DATE: September 11, 2019
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 19-42
Adopting Prosper Portland Real Estate Property Plans

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7337

This action by the Prosper Portland Board of Commissioners (Board) will approve 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 outlines the specific actions the agency will undertake to be equitable, innovative, and financially sustainable, including developing a long-term business plan to define how it will 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 developed 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 is 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 have 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. Property Plans are broken out into the following three sections:

- **Property Strategic Considerations**
  - Acquisition Date and Purpose
  - Property Plan Objective
  - Strategic Plan Objective
  - Financial Sustainability Plan Objective
  - Equity Objective

- **Property Information**
  - Property Characteristics
  - Neighborhood
  - Financial Baselines
  - Due Diligence

- **Development Goals & Objectives**
  - Re-Development/Re-Use
  - Agency Approvals and Recommendations
  - Agreements

Staff will update Property Plans on a regular basis, with significant changes to the Property Strategic Considerations subject to Prosper Portland Board approval. For example, if staff determines that the financial target of a property should change from a Mission Related Investment to a Program Related Investment, that change would require Prosper Portland Board approval. Staff will include Property Plans as attachments for all transactions that go to the Financial Investment Committee and to the Prosper Portland Board, either as a reference to the property and project, or for consideration of strategic changes.

**EQUITY IMPACT**

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

**COMMUNITY PARTICIPATION AND FEEDBACK**

Staff did not conduct any formal public engagement related to this action. However, the Property Plans reference the community priorities by which the property objectives and outcomes are set (e.g., community development action plans). Further, the newly created Property Plans provide increased transparency for the agency’s work and allow Prosper Portland to engage with the community on a deeper level.
**BUDGET AND FINANCIAL INFORMATION**

The Financial Sustainability Plan calculates a Return on Investment for properties designated as Mission Related Investments, while no Return on Investment is calculated for Program Related investments. These baseline projections are included in the Property Plans as part of the Property Information. Links to the current tax increment finance district budgets are also included in the Development Goals and Objectives section of each Property Plan.

At the completion of the implementation of the Yardi Advanced Budgeting and Forecasting Module, staff will be able to use the Financial Sustainability Plan targets and model Return on Investments to create multiple scenarios, dynamic models, and reports at the property and portfolio level.

**RISK ASSESSMENT**

The Property Plans ensure that property use, management, and performance are in line with strategic, equity, and financial sustainability goals. Although each property owned by Prosper Portland involves some degree of financial and other risk, the adoption of Property Plans is not intended to substantively commit Prosper Portland to specific transactions involving specific risks that are assessable at this time. Rather, it is intended to provide greater clarity, transparency, and accountability with respect to the agency’s real estate portfolio and to guide staff’s expectations and conduct. Risks will vary based on the specific nature and context of the transactions and actions ultimately undertaken to implement the Property Plans.

**ATTACHMENTS**

A. Property Categories and Definitions
# PROPERTY CATEGORIES AND DEFINITIONS

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<td>240 NE MLK</td>
<td>92H</td>
<td>Albina Triangle</td>
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<td>Bakery Block</td>
<td>Inn @ Convention Center</td>
<td>Holman Dock</td>
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<td>Block R</td>
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<td>Alberta Commons</td>
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PROPERTY CATEGORIES AND DEFINITIONS

Development Site/Active
Unimproved parcels and/or underutilized buildings that are developable sites by virtue of size and/or location; Sites where Prosper Portland has 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, Action Plan or URA 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/Inactive
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, Action Plan or URA 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, Action Plan or URA 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, Action Plan or URA 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 within Prosper Portland’s 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.