



**DATE:** February 11, 2015  
**TO:** Board of Commissioners  
**FROM:** Patrick Quinton, Executive Director  
**SUBJECT:** Report Number 15-13  
Recommending to Portland City Council Adoption of a New Enterprise Zone Policy

### **BOARD ACTION REQUESTED**

Adopt Resolution No. 7102

### **ACTION DESCRIPTION**

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will recommend that the Portland City Council (City Council) adopt a new and updated City of Portland (City) Enterprise Zone (E-Zone) Policy (proposed Policy) for the Portland E-Zone and the East Portland E-Zone policies (E-Zone Policy) and combine them into a single Portland E-Zone and Electronic Commerce (E-Commerce) proposed Policy. PDC is requesting changes to the proposed Policy to more closely align with current agency strategy and priorities, including the 2011 Neighborhood Economic Development (NED) Strategy, the Portland Comprehensive Plan Update, and the PDC 2015-2020 Strategic Plan.

### **BACKGROUND AND CONTEXT**

The Oregon Legislature established a statutory structure to permit cities to establish areas in their cities where businesses that invest in economic expansion and the creation and retention of jobs could claim property tax abatements for a period of time. In exchange for the tax abatements, local governments could establish local policies imposing obligations on such companies to provide designated community benefits.

In 1986, City Council established Portland's first E-Zone (see map in Attachment A), designating PDC to serve as the E-Zone program manager. Since then, the E-Zone program has been an important tool to spur capital investment in companies while leveraging opportunities for employment and skills training for local residents and communities.

In 2012, City Council adopted the City's second E-Zone, the East Portland E-Zone. The policy governing the East Portland E-Zone mirrored the existing Portland E-Zone Policy and it was understood that PDC staff would ultimately approach the PDC Board and City Council with revisions to combine the policies into a single citywide proposed Policy.

Pursuant to State of Oregon statute, the City Council established a local E-Zone Policy that established local requirements for participation in the E-Zone program. The current E-Zone Policy calls for PDC to administer the Portland E-Zones and for PDC to manage a pool of community contributions to benefit residents in or near the E-Zone through workforce training and small business development programming.

The E-Zone program is one of the City's most powerful tools to incent major new capital investments that create opportunities for local residents for what are primarily traded sector jobs. Major goals of the E-Zone program aim to:

- Attract major new industrial and commercial capital investments through the expansion of existing facilities or the construction of new facilities in the city;
- Entice new investments by businesses where a substantial portion of their activity is traded sector and/or done through E-Commerce;
- Attract new capital investments by businesses that will be establishing their headquarters in the Portland E-Zone;
- Increase economic opportunity and income for all Portland residents and historically disadvantaged Portlanders (e.g., communities of color and people in priority neighborhoods) by linking them with quality jobs created by participating Portland E-Zone businesses; and
- Ensure that the jobs being created meet basic job quality and retention requirements per the E-Zone Policy and State of Oregon requirements.

In the last few years, the E-Zone program has generated 30 new E-Zone applications. The estimated benefit to Portland in the next three to five years from these applications will be remarkable:

- \$500,000,000 in capital investment;
- 1,300 jobs with average wages of \$25 per hour and \$9 per hour in benefits for employees; and
- \$84,000,000 in wages/benefits each year for employees.

PDC staff is recommending the following changes to the City's current E-Zone Policy:

- Community Contributions: The proposed Policy will insure all participating companies contribute to PDC an amount equal to 15 percent of their tax savings to a fund administered by PDC to provide employment training opportunities for Portland residents and to provide funds to promote local economic development.
- Transit Support and Childcare: The proposed Policy will provide contributions to a fund to promote childcare and public transportation assistance for low wage employees in the Portland E-Zone areas.
- Flexibility: The proposed Policy will authorize PDC to negotiate more flexible requirements to meet the actual practical needs of participating companies and local residents.
- Consolidating into One Policy: The proposed Policy will provide consistency for all industries participating in the program and will serve as the over-arching guide for the City's local E-Zone requirements.
- Updating E-Zone Program Goals: The proposed Policy will more thoroughly support numerous adopted plans and strategies, including the 2011 NED Strategy, the Portland Comprehensive Plan Update, and the pending PDC 2015-2020 Strategic Plan.
- Emphasizing the E-Commerce Program: The proposed Policy will specifically call out E-Commerce as a vital part of the program and will align program requirements for E-Commerce investments with all E-Zone investments. E-Commerce investments are treated differently in the current E-Zone Policy, which requires fewer community benefits from E-Commerce investments.
- Requiring Community Participation in Revenue Allocation: The proposed Policy will require PDC to solicit input from community organizations having an interest in how E-Zone revenue is allocated. The PDC Board will seek input from the NED Leadership Group and/or other similar groups in developing E-Zone related programs; this will allow more stakeholders from around the city to give input into programming.

- Simplifying the Policy: The E-Zone Policy is complex and overly detailed; the recommendations contained in the new proposed Policy are based on PDC’s experience administering the program for the past 19 years.

### **COMMUNITY AND PUBLIC BENEFIT**

Since the beginning of the E-Zone program in 1986, E-Zone companies have made significant investments, created high-quality jobs, and provided a number of other benefits to the community in exchange for tax abatement. These benefits to the community will continue under the proposed Policy.

This action will also clarify and simplify the E-Zone Policy, making it easier to manage and enforce the various community benefits that are built into the program. It gives broader representation to the Portland community through the NED Leadership Group as it advises PDC on revenue allocation. Moreover, with these revisions, payment into the pool of community contributions will be extended to companies making E-Commerce investments; this will help to create fund stability far into the future.

### **PUBLIC PARTICIPATION AND FEEDBACK**

In the past year, PDC leadership and staff have reached out to companies currently participating in the E-Zone program, companies that have expressed interest in using the E-Zone program, the NED Leadership Group, TriMet, Swan Island Business Association, Multnomah County Chair, and Worksystems, Inc. These stakeholders have generally responded favorably towards the proposed Policy.

### **BUDGET AND FINANCIAL INFORMATION**

PDC collects and distributes E-Zone Workforce Training Business Development Funds (WTBDF). Currently, E-Zone Policy isolates the WTBDF as a stand-alone fund with restrictions that prevent it from being directly aligned with PDC and City strategies and plans. This action does not impact PDC’s adopted budget in any way, but rather clarifies how PDC can administer a fund consisting of contributions from participating E-Zone companies. If approved, E-Zone funds can be more quickly deployed for economic development programming, as budgeting conversation will be folded into broader planning via the NED Leadership Group.

### **RISK ASSESSMENT**

This action will reduce risk of having a program that has different policies for different parts of the city and different kinds of businesses (regular E-Zone versus E-Commerce), thus ensuring all areas, businesses, and residents can receive similar and equal kinds of benefits from the program.

This action will also reduce potential legal claims based on ambiguous requirements of current policy. PDC Legal Counsel recommends the proposed Policy in that it will make clear that in no event will participating companies have possible claims for repayment or refunds from PDC.

### **ALTERNATIVE ACTIONS**

The PDC Board could elect to not recommend these changes to City Council. In this case, the status quo would continue.

The PDC Board could also recommend alternative actions to City Council. If so desired, staff would revise the recommendations accordingly and return to the PDC Board with a revised report and resolution(s).

### **ATTACHMENTS**

- A. Portland and East Portland E-Zone Map

### Portland and East Portland E-Zone Map

