



**DATE:** September 13, 2017  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 17-39

Recommend to City Council Amendments to the Portland Enterprise Zone Policy and Amend and Realign the Portland and East Portland Enterprise Zone Boundaries

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

Adopt Resolution No. 7253

This action by the Prosper Portland Board of Commissioners (Board) will recommend that the Portland City Council (City Council) i) adopt amendments to the City of Portland (City) Enterprise-Zone (E-Zone) Policy and ii) amend and realign the Portland and East Portland E-Zone Boundaries. Prosper Portland is requesting changes to the E-Zone Policy to further align with the agency's 2015-2020 Strategic Plan and priorities around institutionalizing public benefit agreements to build an equitable economy for Portlanders. Additionally, this action will recommend that City Council add key properties in the Central Eastside and Old Town/Chinatown into the E-Zone program, as well as realign some of the properties (moving them from the Portland E-Zone to the East Portland E-Zone) to create a cleaner delineation between the two zones along the Columbia Corridor.

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

This action strongly aligns with the Prosper Portland 2015-2020 Strategic Plan. As Prosper Portland works to build an equitable economy, this action delivers on our goals of growing family wage jobs by supporting and encouraging business vitality. It enhances partnerships by strengthening connections with workforce development providers. This action also advances opportunities for widely shared prosperity by ensuring job seekers from across the socioeconomic and demographic spectrum are able to access quality employment. Particularly the following outcomes within Objective 2: Access to High Quality Employment for Portland Residents:

- **Outcome 2.1: QUALITY JOB GROWTH:** Institutionalize the use of public benefits agreements as part of business assistance loans, grants, or tax abatements to grow middle-wage job employment opportunities and diversify the workforce.
- **Outcome 2.2: BUSINESS VITALITY:** Strong and growing Portland businesses offer robust middle-wage job employment opportunities.
- **Outcome 2.3: ACCESS TO CAREER-PATH EMPLOYMENT:** Job seekers from across the socioeconomic and demographic spectrum are able to access quality employment opportunities; partner with Worksystems, workforce development providers, and the trades to develop a clear infrastructure for employers to identify, screen, and hire people of color and those with low incomes.

Over the past five years, the E-Zone program has processed 60 new E-Zone applications. The estimated benefit to Portland from active E-Zone companies is as follows:

- More than 2,000 jobs with average wages of \$28 per hour and \$11 per hour in benefits;
- \$162,000,000 in wages/benefits each year for employees; and
- \$92,000,000 investment in goods and services purchased within the City of Portland.

### **BACKGROUND AND CONTEXT**

The Oregon State Legislature established a statutory structure for E-Zone program in 1986 to permit cities to establish zones 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 2003 the State Legislature added provisions permitting local governments to establish local policies and written agreements imposing obligations on E-Zone companies to provide designated community benefits. The E-Zone program has been an important tool to spur capital investment by companies in the city of Portland, while leveraging opportunities for employment and skills training for local residents and communities.

In 1986, City Council established Portland's first E-Zone, designating Prosper Portland to serve as the E-Zone program manager. In 2012, City Council adopted the City's second E-Zone, the East Portland E-Zone.

The E-Zone program is one of the City of Portland's most powerful tools to incent major new capital investments in the City 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 the E-Commerce program;
- 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 this E-Zone Policy and state requirements.

The proposed changes to the Policy are set forth in full in Exhibit B to Resolution No. 7253. The substantive changes recommended are as follows:

	<b>Current Policy</b>	<b>Proposed Policy</b>	<b>Reason for Changes</b>
<b>Minimum Wage and/or compensation</b>	85 percent of employees shall earn \$16.88 per hour, or, benefits must meet the national average of non-governmentally mandated benefits for the size and type of business	\$15.00 per hour minimum wage for all employees, or, total compensation (wage & benefits) = \$20.00 per hour for all permanent employees after one year of employment	The proposed changes to minimum salary levels provide for minimum wages approximately 33% above the minimum wage for <u>all employees</u> , rather than exempting 15% of the employees from the minimum E-Zone wage requirements. Alternatively, companies can now choose to provide total compensation (including benefits) of \$20.00/hour.  These changes are intended to provide more flexibility to food manufacturers, distribution and wholesale businesses, and small metals manufacturers that have a higher percentage of entry-level opportunities than in other industries. In exchange, Prosper Portland will now require that minimum permissible salary be offered to 100% of employees. Also, if the company chooses the combined wage and benefit option, the new policy requirement will require more robust benefits than were required under the previous policy.
<b>Procurement Plan</b>	All businesses participating in the E-Zone program will be required to submit an E-Zone Business Procurement Plan and outline good faith efforts to increase the amount of goods and services purchased from Portland businesses	Required Procurement Plan requires a new, specific good faith focus on efforts to procure goods and services from businesses owned by people of color and from businesses located in Portland's lowest income communities.	Changes to the Policy will require Procurement Plans to focus on efforts to support businesses in communities of color and our lowest income communities.
<b>Compliance and Remedies</b>	Currently the only remedy for default under the City of Portland's E-Zone Policy is full disqualification and 100% claw back of tax savings.	The new Policy authorizes Prosper Portland to designate lesser penalties and remedies if deemed appropriate by Prosper Portland.	This change gives Prosper Portland flexibility to hold companies accountable to individual elements of benefit agreements and to take corrective action when necessary instead of the all-or-none language currently in our Policy.

<b>Workforce Training Business Development Fund</b>	Current policy designates specifically that 40% of funds received be allocated to Business Development programs and 60% be allocated to Workforce Development programs.	The proposed change removes the specific percentage split of funds between the two programs.	This change creates more flexibility in using E-Zone funds in low income communities for both business development and workforce development; Prosper Portland intends to designate specific allocation between funds after consultation with the Budget Advisory Committee and the (to be formed) Council for Racial and Economic Equity.
<b>Additional Public Benefits</b>	Not currently required	The new Policy adds a requirement that all participating companies must enter into a public benefits agreement with Prosper Portland. The scope and nature of the public benefit agreement shall vary depending on factors such as the size of the company, the nature of its business, and the number of employees.	The change will institutionalize public benefits into all E-Zone agreements, providing additional support for Prosper Portland four areas of focus to build an equitable economy (Jobs, Partnerships, Neighborhood, and Prosperity).

In addition to the E-Zone Policy changes, staff is also recommending the inclusion of the Central Eastside and Old Town/Chinatown districts into the E-Zone (see Exhibit A to Resolution No. 7253). Previously, staff has processed boundary amendments on a property-by-property basis as required by State law which has led to eight boundary amendments since 2012. This effort will reduce staff time spent on conducting boundary amendments by including broader geographic areas into the E-Zone boundaries.

### **EQUITY IMPACT**

This action will continue to give Prosper Portland the ability to influence equitable job creation activities, as E-Zone jobs are valuable middle wage jobs. Additionally, revenue from the Workforce Training Business Development Fund is used to meet social equity priorities that otherwise would not have funding. For example, funds collected under the Policy are funding three community navigators in Neighborhood Prosperity Initiative districts and who work with small manufacturers in the Central Eastside. Funds are also used for a la carte services in the Small Business Technical Assistance Program citywide to assist businesses from communities of color with legal service, credit repair, etc.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

Prosper Portland has conducted significant outreach to discuss proposed changes to the E-Zone Policy and boundaries. Outreach to the following organization included:

- Neighborhood Economic Development Leadership Group
- Central Eastside Industrial Council
- E-Zone taxing jurisdictions
- Metropolitan Alliance for Workforce Equity
- Neighborhood Prosperity Initiative district managers
- Old Town/Chinatown Community Association

- Port of Portland
- Portland Public Schools , Career & Technical Education/Career Pathways Program
- Worksystems, Inc.

Stakeholders have generally responded favorably toward the proposed new E-Zone Policy changes, which were crafted to include feedback from these organizations. For example: 1) efforts to direct procurement opportunities between E-Zone businesses and communities of color and/or East Portland businesses was encouraged, and 2) setting up internships, work experiences, and other workforce development opportunities for middle, high school, and college students from these same communities also garnered significant support.

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

This action does not impact Prosper Portland's adopted budget in any way, but as new projects come to Portland in the Central Eastside or Old Town/Chinatown, Prosper Portland would see additional revenue for the WTBDF if agreements are reached with companies locating in these areas.

#### **RISK ASSESSMENT**

There are no known risks associated with amending the E-Zone Policy or boundaries.

#### **ATTACHMENTS**

None.