

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: March 10, 2010

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 10-28
Recommend to City Council Amendments to the North/Northeast Enterprise Zone Strategy and the Portland Enterprise Zone Policy

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6741

ACTION SUMMARY

This action will forward a recommendation to the Portland City Council to adopt amendments to the North/Northeast Enterprise Zone Strategy and the Portland Enterprise Zone Policy.

Since 1986, the City of Portland (the "City") has sponsored a local Enterprise Zone ("E-Zone") program in order to spur capital investment in industrial-oriented companies while leveraging opportunities for employment and skills training for nearby resident and associated communities.

At this time, there are two separate E-Zone programs active in the city of Portland: the N/NE E-Zone and the Portland E-Zone. The N/NE program is phasing out and the Portland program is the only one accepting new applications for business expansion.

Ongoing management of two different E-Zone programs has become inefficient and overly complex. Therefore, Portland Development Commission ("PDC") staff, the community, business stakeholders, and public partners have agreed upon an improved alignment to operate and incorporate citizen advice into the programs.

Specific recommendations to City Council, include, among other things, the following :

1. Amend the N/NE E-Zone Strategy and the Portland E-Zone Policy to consolidate funds from the N/NE E-Zone Community Contribution fund and the Portland E-Zone Workforce Training and Business Development ("WTBD") fund into one program fund account, with future Community Contribution funds being disbursed through the Portland E-Zone Policy process;
2. Amend the Portland E-Zone Policy to change the make-up and function of the E-Zone Technical Advisory Committee, including changing the number of voting

members (from 7 to 11). All the recommended changes are summarized in Attachment A, hereto.

PUBLIC BENEFIT

Implementation of these recommendations will streamline administration of the E-Zone's WTBD fund by allowing PDC to collect and disburse funds through a single process, thereby minimizing the time between application intake and the distribution of funds.

Consolidation of these funds will ease the administrative burden on PDC finance staff, the E-Zone Technical Advisory Committee, and the E-Zone's Advisory Committee. These actions will also increase transparency and allow the E-Zone Manager to better communicate to the public how the E-Zone Program works and how PDC tracks and reports program outcomes.

This action will support the following PDC goals:

- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Strong Economic Growth and Competitive Region
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

During the reauthorization of the E-Zone program in 2007, an E-Zone Reauthorization Ad Hoc Committee (the "Ad Hoc Committee") was formed to provide guidance and recommendations to PDC. This Ad Hoc Committee was comprised of public, private, and interagency stakeholders (see Attachment B). At that time, the Ad Hoc Committee expressed interest in streamlining the process for disbursing the new WTBD funds.

On September 23, 2009, the E-Zone program went before the PDC Board of Commissioners (the "Board") to discuss possible changes to the program. After the Board heard public testimony regarding the merger of the Community Contributions and the WTBD Funds, the Board recommended staff return with a resolution reviewed by the Ad Hoc committee.

On January 13, 2010, the Ad Hoc Committee was reconvened and endorsed the proposed amendments to both the N/NE and Portland E-Zone program policies. PDC Commissioner Charles Wilhoite facilitated the discussion and provided an opportunity for the Ad Hoc Committee to refine the final list of recommendations.

On January 21, 2010, the E-Zone Technical Advisory Committee, which includes representatives from Multnomah County, WorkSystems, Inc. ("WSI"), and Worksource Oregon Employment Department (see Attachment C), met and also endorsed these recommendations.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

Oregon law allows sponsoring cities to establish additional requirements that program participants must adhere to so as to achieve local policy objectives. In Portland, the City Council established the N/NE E-Zone Strategy and the Portland E-Zone Policy, which require participants to contribute funds to be used for workforce training and business assistance.

Amending the City-adopted policies is allowed by Oregon law and implementation of these recommended policy changes will further the objectives of the E-Zone Program.

FINANCIAL IMPACT

There is no financial impact on overall collections and distributions of E-Zone WTBD funds. However, these actions are expected to reduce administrative costs and simplify the Portland E-Zone program which may lead to increased participation and investment by local firms.

RISK ASSESSMENT

This action will reduce risk of miscommunication and will reduce the risks of potential negative impacts of a burdensome and untimely fund disbursement process.

WORK LOAD IMPACT

Streamlining of the E-Zone program will allow PDC to reallocate a portion of the E-Zone project staff's time to other priority projects without compromising the integrity of the program, as well as alleviate hours spent by our legal and finance teams.

ALTERNATIVE ACTIONS

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

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

CONCURRENCE

The E-Zone Technical Advisory Committee and the E-Zone Ad Hoc Committee have concurred with these proposed recommendations agreeing that, if implemented, they would improve the efficiency of the administration of the E-Zone program.

BACKGROUND

The N/NE E-Zone Investment Strategy, adopted by City Council through Resolution No. 35506, contains provisions for a Community Contributions fund, which is funded through participating company fees and is dedicated to workforce training and business development. The current Portland E-Zone Policy also contains provisions for a similar but distinct WTBD fund. Because these two accounts are governed by separate policies, the funds and disbursement processes must remain separate unless a resolution is passed to merge them.

Since the creation of policies that standardized E-Zone requirements, adopted by City Council in 2000, over thirty-five (35) companies have invested an estimated \$437 million while retaining and creating 4,300 jobs and generating over \$5,000 in Community Contributions and Workforce Training grant funds.

As part of the E-Zone's 10-year re-designation, authorized by the State and adopted by the City Council in 2008, a new streamlined policy was adopted: the Portland E-Zone Policy. This has resulted in two active policies guiding two types of E-Zone contracts:

1. The **N/N E-Zone program** was adopted by City Council in 1996 and sunset July 1, 2007. The *N/NE Enterprise Zone Investment Strategy* sets guidelines for contracts that remain active under that policy until those contracts expire. Contracts under this policy will remain active no later than 2017.
2. The **Portland E-Zone** program was adopted by City Council in 2008 and sunsets July 1, 2018. The *Portland Enterprise Zone Policy* sets the guidelines for contracts that remain active under that policy until those contracts expire (see Attachment D). Contracts under this policy will remain active no later than 2028.

Community Contributions provides grant funding to a broad array of local workforce training providers and grants funds towards small business expansions. The WTBD fund provides training grants to local training providers to train people who will then be hired by participating E-Zone companies and provides grants to local firms that are creating jobs.

As part of the 2008 reauthorization of the E-Zone program, the PDC Board adopted Resolution No. 6604, which authorized WSI to administer the workforce training portion of the funds. The transfer of funds adopted by this resolution would allow WSI to manage all Workforce Training funds under the current contract. Changes to the Policy will include expanding the Advisory Committee which is pursuant to the request of the reconvened Ad Hoc Committee.

ATTACHMENTS:

- A. Summary of Changes to E-Zone Advisory Committee
- B. Enterprise Zone Reauthorization Ad Hoc Committee
- C. Portland Enterprise Zone Technical Advisory Committee
- D. City of Portland Enterprise Zone Policy, January 2008

E-Zone Ad Hoc Committee Proposed Recommendations to the E-Zone Policies

Amend the Portland Enterprise Zone Policy and the N/NE Enterprise Zone Strategy to reflect the following changes, as recommended by the E-Zone Ad Hoc Committee January 13 – 25, 2010

1. **COMMITTEE MAKE-UP.** The newly-formed Advisory Committee will consist of 11 members (revised from 7) appointed by PDC and will be made up as follows:
 - 3 representatives from current E-Zone participating companies
 - 2 small businesses that are not E-Zone participating companies
 - 4 representatives from community-based workforce training providers that work with a population earning at or below 80% MFI
 - 2 representatives from community-based organizations that advocate for businesses that the Business Development Fund is attempting to assist in the E-Zone
2. **MEETINGS/VOTING.** The E-Zone Advisory Committee will meet quarterly, or more often as needed. Voting may be by e-mail for convenience. Full quorum voting can be fulfilled via email; however no member shall miss more than two meetings/votes during their 3 year term.
3. **CONFLICTS.** Consistent with PDC's current policy, Committee members may not vote on items for which they have a monetary interest of where they are on the governing board of an entity being considered for financial assistance.
4. **RESPONSIBILITIES.** The E-Zone Advisory Committee will make recommendations to PDC regarding criteria and distribution of the Business Development Fund, as well as review WTBD Fund recipients on a quarterly basis.
5. **IMPLEMENTATION.** The PDC Board will adopt a Resolution recommending these changes to E-Zone policies to City Council. The Resolution will:
 - Recommend merging the N/NE E-Zone Investment Strategy and Portland E-Zone Policy to consolidate the Community Contributions and the Workforce Training and Business Development provisions to simplify administration of the E-Zone Program.
 - Delegate authority to the PDC Executive Director to determine how E-Zone Business Development Funds are distributed with the expectation that, in making those decisions, he shall rely strongly on the recommendations of the E-Zone Advisory Committee.

**N/NE Enterprise Zone Reauthorization Ad Hoc Committee from 2007
(reconvened for 2010)**

First	Last	Company
Sanford	Maddox	Black United Fund of Oregon
Victoria	Libov	Immigrant and Refugee Community Organization
Sheila	Holden	North Northeast Economic Development Alliance
Peggidy	Yates	Multnomah County
Brad	George	Evraz Oregon Steel Mills, Inc.
Abdul	Majidi	Portland Community College
Rowan	Hollitz	Service Steel
Joice	Taylor	North Northeast Business Association
Mike	Mason	Banfield Pet Hospital
Kathryn	Williams	Port of Portland
Heather	Ficht	WorkSystems, Inc.
Deb	Rock	Work Source Oregon Employment Department
Roslyn	Hill	Community Contributions Committee (BDF)
Sam	Brooks	Oregon Association of Minority Entrepreneurs
Jennie	Portis	Northeast Workforce Center
Bob	Rogers	Central Eastside Industrial Council
Pamela	Ake	Northwest Industrial Neighborhood Association

**Portland Development Commission
Portland Enterprise Zone Technical Advisory Committee Members**

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CITY OF PORTLAND
ENTERPRISE ZONE
POLICY

January 2008

Prepared by:

Portland Development Commission

In Cooperation With:

Portland Enterprise Zone Ad-Hoc Committee

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1. Definitions

In addition to the defined terms of the Act and the Administrative Rules, the following definitions apply to this Policy and the E-Zone. Should there be any conflict between the definitions given to terms in this Policy and definitions given those terms in the Act or the Administrative Rules, the Act or Administrative Rules shall control.

- 1.1. **Act** means the Oregon Enterprise Zone Act codified at ORS 285C.050 to 285C.250, as may be amended from time to time.
- 1.2. **Administrative Rules** means the Oregon Administrative Rules (OARs) of the Oregon Economic and Community Development Department applicable to the Act filed with the Oregon Secretary of State, Oregon State Archives, as may be updated from time to time.
- 1.3. **City** means the City of Portland, a municipal corporation of the State of Oregon, acting as the Sponsor of the E-Zone as provided under the Act.
- 1.4. **City's Basic Service Costs** means thirty percent (30%) of the property taxes abated annually during the period of abatement for a Company's Qualified Facility.
- 1.5. **Company** means the participating eligible business firm authorized to have property exempt from property taxation under the Act.
- 1.6. **Covered Position** means all of the Company's jobs at its Qualified Facility as described under the Company's First Source Agreement.
- 1.7. **Eligible business firm** means a firm engaged in an activity described under ORS 285C.135 that may file an application for authorization under ORS 285C.140
- 1.8. **E-Zone Manager** means the staff position at PDC established by PDC to manage the E-Zone.
- 1.9. **E-Zone Policy** means this policy duly adopted by the City, which is intended to comply with the Act.
- 1.10. **First Source Hiring Agreement ("FSA")** means the agreement, as required by the Act, between a Company and WorkSource Portland – Employment Department (WSED) whereby WSED refers qualified candidates to the Company for new jobs and job openings in the Company.
- 1.11. **Non-governmentally mandated benefit** means employment benefits offered to all regular full-time employees at the Qualified Facility after one year of employment that are not mandated by any government, as of the date of entering into the Written Agreement.
- 1.12. **PDC** means the Portland Development Commission, the urban renewal and economic development agency of the City of Portland.
- 1.13. **Pre-Authorization Consultation** is the meeting required by the Act (ORS 285C.140(4)) that takes place around the time of the Authorization Application between the E-Zone Manager, the Company, and the M/W/ESB Compliance Coordinator. The Multnomah County Tax Assessor's office shall be timely notified by the E-Zone Manager and a representative may attend the consultation.
- 1.14. **Procurement Plan** is a City requirement with the goal of increasing ancillary

business opportunities for local businesses in supportive services.

- 1.15. **Workforce Training and Business Development Fund** means a monetary contribution made to PDC that is earmarked towards work force and business development related projects as described in Section 8 of this Policy.
- 1.16. **WorkSystems, Inc. (“WSI”)** is the administrator of all federal Workforce Investment Act funds for Multnomah County and the City.
- 1.17. **WorkSource Portland - Employment Department (“WSED”)** is the publicly funded job-training provider designated by the State of Oregon as the labor exchange agency for the Portland Metro Area.
- 1.18. **WorkSource System** is a partnership comprised of mandated public and private partners as defined under the Federal Workforce Force Investment Act.
- 1.19. **Written Agreement** means the agreement that will be entered into between PDC and the Company as required by ORS 285C.160.
- 1.20. **Qualified Facility** means the location within the E-Zone where the participating firm intends to make the proposed investment as listed on the State of Oregon Enterprise Zone Authorization Application.
- 1.21. **Regular Full-time Job** means a non-seasonal or non-temporary job directly with Company exceeding an annual average of 32 hours per week.
- 1.22. **Total compensation costs** means the total amount of company costs for direct compensation of employees as defined by the U.S. Bureau of Labor Statistics Employment Cost Trends, U.S. Department of Commerce (<http://stats.bls.gov/news.release/ecec.t14.htm>).

2. Overview of Portland Enterprise Zone Policy

2.1. Introduction

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

The purpose of the Portland Enterprise Zone program (“E-Zone”) is to facilitate investment by predominantly industrial-based businesses in Portland in order to create or retain quality jobs while maximizing the economic benefits for residents of Portland who are currently earning at or below 80% Median Family Income (“MFI”).

This E-Zone Policy will act as the over-arching guide for the City’s local E-Zone requirements.

2.2. Primary Goals of the E-Zone

- 2.2.1. Attract new industrial investments through expansion or the attraction of operations to Portland.
- 2.2.2. Link Portland residents earning at or below 80% MFI with quality jobs created by participating E-Zone firms.
- 2.2.3. Increase local business-to-business procurement opportunities between participating E-Zone firms and existing firms located within the City of Portland in order to increase local purchasing.
- 2.2.4. Ensure that the jobs being created meet basic job quality and retention requirements per the E-Zone Policy and State requirements.
- 2.2.5. Ensure that participating firms are increasing overall employment by at least ten percent (10%) during the first year the firm receives abatement.

2.3. Operating Principles and Guidelines of the E-Zone

- 2.3.1. The City and the E-Zone Manager shall operate the E-Zone in accordance with the Act, the Administrative Rules and this E-Zone Policy.
- 2.3.2. All participating firms shall comply with all applicable requirements of the Act, the Administrative Rules, and this E-Zone Policy.
- 2.3.3. As a condition of authorization for the property tax abatement granted pursuant to the Act, the Company shall agree to perform the obligations set forth in this Policy and the Written Agreement.

- 2.3.4. The primary tool of the E-Zone is an exemption of certain property from ad valorem property taxation. The duration of the tax exemption period will be five (5) years.
- 2.3.5. Ensure the E-Zone supports new investments and aids in establishing new and emerging small businesses without over burdensome regulations.
- 2.3.6. Enhance the Oregon Enterprise Zone program with additional City requirements that create an appropriate balance between achievement of City objectives and property tax exemption benefit to the participating firm while not diminishing the overall Economic Development incentive of the program.
- 2.3.7. Encourage participating firms to hire Portland residents that are at or below 80% MFI when filling positions.
- 2.3.8. Market and manage the E-Zone such that it serves as an effective incentive for businesses to invest in Portland's industrially-zoned areas within the E-Zone boundary.
- 2.3.9. Manage the E-Zone in coordination with the E-Zone Advisory Committee to monitor the overall program performance and make programmatic recommendations as needed to the E-Zone manager.
- 2.3.10. Ensure that the Workforce Training and Business Development Fund maximizes the public benefit through leveraging funds with other job training programs.
- 2.3.11. The E-Zone Manager will create a Written Agreement that will ensure all aspects of the E-Zone requirements are met and enforced per the Act and this E-Zone Policy.
- 2.3.12. Ensure that the monitoring and reporting systems provide the E-Zone Manager, the E-Zone Advisory Committee and City Council with the data needed to assess participating firm compliance, program cost-effectiveness and overall success.
- 2.3.13. Ensure that the E-Zone Manager and the E-Zone Advisory Committee examine the program's overall effectiveness and make programmatic recommendations to the PDC and City Council as needed.
- 2.3.14. PDC shall identify a position that will act as the E-Zone Manager, among other duties.
- 2.3.15. An application filing fee will be required at the time a company files an application for authorization with the E-Zone Manager. The amount of the filing fee shall be the greater of \$200 or 0.1 % of the total estimated cost of the firm's proposed investment in qualified property. Failure of a company to pay the filing fee at the time of submitting the application may result in the denial of the application for authorization. If the application is denied under ORS 285C.140, any payment of a filing fee shall be refunded in full to the company. PDC may establish written guidelines regarding the fee structure and how it is applied.
- 2.3.16. Ensure that the City and its designated E-Zone Manager timely meet the reporting requirements of the Act.

- 2.4.** This E-Zone Policy is intended to comply with the requirements of the Act (specifically ORS 285C.150(4)) for an adopted policy establishing standards for the imposition of local conditions. This E-Zone Policy also provides guidance from City Council to the E-Zone Manager regarding the provisions in the Act and for additional requirements by E-Zone Sponsors for exemptions of five years' duration. Companies may not qualify for authorization for participation in the E-Zone if companies do not meet the requirements of the Act and this E-Zone Policy.

3. Written Agreement

Each Company will enter into a Written Agreement with PDC.

The Written Agreement will describe the additional city requirements consistent with this E-Zone Policy and ORS 250C.160.

As limited by the administrative rules (123-065-2540), the economic costs of the additional local requirements may not exceed one-third of the tax savings associated with the tax abatement.

If the Company incurs economic costs associated with the additional local requirements in excess of one-third of the tax savings associated with the tax abatement, then the E-Zone Manager will proportionally reduce the applicable additional local requirements such that the costs associated with the additional local requirements are less than one-third of the tax savings resulting from the property tax abatement as.

Primary Point-of-Contact

The Company will designate a primary contact person at the Company who is readily accessible by the PDC during normal hours of operation. The primary contact shall be informed about the nature of the Written Agreement between the PDC and the Company and is prepared to be responsible for representing the Company during Annual Compliance. Because the primary contact is the person the E-Zone Manager contacts for general information requests and invoicing the Company will notify the PDC within 60 days if this person is replaced or changed.

4. Employment Level and Hiring Requirements

4.1. EMPLOYMENT QUALIFICATIONS Company will comply with all requirements stated in ORS 285C.200, which states, among other things;

- 4.1.1. that the employment level of the Company, no later than the date the exemption is claimed under ORS 285C.220 or April 1 following the year in which the investment is made, whichever is earlier, is not less than the greater of: 1) 110 percent of the annual average employment of the Company; or 2) the annual average employment of the Company plus one.
- 4.1.2. that the firm does not diminish employment outside the enterprise zone as described in 285C.200 (4) and (5)

4.2. FIRST SOURCE HIRING AGREEMENT As required by section 285C.215 of the Act, all companies utilizing the Enterprise Zone program must execute a First Source Hiring Agreement. In order to satisfy this requirement, all Companies in the E-Zone will be required to enter into a FSA with WorkSource Portland – Employment Department (“WESD”) for all employees hired at the Qualified Facility throughout the project’s construction and tax exemption period.

4.2.1. The FSA will detail performance standards for hiring and recruitment activities such as, but not limited to, identification of the growth occupations, skills required to perform opened positions, number of positions being hired, and the timeline for filling positions. WSED will use this information to refer qualified candidates to the Company and WSI may use this information to create training opportunities for individuals in the WorkSource System.

4.2.2. The Company shall report on a quarterly basis to WSED and PDC all hires made based on referrals through the WorkSource System.

5. Local Conditions Required For Tax Exemption

5.1. MINIMUM EMPLOYMENT GOAL. The Company will endeavor in good faith to hire no fewer than the estimated total number of new employees specified in the Oregon Enterprise Zone Authorization Application.

5.2. NEW HIRE JOB RETENTION Fifty percent (50%) of all employees that have made it through the Company’s probation period must continue to be employed for a minimum period of two (2) years following, and inclusive of the Company’s probationary period.

5.3. JOB QUALITY COMMITMENTS All full-time jobs at the Company’s Qualified Facility must meet a minimum quality level during the period of exemption as described below:

- Eighty-five percent (85%) of jobs’ basic wages must exceed one hundred fifty percent (150%) of Oregon minimum wage after one year of employment.
- Employee benefits must meet the national average of non-governmentally mandated benefits for the size and type of company based on information supplied by the U.S. Department of Labor (www.bls.gov/news.release/ecec.t06.htm).
- “Non-governmentally mandated benefits” for purposes of the Written Agreement exclude: (1) social security contributions, (2) worker’s compensation insurance, (3) unemployment insurance, (4) shift pay, and (5) premium pay. All other documented non-governmentally mandated employee benefits are included, such as health care.
- In cases where the benefit contribution by the Company is determined by employee participation, the calculation of benefit costs to the Company 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.
- The Company shall not materially diminish the training support and advancement opportunities for its regular full-time workers at the Qualified Facility from those that exist as of the date of the Written Agreement or as made in representations to PDC for during the Pre-Authorization Consultation.

5.4. CITY OF PORTLAND BUSINESS LICENSE: The Company must maintain a current and active City of Portland Business License as of the date of the Written Agreement and during the entire tax abatement period.

5.5. WORKFORCE TRAINING AND BUSINESS DEVELOPMENT FUND

- 5.5.1. The purpose of Workforce Training and Business Development Fund is to enhance the ability of the City and community stakeholders to provide work force and basic skill training to Portland residents who earn at or below 80% MFI, as determined by the US Census Bureau, and move them into family wage jobs that are being created as a direct result of the E-Zone program. Additionally, the Workforce Training and Business Development Fund is designed to create a funding mechanism to stimulate employment opportunities through the development and growth of local firms and community based businesses.
- 5.5.2. Each Company shall be required to pay an amount equal to 15% of their total abatement into the Workforce Training and Business Development Fund.
- 5.5.3. At the time of application, using the investment numbers listed on the Oregon Enterprise Zone Authorization Application, PDC will calculate the Company's estimated total amount the Company will be required to pay into the Workforce Training and Business Development Fund during the five-year abatement. This estimated amount will be used only for budgeting purposes by the Company and E-Zone Manager.
- 5.5.4. On an annual basis, PDC shall invoice the Company for 15% of the Company's previous year's annual abatement as determined by the Multnomah County Assessors Office ("County"). This information will be provided to PDC by the County annually on or before June 01 of each fiscal year.
- 5.5.5. The Workforce Training and Business Development Fund payments will be due and payable to PDC within 60 days of receiving an invoice.

**5.6. WORKFORCE TRAINING AND BUSINESS DEVELOPMENT FUND
DISBURSEMENT:**

PDC shall divide the Workforce Training and Business Development Fund revenue as follows: 60% to a Workforce Training Fund ("WTF") and 40% to a Business Development Fund ("BDF").

5.6.1. **Workforce Training Fund**

WSI will administer the Workforce Training Fund with the goal of supplying a trained workforce to the Companies participating in the E-Zone program. These funds can be used for WTF related activities as stated in this Policy, as well as basic skill upgrade training, and support services for individuals participating in WTF programs.

- 5.6.1.1. WSI will serve as the liaison with Companies to identify workforce training and hiring needs based on the Companies' projected pipelines, per the FSA, and the supply of ready workers available in the WorkSource System.
- 5.6.1.2. WSI, will coordinate through the WorkSource System in conjunction with the Companies to screen the current WorkSource System candidate pool for qualified candidates to fill positions at the Companies.
- 5.6.1.3. If there is not a supply of qualified workers from the WorkSource System, WSI will serve as a liaison with Companies to identify the training needs. To the extent possible, WTF funds will be leveraged towards existing training programs where funds can be accessed by job seekers that have been pre-screened by the Company and the WorkSource System.
- 5.6.1.4. If no existing training programs exists that meet the needs of the Company, WTF funds will be used through the issuance of a Request for Proposal ("RFP") process to develop customized training to meet the need. The RFP will be developed and managed by WSI in conjunction with the Company and reviewed by the E-Zone Advisory Committee.
- 5.6.1.5. The Company and WSI will screen potential candidates that would be hired but for the specified training needs. In order to participate, the Company will be required to agree to hire candidates upon successful completion of training. The definition of "successful completion" shall be negotiated between the Company and WSI before training begins. Participants who are at or below eighty percent (80%) MFI will receive first opportunity to participate in the customized training program.
- 5.6.1.6. PDC will notify WSI of the availability of WTF funds on a quarterly basis. Upon written request and the approval of the E-Zone Manager, PDC will disburse WTF funds to WSI. The written request shall state how the WTF funds will be used to meet the goals of the E-Zone policy
- 5.6.1.7. WSI will act as the administrative agent over the WTF fund allocation and management.
- 5.6.1.8. WSI may use up to fifteen percent (15%) of the WTF funds to cover administrative costs.
- 5.6.1.9. WSI will create reports and track program outcomes in order to successfully illustrate program trends. At a minimum, the reports will include; addresses of participating job seekers, their Median Family Income, and employment and training placement figures.

5.6.2. Business Development Fund

PDC will administer the Business Development Fund (“BDF”) to create employment opportunities through the development and growth of local firms and community-based businesses.

5.6.2.1. BDF funds will be dispersed by the E-Zone Manager based on established criteria consistent with the E-Zone Policy and the strategies and goals of PDC’s Economic Development Department. Firms or organizations receiving BDF funds shall be required to show the creation of employment opportunities as a result of receiving these funds. All contracts shall be performance based with the understanding that some financial support may be needed up front.

5.6.2.2. Examples of proposed services and or possible uses of BDF funds include, but are not limited to:

- Vendor fairs co-sponsored by E-Zone companies and/or community-based organizations;
- Web based clearinghouse database identifying business that have or could acquire the ability to supply E-Zone companies;
- Funding to create or augment revolving loan fund for receivables, equipment acquisitions, etc.;
- Funding for or to augment direct technical assistance, including manufacturing improvements, marketing, accounting systems, etc.;
- Funding to assist with specialized infrastructure needs, such as additional water capacity, power, gas, etc.; and
- Financial assistance to meet regulatory requirements.

5.7. ENTERPRISE ZONE BUSINESS PROCUREMENT PLAN

5.7.1. The goal of the Procurement Plan is to generate ancillary investment and employment opportunities in supportive services located within the City of Portland. Companies will be required to create and execute a Procurement Plan with the goal of increasing local purchases by a minimum of five percent (5%) per year from businesses located within Portland, with exceptions for periods of slow growth and/or recessions. The Procurement Plan is not intended to require a company to replace key regional suppliers of products and/or services.

5.7.2. It is recognized that the Procurement Plan should provide flexibility that can address the specific Company needs and operating conditions and as such, the Company is in the best position to determine how to achieve the Procurement Plan objectives.

5.7.3. The Company shall submit to PDC its Business Procurement Plan within 60 days after the Company has been authorized into the E-Zone program and will be effective thereafter throughout the period of the tax abatement.

5.7.4. The plan will include goals, numeric or percentage, as a means of providing

benchmarks to evaluate the plan's effectiveness. At a minimum, the Procurement Plan should contain or address the following:

- A list of the products and services that the Company currently purchases or anticipates purchasing, which have the potential for being purchased from enterprise zone companies. To the extent possible PDC, in conjunction with local Community-Based Organizations, will work with the Company to identify firms located within the City of Portland that may be able to provide said products and/or services. However, PDC should not be the only resource used by the Company to identify potential suppliers.
- Companies with existing operations in the E-Zone shall also provide a breakdown of products and services currently purchased from companies located in the City of Portland, and an estimated dollar amount of those purchases.
- A description of how the Company will increase the dollar value of goods and services purchased from businesses within the City of Portland.
- The Plan should include specific actions that the Company will undertake such as outreach strategies, vendor open house or other methods, which will provide increased ability for local firms to capture increased sales while fulfilling Company procurement needs.
- The Company shall reach out to industry associations, including the Oregon Association of Minority Entrepreneurs, Columbia Corridor Association, purchasing agents or other organizations that represent or are associated with small businesses in the E-Zone and if available participate in at least one vendor related fair a year.

5.7.5. PDC will assess the Company's Procurement Plan annually to ensure that the Company is meeting the goals spelled out in the Procurement Plan. The Company will make sufficient information available to PDC to perform this monitoring and analysis.

5.8. E-ZONE BUSINESS AND WORKFORCE EQUITY REQUIREMENTS:

5.8.1. Minority, Women, and Emerging Small Businesses ("M/W/ESB"): Under the terms of the Written Agreement, the Company shall be obligated to comply with the PDC M/W/ESB Program in effect at the time of submitting the Oregon Enterprise Zone Authorization Application to the E-Zone Manager.

5.8.2. Workforce Training and Hiring Program ("WTHP"): Under the terms of the Written Agreement, the Company shall be obligated to comply with the PDC WTHP Program in effect at the time of submitting the Oregon Enterprise Zone Authorization Application to the E-Zone Manager.

5.8.3. Equal Employment Opportunity ("EEO"): Under the terms of the Written Agreement, the Company shall be obligated to provide documentation that the Company and its general or prime contractor associated with the Project at the

Qualified Property was certified within 30 days of the Project's start date. City of Portland EEO certification can be obtained online or by contacting the City of Portland Bureau of Purchases.

Bureau of Purchases can be contacted at the following:

Website: www.portlandonline.com/omf/

Phone: 503.823.5047

In Person: Bureau of Purchases

1120 SW Fifth Avenue, Room 750

Portland, OR 97204

5.9. CITY'S BASIC SERVICE COSTS

5.9.1. It is acknowledged that any new investment could impose additional requirements on the City's basic services such as police and fire. Companies will be required to provide City general fund revenues sufficient to cover the City's direct costs of serving the Qualified Facility during the tax exemption period. This requirement insures that the City is able to supply basic services to a Company even though the Company's new investment is exempted from taxation.

5.9.2. The City's basic service costs of serving the Qualified Facility is estimated to be thirty percent (30%) of the property taxes abated annually during the period of abatement. If the Qualified Facility's other City revenues will not cover the City's Basic Service costs, the Company will be required to contribute a sufficient amount of funds to the City during the exemption period to achieve cost-recovery for each year that the City's basic service costs are not covered. Other City revenues to be considered include:

- City Business License Fees attributable to the Qualified Facility and paid during the City's fiscal year;
- City Utility Franchise Fees resulting from the Company's Qualified Facility activity during the City's fiscal year (calculated as utility charges multiplied by the City utility franchise fee rate); and
- Any other City General Fund revenues documented as generated by the Company's Qualified E-Zone Property.

5.9.3. During the first 90 days of the year following a tax abatement year, PDC and the Company will calculate the City's Basic Service Costs for the Company's Qualified Facility and the City's General Fund revenues generated by Company's Qualified Facility. Upon Company's receipt of the calculation statement from PDC, Company will pay to the City of Portland a fee equivalent to the shortfall between the City's Basic Service Costs for the Qualified Facility and the General Fund revenues generated by the Qualified Facility.

5.10. ADDITIONAL LOCAL CONDITIONS; PROJECTS RECEIVING \$2 MILLION OR GREATER IN TOTAL TAX EXEMPTIONS

5.10.1. CHILDCARE SUPPORT FOR COMPANY'S EMPLOYEES

Company will make childcare support available to all regular full-time employees upon their first day of work beginning with the first year of tax exemption at the minimum levels described in this Policy.

5.10.1.1. For employees earning less than 30% MFI as defined by the federal government, Company shall make available childcare support in an amount equal to or greater than

- \$375/month per employee with a child 0-5 years old
- \$475/month per employee with two (2) or more children age 0-5 years old
- \$225/month per employee with a child 6-12 years old
- \$325/month per employee with two (2) or more children age 6-12 years old

5.10.1.2. For employees earning less than 50% MFI as defined by the federal government, company shall make available childcare support in an amount equal to or greater than

- \$275/month per employee with a child 0-5 years old
- \$375/month per employee with two (2) or more children in this age group
- \$175/month per employee with a child 6-12 years old
- \$275/month per employee with two (2) or more children in this age group

5.10.1.3. For employees earning less than 30% MFI as defined by the federal government, and working shifts where more than 50% of the hours worked are between 6PM and 7AM or on weekends or holidays, Company shall make available childcare support in an amount equal to or greater than

- \$375/month per employee with one child 0-12 years
- \$525/month per employee with two (2) or more children in this age group

5.10.1.4. For employees earning less than 50% MFI as defined by the federal government and working shifts where more than 50% of the hours worked are between 6PM and 7AM or on weekends or holidays, Company shall make available childcare support in an amount equal to or greater than

- \$275/month per employee with a one child 0-12 years old
- \$375/month per employee with two (2) or more children in this age group

5.10.1.5. Employees will be reimbursed by company within 10 business days after receipts are submitted. Employees must utilize licensed childcare provider services. Childcare support will be available beginning with the first day of work. PDC will increase this amount each year of exemption based upon the Consumer Price Index. However, the childcare support payment shall not

exceed the actual costs to the employee.

5.10.1.6. Licensed childcare providers who offer care during swing shifts are extremely rare. PDC recommends that the Company work with the Portland Childcare Improvement Project to develop care appropriate to your company and employees. The Childcare Improvement Project can be contacted at (503) 524.3245.

5.10.1.7. Summary Table Percentage Of MFI Versus Child Age And Number

Monthly payment per employee earning less than:	Employees earning less than 30% MFI	Employees earning less than 50% MFI
<i>Full-time shift</i>		
1 child 0-5 years old	\$375/month	\$275/month
2 or more children 0-5 years old*	\$475/month	\$375/month
1 child 6-12 years old	\$225/month	\$175/month
2 or more children 6-12 years old	\$325/month	\$275/month
<i>Shifts with more than 50% work hours between 6-7AM or on weekends or holidays</i>		
1 child 0-12 years old	\$375/month	\$275
2 or more children 0-12 years old	\$525/month	\$375
Note all amounts increase each yr of exemption based upon the Consumer Price Index		

5.10.1.8. Comparable company investments in a childcare facility which qualifies for federal/Oregon dependent care assistance tax credits and is available to Company’s employees may be substituted on a dollar for dollar basis for the direct support requirements listed above. However, the childcare support payment shall not exceed the actual costs to the employee.

5.10.1.9. A “comparable investment” is an annual donation to a day care center of the maximum employee contribution listed above for each employee and child meeting the description of those sections.

5.10.1.10. Childcare support costs shall not exceed 15% of Company’s Enterprise Zone tax abatement in any given tax year. If childcare costs are estimated to be above this 15% threshold on any given exemption year, the lowest income employees will receive childcare subsidies prior to those with higher incomes (i.e. – employees earning \$17,000 and \$21,000 per year may receive subsidies, while an employee earning \$25,000 might not).

5.10.1.11. Upon request by Company, PDC may provide written authorization for adjustment of the requirements of this section to insure that Company does not

annually expend more than 15% of annual Enterprise Zone tax exemption to fulfill the requirements of this contract.

5.10.2. TRANSIT SUPPORT

- 5.10.2.1. Transit support will be available beginning the first day of work for all employees earning 80% MFI or below (based on single household).
- 5.10.2.2. Company will make public transit support available for all regular full-time and part-time workers no matter their annual earnings who have passed the Company's probationary period at the qualifying facility throughout the exemption period.
- 5.10.2.3. In either case, the minimum transit support required is company payment of at least 75% of the monthly transit pass costs for all employees who choose to utilize public transit for transportation to and/or from the Company's Zone facility.
- 5.10.2.4. Transit support costs shall not exceed 10% of Company's Enterprise Zone tax abatement in any given tax year. If transit support costs are estimated to be above this 10% threshold on any given exemption year, the lowest income employees will receive transit support prior to those with higher incomes (i.e. – employees earning \$17,000 and \$21,000 per year may receive subsidies, while an employee earning \$25,000 might not).
- 5.10.2.5. Companies will be encouraged to develop efforts and programs to breakdown transit related barriers to employment, such as rideshare and vanpool programs. By encouraging use of public transportation, the Company will be assisting in the creation of job opportunities for Portland residents lacking personal transportation, while at the same time contributing to the reduction of air pollution.

6. E-ZONE ADVISORY COMMITTEE

- 6.1. The E-Zone Advisory Committee shall be comprised of a seven-member board appointed by the PDC. The Committee will have the following representation:
 - Two representatives from companies that are currently in the Ezone program and that are in good standing with all aspects of the E-Zone program;
 - Three representatives from community-based organizations that work directly with or advocate for the targeted population that the Workforce Training and Business Development Fund funds are attempting to train and place in E-Zone related jobs; and
 - Two representative from City-wide community-based organizations that work directly with or advocate for the targeted businesses that the Workforce Training and Business Development Fund is attempting to assist in the E-Zone.
- 6.2. Committee member terms will be two years and committee members may serve up to two consecutive terms.
- 6.3. Committee shall meet quarterly to provide programmatic recommendations within the

E-Zone Policy framework to the E-Zone Manager. This will include, but not be limited to; reviewing the Annual Compliance Report and the RFP process related to the Workforce Training Fund

7. **TECHNICAL ADVISORY COMMITTEE (“TAC”)** Representatives from public agency’s that have oversight and/or program responsibilities such as, but not limited to, WorkSystems Inc, City of Portland Bureau of Housing and Community Development (“BHCD”), PDC, Multnomah County, and WorkSource Portland Employment Department, will meet on a regular basis to facilitate operational aspects of the E-Zone program based on the E-Zone policy and State law.

8. ANNUAL COMPLIANCE

- 8.1. On an annual basis, PDC shall meet with each Company to ensure that the Company is meeting all requirements of the E-Zone as described in the E-Zone Policy and further detailed in the Written Agreement.
- 8.2. PDC will use the remedies stated in the Act and those described in the E-Zone Policy to enforce these requirements.
- 8.3. The County Assessors Office, representatives from the WorkSource Portland Employment Department, and WorkSource System will be invited to participate in these annual compliance meetings.

9. REPORTING

- 9.1. PDC will develop an annual reporting method that details the activities of the E-Zone, including but not limited to, an accounting of every company in the E-Zone program and their ability to meet the programmatic goals as well as their annual compliance status.
- 9.2. This written report will be shared with the E-Zone Advisory Committee, the City Council, and the PDC Board of Commissioners annually on or before December 31 of each year the E-Zone is in existence.

10. REMEDIES FOR NON-COMPLIANCE

10.1. General Remedy Guidelines

- 10.1.1. All penalties that incur monetary value will be paid in full to the PDC and deposited to the Workforce Training and Business Development Fund and divided according to section 5.6.
- 10.1.2. If Company fails to perform its obligations under this Policy and the Written Agreement, PDC may, pursue one or more of the remedies described in this Policy.
- 10.1.3. Under no circumstances will the total of monetary remedies, application fees, and the costs associated with any additional City requirements exceed the total property tax savings resulting from the property tax exemption granted to the Company’s

Qualified Facility.

10.1.4. Notwithstanding the remedies described below, the Company may be subject to the penalties described in ORS 285C.240 as prescribed by the Act.

10.2. Remedy for Non-Performance of New Hire Retention

10.2.1. If the Company has not retained fifty percent (50%) of all New Hires exclusive of the Company's probationary period for two consecutive years of employment, the Company shall pay to PDC a fee in the amount of ten thousand dollars (\$10,000) multiplied by the number of hires the Company is short of the 50% requirement.

For example, if the Company has 100 new hired positions but only 45 were retained for two consecutive years, the Company's fee would be $5 \times \$10,000 = \$50,000$.

10.2.2. The maximum fee in this section shall be fifty percent (50%) of the Company's property tax exemption during the fiscal year in which the Company fails to perform.

10.3. Remedy for Non-Performance of Job Quality Requirements

If the Company does not perform the requirements related to the Job Quality provisions of this Policy, the Company shall be disqualified from obtaining a tax exemption for the fiscal year in which it fails to perform.

10.4. Remedy for Non-Performance of First Source Hiring Agreement

Non-performance of the First Source Hiring Agreement shall result in PDC notifying the County Assessor that the Company is disqualified to receive any further tax exemption on the Qualified Facility in accordance with the Act.

10.5. Remedy for Non-Performance of Workforce Training and Business Development Fund

10.5.1. Late Community Contribution payments will be subject to a one percent (1%) per month late fee.

10.5.2. If Workforce Training and Business Development Fund are not paid to PDC within six months of receiving an invoice, PDC will notify the Multnomah County Assessor Office that the Company is disqualified from receiving a tax exemption for the tax year following the tax year in which the failure to perform occurred.

10.5.3. If the final payment of Workforce Training and Business Development Fund due is not paid to PDC in accordance with this Policy, the Company shall pay to PDC a fee equivalent to the amount of tax exemption in the fifth (5th) year of the tax exemption period. The payment shall be due to PDC by December 31 of the tax year following the fifth year of the tax exemption.

10.6. Remedy for Non-Performance of the E-Zone Business Procurement Plan

If the Company does develop and submit a Enterprise Zone Business Procurement Plan to PDC per this Policy, the Company shall pay to PDC a fee equivalent to

five (5%) of the estimated tax exemption for the year in which the failure to perform occurred. The payment shall be due to PDC by December 31 of the tax year following the tax year in which the failure to perform occurred.

10.7. Remedy for non-performance of the E-Zone Business and Workforce Equity

If the Company fails to perform the Business and Workforce Equity obligations, the Company will be subject to the remedies provided for in the Business Equity and Workforce Policy applicable to the Project.

10.8. Remedy for Non-Performance of City Basic Service Costs

10.8.1. If the Company does not perform the obligations relating to City Basic Service Costs contained in this Policy, the Company shall pay to PDC a fee equivalent to the amount of City of Portland taxes exempted during the tax year in which the failure to perform occurred.

The payment shall be due to PDC by December 31 of the tax year following the tax year in which the failure to perform occurred.