



**DATE:** July 18, 2018  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 18-29  
Adopting the Prosper Portland Ten Year Financial Sustainability Plan

**BOARD ACTION REQUESTED AND BRIEF DESCRIPTION**

Adopt Resolution No 7281

This action by the Prosper Portland Board of Commissioners (Board) will adopt the Ten Year Financial Sustainability Plan, a comprehensive framework for funding agency programs, projects, and initiatives.

**STRATEGIC PLAN ALIGNMENT AND OUTCOMES**

The 2015-2020 Strategic Plan (Strategic Plan) emphasizes the need for new and different funding to enable Prosper Portland to continue to foster widespread economic prosperity, grow family wage jobs, create complete neighborhoods, and build partnerships with community organizations and the private sector. These resources must be more flexible than the agency's current main source of revenue, tax increment financing (TIF), which can only be invested in support of physical improvements to real estate located within designated urban renewal areas. The geographic and investment restrictions of (TIF) also limit Prosper Portland's ability to implement its strategic priorities. If Prosper Portland is to continue its critical work, new investment approaches are necessary to ensure the agency's long-term financial sustainability.

**BACKGROUND AND CONTEXT**

At its April 8, 2015 meeting, the Prosper Portland Board directed staff to convene a Financial Sustainability Committee (FSC) to provide advice on the development of a business plan to guide Prosper Portland's transition to long-term financial sustainability. The FSC met four times in 2015 and reviewed information provided by staff and agency consultant HR&A Advisors. The FSC reviewed best practices of other development finance agencies and considered new revenue from public (local and federal), philanthropic, and private sources, which were all evaluated based on their potential impact and feasibility. At the end of this review, the FSC put forward recommendations to Prosper Portland staff for structuring a plan to support the agency's strategic direction that would:

- Maximize both public benefits and financial return of the remaining TIF funds.
- Clarify the guidelines for conversion of TIF-funded assets to unrestricted funds.
- Use the agency's real estate portfolio as the basis for creating a long-term revenue stream for the agency.
- Pursue acquisition and development of properties and the redevelopment of other publicly-owned properties.

- Use new TIF districts in a limited, project-specific manner to provide ongoing capital funding to catalytic public and private projects.
- Focus on “boomerang” revenue stream to the City of Portland (City) to partially offset the loss of TIF.
- Seek to maximize fee revenue to the agency.

Following an FSC recommendation, on June 8, 2016, the Prosper Portland Board through Resolution No. 7194 formally adopted amendments to the Financial Investment Policy directing staff, and the Financial Investment Committee’s review and recommendation of financial transactions to the Executive Director, to more strongly balance long term financial return considerations with mission-driven public benefits. Due to the expected reduced availability of project capital directly controlled by Prosper Portland, the updated policy also directs more focus on attraction of third party funds. Finally, there were additional directions to balance the amount of grants and infrastructure investments, program related investments, and mission related investments.

Since 2016, staff has continued to revise the Financial Sustainability Plan model; update historical outcomes of the agency’s prior five year track record; seek new resources, including creating a Community Development entity for the purposes of applying for federal New Markets Tax Credits; inform and educate the agency’s budget advisory committee’s on financial sustainability objectives and challenges; and solicit staff and the Prosper Portland Board for input on the evolution of the effort. On January 31, 2018, Prosper Portland Board Chair Gustavo Cruz and staff presented a 90 percent draft Financial Sustainability Plan to the Portland City Council. City Council did not make any formal commitments, but was supportive of Prosper Portland’s work and encouraged ongoing conversations through more regular updates.

Subsequent to the City Council work session, there have been several accomplishments in delivering on Financial Sustainability Plan objectives, such as:

- Soliciting and identifying a development partner for the Prosper Portland-owned ODOT Blocks property in the Central Eastside Urban Renewal Area that will both deliver on public goals for the project and also create a long-term revenue stream to the agency;
- Requesting that City Council designate Prosper Portland as the entity authorized to administer the Industrial Sites Readiness Program on behalf of the City;
- Applying for a 2018 allocation of New Markets Tax Credits;
- Securing a portion of the City’s Cannabis Tax Allocation to fund small business technical assistance for Portland cannabis businesses; and
- Implementing Yardi asset management software that will provide greater sophistication in Prosper Portland’s property management and disposition.

See Attachment B for greater detail on the Financial Sustainability Plan implementation timeline, which notes which actions have been completed and which remain.

### **EQUITY IMPACT**

The Financial Sustainability Plan establishes a set of guiding principles to ensure that Prosper Portland has sufficient financial resources to deliver on its Strategic Plan goal of creating widely-shared prosperity.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

As noted, staff assembled the FSC to provide feedback and guidance on drafting the Financial Sustainability Plan. Since the conclusion of the FSC's role in this effort, staff has presented its work to the Prosper Portland Board and City Council; all of those meetings have been open to the general public.

### **BUDGET AND FINANCIAL INFORMATION**

While there are no direct budgetary impacts from this action, the lack of a comprehensive Financial Sustainability Plan will prevent Prosper Portland and its partner organizations from delivering on the agencies vision of creating one of the most globally competitive, healthy, and equitable cities in the world.


### **RISK ASSESSMENT**

There are no risks to this proposed action beyond those inherent in Prosper Portland's existing business and operations (such as real estate development and management, community development, lending and grant investments, and otherwise).

### **ATTACHMENTS**


- A. Implementation Timeline

# IMPLEMENTATION TIMELINE: PROSPER PORTLAND FINANCIAL SUSTAINABILITY PLAN

OBJECTIVE	ACTION	MILESTONE/TASK	COMPLETE	YEARS 			
				1 2018/19	2 2019/20	3 2020/21	4-10 2021/22 - 2027/28
<b>1. Optimize both public benefits and financial return of the remaining tax increment funds and existing real estate assets</b>	<b>a. Optimize use of remaining TIF funds available to the agency prior to end of each of the existing URAs</b>	Prosper Portland Board approved updated Financial Investment Policy	✓				
		Create Development and Investment Department to ensure all real estate transactions are managed according to a global strategy and in context of entire portfolio.	✓				
		Itemize development and asset management budgets for transparency and management within budget process					
		Update Financial Investment Committee Charter, Procedures and Templates to ensure investments reflect the new Financial Investment Policy; align with Financial Sustainability Plan's forecasted return target; and, if projected return differs substantively from forecasted return, complete portfolio impact assessment					
		Place market based, Mission Related Investments in the Broadway Corridor area; at ODOT Blocks in the Central Eastside Industrial District; in the Oregon Convention Center area; and in Old Town/Chinatown					
		Report portfolio performance on a regular basis to leadership and Board of Commissioners concurrent with the budget development, review, and revision process					
	<b>b. Use the agency's real estate and loan portfolio as the basis for creating a long-term revenue stream.</b>	Selection of new Yardi Voyager software with advanced budgeting and forecasting	✓				
		Implementation of Yardi Voyager software					
		Itemize development and asset management budgets for transparency and management within budget process					
		Develop Property Plans for each property within portfolio to align with Strategic Plan, Equity Policy, and Financial Sustainability target					
		Optimize performance of income generating properties to achieve target returns					
		Launch Real Estate Investment Committee in coordination with Financial Investment Committee reboot					
		Update loan products					
		Initiate marketing and outreach efforts to support cluster business and small business development and grow loan pipeline					
	<b>c. Plan for the conversion of TIF-funded assets to unrestricted funds when possible.</b>	Invest and hold Lents Commons to realize URA Plan and community priorities and structure investment to benefit agency-wide programs	✓				
		Plan for the conversion of TIF-funded assets to unrestricted funds at the end of life of existing URAs					



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OBJECTIVE	ACTION	MILESTONE/TASK	COMPLETE	YEARS 			
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<b>2. Secure additional public funding to support economic and community development programs</b>	<b>a. Identify additional City funding stream to partially offset the loss of TIF</b>	Present Financial Sustainability Plan to City Council for approval and request annual budget note supporting reservation of impending "boomerang" revenue stream for agency use					
	<b>b. Secure new public resources as needs and opportunities arise that align with the agency's core economic and community development</b>	Launch PropertyFit program and administrative guidelines; market product to the contracting and development community	✓				
		Partner with external capital providers to scale PropertyFit program and maximize program use and related administrative income					
		Seek City Council approval to administer Regionally Significant Industrial Sites Program (RSIS) program on behalf of City of Portland					
		Secure Recreational Cannabis Sales Tax revenue to fund small business technical assistance for Portland cannabis businesses	✓				
		Create Portland Community Investment Fund, a Community Development Entity (CDE), for the purpose of accessing federal New Market Tax Credits (NMTC) and submit application for allocation	✓				
		If allocation received, refine project list based on current development status, and present to Advisory Committee for allocation consideration					
		Explore feasibility of establishing a Community Development Financial Institution (CDFI) to create the infrastructure for a more substantial loan program and to access additional capital.					
		Secure business license fee revenue to help fund Inclusive Business Resource Network					
		Explore creating an Opportunity Fund to invest in low-income communities					



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<b>3. Partner with public agencies to deliver real estate development activities that achieve public priorities</b>	<b>a. Leverage real estate development expertise to pursue acquisition, redevelopment and other commercial development activities to deliver community development outcomes and secure financial return to the agency.</b>	Enter into Master Lease with the Portland Bureau of Transportation and manage and tenant ground floor commercial space at 10th & Yamhill Garage to align with Downtown Retail and Strategic Plan goals					
		Coordinate with Portland Housing Bureau (PHB) to identify and assess opportunities for Prosper Portland to manage, master lease, or own commercial components of PHB led projects					
		Inventory City of Portland held commercial assets that are leased to private entities and prioritize based on synergy with Prosper Portland's asset management and small business development expertise					
		Evaluate market for Floor Area Ratio (FAR) transfer and potential role for agency in managing FAR bank					
		Develop commercial affordability program, including business technical assistance, financial assistance, and real estate opportunities to help stabilize businesses within changing markets; pursue Planning and Sustainability Commission approval of Mixed Use Zones bonus to help generate new commercial real estate opportunities for affordable tenanting					



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<b>4. Seek additional revenues for capital and operations by leveraging core expertise</b>	<b>a. Maximize fee revenue and secure partnerships that align with the agency's core economic, community and development competencies.</b>	In coordination with City of Portland's permitting process improvements, evaluate demand and fee potential for agency to provide project management and public liaison services to development community on high profile projects					
		Assess opportunities for agency to provide asset management and construction management services on City of Portland led projects for an agreed upon fee					
		Assess Fees for Service from economic development partners for technical assistance and coordination services					
		Greater membership contributions – secure funding from private sector partners to help underwrite costs of entrepreneurship and collaborative activities among businesses in the same industrial sector					
	<b>b. Pursue new TIF districts in a strategic manner to provide capital funding to catalytic public/private projects.</b>	Based on City of Portland approved Comprehensive Plan and Central City 2035 Plan long range development and economic development goals, evaluate need and strategic opportunities for new tax increment financing (TIF) investment					

