



**DATE:** June 13, 2018  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 18-25  
Update on Asset Management Activities

#### **BRIEF DESCRIPTION OF INFORMATION ITEM**

No action is requested; information only.

At the October 25, 2017 Prosper Portland Board of Commissioners (Board) meeting, staff provided an update on current approaches, planned revisions to activities, and systems governing management of Prosper Portland-owned real estate. Staff will provide a progress report on these efforts at the June 13, 2018 meeting and anticipates returning to the Prosper Portland Board in fall 2018 to seek approval of proposed changes to real estate and asset management policies.

#### **STRATEGIC PLAN ALIGNMENT AND OUTCOMES**

By regularly reviewing, updating, and making adjustments on how the agency manages its real estate assets, Prosper Portland will deliver on its 2015-2020 Strategic Plan goal of operating an equitable, innovative, and financially sustainable agency.

#### **BACKGROUND AND CONTEXT**

The evolution of Prosper Portland's real estate strategy – from acquiring real estate for development to a long-term ownership and income generation framework – requires changes in its systems, plans, and policies. These changes allow the agency to invest proceeds from real estate activities into economic development projects and programs, as well as other agency priorities.

Following is a description of four crucial principles of sound asset management, including actions that staff has taken to date and what remains to be done. Each of the four principles contributes to the effective and efficient management of Prosper Portland's assets as a comprehensive portfolio, rather than as individual properties, in order to affect long-term growth and strategic alignment.

##### **1. *Software Solutions — the Foundation of Effective Property and Asset Management***

After a competitive solicitation process, Prosper Portland contracted with Yardi Systems (Yardi) in October 2017 as its asset management software platform. When implemented, Yardi, the real estate industry standard for asset management, will equip staff with the necessary tools to effectively analyze and manage the portfolio to the desired financial and strategic goals. In order to maximize the benefit of Yardi while also conserving valuable staff resources, Prosper Portland has contracted with Hott Solutions, a project management firm with deep experience in Yardi implementation, to manage the implementation process. Beginning in early 2018, the asset management and accounting teams have collaborated extensively to complete the buildout of the Yardi platform for Prosper Portland and are now entering the testing phase of the project. During

this process, staff learned a great deal about the differences between Yardi and the agency's system of record, MS Dynamics AX, and the inherent and implied limitations of using one (MS Dynamics AX) to populate the other (Yardi). Because of the labor intensity of this work and the need to ensure an error-free implementation process, staff anticipates that the "go live" date with Yardi will occur in fall 2018 rather than the originally anticipated summer launch date.

2. *Policy Updates — Codifying Asset Management Principles*

Since summer 2017, asset management staff has been reviewing and revising Prosper Portland real estate policies which govern property acquisition, property disposition, real property management, property valuation, and relocation. During this process, staff has discovered that the documents, some dating back to the early 2000s, were developed largely independently of each other and have only been subject to minor modifications over the years. Therefore, staff is currently engaged in a broad and comprehensive effort involving colleagues across the agency to create a body of work that reflects Prosper Portland's mission and priorities and unifies these policy documents under the guiding principles of the Strategic Plan, Social Equity Policy, and Financial Sustainability Plan. As noted, staff anticipates returning to the Prosper Portland Board in fall 2018 with staff's recommendation for policy updates and changes.

3. *Capital Planning — Maintaining Sound Investments*

Since capital planning and budgeting are critical to the long-term health of a real estate portfolio, staff has instituted a capital planning approach into the agency's annual budgeting process that will allow for a cash cushion on a property level rather than in a general contingency account. By focusing on the property rather than the urban renewal area (URA)-level project, the agency is better able to analyze the financial performance of both the individual properties as well as the portfolio as a whole, further signaling the shift from property management to asset management. In addition, staff has completed property condition assessments of two of the four income-producing properties – Union Station and Inn at the Convention Center – highlighted in the City Auditor's report from 2017. These assessments were instrumental to the budgeting process and have provided a framework for making strategic investment decisions. In addition, they informed the optimal structure for future operating agreements. Prosper Portland recently issued a request for proposals (RFP) for a new hotel operator for the Inn at the Convention Center and will release a RFP for Union Station operations in the next several months. While it was not the result of a property condition assessment, in March 2018 Prosper Portland selected City Center Parking to manage the agency's consolidated parking operations.

4. *Individual Property Plans — a Roadmap for Portfolio-Wide Management*

Property plans will be composed of three parts: property data (e.g., tax lot, zoning), project plan (e.g., URA action plan, how it meets the Strategic Plan alignment), and property budget. Staff is configuring the Yardi platform to create plans using a specialized report within the software populated by previously entered data and drawing on current property financials; see Attachment A for a sample property plan. These plans will be reviewed on a regular basis to ensure accuracy of information and consistency with agency goals. This will result not only in a centralized location for critical strategic, financial, and mission related property data, but it will also allow for rapid information sharing with colleagues, the Prosper Portland Board, and the general public in a user-friendly format.

**EQUITY IMPACT**




Prosper Portland's asset management approach delivers on many of the agency's equity objectives. For example, by ensuring that Prosper Portland is able to realize a financial return on its most valuable real

estate, those proceeds can be invested in economic development and other redevelopment priorities. Similarly, by maintaining its real estate assets in sound condition, Prosper Portland can offer leases to local businesses that are owned by people of color, women, and long-term business owners.

**ATTACHMENTS**

- A. Sample Prosper Portland Property Plan

**Property Information – Broadway Bridge Site**

Property Stats			
Property Name / AKA	Broadway Bridge Site	One Waterfront North & South	
Property Description	Vacant fenced land		
Address(s)	NW Naito Parkway		
RNumber(s)	R508394; R508395		
Tax Lot Description	PARTITION PLAT 2001-69, LOT 1 LYING SELY OF NWLY R/W OF BROADWAY BRIDGE; PARTITION PLAT 2001-69, LOT 1 LYING NWLY OF NWLY R/W OF BROADWAY BRIDGE		
Photo / Aerial			
URA	North: River District; South: Downtown Waterfront		
Zoning / Map	North: EX-Central Employment, d-Design Zone; South: EX-Central Employment, d-Design Zone & CX-Central Commercial, d-Design Zone		
Lot Size	1.97 acres (86,015 sq ft)		
Building SF	0 sq ft		
Acquisition Date	October 22, 1987 (part of the Union Station Acquisition)		
Property Management			
Internal/External Management	Internal		
Development Lead/PM	Eric Jacobson		
Project Team	Ian McLeod; Ember Breckenridge		
Holding Plan	Manage & maintain the property in a way that minimizes risks and holding costs, while maintain it in a clean and respectable manner. Provide maintenance, landscape, fencing, and security.		
Interim Activity Strategy	Available for interim use, such as parking, events, and construction staging.		
Utilities	There are no active utilities on site.		
Due Diligence			
Appraisal (most current)	April 21, 2016; 8,770,000; Integra		
ALTA / As-Built	<input checked="" type="checkbox"/> ATLA	Date: 2008	<input type="checkbox"/> As-Built      Date:
Title Report	Date: June 2, 2015		Company: Chicago Title
Title Easements / Agreements	See attached title report		
Site Constraints	No direct vehicle access from NW Naito Parkway onto property; requires accessing over northern property owners property.		
Environmental (Key docs)	Record of Decision (DEQ, June 1998) Contaminated Media Management Plan (Hart Crowser, January 2011)		
Environmental Background	Shallow soil contamination is present in shallow soil due to historical railroad use		

	and is currently enrolled in the Oregon Department of Environmental Quality’s (DEQ’s) Voluntary Cleanup Program. PDC has conducted numerous studies to characterize the contamination. The DEQ Record of Decision (ROD) and Contaminated Media Management Plan (CMMP) outline the actions required to remediate the contamination. The ROD and selected environmental remedy for the site require the installation of a protective environmental cap. At a minimum, the cap must consist of demarcation fabric overlain by two (2) feet of clean fill or hardscape features associated with redevelopment. An estimated protective cap construction cost for the One Waterfront Lots is approximately \$170,000.
<b>Approvals/Plans/Resolutions</b>	
FIC Approval(s)	
Board Approval(s) & Resolution(s)	Acquisition: Acquired in 1987 via Warranty Deed from Portland Terminal Railroad Company as part of a 31-acres redevelopment opportunity in connection with the River District and DTW URA Plans.
Plan(s)	River District URA Plan; Downtown Waterfront URA Plan
Framework(s)	
Financial Sustainability Goal	Dispose
2015-2020 Prosper Portland Strategic Goal	Objective 1: Create Healthy, Complete Neighborhoods Throughout Portland
Equity Goal	
<b>Current Agreements</b>	
Permit(s) / Lease(s)	None
LOI / MOU / DDA / PSA	None
Obligations	None
<b>Additional Information</b>	
Appraisal(s) (additional)	a) December 09, 2014; \$6,880,000; Integra b) November 15, 2007; \$5,200,000; Integra
Notes	