

IMPACT STATEMENT

Legislation title: Authorize the Submittal of Enterprise Zone Application to the State of Oregon to Reauthorize the Portland Enterprise Zone (Resolution)

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Purpose of proposed legislation and background information:

This Resolution authorizes Prosper Portland to submit applications for the re-designation of the Portland Enterprise Zone (E-Zone) to the State of Oregon.

This action requests that the Portland City Council (City) reauthorize the Portland Enterprise Zone (E-Zone) for another ten years and direct staff to submit a reauthorization application to the State of Oregon, with amendments to the current Portland E-Zone boundary.

If approved, this action will allow the City of Portland to continue to sponsor an economic development program that since 1986 has encouraged commercial investment, created and retained quality jobs, and catalyzed investment in critical community economic development objectives across the city.

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 authorized Prosper Portland as the City's E-Zone Manager. Since then, in 1996 and in 2008, Prosper Portland has requested, and City Council has approved submitting successful reauthorizations to the State to continue administering the E-Zone in the city of Portland. The current authorization expires June 30, 2019.

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 of Commissioners through Resolution No. 7253 requested, and City Council ultimately adopted through Resolution No. 37321 amendments to the E-Zone policy that increased requirements for wages/compensation, procurement plans, and institutionalizing additional public benefits through formal agreements between participating businesses and Prosper Portland. 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 of color; 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 people of color and business culture change with the end goal of creating more equitable and inclusive businesses in Portland.

In 2012, the City authorized the East Portland E-Zone through Resolution No. 36934 which will expire in 2022. The combined East Portland and Portland E-Zones have created new jobs, increases in wages and benefits, and substantial capital and procurement investment.

As part of the re-authorization of the Portland E-Zone program, Prosper Portland, as Zone Manager, will be required to update the Portland Enterprise Zone map to confirm the new zone meets state income/poverty standards requirements as described in Oregon State Statutes 285C.090. Staff is also recommending adjustments to the current Portland E-Zone map to stay within statutory limits on total square miles and point-to-point distances, to be in or near low-income areas. Finally, staff is recommending adding certain properties to align with current economic development priorities of the City of Portland, Prosper Portland, the Port of Portland, and Metro (see Attachment A), as requested by these partner jurisdictions.

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 financially sustainable agency by providing an ongoing revenue stream to invest much-needed resources in traded sector and community economic development activities.

Over the past ten years, Prosper Portland has managed 90 different E-Zone projects. Since the Great Recession earlier in this decade, the program has seen significant increases in enrollment; between 2015 and 2018, the 53 active E-Zone participants (36 percent of which were small businesses) have:

- Invested \$801,966,258 in the City of Portland;
- Created 2,834 new jobs;

- Paid \$30.86 per hour average wages and offered total compensation of \$41.95/hour (in 2017 dollars); and
- Provided \$2,750,900 for local non-profits, businesses, and workers through Prosper Portland programs such as the Inclusive Business Resource Network and Oregon Manufacturing Extension Partnership.

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 to connect job seekers with small manufacturers in the Central Eastside Industrial District. 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 given the equity requirements included in construction requirements (on the development of projects) and in mandatory equity trainings within E-Zone companies.

Participating E-Zone companies are also required to comply with Prosper Portland's Business and Workforce Equity programs, with occasional exceptions due to construction timing.

Financial and budgetary impacts:

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 will increase.

Tax revenue impact from the Portland E-Zone to the City of Portland has ranged from \$300,000 to \$1,600,000 over the past 10 years. Anecdotal information from our partners suggests many of the investments would not be made absent the incentive provided to companies.

Community impacts and community involvement:

As required by Oregon State Statute, Prosper Portland has conducted outreach to discuss the proposed reauthorization and boundary amendments. Outreach included 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
- West Multnomah Soil and Water Conservation District
- East Multnomah Soil and Water Conservation District
- NW Regional Education Service District
- Scappoose School District

On February 19, 2019, Prosper Portland staff met a number of these taxing jurisdictions to discuss the impact of the program on local revenue for jurisdictions, as well as the impact of the program over the last ten years. Stakeholders responded positively toward the proposed re-authorization; many of the attendees found direct alignment between the mission of their organization and the goals of the E-Zone program.

Prosper Portland is not requesting any changes to the Portland E-Zone Policy, which will remain in effect for this reauthorization of the Portland E-Zone. That said, in 2017 Prosper Portland worked closely with numerous community partners across the city of Portland, including high school administrators from schools, colleges, and universities and more than 50 non-profit leaders, to craft an Enterprise Zone Policy that would ask companies to do more for the community in exchange for the property tax abatement. These changes received emphatic support.

As staff works closely with community leaders across the city, Prosper Portland continues to seek ongoing feedback on how the program is providing tangible benefits for our city's underserved communities.

At this hearing, staff expect testimony from Roz McKenna, owner of McKenna Metals, and Julieanna Elegant, Executive Director, Lewis & Clark Law School Small Business Legal Clinic.

100% Renewable Goal:

This action does not increase or decrease the City's total energy use.

Budgetary Impact Worksheet

Does this action change appropriations?

- YES:** Please complete the information below.
- NO:** Skip this section

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

Impact Statement for Requested Council Action
