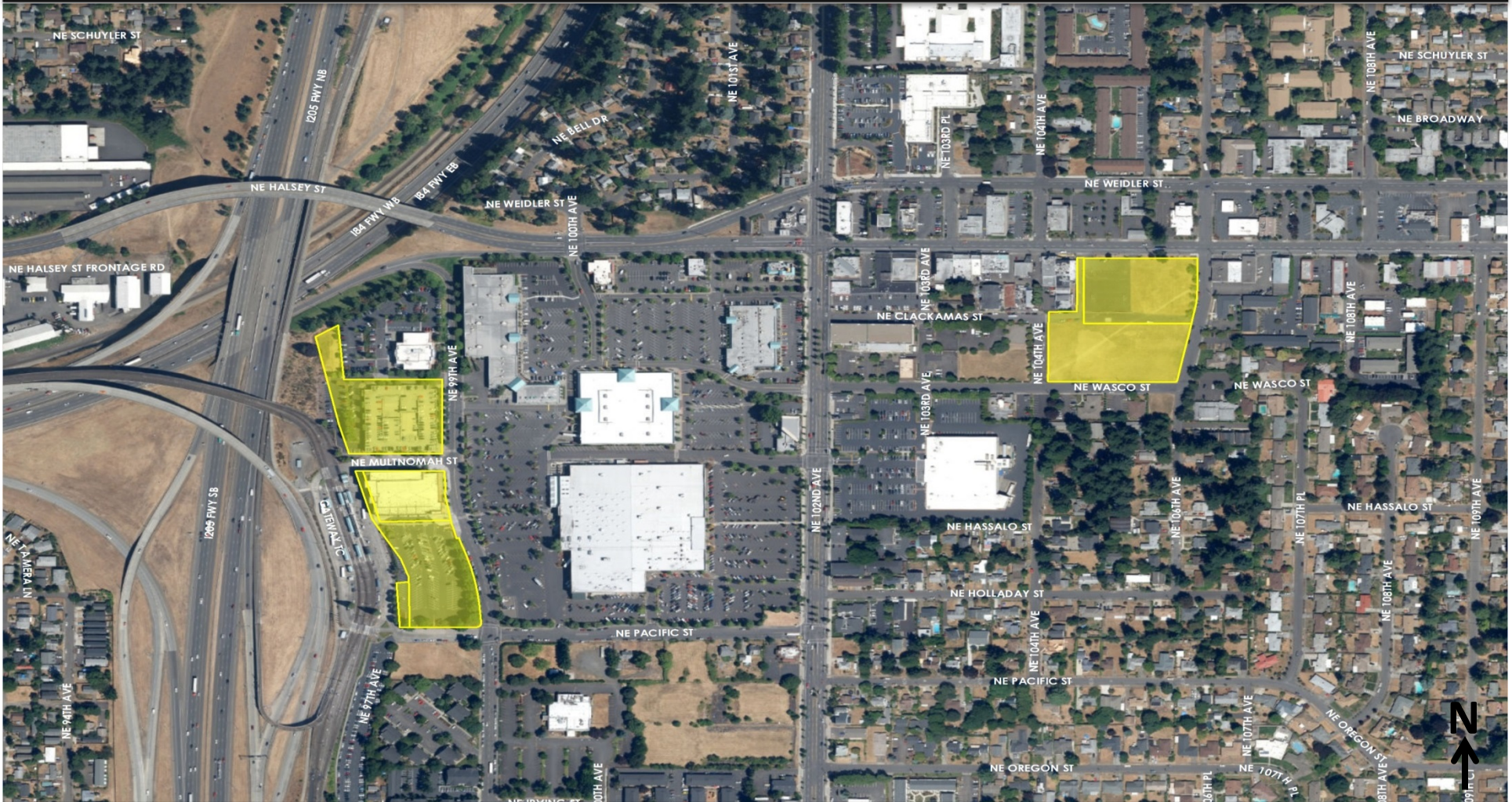


# Downtown Waterfront URA





# Gateway Regional Center URA



Real Estate Property Portfolio - October 2017

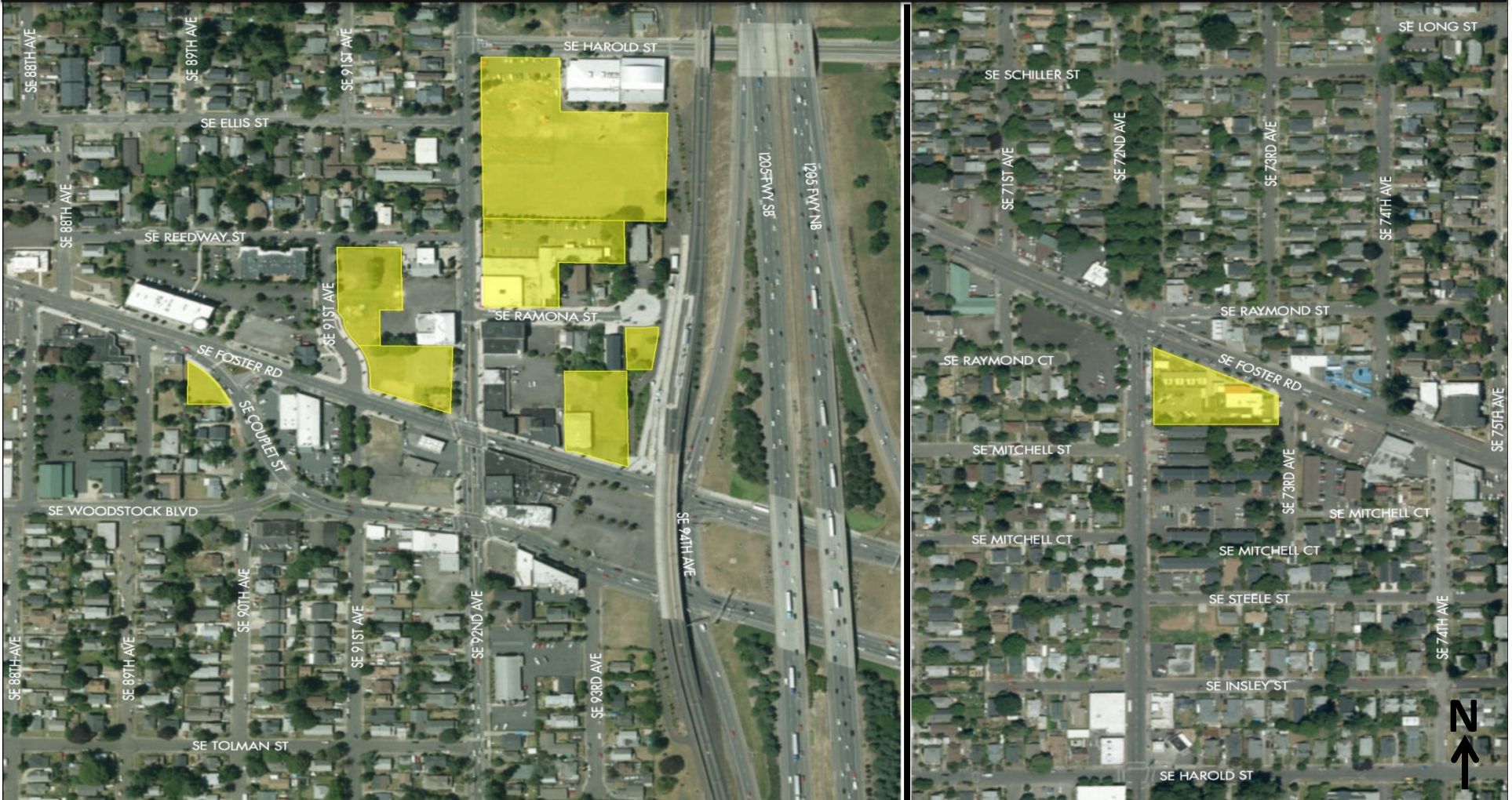


# Interstate Corridor URA





# Lents Town Center URA









# Oregon Convention Center URA





# River District URA



Real Estate Property Portfolio – October 2017



# South Park Blocks URA

