



DATE: April 14, 2021
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 21-06
Adopting a Revised Financial Investment Policy

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7412

This action by the Prosper Portland Board of Commissioners (Board) will update the Financial Investment Policy and Process for Internal Review and Approval of Financial Investments (Financial Investment Policy). If approved, the updated Financial Investment Policy will more clearly center equity within the agency's consideration of financial investments in furtherance of the Equity Policy adopted by the Prosper Portland Board through Resolution No. 7335, adopted August 14, 2019.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

Prosper Portland's Strategic Plan aims to achieve widely shared prosperity, in part by intentionally considering who benefits from its investments, while also acknowledging increasing financial constraints due to declining tax increment finance resources and limitations in how these resources can be utilized. These themes are further addressed by the agency's Equity Policy and Financial Sustainability Plan. The updated Financial Investment Policy seeks to operationalize these directives by defining high-level financial investment principles and establishing internal review roles and approval authorities. Staff's subsequent work to amend various financial investment related processes and procedures will further provide clarity, transparency, consistency, and oversight in the achievement of stated equity and financial return objectives.

BACKGROUND AND CONTEXT

The Financial Investment Policy guides the formal internal review process to assist the Prosper Portland Board and Executive Director in making financial investment decisions by:

- Defining high-level Financial Investment Principles
- Establishing and assigning responsibilities to an internal review committee
- Establishing authority and responsibilities for loan exceptions
- Requiring reporting of Executive Director-approved financial investments and program exceptions

The proposed update of the Financial Investment Policy is intended to more overtly integrate and align the Equity Policy with the Financial Investment Policy. With this guidance in place, staff will also undertake the following:

- Revise the charter for the existing Finance Investment Committee to reflect a name change and a modified role. The committee will be renamed as the Committee for Accountability of Finance

and Equity (CAFÉ) to reflect a role in ensuring compliance with the Equity Policy and associated strategic direction, in addition to its current role in managing risk mitigation and financial return objectives. Charter revisions will also include establishing thresholds for delegated review authorities to better streamline and improve internal agency processes to improve clarity and reduce administrative burden.

- Update the following to reflect the Prosper Portland Board's expectations of how the agency makes financial investments:
 - Disposition of Real Property Administrative Procedures and Process Manual
 - Acquisition of Real Property Administrative Procedures and Process Manual
 - Loan Administrative Procedures and Commercial Property Redevelopment Loan Guidelines

Revisions to the above documents are intended to better direct the investment of Prosper Portland's financial resources in a manner that:

- Strategically balances risk, equitable public benefits, and a financial return on investment;
- Ensures the agency's guiding equity and investment policies, procedures, and guidelines are being followed; and
- Promotes the agency's cultural agreements.

EQUITY IMPACT

Adoption of the updated Financial Investment Policy will support the goals and directives of the Equity Policy, which calls for:

Managing all programs and investments in a manner that explicitly considers beneficiaries, addresses disparities, and supports equitable outcomes. Prosper Portland's programs and investments that impact the community shall center racial and social equity in program development, community engagement, and implementation and be considered from a racial equity perspective to understand who benefits, who is burdened, and who influences decisions.

a. Programs: Program or initiatives, the recipients thereof, and the processes that govern such activities will be designed to address disparities in access or outcomes and reduce unintended consequences.

b. Investments: Financial investments, including loans and grants, shall be developed in alignment with Prosper Portland's Financial Sustainability Plan by optimizing community benefits and financial returns. As applicable, investments 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.

COMMUNITY PARTICIPATION AND FEEDBACK

Internal outreach was conducted to identify opportunities for clarity and alignment of the Equity Policy with the Financial Investment Policy and associated investment procedures and guidelines. This input will inform revisions to the investment related procedures, manuals, and guidelines described above to ensure:

- Roles, responsibilities, and authority in 1) determining strategic direction, 2) structuring transactions, and 3) ensuring compliance with policies and procedures are clearly defined.
- Equity is overtly integrated with investment procedures and approvals in a manner that is mutually supportive.

- Processes and deliverables are designed and clearly documented to provide consistency, efficiency, and clarity of expectations – and “right-sized” based on nature of transaction and risk.
- Staff expertise (at all levels within the agency) is leveraged in a manner that promotes collaboration, clear communication, and internal accountability.

BUDGET AND FINANCIAL INFORMATION

There are no immediate budget impacts as a result of the proposed action to update the Financial Investment Policy. However, there are longer-term budget implications from adopting the Financial Investment Policy in that the principles will inform Prosper Portland staff activities, investment recommendations, and both Executive Director and Prosper Portland Board approval of financial investments and transactions.

RISK ASSESSMENT

An updated Financial Investment Policy will clarify how Prosper Portland makes investment decisions to advance racial and economic equity through financial investments that promote inclusive growth, address persistent disparities, and obtain financially sustainable returns. This direction will allow staff to modify various procedures and processes to better ensure consistency and transparency in investment-related recommendations and decisions.

ATTACHMENTS

None.