

***CITY OF PORTLAND
ENTERPRISE ZONE AND
ELECTRONIC COMMERCE
POLICY***

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Portland Development Commission

1. OVERVIEW OF PORTLAND ENTERPRISE ZONE (“E-ZONE”) POLICY

Introduction

The Oregon E-Zone program is a State of Oregon economic development program that allows for property tax exemptions designed to encourage existing and new businesses to invest in major capital outlays and to create or retain quality jobs in certain designated areas. In exchange for receiving the property tax exemptions, participating businesses are required to meet certain program requirements as described in the Oregon Enterprise Zone Act and any additional requirements as set by local jurisdictions.

Pursuant to statute The City of Portland (“the City”) has created three statutory E-Zones within the City limits [the North/Northeast E-Zone (created in 1986); 2) the Portland E-Zone (created in 2008); and the East Portland E-Zone (created in 2012)] and two E-Commerce zone designations [overlaid within the Portland and East Portland E-Zones] (collectively, “the Portland E-Zones”). On March 5, 2008 and June 14, 2012 the Portland City Council designated the Portland Development Commission (“PDC”) to administer the above E-Zones on behalf of the City as sponsor of the above listed E-Zones.

This Policy, (the “E-Zone Policy”) will serve as the over-arching guide for the City in setting local requirements permitted by statute and in administering current and future E-Zones. The intent of this new Policy is to bring all the Portland E-Zones under one uniform Policy and update and replace the previous E-Zone policy adopted by City Council on May 5, 2010.

Primary Goals of the Portland E-Zones

The E-Zone program is one of the City of Portland’s (“City”) most important tools to incent major new capital investments in the City that create traded sector employment opportunities for local residents. The goals of the E-Zone program are intended to support the Portland Development Commission’s Five-Year Strategic Plan and associated strategies focused on economic development and community economic development. Key goals include:

- Attract new industrial and commercial capital investments through the expansion of existing facilities or the construction of new facilities in the City.
- Attract new investments traded sector businesses by leveraging internet transactions in the e-commerce sector.
- 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 low income neighborhoods) by linking them with quality jobs created by participating Portland E-Zone businesses.

- Increase local purchasing by increasing business-to-business procurement opportunities between participating Portland E-Zone businesses and existing businesses located within the City.
- Ensure that the jobs being created meet basic job quality and retention requirements per this E-Zone Policy and state requirements.

Operating Principles Governing Administration of the E-Zone Policy

The PDC will be responsible for administering the Portland E-Zone program consistent with the State E-Zone statute and this E-Zone Policy. PDC may establish additional rules, guidelines and procedures consistent with the E-Zone Policy. In administering the E-Zone Policy, PDC shall seek broad community input from neighborhoods and businesses such as from the Neighborhood Economic Development (NED) Leadership Group, and/or other entities having broad community and business representation, in developing guidelines and strategies. The PDC Executive Director is authorized to make non-material changes to this E-Zone Policy to correct inconsistencies, errors or omissions.

By statute, each participating business requesting a four- or five- year tax abatement must enter into a written agreement with the City. By this E-Zone Policy, each participating business will be required to enter into a Portland Enterprise Zone Written Agreement (“Written Agreement”) prepared and monitored by PDC. The Written Agreement shall include obligations and requirements imposed by this E-Zone Policy.

PDC will designate a PDC staff position to act as the E-Zone Manager. The E-Zone Manager will be responsible for, among other things, monitoring each company’s adherence to the requirements contained in the Written Agreement and ensuring that the monitoring and reporting systems established will provide the City and Multnomah County with the data needed to assess the overall success of the E-Zone program.

2. LOCAL COMMUNITY BENEFITS AND REQUIREMENTS TO BE CONTAINED IN THE WRITTEN AGREEMENT

PDC will administer the Portland E-Zone Policy on behalf of the City to maximize important local community benefits, particularly to companies and residents in and near the E-Zone. Each Written Agreement with participating companies shall contain the following requirements:

A. Job Quality Commitments

All full-time jobs at the company’s project site must meet the following minimum quality levels during the period of exemption:

- Eighty-five percent (85%) of basic wages must exceed one hundred fifty percent (150%) of Oregon minimum wage after one year of employment, or;
- Employee benefits must meet the national average of non-governmentally mandated benefits for the size and type of business based on information supplied by the U.S. Department of Labor (www.bls.gov/news.release/ecec.t06.htm). In cases where the benefit contribution by the business is determined by employee participation, the calculation of benefit costs to the business will include its

maximum liability for benefits payments in the calculation of the level of benefits provided to employees. In cases where the employee benefits offered increase with length of employment, the benefit level used for calculations in this contract are the benefits as of three (3) years of employment greater than 32 hours per week.

- Employers must demonstrate a good faith effort to create career ladder opportunities for their employees by providing PDC with a plan that documents their efforts.

B. E-Zone Business Procurement Plan

All businesses participating in the E-Zone program will be required to submit to PDC an E-Zone Business Procurement Plan (“Plan”) at the time of submitting an E-Zone application. The Plan will outline how good faith efforts will be made to increase the amount of goods and services purchased from businesses located within Portland, The Plan is not intended to require a business to replace key regional suppliers of products and/or services.

In reviewing a proposed Plan, it is understood that The Plan can provide flexibility to address specific business needs and operating conditions of the participating company.

C. Workforce Training and Business Development Fund (“WTBDF”) and Employee Support Fund

Each participating company shall contribute 15% of its tax savings into the WTBDF Fund, (including savings under the Oregon Electronic Commerce (“E-Commerce”) income tax credit available to E-Zone businesses). Any participating company that will receive more than \$1 million in aggregate tax savings shall additionally contribute an additional 5% of their savings into the Employee Support Fund.

WTBDF Fund and Payments

The WTBDF is a fund established and managed by PDC to increase economic opportunity and income for Portland residents particularly historically disadvantaged Portlanders (e.g., communities of color, residents in priority neighborhoods, etc.) and to assist businesses within the City of Portland, particularly those within or near the Portland E-Zones.

PDC will divide the WTBDF contributions into two subsidiary sub-funds as follows: 60% shall be set aside in a Workforce Training Fund (“WTF”), and 40% shall be set aside in a Business Development Fund (“BDF”).

PDC shall use funds in the WTF and BDF in accordance with programs and projects established by or approved by the PDC Executive Director consistent with the goals and guidelines of this E-Zone Policy.

Examples of acceptable uses of the WTF include, but are not limited to:

- targeted workforce and basic skill training, particularly to low income, people of color and Portland residents in priority neighborhoods (as defined by the NED strategy) to

move them into career track jobs that are primarily being created as a direct result of the E-Zone program and the participating business's expansion;

- employment recruiting incentives to companies based on the "quality" of new jobs using specific criteria that aligns with PDC's economic development strategies;
- specific E-Zone company training needs to fill skills gaps for pre-hire, new hire, and incumbent workers;
- complementary employee development services such as peer mentoring, financial literacy, soft-skills development, conflict resolution, etc.; and
- strategies and programs that the PDC puts in place to respond to workforce, business and employment needs in the City.

Examples of acceptable uses of the BDF include, but are not limited to:

- PDC working capital loan programs, revolving loan fund programs or other financing for receivables, and equipment acquisitions;
- loans to businesses willing to invest in new, taxable, real estate and other capital facilities that are anticipated to result in the significant hiring of new, permanent, local employees, which loans may be wholly or partially forgivable based upon job retention and other program guidelines established by PDC;
- technical assistance, including business planning, lean consulting and navigating regulatory requirements to businesses in or near the Portland E-Zone;
- specialized infrastructure needs, such as additional utility capacity, on-or off-site street improvements necessary to allow a business to create or retain jobs; power, gas, etc.; and
- community-driven economic development programs and initiatives.

Each participating business shall contribute 15% of their tax savings into the WTBDF fund as directed by PDC. PDC may negotiate with participating businesses the timing of when the funds shall be contributed to the WTBDF Fund, but in no event shall payments be made later than nine months after the participating business has made a claim for its E-Zone tax abatement or credit. Some businesses may wish to accelerate its required payments based on estimated, rather than actual, tax abatements/credits received, in order to take advantage of employee training opportunities/resources. PDC may permit such accelerated payments so long as in no event shall a participating business be entitled to a refund in the event the actual tax benefits received are less than estimated.

Employee Support Fund

The Employee Support Fund is a fund established and managed by PDC primarily to support employees at E-Zone companies that fall below the Median Family Income for the Portland

Metro Area and to increase economic opportunity and income for other Portland residents as described throughout this Policy.

PDC shall use funds in the Employee Support Fund in accordance with programs and projects established by or approved by the PDC Executive Director consistent with the goals and guidelines of this E-Zone Policy. Before designating how contributions made to this Fund shall be used, PDC shall first discuss employee needs with the E-Zone business and focus discussion principally on transit and child support opportunities. PDC and the participating company will work together with transit support and child support advocates and experts (such as TriMet and community-based organizations) to craft community benefits that have potential for the most impact on the business' employees. If the business and PDC cannot identify transit support or child care support needs, the funds may be used for other support services, training, and business development opportunities for other Portland residents.

If it is estimated that a participating company will receive aggregate tax benefits in excess of \$1 million, each such participating business shall contribute 5% of its tax savings into the Employee Support fund as directed by PDC. PDC may negotiate with participating businesses the timing of when the funds shall be contributed to the Fund, but in no event shall payments be made later than nine months after the participating business has made a claim for its E-Zone tax abatement or credit. Some businesses may wish to accelerate its required payments based on estimated, rather than actual, tax abatements/credits received, in order to take advantage of resources earlier. PDC may permit such accelerated payments so long as in no event shall a participating business be entitled to a refund in the event the actual tax benefits received are less than estimated.

In the event any of the above funds are not being fully utilized, the PDC Executive Director may transfer money from one Fund to another.

D. CITY COST OF SERVICE

It is anticipated that each participating business will annually provide tax or fee revenues to the City, from sources other than property tax payments, in excess of the estimated costs of the City's basic services provided to the business, such as police and fire. Prior to submitting its E-Zone Application and signing the Written Agreement, PDC shall analyze the anticipated payments to be made to the City from other sources, such as City Business and Utility License fees, and determine if the anticipated costs of City services will be fully covered by such other payments. If PDC estimates that such payments will not be sufficient to cover such costs, the participating company shall make additional payments to PDC to fully cover such anticipated costs.

E. City of Portland Business License

The business must maintain a current and active City Business License as of the date of the Agreement and during the entire tax exemption period.

F. PDC Equity Policy

All businesses participating in the E-Zone Program will be required to comply with the applicable provisions of the PDC Equity Policy in effect at the time they submit their Oregon E-Zone Authorization Application to the E-Zone Manager.

3. TECHNICAL ADVISORY COMMITTEE (“TAC”)

Representatives from organizations that have oversight or program responsibilities for implementing the Portland E-Zone program, including, but not limited to Worksystems Inc., PDC, and Multnomah County will meet as needed and when convened by the PDC E-Zone Manager to facilitate program management based on the E-Zone Policy and Oregon State Statutes.

4. ANNUAL COMPLIANCE

On an annual basis, PDC shall review each participating company’s compliance with all statutory and contractual requirements of the Portland E-Zone as described in the E-Zone Policy and the Act, and as further detailed in the Written Agreement. If a business fails to perform its obligations under this E-Zone Policy and the Written Agreement, PDC may pursue one or more of the following remedies: 1) PDC may notify Multnomah County that the business is disqualified from receiving a tax exemption; 2) PDC may take all legal means to collect funds that are due to be paid to it or face disqualification as described in this Policy.

5. REPORTING

PDC will develop a Portland E-Zone annual report which details E-Zone activities and shall include: a) an accounting of all business activity in the E-Zone program; and b) business performance via the annual compliance requirements. This report will be provided to the City Council and the PDC Board annually for every year the Portland E-Zone is in existence.