



PROSPER
PORTLAND
Building an Equitable Economy

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