



PROSPER
PORTLAND
Building an Equitable Economy

DATE: November 18, 2020
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 20-50
Adopting an Updated Financial Investment Policy and Process for Internal Review and Approval of Financial Investments

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7403

This action by the Prosper Portland Board of Commissioners (Board) will adopt an update to the agency's Financial Investment Policy that creates a new Committee for Accountability, Finance, and Equity (CAFÉ) to advise the Executive Director on defined agency financial investments. CAFÉ will replace the role formerly played by the Financial Investment Committee (FIC). While most of CAFÉ's functions will remain the same as FIC's, CAFÉ will explicitly be tasked with incorporating and ensuring that Equity Policy and Financial Sustainability Plan priorities are considered and weighed when recommending certain financial investments.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action meets the Prosper Portland Strategic Plan objective of creating an innovative, financially sustainable agency by exercising "transparent administration of resources and assets to ensure public funds are effectively invested to achieve agency objectives while promoting the long-term sustainability of the organization."

BACKGROUND AND CONTEXT

On June 8, 2016, through Resolution No. 7194, the Prosper Portland Board adopted an Updated Financial Investment Policy and Process for Internal Review and Approval of Financial Investments (Financial Investment Policy). Through that action, the Prosper Portland Board affirmed that when making financial investments, it is prudent business practice to thoroughly review those investments to minimize risk, optimize public benefits, ensure the agency's policies are being followed, and allow for the repayment of invested public funds and a financial return on that investment. The Financial Investment Policy also directed the FIC to review and recommend financial transactions to the Executive Director and to more strongly balance long-term financial return considerations with mission-driven public benefits. The following financial investment principles will remain unchanged:

1. When investing public resources to achieve its mission and strategy, Prosper Portland will apply sound financial guidelines and accountable and transparent processes.
2. In general, all investments should seek public benefits and result in asset ownership or a financial return of and on capital.
3. Investment should have a leverage target that maximizes the percentage of non-Prosper

Portland resources in a project.

4. Grants and infrastructure expenditures should be limited to annual Prosper Portland-wide budgets that are consistent with Prosper Portland’s adopted Financial Sustainability Plan.
5. Any forgiveness of loan principal will be considered a grant and count against the current or following fiscal year budget established for grants;

On July 18, 2018, through Resolution No. 7281, the Prosper Portland Board adopted the Prosper Portland Ten-Year Financial Sustainability Plan (FSP), whose business plan is comprised of the following four objectives: i) optimize both public benefits and financial return of the remaining tax increment funds and existing real estate assets; ii) secure additional public funding to support economic and community development programs; iii) partner with public agencies to deliver real estate development activities that achieve public priorities; and iv) seek additional revenue for capital and operations by leveraging core expertise.

On August 14, 2019, through Resolution No. 7335, the Prosper Portland Board adopted a new Equity Policy, that directs the agency to manage “all programs and investments in a manner that explicitly considers beneficiaries, addresses disparities, and supports equitable outcomes,” further noting that investments should “optimize community benefits and financial returns” and, as applicable, “should ensure the delivery of community benefits that broaden economic opportunities and promote wealth creation to People of Color and historically underrepresented and disadvantaged Portlanders.

As the Financial Investment Policy predates the agency’s Financial Sustainability Plan and Equity Policy, staff are proposing the Prosper Portland adopt changes to the Financial Investment Policy for better alignment among the three policy pillars, most notably by creating CAFÉ. The proposal to create CAFÉ is the result of months of interviews with and input from the Executive Director, Executive Team, FIC, and other key staff. While interviewees generally felt that FIC was serving its defined function, there was broad agreement that it could benefit from a broader diversity of perspectives and life experience and that Equity Policy and Financial Sustainability Plan objectives needed to be more explicitly addressed when making recommendations on financial investments. CAFÉ’s purpose, membership, and roles as described in its charter (see Attachment A) have been designed to ensure that CAFÉ will be Prosper Portland’s primary, formal forum for discussing risk and risk mitigation, financial return, and community benefit trade-offs. Further, CAFÉ is chartered to provide rigor and ensure that appropriate due diligence is undertaken before consummating lending or real estate transactions or implementing new loan or grant programs. CAFÉ will maintain the following responsibilities, which are the same as those delegated to FIC:

1. Loans and grants for any financial assistance programs where approval has not been delegated by the Executive Director;
2. Loan modifications where approval has not been delegated by the Executive Director;
3. New and revised financial assistance guidelines;
4. Prosper Portland debt financings;
5. Acquisition, disposition, and long-term (greater than two years) leasing of real property (except where excluded by the Disposition and Leasing of Real Property Policy adopted on February 13, 2019, by the Prosper Portland Board through Resolution No. 7301);
6. Acquisition of real property collateral (by foreclosure, deed in lieu of foreclosure, or voluntary transfer); for purpose of future sale to apply against outstanding obligations;
7. Special authority grants where no formal grant program exists;
8. Additional responsibilities delegated by the Prosper Portland Board and/or the Executive Director.

EQUITY IMPACT

Amending the Financial Investment Policy to acknowledge creation of CAFÉ is expected to result in more intentional and robust internal conversations about how financial investment recommendations can deliver on both financial sustainability and equity objectives.

COMMUNITY PARTICIPATION AND FEEDBACK

There has been no public participation related to this proposed action.

BUDGET AND FINANCIAL INFORMATION

There are no direct budget impacts from this action.

RISK ASSESSMENT

There are few to no risks to this action. Some staff expressed a concern that adding the focus on equity would diminish the focus on financial risks and trade-offs. All CAFÉ members are aware of this concern and will work to maintain the financial rigor that has been practiced historically at FIC.

ATTACHMENTS

- A. CAFÉ Charter

Prosper Portland Committee for Accountability, Finances, and Equity Charter (November 2020)

1. Purpose

- a. The Prosper Portland Committee for Accountability of Finances and Equity (“CAFÉ”) is a formal internal review body delegated by Prosper Portland Resolution 7403 (the “Authorizing Resolution”) with assisting the Prosper Portland Board (“Board”) and Executive Director (“ED”) in making financial investment decisions. CAFÉ is directed to undertake this charge in a manner that balances risk with financial return and public benefit as described in the Authorizing Resolution.
- b. For these reasons, CAFE is a critical body for the agency and so its function within Prosper Portland and procedures with which it operates are documented herein.
 - i. CAFÉ reviews and recommends to the ED the approval or denial of all requests described in the Authorizing Resolution, except to the extent this Charter establishes an exception (such as a minimum dollar threshold).
 - ii. As part of that recommendation it is tasked with considering the Financial Sustainability Plan, the Equity Policy, and other applicable policies and procedures, as appropriate.
- c. Information items are encouraged in order to keep CAFÉ up to date on changes to longer term projects. Staff should coordinate with the CAFÉ Coordinator for scheduling.

2. Membership

- a. The ED is delegated by the Board through the Authorizing Resolution to establish an internal CAFE with at least three voting members to be appointed by the ED in consultation with the Board Chair. Members may be employees of Prosper Portland or external to Prosper Portland. In addition, at the Board’s direction, non-voting Board Liaisons (and /or Advisors) may be assigned.
- b. Term: CAFÉ Members are voting members appointed by the ED to serve at the ED’s discretion without a set term.
- c. Chair: A CAFÉ Chair will be appointed by the ED to serve at the ED’s discretion without a set term. The CAFÉ Chair supervises the CAFE Coordinator.
- d. Members will be selected for their experience and expertise in covering the areas identified in the attached “Risk Areas” document.

3. Roles and Responsibilities

Role	Description of Role
Board	a. Provide agency-wide policy review.
Liaison/Advisor	b. Provide perspective of the Board and serve as a Liaison and/or Advisor.

	<ul style="list-style-type: none"> c. Does not have a voting role.
CAFE Chair	<ul style="list-style-type: none"> a. Schedules and chairs meetings. b. Provides to the Board periodic reports of financial assistance activity in accordance with the Financial Investment Policy. c. Point person with the ED. d. Has a voting role
Committee Members	<ul style="list-style-type: none"> a. Members demonstrate commitment to Financial Investment Policy b. Members are familiar with all policies and guidelines related to financial assistance and property acquisitions and dispositions as listed in section 5 of this charter. c. Members are familiar with the equity policies and approaches. d. Members come prepared and participate in all meetings. If unable to attend, Members notify the CAFÉ Chair as early as possible. Further, the member who will miss the meeting identifies which of their previously identified “backup” will attend in their place as a voting member. e. Members who need or want additional detail or background briefings are encouraged to seek that information outside of the meeting itself. Members will share any information received in advance of the meeting with fellow members. f. Members collaborate, bringing the best of different perspectives, areas of expertise, and experience. g. Members contribute to meeting discussions and decision making. h. Members model leadership and help educate staff. i. Members express opinions freely but respectfully and constructively. j. Has a voting role
CAFÉ Coordinator	<ul style="list-style-type: none"> a. Provides meeting documents to CAFÉ Committee members in a timely manner. b. Routes recommendations to ED and back to presenters. c. Scans and electronically files finalized CAFÉ reports in TRIM. d. Does not have a voting role.

4. How CAFE conducts business

a. Meetings:

- i. CAFE will meet weekly on Thursdays or as scheduled.
- ii. Discussion on agenda will begin promptly.
- iii. Quorum: CAFÉ must have at least three voting members present to proceed.

b. Agenda and Schedule:

- i. Action items scheduled to go before the Prosper Portland Board and that require prior ED approval, review and/or concurrence by the CAFÉ must have completed this step with CAFÉ no later than three weeks before the Board meeting.
- ii. Agenda established based on approved materials with all appropriate signatures submitted by Monday at noon for that week’s Thursday meeting.
- iii. Exceptions to the deadline describe in i. above can only be granted by ED. Exceptions to ii. can be granted by CAFÉ Chair.

c. Meeting Materials

- i. Meeting materials will be managed according to the procedures in Appendix A.

d. Facilitation of the meeting:

- i. CAFÉ will be facilitated by its members on a rotating basis.

e. Decision making

- i. Recommendations to the ED will be reached at CAFÉ following discussion and agreement by the majority of members present and recorded on the CAFÉ Approval Coversheet with the CAFÉ Chair and Committee Members’ initials.
- ii. Decisions and any recommended changes will be written at the bottom of the CAFE Approval Coversheet and then forwarded to the ED for approval

5. Guiding Policies (to be updated from time to time if new policies are adopted)

- a. Authorizing Resolution – **Resolution 7403**
- b. Adopted Financial Assistance Programs currently including:
 - i. Business Finance Programs Guidelines – **Resolution 6788**
 - Business Incentive Program
 - Small Business Loan Fund
 - Business Development Loan Fund
 - Economic Development Administration
 - ii. Neighborhood Prosperity Initiative (NPI) – **Resolution 7164**
 - iii. Prosperity Investment Program (PIP) – **Resolution 7195**
 - iv. Community Livability Program Guidelines—**Resolution 6862**
 - v. Commercial Property Redevelopment Loan Program—**Resolution 6863**
 - xi. Economic Opportunity Initiative Adult Workforce Development Program—**Resolution 6989**
 - xii. Clean Energy Works Portland Program – **Resolution 6970**
- c. Prosper Portland adopted Board policies:

- i. Equity Policy – **Resolution 6988**
- ii. Construction Wage Policy – **Resolution 6666**
- iii. Green Building Policy – **Resolution 6262**
- d. Prosper Portland Real Estate Policies – **Resolution 7301**
- e. Pilot Program Initiatives:
 - i. From time to time, pilot programs may be established. CAFÉ will review and recommend the initiation of pilot programs.
 - ii. All pilot programs will include a start and end date, and written evaluations that include next steps.

6. Items Not Subject to CAFÉ Review

As stated in the Authorizing Resolution, this Charter may establish minimum dollar thresholds or other refined guidelines to ensure that CAFÉ prioritizes significant transactions requiring a heightened level of review while streamlining the process for other matters. Inclusion of a type of transaction on this list does not necessarily imply that other transactions DO require CAFÉ review unless otherwise stated in the Authorizing Resolution or this Charter. The following types of transactions do not require CAFÉ review:

- a. Grants that are paid for entirely by City of Portland funds or funds of another public agency and for which the terms of that appropriation or payment to Prosper Portland require the sub-grant of the funds in a particular, reasonably defined manner (e.g., Metro grants \$30,000 to Prosper Portland for planning in a particular neighborhood and the IGA granting the funds contemplates that some or all of those funds be sub-granted to particular community organizations for defined purposes)
- b. Special authority grants (i.e., grants without specific program guidelines) of under \$10,000, so long as the CAFÉ Chair reviews and makes a recommendation regarding such grant in writing.