



DATE: March 8, 2023

TO: Board of Commissioners

FROM: Kimberly Branam, Executive Director

SUBJECT: Report Number 23-07

Requesting City Council Reauthorize the East Portland Enterprise Zone for Ten Years and Directing Staff to Submit an Application to the State of Oregon

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7480

This action by the Prosper Portland Board of Commissioners (Board) will request that the Portland City Council (City) reauthorize the East Portland Enterprise Zone (E-Zone) for ten years and direct staff to submit a reauthorization application to the State of Oregon, with no amendments to the current East Portland E-Zone boundary. If approved, this action will allow Prosper Portland to continue to manage an economic development program that since 1986 has encouraged commercial investment, created and retained quality jobs, and created a resource stream to Prosper Portland to invest in critical community economic development objectives across the city.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action strongly aligns with Prosper Portland's Strategic Plan in several ways. Extending the E-Zone program will allow Prosper Portland to continue to implement powerful and effective tools to build an equitable economy. More specifically, this action delivers on Prosper Portland's goals to:

- i.) Create access to high quality jobs by supporting strong and growing Portland businesses that offer middle-wage employment opportunities;
- ii.) Form 21st century civic networks, institutions, and partnerships between the public and private sector to address education, workforce development, and procurement opportunities through public benefit agreements; and
- iii.) Operate an equitable, innovative, and financial sustainable agency by providing an on-going revenue stream to invest much needed resources in traded sector and community economic development activities.

Over the past ten years, Prosper Portland has managed 97 different E-Zone projects (see a list of active E-Zone participants in Attachment A). Since the Great Recession in 2010, the program has seen significant increases in enrollment; currently, there are 45 active E-Zone participants, including 18 in the East Portland E-Zone (29 percent and 33 percent of which were small businesses, respectively). Since 2015, companies have:

- Invested in capital or procured goods and services totaling \$1,813,000,000 in the city of Portland (\$940,000,000 in Portland E-Zone, \$873,000,000 in East Portland E-Zone)

- Created 3,600 new jobs in a 2021 snapshot (1,955 in Portland E-Zone, 1,645 in East Portland E-Zone);
- Paid \$30.16 per hour average wages and offered total compensation of \$36.34 per hour (\$31.98 per hour in Portland E-Zone, \$28.00 per hour in East Portland E-Zone, in 2021 dollars); and
- Collectively in both E-Zones provided \$8,000,000 for local non-profits, businesses, and workers through Prosper Portland programs such as the Inclusive Business Resource Network, Economic Opportunity Program, NextGen, and others.

BACKGROUND AND CONTEXT

In 1985, the Oregon State Legislature established a statutory structure for the E-Zone program that permits cities to establish zones where businesses that invest in economic expansion and the creation and retention of jobs can claim property tax abatements for a limited period (up to five years). In 1986, Portland City Council established the Portland E-Zone and designated Prosper Portland as the City's Zone Manager. Since then, in 1996, 2008, and 2019 (Portland E-Zone) and 2012 (East Portland E-Zone), Prosper Portland has requested, and City Council has approved submitting successful reauthorizations to the State to continue managing the two E-Zones in Portland. The current East Portland E-Zone authorization expires June 30, 2023.

In 2003, the Oregon 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. Most recently, on September 13, 2017, the Prosper Portland Board through Resolution No. 7253 requested (and City Council ultimately adopted through Resolution No. 37321) amendments to the E-Zone policy that would increase requirements for wages/compensation, procurement plans, and institutionalizing additional public benefits through formal agreements between participating businesses and Prosper Portland (see the Public Benefit Agreement Options in Attachment B). As such, the current E-Zone policy provides numerous community benefits through its innovative partnership and business practices, including:

- Institutionalization of public benefits agreements as more companies agree to invest in business culture change activities that create opportunities for a diverse, locally grown workforce;
- Job seekers from across the socioeconomic and demographic spectrum access quality employment opportunities;
- Direct funding for programs such as the Inclusive Business Resource Network and Mercatus and a direct connection between businesses using the E-Zone program and businesses and entrepreneurs from historically disadvantaged communities; and
- Infrastructure for new initiatives such as Portland Means Progress, which is mirroring efforts in the E-Zone to create new partnerships and pipelines for businesses owned by members of historically disadvantaged communities and business culture change with the end goal of creating more equitable and inclusive businesses in Portland.

As part of the re-authorization of the Portland E-Zone program, Prosper Portland, as Zone Manager, will be required to confirm the new zone meets State income/poverty standards requirements as described in Oregon State Statutes 285C.090. Staff recommends retaining the current East Portland E-Zone map which will stay within State statutory limits on total square miles and point-to-point distances, to be in or near low-income areas.

EQUITY IMPACT

This action will maintain Prosper Portland’s ability to support equitable, middle-wage job creation activities. Furthermore, revenue from the City of Portland’s Enterprise Zone and Electronic Commerce Policy (Workforce Training Business Development Fund) supports social equity priorities that otherwise would not have funding. For example, these funds support three community workforce navigators operating in Neighborhood Prosperity Network districts. Funds also support Inclusive Business Resource Network service providers that assist businesses from communities of color with legal advice, credit repair, and other services. The action also institutionalizes the agency’s ability to influence business culture change in Portland companies. All new projects are enrolling in Portland Means Progress, Prosper Portland’s public pledge initiative, where they make company commitments to diversity, equity, and inclusion practices.

COMMUNITY PARTICIPATION AND FEEDBACK

As required by State statute, Prosper Portland has conducted outreach to discuss the proposed reauthorization with the following taxing jurisdictions:

- City of Portland
- Metro Regional Government
- Multnomah County
- Multnomah County Tax Assessor’s Office
- Multnomah Education Service District
- Port of Portland
- Portland Community College
- Portland Public Schools
- TriMet
- East Multnomah Soil and Water Conservation District
- NW Regional Education Service District
- David Douglas School District
- Reynolds School District

On February 15, 2013, Prosper Portland staff met with a number of these jurisdictions to discuss the proposed reauthorization, as well as the impact of the program over the last ten years. Stakeholders expressed support for economic development programs and encouraged Prosper Portland to continue to refine the public benefit agreement model to meet current needs of underserved communities.

BUDGET AND FINANCIAL INFORMATION

There are no direct budget impacts from this proposed action. However, should Prosper Portland be successful in the reauthorization request, managing the E-Zone program will allow Prosper Portland to generate resources to the agency. It is estimated that the Workforce Training Business Development Fund has generated between \$750,000 and \$1,500,000 on an annual basis, allowing Prosper Portland to reinvest these funds into traded sector and community economic development objectives noted above. Staff expects the fund generation to decrease over time, as projects have slowed down due to industrial land constraints and difficulties of companies making investments in Portland during the last three years.

RISK ASSESSMENT

There are no known risks associated with re-authorizing the East Portland E-Zone program.

ATTACHMENTS

- A. Active Companies in Portland and East Portland Enterprise Zones
- B. Public Benefit Agreement Options

ACTIVE COMPANIES IN PORTLAND AND EAST PORTLAND ENTERPRISE ZONES

East Portland E-Zone	Portland E-Zone
A&K Designs	Adpearance Inc.
Bridgetown Natural Foods	Ajinomoto Toyo Frozen Noodles
City of Roses Disposal	Amazon
Cook Security	Bob's Metals
Cummins	Bridge City Steel
FXI Inc.	Daimler Trucks North America
KeHe Distributors	Fedex Ground
Leatherman	Harder Mechanical
Morel Ink	Instrument Marketing Inc.
Olympia Meats	Nossa Familia Coffee Roasters
Revant Optics	PAE Consulting Engineers
Salt & Straw	Portland Bulk Terminals
The Home Depot	TEC Equipment
TOAST	The Good Group
United Parcel Service	Urban Gypsum
Viewpoint Software	
Young's Market	
Z Haus LLC	

Menu of Options—Public Benefit Agreements

Required for All E-Zone Companies by City of Portland Policy	
Requirement	Details
Wages and/or total compensation	<input checked="" type="checkbox"/> One hundred percent (100%) of basic wages must exceed \$15.00 an hour after one year of employment, or combined total compensation (wages and benefits) must exceed a combined \$20.00 an hour
Career Ladders	<input checked="" type="checkbox"/> Demonstrate a good faith effort to create career ladder opportunities for employees
Local Procurement	<input checked="" type="checkbox"/> Demonstrate a good faith efforts to increase the amount of goods and services purchased from businesses located within Portland and specifically from businesses owned by people of color and businesses in priority neighborhoods
Community Contributions	<input checked="" type="checkbox"/> Contribute 15% of actual tax savings into the Workforce Training and Business Development Fund (“WTBDF”) to support workforce development and small business development initiatives
Employee Support Fund	<input type="checkbox"/> N/A On projects realizing more than \$1M in tax savings over 5 years, allocate an additional 5% of actual tax savings to support employees with transit or childcare needs. If no programs are identified for employees, pay 5% to the WTBDF
Equity Policy	<input checked="" type="checkbox"/> Comply with the Prosper Portland Equity Policy regarding minority construction opportunities = contribute gross 3% of tax savings help fund MWESB contractor and workforce programming

Additional Public benefits are negotiated on a project-to-project basis with the focus on creating an equitable economy. Activities will focus on five areas: Jobs, Partnerships, Neighborhood, Prosperity, and Equity. To receive tax abatement the company shall make commitments for a five year period of time (to cover the length of the tax abatement). Commitments shall occur as follows based on estimated tax savings over five years:

Jobs, Partnerships, Neighborhood and Prosperity:

- If tax savings are estimated to be greater than \$500,000 or if the company has national and/or international locations: select at least one (1) activity from each of the four (4) categories and select no fewer than six (6) total;
- If tax savings are estimated to be between \$50,000 and \$500,000: select at least four (4) activities regardless of category; or
- If tax savings are estimated to be less than \$50,000: select at least two (2) activities regardless of category.

Equity:

- Additionally, all companies regardless of tax savings amounts shall select at least one (1) activity from the Equity category.

Additional Public Benefits as Negotiated	
Jobs	
Activity*	Details
Create a diversity hiring plan	<input type="checkbox"/> Hire future workforce at or greater than the demographic makeup of community of color residents in the City of Portland <input type="checkbox"/> Recruit employees with the support of non-profits that work in communities of color
Increase pay for employees	<input type="checkbox"/> Join initiatives to create more efficient training programs with a company <input type="checkbox"/> Use performance based increases in pay based on new skills attained by employees
Training for employees	<input type="checkbox"/> Hire new employees through on-the-job training programs

Partnerships	
Activity	Details
Engage with schools	Work with low income schools to: <input type="checkbox"/> Provide guest speakers, mock interviews, career fairs, career days, job shadows <input type="checkbox"/> Provide mentorships, internships, youth employment opportunities to students from historically marginalized populations <input type="checkbox"/> Join school business advisory committees
Engage with higher education	Work with higher education to: <input type="checkbox"/> Provide guest speakers, mock interviews, career fairs, career days, job shadows <input type="checkbox"/> Provide employment opportunities to students from historically marginalized populations <input type="checkbox"/> Participate in internship programs in order to diversify hiring of interns
Participate in industry initiatives	<input type="checkbox"/> Join peer-to-peer events, small business mentorship, and other initiatives to grow industry clusters and make them more accessible to women and people of color owned businesses
Partner with community	<input type="checkbox"/> Participate in or sponsor events in partnership with groups that represent women or communities of color
Neighborhoods	
Activity	Details
Events to support entrepreneurship and jobs	<input type="checkbox"/> Participate in or sponsor events in partnership with groups that represent communities of color
Sponsorships or donations	<input type="checkbox"/> Support non-profits via donations and employee engagement in events
Community engagement	<input type="checkbox"/> Meet with Portland’s Neighborhood Prosperity Initiative managers to learn about ways to engage in the communities adjacent to the company and/or hold open houses for community members to learn about the company
Infrastructure	<input type="checkbox"/> Help fund public spaces such as parks and sidewalks in low income communities
Prosperity	
Activity	Details
Support Entrepreneurship efforts to grow small business	<input type="checkbox"/> Provide no-cost work space to small businesses and/or provide capped or affordable tenant space
	<input type="checkbox"/> Provide pro bono services to non-profits that provide technical assistance to small businesses
	<input type="checkbox"/> Create incubator opportunities and provide consultation from key company leaders as needed with specialties ranging from Marketing, HR, Training & Hiring, Supply Chain, Food Safety, R&D, Finance & Accounting
Equity	
Activity	Details
Equity Actions	<input type="checkbox"/> Participate in annual train-the-trainer sessions and take applied learnings back to the organization where 90% of employees will participate in internal trainings/forums/ etc. **
	<input checked="" type="checkbox"/> Provide baseline cultural awareness training where a minimum of 75% of employees (or 50, whichever is smaller) attend and complete post-session anonymous survey (surveys to be provided to Prosper Portland)

*Our guidelines shall allow for flexibility in the PBA Menu to add new items or revise based on community, company, and partner feedback on a case-by-case basis.

**If company selects this activity, Prosper Portland will cover the cost for the initial train-the-trainer workshops.