



PROSPER
PORTLAND
Building an Equitable Economy

DATE: July 10, 2019
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 19-29
Update on Prosper Portland Real Estate Property Plans

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

No action is requested; information only.

At the July 10, 2019 Prosper Portland Board of Commissioners (Board) meeting, staff will provide an update on the status of the agency's Real Estate Property Plans (Property Plans) which state the financial, strategic, and equity goals of each property in Prosper Portland's portfolio.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

Each Property Plan outlines how its management, disposition, and/or development delivers on goals and objectives of the Prosper Portland Strategic Plan. By regularly reviewing and updating the agency's management of its real estate assets, Prosper Portland will deliver on its goal of operating an equitable, innovative, and financially sustainable agency.

BACKGROUND AND CONTEXT

On May 13, 2015, the Prosper Portland Board through Resolution No. 7109 adopted the 2015-2020 Strategic Plan, setting a five-year course of action for the agency. The Strategic Plan outlined the specific actions the agency would undertake to be equitable, innovative, and financially sustainable, including developing a long-term business plan to define how it would meet financial goals.

In mid-2015, staff launched a formal process to craft a long-term business plan. Over the course of 2015 and 2016, staff convened a Financial Sustainability Committee; identified and scrutinized funding scenarios; and identified financial return targets for agency real estate assets.

On June 8, 2016, the Prosper Portland Board through Resolution No. 7194 adopted an updated Financial Investment Policy that affirmed "when investing public resources to achieve its Strategic Plan, Prosper Portland will apply sound financial guidelines and accountable and transparent processes," and stated, "all investments should seek public benefits and result in asset ownership or a financial return of and on capital."

Over the next two years, staff refined its assumptions, developed new models, and briefed Portland City Council prior to presenting the Prosper Portland Ten Year Financial Sustainability Plan (Financial Sustainability Plan) to the Prosper Portland Board for consideration. On July 18, 2018, the Prosper Portland Board through Resolution No. 7281 approved the Financial Sustainability Plan, whose primary

objective was to “optimize both public benefits and financial return of the remaining tax increment funds and existing real estate assets.”

Over the course of 2018, staff conducted a comprehensive review of Prosper Portland’s real estate policies to ensure they address the agency’s priorities and industry best practices. When the Prosper Portland Board through Resolution No. 7301 on February 13, 2019 adopted Property Valuation, Acquisition and Management, and Disposition and Leasing Policies, it also directed staff to develop a Property Plan for each real property in the agency’s portfolio. Since that time, staff has created Property Plans that include basic property data and specify how each property fulfills the strategic, financial, and equity goals of the agency.

PROPERTY PLANS

Each Property Plan is intended to be a single repository for strategic goals and objectives and property information (including leasing and development activities) that provides clarity and guidance to staff. The Property Plans are broken out into three sections, Property Strategic Considerations, Property Information, and Development Goals & Objectives; each section is described below.

Property Strategic Considerations

- *Acquisition Date & Purpose:* Includes the history of acquisition with date and associated transaction document.
- *Property Plan Objective:* Describes the objective for the property.
 - Development Site/Active
 - Unimproved parcels and/or underutilized buildings that are developable sites by virtue of size and/or location; sites for which Prosper Portland has active predevelopment activities, memoranda of understanding (MOU), or disposition agreements in anticipation of land disposition/transaction; redevelopment of the sites is a high priority per agency Strategic Plan, community action plan or tax increment finance (TIF) district plan; sites where agency may be willing to make some public investment to bring about desired community or public benefits; sites are called out on staff’s near-term Fiscal Year work plans with an explicit strategy for redevelopment and a project manager; disposition or transaction of the sites is expected to generate financial return per the Financial Sustainability Plan and/or Property Plans.
 - Development Site/Hold
 - Unimproved parcels and/or underutilized buildings that are developable sites by virtue of size and/or location; sites have no active predevelopment activities, MOU, or disposition agreements in anticipation of land disposition/transaction; redevelopment of the sites is a high priority per agency Strategic Plan, community action plan or TIF district plan; sites where agency may be willing to make some public investment to bring about desired community or public benefits; agency has no immediate explicit strategy for redevelopment or assigned project manager; sites are tracked by the geographic relationship manager and managed by the Asset & Investment team; disposition or transaction of the sites is expected to generate financial return per the Financial Sustainability Plan and/or Property Plans.
 - Operating Site / Sale
 - Improved parcels or buildings with demonstrated net operating income (NOI) potential; disposition of the asset is a high priority per agency Strategic Plan, community action plan or TIF district plan, despite NOI performance of the asset; disposition of the asset is called out on staff’s near-term fiscal year work plans with an explicit strategy for community benefit and/or financial sustainability outcomes resulting from disposition.

- Operating Site / Hold
 - Improved parcels and/or buildings with demonstrated net operating income (NOI) potential; NOI of the asset is a high priority per agency Strategic Plan, community action plan or TIF district plan and NOI is expected to generate steady financial return per the Financial Sustainability Plan and/or Property Plans; sites are called out on staff's near-term fiscal year work plans with an explicit strategy for operations and potential capital improvements to augment NOI performance.
- Remnant / Dispose
 - Sites that are undevelopable by virtue of size, location and/or function; sites that are actively serving a public purpose not in Prosper Portland's immediate mission; sites are likely to continue to only serve a public purpose and should be transferred or sold to a public partner or other appropriate community entity.
- *Strategic Plan Objective*: Lists the objectives and outcomes of the property within the Strategic Plan.
- *Financial Sustainability Plan (FSP)*: Framework to guide the agency's financial and business practices from 2018 through 2027 in support of its strategic priorities. The FSP calculates a Return on Investment (ROI) for properties designated as Mission Related Investments, while no Return on Investment was calculated for Program Related investments.
 - Mission Related Investments (MRI): Seeks a six percent return on equity left in these investments; 14 properties within the FSP are designated as MRI.
 - Program Related Investments (PRI): Seeks a 2.5 percent rate of return on these activities; 37 properties with the in FSP are designated as PRI.
- *Equity Objective*: Describes the equitable objective during the interim hold and for development.

Property Information

- *Property Characteristics*: Details site specific information.
- *Neighborhood*: Details neighborhood and zoning information.
- *Due Diligence*: Provides information on appraisals, title information, and environmental impacts.

Development Goals & Objectives

- *Redevelopment/Re-Use*: Details project activities, stakeholders, and major milestones.
- *Agency Approvals & Recommendations*: Documents Financial Investment Committee and Prosper Portland Board approvals.
- *Agreements*: Documents any development/sale agreements that are in place.

Property Plans will be updated on an as-needed basis and any significant changes to the Property Strategic Considerations will be subject to Prosper Portland Board approval. For example, if Prosper Portland leadership determined that the financial target of a property should change from a MRI to a PRI, that change would require Prosper Portland Board approval. Property Plans will also be included as attachments for all transactions that go to the Financial Investment Committee and the Prosper Portland Board for approval.

Over the next few months, staff will be creating financial models that will be incorporated into the Property Plans, for Prosper Portland Board approval.

EQUITY IMPACT

The Property Plans define how each property fulfills the agency's equity goals through asset management, disposition, and/or development.

ATTACHMENTS

None.