

DATE: June 13, 2012
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 12-13
Recommending Portland City Council Authorize the Portland Development Commission to Submit an Application to the State of Oregon for Designation of the East Portland Enterprise Zone and Electronic Commerce Zone

BOARD ACTION REQUESTED

Adopt Resolution No. 6950

ACTION DESCRIPTION

The action before the PDC Board of Commissioners (“Board”) will recommend that the Portland City Council (“Council”) authorize the Portland Development Commission to submit an application to the State of Oregon which seeks approval of a new Enterprise Zone (“E-Zone”) program, with an Electronic Commerce (“E-Commerce”) designation, for identified portions of East Portland. State approval of the E-Zone application will provide limited-duration tax abatements for firms that make capital investments that expand operations, increase jobs and increase the tax base.

Pursuant to State statute, a city that sponsors an E-Zone may establish conditions, by adopted policy, for firms to take advantage of E-Zone tax abatements. This action will also recommend that Council adopt the proposed East Portland E-Zone Policy, setting reasonable conditions to the eligibility for tax abatements.

Specifically, the Board is being asked to take the following actions:

- 1) Support the East Portland E-Zone and E-Commerce designations.
- 2) Forward a recommendation to City Council for approval, along with an E-Zone policy.
- 3) Authorize the Executive Director to submit an application for designation of the East Portland E-Zone and E-Commerce Zone to the State of Oregon on behalf of the City (subject to Council approval).

BACKGROUND AND CONTEXT

E-Zones have proven to be a potent tool in the pursuit of business growth, expansion, retention and job growth. The program’s effectiveness is based on a short-term, but immediate benefit for the business project’s cash flow. This state sponsored economic development program provides up to 100 percent property tax abatement over a three to five-year period on an eligible company’s new investment in facilities, equipment and machinery. The primary users of the E-Zone program are manufacturing and other industrially-oriented businesses. E-Zones can be up to 12 square miles in size. A designation lasts up to 10 years. The State of Oregon’s E-Zone program has been in existence since the mid-1980s. During the recent 2012 Legislative session, the State made five additional E-Zone designations available to urban areas. In order to take advantage of the newly authorized E-Zone authority, an application must be approved and submitted by June 15, 2012.

Applicants can also pursue an additional overlay called an E-Commerce designation to supplement the E-Zone program. This allows qualifying businesses to claim an income tax credit equaling the lesser of \$2 million or 25 percent of the investment cost made in capital assets used in E-Commerce operations inside the E-Zone. E-Commerce is defined as traded sector businesses which conduct more than 50 percent of their business electronically. In contrast to the E-Zone program, the State of Oregon is only offering one E-Commerce designation during this round of applications. Therefore, it may be more competitive.

The City of Portland currently has one existing E-Zone which includes industrial properties in northwest, north and northeast Portland. PDC manages this E-Zone on behalf of the City. Since 1996, more than 50 companies have participated in the program; 30 firms are presently enrolled. This has leveraged more than \$1 billion in private investments and created and retained more than 5,000 full-time, family wage jobs. Additionally, newly enrolled E-Zone firms are expected to invest another \$500 million in E-Zone projects in the next three years. The positive impact on our local economy is considerable. PDC recently used these programs to help retain the corporate headquarters of Rentrak, a local media measurement and research company in the Airport Way Urban Renewal Area.

State statutes also permit a City to establish their own E-Zone policies. When the City established the existing E-Zone in north/northeast Portland, PDC was authorized to administer a policy requiring applicants for tax abatements to, amongst other things, i) set minimum hiring requirements, ii) set minimum wage and benefit requirements, iii) contribute to a workforce training and business development fund, iv) set goals for increasing procurements from local businesses, v) comply with local workforce equity programs and vi) provide business support for child care and public transportation. This action will also recommend that the City Council adopt a similar policy for the new E-Zone.

This action will recommend to the Portland City Council that PDC submit an application on the City's behalf to expand these benefits to areas of the City that are in need of increased business growth and jobs. Specifically, the proposed geographic area for the new E-Zone includes industrial, commercial and employment-zoned properties generally east of Cesar Chavez Boulevard (39th Avenue) to the Portland city limits bordering Gresham. Of approximately eight square miles in size, the area includes a number of vacant sites and vacant or underutilized buildings that are prime candidates for expansion and redevelopment.

COMMUNITY AND PUBLIC BENEFIT

E-Zone designations have the ability to bring significant economic benefits and job opportunities to Portland. In 2009 alone, firms in the existing Portland E-Zone spent an estimated \$60 million in local procurement in Portland and workers averaged nearly \$30 per hour in wages and benefits. Staff expects to see similar results with the designation of the East Portland E-Zone.

Beyond job creation and local procurement which occurs through the E-Zone, companies are also required to pay back to PDC an amount equal to 15 percent of the value of its abatement into the Workforce Training and Business Development Fund. These community contributions are distributed as follows:

- 1) 60 percent is allocated to the Workforce Training Fund, administered by Worksystems, Inc. and goes toward job training for participating E-Zone companies; and
- 2) 40 percent is allocated to the Business Development Fund, administered by PDC, and is distributed to the community through grants to local service agencies for business assistance, including technical assistance and financing.

PUBLIC PARTICIPATION AND FEEDBACK

A taxing jurisdiction consultation meeting was held June 6, 2012, and a public open house was held in east Portland on June 7, 2012. Feedback received from these forums will be discussed during the Board hearing. PDC also had telephone conversations with URAC leadership from the Central Eastside, Gateway Regional Center and Lents Town Center Urban Renewal Areas in order to make them aware of our pursuit of the designation. Members expressed support for the application. (See Attachment A, Letters of Support).

The Port of Portland and the City Council are scheduled to take action on the proposed Enterprise Zone application on June 13, 2012, and June 14, 2012, respectively.

Pursuant to the proposed East Portland E-Zone Policy, an advisory committee will be established to provide oversight and recommendations regarding the program to the PDC Executive Director and the Board.

BUDGET AND FINANCIAL INFORMATION

The E-Zone program does not decrease projected growth in property taxes. The three to five-year property tax abatements only apply to new capital investment. Thus, taxes continue to be collected for existing improvements. Once the tax exemption expires, property tax revenues collected by local taxing jurisdictions and urban renewal taxes will increase based on the value of the new investments.

The E-Commerce program will result in a temporary loss of some income tax revenues to the State, dependent on the investment amount by qualifying companies. However, this is typically offset by the long-term benefits resulting from the new investments, which may not have otherwise been made if the program were not in place.

While PDC will administer the new E-Zone program, fees collected from the companies applying for tax abatements are anticipated to cover all PDC staff costs.

RISK ASSESSMENT

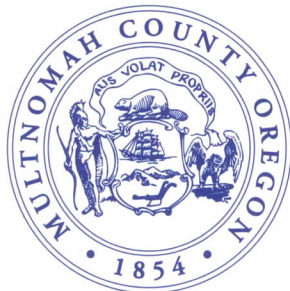
Aside from public perceptions and scrutiny about the use of property tax abatements, there are no risks to the Commission in approving this proposal.

ALTERNATIVE ACTIONS

The Board could decide against applying for an E-Zone designation. However, there is no certainty that future designations will be available. The Board could also decide to modify the proposed geographic boundaries. However, adding or removing property from the proposed boundary could impact the ability of the area to qualify based on measures of economic need. The Board could choose to amend the Policy to incorporate new or eliminate certain requirements.

ATTACHMENTS

- A. Letters of support



Jeff Cogen, Multnomah County Chair

501 SE Hawthorne Blvd., Suite 600
Portland, Oregon 97214
Phone: (503) 988-3308
Email: mult.chair@co.multnomah.or.us

June 01, 2012

Tim McCabe, Director
Business Oregon
775 Summer Street NE, Suite 200
Salem, OR 97301-1280

Dear Director McCabe,

Multnomah County supports the Portland Development Commission's East Portland Enterprise Zone application to the State of Oregon.

Multnomah County views the property tax abatement of this proposed zone as a prudent investment for the purpose of encouraging business development that will enhance the overall economic health of the region. With an Enterprise Zone program that I expect to be up and running quickly, east Portland will benefit from the Portland Development Commission's valuable experience administering the existing program that has served businesses and residents in north and northeast Portland.

East Portland is a place where this type of assistance is much needed and can have a tremendous impact of promoting business growth. Successful economic growth creates valuable employment opportunities for local residents and helps drive significant improvements in the overall community. Further, I am pleased that the Portland Development Commission is seeking an "e-commerce" designation that will help promote the creation of the kinds of jobs in east Portland that will have long-term relevance in a 21st century economy and that can support economic development efforts throughout east County.

I very much appreciate that the Portland Development Commission engaged Multnomah County in the development of this Enterprise Zone Program and worked with Multnomah County in the decision to focus the program on under-served areas in east Portland. I look forward to Multnomah County's continued participation through the zone's technical advisory group and working with partners to maximize the impact of the zone's workforce training and business development funds to support the residents of east Portland and businesses of all size within the community.

Sincerely,


Jeff Cogen
Multnomah County Chair



Software Association of Oregon
Connect to Innovate

June 1, 2012

Tim McCabe, Director
Business Oregon
State Lands Building Suite 200
775 Summer Street NE
Salem, Oregon 97301-1280

Subject: Enterprise Zone and Electronic Commerce Designations for East Portland

Dear Mr. McCabe:

On behalf of the Board of Directors and statewide membership of the Software Association of Oregon, I am writing to convey the SAO's strong support for the proposed East Portland Enterprise Zone (E-Zone) and Electronic Commerce (E-Commerce) overlay.

As Oregon and the Portland Metro region look for solutions to our current economic and employment issues, creation of this E-Zone in East Portland, with the combined E-Commerce overlay, will provide a strong and effective system of business development programs and opportunities that will result in long-term investment and job growth for this area of the city.

We applaud the broad economic development benefits and opportunities the E-Zone Programs will offer to the East Portland business community. Businesses will find that this zone offers development and investment benefits through a combination of tax credits and exemptions, while the local community will benefit from requirements to increase and maintain hiring within the E-Zone, creating a path to long-term, sustainable development for the community as a whole.

As the trade association for Oregon's high tech industry, we are particularly pleased to support the inclusion of an Electronic Commerce overlay. We know that our industry has a record of providing historically higher than average wages, consistent job creation, and business growth in Oregon, thereby substantially increasing economic and community development benefits to the entire area.

It is worth noting that many of these jobs and opportunities created by growth in software and technology are not limited to software and technology companies. To be sure, software and technology-related jobs are becoming ubiquitous in a variety of industries, ranging from manufacturing, to healthcare, to athletic and outdoor gear, and many of these non-technology companies will find opportunity in the newly created E-Zone.

The Software Association of Oregon fully recognizes the value of creating and promoting opportunities for business investment and job growth in our state. Our mission to foster and promote Oregon's technology industry is often best served by supporting economic development initiatives and proposals like this one which are designed to enhance business expansion, retention, and recruitment efforts across multiple industries.

Sincerely,

A handwritten signature in black ink, appearing to read "Skip Newberry". The signature is fluid and cursive, with the first name "Skip" being more prominent than the last name "Newberry".

Skip Newberry
President
Software Association of Oregon
222 NW 5th Avenue – 3rd Floor
Portland Oregon 97204



GREATER PORTLAND INC
1211 SW 5TH AVE #540, PORTLAND, OR 97204
GREATERPORTLANDINC.COM
503-445-8065

June 1, 2012

Tim McCabe, Director
Business Oregon
State Lands Building Suite 200
775 Summer Street NE
Salem, Oregon 97301-1280

Subject: Enterprise Zone and Electronic Commerce Designations for East Portland

Dear Mr. McCabe:

Greater Portland Inc. is supportive of the City of Portland's East Portland Enterprise Zone and Electronic Commerce applications to the State of Oregon. The Enterprise Zone (E-Zone) Program is an effective mechanism that encourages business development opportunities in the region. Together with the Electronic Commerce (E-Commerce) designation, the City will have access to proven tools to promote business investment and job growth in our area.

As the region's public/private economic development partnership, Greater Portland Inc. is focused on collaboratively driving quality economic expansion and job creation. The E-Zone Program with an E-Commerce overlay will advance our coordinated regional economic development strategy to promote business retention, expansion and targeted recruitment. We believe the associated return on these tax abatements will lead to job growth with local investment to provide long term economic stability to the entire region.

Greater Portland Inc. views this proposal as a way to support business growth, create jobs and generate other community benefits in east Portland. We appreciate the opportunity to support these valuable incentives.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean Robbins", written in a cursive style.

Sean Robbins
President and CEO



5 June 2012

Tim McCabe, Director
Business Oregon
775 Summer Street NE, Suite 200
Salem, OR 97301-1280

Dear Tim,

The Columbia Corridor Association understands that PDC, the Port of Portland and the Portland City Council will be considering establishing a new East Portland Enterprise Zone (E-Zone), along with an Electronic-Commerce (E-Commerce) overlay. This new Zone would include all of the industrially-zoned property east of 39th Avenue (Cesar Chavez Blvd.), much of which is also in the Columbia Corridor.

We strongly support this proposal. The Airport Way district, in particular, has many properties that would benefit from having the E-Zone incentives in place. As we creep out of the recession, many companies are debating whether to sit tight or make new capital investments which would position them well during recovery. The E-Zone program offers them an excellent incentive to do the latter. Additionally, the E-Commerce overlay could also provide the difference in some companies staying and expanding their facilities in Portland, or leaving for greener pastures. This was the case a year or two ago when we were able to retain Rentrak, along with their 230 employees, here in Portland due, in large part, to the E-Zone/E-Commerce incentives.

Providing incentives to support our existing and prospective businesses keeps our region strong. It helps businesses feel more confident to expand during recovery.

Therefore, we support PDC, the Port and the City Council in the establishment of the Enterprise Zone and E-Commerce programs as proposed.

Sincerely,

A handwritten signature in black ink that reads "Corky Collier". The signature is written in a cursive, slightly slanted style.

Corky Collier
Executive Director



June 4, 2012

Tim McCabe, Director
Business Oregon
State Lands Building Suite 200
775 Summer Street NE
Salem, Oregon 97301-1280

Subject: Enterprise Zone and Electronic Commerce Designations for East Portland

Dear Mr. McCabe:

Beam Development is highly supportive of the City of Portland's East Portland Enterprise Zone and Electronic Commerce applications to the State of Oregon. The Enterprise Zone (E-Zone) Program is an effective mechanism that encourages business development opportunities in the region. Together with the Electronic Commerce (E-Commerce) designation, the City will have access to proven tools to promote business investment and job growth in our area.

As a developer of creative office space in the Central Eastside of Portland, Beam Development, is focused on working closely with high-growth early stage companies that are creating quality jobs and are driving economic growth. The E-Zone Program with an E-Commerce overlay will provide our growing tenants with an important resource that will allow them to realize their businesses' full potential with more productive workspace and more efficient infrastructure. These benefits are in direct alignment with the regional economic development strategy to promote business retention, expansion and targeted recruitment. We believe the associated return on these tax abatements will lead to immediate job growth with local investment to provide long term economic stability to the entire region.

Beam Development views this proposal as a way to support business growth, create jobs and generate other community benefits. We look forward to educating our tenants on the benefits of this program. We appreciate the opportunity to support these valuable incentives.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Malsin".

Jonathan Malsin | Director of Operations

Beam Development

1001 SE Water Ave, Suite 120

Portland, OR 97214

direct: 503.542.8422 | main: 503.595.0140

www.beamdevelopment.com



**Program Advisory
Committee**

- Bob Earnest**
Co-Chair, Hazelwood at Large
- Jackie Putnam**
Co-Chair, Gateway Resident
- Shawn Klinkner**
Adventist Medical Center
- Susan Brady**
Mt. Hood Community College
- Tim Brunner**
East Portland Chamber of
Commerce
- Frieda Christopher**
Business Owner at Large
- Ted Gilbert**
Housing Developer
- Jeff MacDonald**
IRCO
- Arlene Kimura**
Hazelwood Nbh. Assoc.
- Jerry Kolke**
Gateway Resident
- Lynn Powell**
Gateway Elks
- Sarah Zahn**
Non-Profit Housing
- Linda Robinson**
Hazelwood at Large
- Fred Sanchez**
Gateway Business
- Lee Powell**
Gateway Area Business Assn.
- Colleen Gifford**
Gateway Resident

June 4, 2012

Tim McCabe, Director
Business Oregon
775 Summer Street NE, Suite 200
Salem, Oregon 97301-1280

Subject: Enterprise Zone and Electronic Commerce Designations for East Portland

Dear Director McCabe:

As Co-Chairs of the Gateway Regional Center Program Advisory Committee (PAC), we strongly support the City of Portland's East Portland Enterprise Zone and Electronic Commerce applications to the State of Oregon. The Enterprise Zone (E-Zone) Program is an effective mechanism that encourages business development opportunities in the city. Together with the Electronic Commerce (E-Commerce) designation, the City will have access to proven tools to promote business investment and job growth throughout east Portland. We feel that the Gateway area is particularly well-poised to take advantage of these designations, as the district enjoys excellent freeway access, proximity to Portland International Airport, and flexible zoning that encourages commercial uses.

By providing incentives to encourage existing or new companies to undertake capital investments and increase employment within east Portland, we are directly impacting the outcomes of the City's Neighborhood Economic Development Strategy, the East Portland Action Plan and the recently adopted Portland Plan. Further, the Workforce Training and Business Development Funds from the program will support the ongoing needs of the Gateway Regional Center and surrounding areas.

The Gateway PAC appreciates being involved in the development of this new enterprise zone and urges the State to approve this application.

Sincerely,

Bob Earnest
Gateway PAC Co-Chair
1119 NE 107th Place
Portland, OR 97220

Jackie Putnam
Gateway PAC Co-Chair
10246 SE Mill Ct
Portland, OR 97216



Urban Renewal
Advisory Committee

- John Notis
Chair, Resident At-large #1
- Adam Simmons
Vice Chair, Business #1
- Tom Barnes
Powellhurst-Gilbert NA.
- Michael Cummings
Resident At-large #4
- Rachel Lent Cunningham
Taxing Jurisdiction – Multnomah
- Vacant
Foster-Powell NA
- David Hyde
Lents NA
- Roberta Krogman
Powellhurst-Gilbert NA
- Dan Jung
. Taxing Jurisdiction – PPS
- Annette Mattson
Resident At-large #3
- Steve Messinetti
Community Organization #2
- Cora Potter
Resident At-large #2
- Roger Rees
Community Organization #1
- Seth Richardson
Foster Area Business Assoc.
- Gary Sargent
82nd Ave. Business Association
- Sia Sellu
Lents NA
- Vacant
Business At-large #2
- Vacant
Mt. Scott-Arleta N.A.
- Vacant
Business At-large #3

Send Correspondence to:
LTC URAC
Portland Development Commission
Attention: Juanita Swartwood
222 NW 5th Avenue
Portland, OR 97209

503.823.3209
www.pdc.us

June 04, 2012

Tim McCabe, Director
Business Oregon
775 Summer Street NE, Suite 200
Salem, Oregon 97301-1280

Subject: Enterprise Zone and Electronic Commerce Designations for East Portland

Dear Director McCabe:

As chair of the Lents Town Center Urban Renewal Advisory Committee (URAC), I strongly support the City of Portland's East Portland Enterprise Zone and Electronic Commerce applications to the State of Oregon. The Enterprise Zone (E-Zone) Program is an effective mechanism that encourages business development opportunities in the city. Together with the Electronic Commerce (E-Commerce) designation, the City will have access to proven tools to promote business investment and job growth throughout east Portland, including the Foster Corridor, where we have many underutilized employment lands.

By providing incentives to encourage existing or new companies to undertake capital investments and increase employment within east Portland, we are directly impacting the outcomes of the City's Neighborhood Economic Development Strategy, the East Portland Action Plan and the recently adopted Portland Plan. Further, the Workforce Training and Business Development Funds from the program will support the ongoing needs of the Lents Town Center and surrounding neighborhoods. These new tools would work in synergy with our existing urban renewal programs to further our urban renewal goals.

We appreciate being involved in the development of this new enterprise zone and urge the State to approve this application.

Sincerely,

John Notis, Chair



4707 SE 17th Avenue
PO Box 82189
Portland, OR 97282
Tel (503) 233-6401 / Fax (503) 233-6407

May 31, 2012

Tim McCabe, Director
Business Oregon
775 Summer Street NE, Suite 200
Salem, Oregon 97301-1280

Subject: Application for Designation of the East Portland Enterprise Zone

Dear Mr. McCabe:

We are highly supportive of the proposal to establish the East Portland Enterprise Zone. With this Zone in place, including our business location and other industrial business locations in our general vicinity, it will give the City of Portland a new tool to promote business investment and job growth in our area. Additionally, the new Portland-Milwaukie light rail transit line will provide transportation for workers traveling into the industrial area. As our business expands, having both the E-Zone and the new TriMet line will be advantageous.

PECO is considering significant investments in our holdings in the near future involving new capital improvements of around \$4 million. The benefits of potentially allowing a temporary abatement of the property taxes could provide an attractive incentive to proceed with the project and, possibly even increase our investment. These improvements would allow us to increase our workforce – potentially more than 30 personnel within the next two years - and take on more contracts in the future.

Please feel free to contact me if there you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen M. Scheidler", written over a white background.

Stephen M. Scheidler
President/CEO PECO Manufacturing