

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: February 27, 2008

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 08-30
Approval of the Enterprise Zone Policy and Authorization to request the City Council apply to OECD for a Ten Year Enterprise Zone designation

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6562

ACTION SUMMARY

This action will initiate a request to City Council requesting that the City apply to the Oregon Economic and Community Development Department for a ten year Enterprise Zone designation and approve the City of Portland Enterprise Zone Policy.

Upon receiving state authorization further action by the Portland Development Commission will be needed in order to assume the role as the E-Zone manager and approve the written agreement that enforces the E-Zone Policy

PUBLIC BENEFIT

The Enterprise Zone is one of the only Economic Development tools for retaining and attracting new investment while creating family wage jobs, among other things to the City of Portland. This program has returned a significant return to the City over the past years.

The Enterprise Zone (E-Zone) program furthers the Portland Development Commission's (PDC) Strategic Plan to encourage private investment in the City by offering a five year 100% a tax abatement on all new investments playing a significant role in encouraging businesses to expand and locate in Portland's industrially zoned areas.

The Enterprise Zone program also furthers the Economic Development Department's goal of job creation by requiring companies receiving an abatement to invest 15% of their total abatement towards a fund that will be earmarked to train residents of Portland at or below 80% median family income (MFI) for jobs being created by companies participating in the E-Zone program. Furthermore, the participating E-Zone companies will be required to give first source hiring preferences to these individuals, thus creating career opportunities for Portland residents who are unemployed and/or under-employed.

Since the creation of new policies that standardized requirements in 2000, thirty five (35) companies have invested and estimated \$437 million for \$26 million in abatements; while retaining or creating 4,300 jobs.

In addition to the private investment and job creation described above, public benefits resulting from participation in the Enterprise Zone program include:

- the renovation of existing facilities in the Enterprise Zone
- the utilization of minority, woman-owned and emerging small businesses (M/W/ESB) during construction
- Increased business opportunities for companies within the Enterprise Zone through the program's local procurement requirement.

This action will support the following PDC goals:

- Develop healthy neighborhoods
- Provide access to quality housing
- Help businesses to create and sustain quality jobs
- Support a vibrant Central City (urban core)
- Contribute to a strong regional economy

PUBLIC PARTICIPATION AND FEEDBACK

An Ad-hoc committee comprised of community stakeholders, businesses and community representatives has been meeting to assist staff in formulating the local requirements. Staff has held numerous met with numerous stakeholders that have previously played a role in the creation of former Ezone Program in order to gain insight and additional ideas on how to improve the E-Zone program. Finally, PDC hired EcoNW to perform a program performance review that included surveying participating E-Zone firms and interviewing community stakeholders and businesses that have been apart of the E-Zone Program.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

In March of 1996, through Resolution No. 35773, the City Council authorized PDC to apply to the Oregon Economic and Community Development department for a ten year enterprise zone designation through June 30, 2007. The City Council also adopted the Enterprise Zone Strategy which, among other things and subject to certain conditions, required participating companies to: provide child care support to employees with low household incomes and public transit support to employees; develop a procurement plan to increase the purchase of goods and services from companies; and to utilize the City's M/W/ESB and Workforce Training and Hiring Program during construction. The City received re-designation of the Enterprise zone June 1996.

In December of 2000, through Resolution No. 35950 the City Council adopted a resolution that put into place a model form of the Enterprise Zone Contract to clarify what is required to comply with the Enterprise Zone regulations and to ensure that companies meet the guidelines of the Enterprise Zone. Administrative changes were also made that increased the City's Cost of Service reimbursement from 25% to 30%, consistent with budgetary recommendations for the fiscal year 2000-2001. With the adoption of this resolution the City Council approved the use of the Model Enterprise Zone Contract and gave PDC the authority to approve the final contracts informing the City Council as this occurs.

The proposed Board action and use of the Enterprise Zone Contract is consistent with the above-referenced City plans and policies.

FINANCIAL IMPACT

For the past ten years the E-Zone program has been funded through general funds allocation and program application fees paid by participating firms in the program. These fees and general fund dollars will continue to be used to cover the programmatic costs of

running the E-Zone Program including staff time. No additional financial impact is expected with this new application to the State of Oregon seeking an additional ten year authorization of the Program.

RISK ASSESSMENT

There is very little risk associated with PDC managing the Enterprise Zone program on behalf of the City of Portland. The Enterprise Zone program is a State sanctioned program that entitles eligible companies with qualifying investments to receive tax abatement. Under state statute The Multnomah County Tax Assessors office is responsible for calculating abatement. The PDC will use the E-Zone Policy, State Statute and Administrative Rules to ensure that participating company's meet the programs requirements on an annual basis.

WORK LOAD IMPACT

Economic Development Department has been running E-Zone program for the past ten years and will continue to run this program if authorization is received by the City of Portland

ALTERNATIVE ACTIONS

The Enterprise Zone program is one of the few public economic development incentives available to new and expanding industrial businesses due to the fact that a majority of the sites that would qualify under the E-Zone program are not located within any of the City's urban renewal areas. Further there are limited state and no local resources available to assist these companies with their expansion projects apart from the Enterprise Zone tax abatement. If the City of Portland Enterprise Zone Program is not renewed, and the City Council or PDC wished to provide similar business assistance, The City would have to receive special legislative concessions to rebate property tax in its jurisdiction.

CONCURRENCE

To prepare for reauthorization, PDC formed a Task Force comprised of community stakeholders, companies currently in the E-Zone program and representatives from partnering agencies and bureaus (such as WorkSystems Inc. and Bureau of Housing and Community Development) to work with staff to develop the new E-Zone policy. The Task Force met on four occasions in 2007 and two occasions in 2008. Additionally, staff has meet with local community representatives of N/NE Portland, Multnomah County, select businesses that have or are currently participating in the E-Zone program.

As required by state statute, the Port of Portland consented to Portland's application to The OECDDD seeking a ten year E-Zone designation, on February 13, 2008. Additionally PDC has notified all taxing entities that have one or more tax codes with in the proposed E-Zone boundary of the City's desire to seek a ten year E-Zone designation. This letter also offered to meet with any taxing entity individually to answer any questions or address any concerns. Taxing entities have also been invited to a special informational meeting on Feb 22, 2008 to discuss the application, address issues about the E- Zone. As of February 21 PDC has not received any written comments on the E-Zone.

BACKGROUND

The Portland Enterprise Zone Program is a five-year tax-abatement program, that leverages significant private sector investment to spur economic activity in the community. The Program is a public/private partnership managed by the Portland Development Commission, where companies receive program benefits in exchange for meeting job creation and other requirements aimed at business creation within Portland. Eligible expanding businesses in Portland can qualify for up to a 100% property tax exemption of the new property taxes generated by their investment in facilities, equipment and machinery whether they lease or own.

The Enterprise Zone Program does not use Tax Increment Financing (TIF) funds, but instead provides a property tax abatement on all new investments. This is a complete abatement on all local and county property taxes. The City sponsors the Enterprise Zone which is generally located west of I-205, east of Forest Park, north of I-84 and south of the Columbia River in Portland, Oregon ("Zone").

The Portland Enterprise Zone program is governed by Oregon State Statutes. ORS 285C.055 (2003) sums up the purpose for enterprise zone legislation, first enacted by the Oregon Legislature in 1985, as follows; "The health, safety and welfare of the people of this state are dependent upon the continued encouragement, development, growth and expansion of employment, business, industry and commerce throughout all regions of the state, but especially in those communities at the center of or outside of major metropolitan areas for which geography may act as an economic hindrance. . . . [T]here are areas in the state that need particular attention of government to help attract private business investment into those areas and to help resident businesses to reinvest and grow and that many local governments wish to have tax incentives and other assistance available to stimulate sound business investments that support and improve the quality of life."

The Oregon Economic and Community Development Department certifies the establishment of Enterprise Zones for a 10 year period. The current zone designation expired June 30, 2007. Oregon Enterprise Zones must meet state economic and distress hardship criteria in order to receive designation. Hardship criteria is established and tracked by the Oregon Economic and Community Development Department. The City of Portland has previously designated PDC as the manager of the Ez-Zone Program and it is planned that PDC will continue to manage the E-Zone Program going forward.

CC: Ms. Erin Flynn, Economic Development Director
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