



**PROSPER**  
**PORTLAND**  
Building an Equitable Economy

**DATE:** March 8, 2023  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 23-04  
Adopting an Update to the Prosper Portland Financial Sustainability Plan and  
Authorizing an Amendment to the Prosper Portland Financial Investment Policy

### **BOARD ACTION REQUESTED AND BRIEF DESCRIPTION**

Adopt Resolution No. 7477

This action by the Prosper Portland Board of Commissioners (Board) will i) adopt an update to the agency's Financial Sustainability Plan (FSP Update), ii) authorize amendments to the Financial Investment Policy in line with the FSP Update, charting a path for Prosper Portland to continue to operate a financially sustainable organization that is creating widely shared prosperity for Portlanders.

### **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 July 18, 2018, through Resolution No. 7281, the Prosper Portland Board adopted the Prosper Portland Ten-Year Financial Sustainability Plan ("FSP"), whose business plan was 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.

The onset of the COVID pandemic in 2020 had an adverse impact on local business, real estate conditions, and the performance of Prosper Portland assets. Given the radically different financial environment, staff revisited the FSP, identifying lessons learned based on the first few years of performance, and reconsidering assumptions to ensure a viable path forward in a new economic landscape.

After over a year of staff work, third party consultant analysis and advise, and briefings with key partners, staff have drafted an FSP Update that includes the following four updated objectives:

1. Leverage community-based tax increment finance (TIF) district investments to deliver on community-defined priorities and secure financial return of the dedicated tax increment funds and related assets. More specifically:
  - 56 percent of remaining TIF will be invested in loans or other investments that, on average, generate a 3.8 percent return.
  - 44 percent of remaining TIF will be invested in grants and infrastructure with no financial return.
2. Optimize both public benefits and financial return of non-TIF restricted resources
3. Research and identify new funding sources for programmatic, operational, and capital investment priorities from public and private sources.
4. Secure additional public resources to maintain key business lines and to deliver activities that achieve public priorities.

In addition to seeking Prosper Portland Board approval of the FSP Update, staff are recommending amendments to the agency's Financial Investment Policy. The last time the Prosper Portland Board amended the Financial Investment Policy was on April 14, 2021, through Resolution No. 7412, centering equity within the agency's consideration of financial investments; ensuring that the goals and targeted outcomes of the Equity Policy are advanced; improving internal agency processes to improve clarity and reduce administrative burden; and replacing the existing Financial Investment Committee with the Committee for Accountability of Finance and Equity. The proposed amendment to the Financial Investment Policy that the Prosper Portland Board will be considering on March 8, 2023, is consistent with and will advance the FSP Update by creating a Strategic Investment Fund with resources from uncommitted program income. Staff estimate that approximately \$42,000,000 in Strategic Investment Fund resources will become available over the following five fiscal years (FYs):

- FY 2023-24: \$17,000,000
- FY 2024-25: \$13,500,000
- FY 2025-26: \$3,500,000
- FY 2026-27: \$4,000,000
- FY 2027-28: \$4,000,000

Creation of the Strategic Investment Fund provides a unique opportunity for Prosper Portland to tap into resources that will address the city's most pressing community economic development needs and provide an income stream to the agency to continue to invest in Portland businesses and initiatives. As such, staff are proposing to return to the Prosper Portland Board by June 30, 2024, with an update on initiatives to deliver on the FSP Update, including:

- New and revised loan products and program guidelines;
- New and revised real estate acquisition, management, and disposition policies and procedures; and
- An approach to pursuing state and federal grants to fund agency strategic objectives.

### **EQUITY IMPACT**

The FSP Update, amendments to the Financial Investment Policy, and the potential creation of new investment products are all intended to create widely shared prosperity for Portlanders.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

Staff shared a preview of the FSP Update framework with the Prosper Portland Community Budget Committee (CBC) on December 13, 2022, and January 12, 2023. CBC members were generally supportive, particularly of the creation of the Strategic Investment Fund, yet also wanted to ensure that

community action plans and other TIF commitments are made whole. Staff have also briefed the Prosper Portland Board at their December 7, 2023, retreat, and on January 25, 2023, during an update on the fiscal year 2023-24 budget development process.

#### **BUDGET AND FINANCIAL INFORMATION**

While there are no direct budget impacts from this action, adopting the FSP Update and amending the Financial Investment Policy will have profound and positive impacts both on the trajectory of Prosper Portland’s financial future as well as on the communities the agency serves.

#### **RISK ASSESSMENT**

There are few risks to this action. Given the dramatic changes in the Portland business climate since the original FSP analysis was performed, it was important to review that work and determine what updates were required. The FSP Update is better aligned to current market conditions, has better staff buy-in, and more achievable goals.

#### **ATTACHMENTS**

None.