

Portland, Oregon

FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT For Council Action Items

(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Morgan Masterman	2. Telephone No. X 3-6839	3. Bureau/Office/Dept. Portland Development Commission
4a. To be filed (date): June 7, 2012	4b. Calendar (Check One) Regular <input checked="" type="checkbox"/> Consent <input type="checkbox"/> 4/5ths <input type="checkbox"/>	5. Date Submitted to Commissioner's office and FPD Budget Analyst: June 7, 2012
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed

1) Legislation Title:

Authorize the Submittal of Enterprise Zone and Electronic Commerce Applications to the State of Oregon and Adopt the East Portland Enterprise Zone Policy (Resolution)

2) Purpose of the Proposed Legislation:

This Resolution authorizes the Portland Development Commission (PDC) to submit applications for the designation of the East Portland Enterprise Zone (E-Zone) and Electronic Commerce (E-Commerce) zone to the State of Oregon and adopts the East Portland E-Zone Policy which is consistent with the existing Portland E-Zone Policy.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- | | | | |
|--|---|------------------------------------|--|
| <input type="checkbox"/> City-wide/Regional | <input checked="" type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast | <input checked="" type="checkbox"/> Southeast | <input type="checkbox"/> Southwest | <input checked="" type="checkbox"/> East |
| <input type="checkbox"/> Central City | | | |
| <input type="checkbox"/> Internal City Government Services | | | |

FINANCIAL IMPACT**4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.**

The E-Zone program does not, in and of itself, decrease projected growth in property taxes. The five-year property tax abatements only apply to new capital investment. Furthermore, once the tax exemption expires and taxable property value grows, property tax revenues collected by local taxing jurisdictions and urban renewal taxes will increase.

5) Expense: What are the costs to the City related to this legislation? What is the source of funding for the expense? *(Please include costs in the current fiscal year as well as costs in future years. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the level of confidence.)*

No costs to the City are anticipated due to this legislation.

6) Staffing Requirements:

- **Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?** *(If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.)*

PDC will staff this program using existing FTE. We do not anticipate creating, eliminating, or reclassifying any positions this year due to this legislation.

- **Will positions be created or eliminated in future years as a result of this legislation?**

We do not anticipate creating or eliminating positions in future years due to this legislation.

(Complete the following section only if an amendment to the budget is proposed.)

7) Change in Appropriations *(If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)*

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

- ☒ **YES:** Please proceed to Question #9.
☐ **NO:** Please, explain why below; and proceed to Question #10.

9) If “YES,” please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

E-Zone designations have the ability to bring significant economic benefits and job opportunities to Portland. In 2009 alone, the existing Portland E-Zone firms spent an estimated \$60 million in local procurement in Portland and workers averaged nearly \$30/hr in wages and benefits. Since 1996, the Portland E-Zone has leveraged more than \$1 billion in private investment and created and retained more than 5,000 full-time, quality jobs. Additionally, newly enrolled E-Zone firms are expected to invest another \$500 million in E-Zone projects in the next three years. Staff expects to see similar benefits with the designation of the East Portland E-Zone. Beyond the job creation and procurement that occurs through the E-Zone, companies are also required to pay back to PDC an amount equal to 15 percent of the value of its abatement into the Workforce Training and Business Development Fund. These “Community Contributions” are distributed as follows:

- 1) 60 percent is allocated to the Work Force Training Fund (“WTF”), administered by Worksystems, Inc. (“WSI”) and goes toward job training for participating E-Zone companies; and
- 2) 40 percent is allocated to the Business Development Fund (“BDF”), administered by PDC, and is distributed to the community through grants to local service agencies for business assistance, including technical assistance and financing.

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

On June 6, 2012, PDC held a meeting for local taxing jurisdictions to weigh in on the proposal. On June 7, 2012, an open house was held at the Immigrant and Refugee Community Organization (IRCO) in east Portland. This meeting was advertised online and an invitation was sent electronically to over 2,000 stakeholders including Columbia Corridor Association members, businesses who may utilize E-Zone abatements, Urban Renewal Advisory Committees, the ONI Notification email list, and other interested stakeholders. On June 13, the PDC Board and the Port of Portland Commission will hold public hearings on the proposed Enterprise Zone.

c) How did public involvement shape the outcome of this Council item?

The public was supportive of the application therefore the content was not changed.

d) Who designed and implemented the public involvement related to this Council item?

The Portland Development Commission.

e) Primary contact for more information on this public involvement process (name, title, phone, email):

Morgan Masterman
Policy Coordinator, PDC
503-823-6839
MastermanM@pdc.us

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

Pursuant to the proposed East Portland E-Zone Policy, an advisory committee will be established to provide oversight and recommendations regarding the program to the PDC Executive Director and the Commission.



Patrick Quinton
BUREAU DIRECTOR

DATE: June 7, 2012

TO: Mayor Sam Adams

FROM: Keith Witcosky, Deputy Director

RE: Authorize the Submittal of Enterprise Zone and Electronic Commerce Applications to the State of Oregon and Adopt the East Portland Enterprise Zone Policy (Resolution)

FOR MAYOR'S OFFICE USE ONLY

Reviewed by Bureau Liaison _____

J. Scott Andrews
Commission Chair

Aneshka Dickson
Commissioner

John C. Mohlis
Commissioner

Steven Straus
Commissioner

Charles A. Wilhoite
Commissioner

Sam Adams
Mayor

Patrick Quinton
Executive Director

1. **INTENDED THURSDAY FILING DATE:** June 7, 2012
2. **REQUESTED COUNCIL AGENDA DATE:** June 14, 2012
3. **PRIMARY CONTACT NAME & NUMBER:** Keith Witcosky, 503-823-3243
4. **SECONDARY CONTACT & PREPARED BY:** Morgan Masterman, 823-6839
5. **PLACE ON:** CONSENT X REGULAR
6. **FINANCIAL IMPACT & PUBLIC INVOLVEMENT STATEMENT**
ATTACHED: X Yes No N/A
7. **(THREE) ORIGINAL COPIES OF CONTRACTS APPROVED AS TO FORM**
BY CITY ATTORNEY ATTACHED: Yes No X N/A

8. BACKGROUND/ANALYSIS

Introduction and History – The action before the City Council authorizes the Portland Development Commission (PDC) to submit applications to the State of Oregon seeking designation of a new Enterprise Zone (“E-Zone”) and an Electronic Commerce (“E-Commerce”) designation for East Portland. The applications are due June 15, 2012. Additionally, the action adopts the East Portland E-Zone Policy which is consistent with the existing Portland E-Zone Policy.

These programs provide limited duration tax incentives for firms making capital investments which expand operations, increase jobs, and increase the tax base. Portland currently has one existing E-Zone which includes most of the industrially-zoned property in Northwest, North and Northeast Portland.

E-Zones are a state sponsored economic development tool intended to spur jobs and other community benefits by leveraging a five-year property tax abatement to incent private sector capital investment on land zoned for industrial or other job-generating uses. E-Zones can be up to 12 square miles in size and have a life of up to ten years. The State of Oregon’s E-Zone program has been in existence since the mid-1980s. During the 2012 Legislative session, the State made five additional E-Zone designations available to urban areas. PDC staff is proposing to apply for one of those five. E-Zones provide up to 100 percent property tax abatement on a company’s new investment in facilities, equipment and machinery over a five-year period if program requirements are met. The primary users of the E-Zone program are manufacturing and other industrially-oriented businesses.

At times, the E-Zone program is also supplemented by an additional overlay called an E-Commerce designation. This designation allows qualifying businesses to claim an income tax credit equaling the lesser of \$2 million, or 25 percent of the investment cost of capital assets used in E-Commerce operations inside the E-Zone. E-Commerce is defined as traded sector businesses who conduct more than 50 percent of their business

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electronically. The E-Commerce program is only available if applied in conjunction with an E-Zone designation. Recently these programs were used to help retain the corporate headquarters of Rentrak, a local media measurement and research company in the Airport Way Urban Renewal Area. In contrast to the E-Zone program, the State of Oregon is only offering one E-Commerce designation during this round of applications. Therefore it may be more competitive.

The PDC, on behalf of the City of Portland, is requesting designation of the East Portland E-Zone and E-Commerce Zone. The proposed geographic area includes industrial, commercial and employment-zoned properties generally east of Cesar Chavez Boulevard (39th Avenue) to the Portland city limits bordering Gresham. The area is approximately eight square miles in size, and includes a number of vacant sites and vacant or underutilized buildings that are prime candidates for expansion and redevelopment.

These programs have proven to be Oregon's key offering in the pursuit of business growth, expansion, retention and recruitment. Their effectiveness is based on a short-term, but immediate, benefit for the business project's cash flow.

Legal Issues – None

Link to Current City Policies – The East Portland E-Zone presents the opportunity to advance objectives of the 2009 City of Portland Economic Development Strategy, 2011 Neighborhood Economic Development Strategy and the PDC Strategic Plan which all place an emphasis on making investments that create jobs and maximize competitiveness. The E-Zone can also be used as tool to advance objectives of the recently-adopted Portland Plan which places an emphasis on thriving educated youth, equity, economic prosperity and affordability, and a healthy connected city.

Controversial Issues – Aside from the associated risks of approving tools involving the abatement of property taxes, there are no significant controversial issues associated with this action.

Citizen Participation – Four opportunities for public testimony and comment occurred in the preparation of this application. These include the following:

- A public meeting of affected taxing jurisdictions on June 6
- A public open house at the Immigrant and Refugee Community Organization on June 7
- A meeting before the Port of Portland Commissioners on June 13; and
- A meeting before the PDC Board and hearing, on June 13

In addition to these meetings, PDC staff conducted conference calls with Urban Renewal Advisory Committee Chairs from Gateway and Lents to explain the focus and purpose of the application. Notification of the June 7 open house included distribution to the more than 2,000 contacts from the Office of Neighborhood Involvement Notification ListServe.

Letters of support were received from Multnomah County, Greater Portland Inc, PECO and East Side Plating Inc (see Attachment A).

Pursuant to the proposed East Portland E-Zone Policy, an advisory committee will be established to provide oversight and recommendations regarding the program to the PDC Executive Director and the Board.

Other Government Participation – Economic development staff from Multnomah County Chair Jeff Cogen’s office was a member of the project team which worked on the application. The focus and boundaries were developed in consultation with Chair Cogen and his staff. The Port of Portland shall conduct a public hearing and is expected to endorse the application on June 13, 2012. Additionally, notice of the application was provided to taxing jurisdictions and a consultation meeting was held June 6, 2012.

9. FINANCIAL IMPACT

The E-Zone program does not decrease projected growth in property taxes. The five-year property tax abatements only apply to new capital investment. Furthermore, once the tax exemption expires and taxable property value grows, property tax revenues collected by local taxing jurisdictions and urban renewal taxes will increase for many years thereafter.

E-Zone designations have the ability to bring significant economic benefits and job opportunities to Portland. In 2009 alone, existing Portland E-Zone firms spent an estimated \$60 million in local procurement in Portland and workers averaged nearly \$30/hr. in wages and benefits. Since 1996, the Portland E-Zone has leveraged more than \$1 billion in private investment and created and retained more than 5,000 full-time, quality jobs. Additionally, newly enrolled E-Zone firms are expected to invest another \$500 million in E-Zone projects in the next three years.

Staff expects to see similar benefits with the designation of the East Portland E-Zone. Beyond the job creation and procurement that occurs through the E-Zone, companies are also required to pay back to PDC an amount equal to 15 percent of the value of its abatement into the Workforce Training and Business Development Fund. These “Community Contributions” are distributed as follows:

- 1) 60 percent is allocated to the Work Force Training Fund (“WTF”), administered by Worksystems, Inc. (“WSI”) and goes toward job training for participating E-Zone companies; and
- 2) 40 percent is allocated to the Business Development Fund (“BDF”), administered by PDC, and is distributed to the community through grants to local service agencies for business assistance, including technical assistance and financing.

The E-Commerce program will result in a temporary loss of tax revenues for the State. However, this is typically offset by the long-term benefits resulting from the new investments, which may not have been made if the program were not in place.

Worksystems Inc. will provide PDC with an annual accounting of its administrative costs related to the Workforce Training Fund and additional information related to the use of these funds.

10. RECOMMENDATION/ACTION REQUESTED

It is recommended that the City Council approve the Resolution authorizing PDC to submit applications for designation of an Enterprise Zone and Electronic Commerce Zone to the State of Oregon and adopt the E-Zone Policy.



Keith Witcosky,
Deputy Director