



CITY OF
PORTLAND, OREGON

**OFFICIAL
MINUTES**

A SPECIAL MEETING OF THE COUNCIL OF THE CITY OF PORTLAND, OREGON WAS HELD THIS **1st DAY OF JULY, 2019** AT 1:30 P.M.

THOSE PRESENT WERE: Commissioner Eudaly, Presiding; Commissioners Fish, Fritz and Hardesty, 4.

OFFICERS IN ATTENDANCE: Karla Moore-Love, Clerk of the Council; Robert Taylor, Chief Deputy City Attorney; and Ovie Griggs and Cheryl Leon-Guerrero, Sergeants at Arms.

Motion to elect Commissioner Fritz as President of the Council: Moved by Fish and seconded by Hardesty. (Y-4)

642 Designate the Portland Enterprise Zone for Electronic Commerce
(Resolution introduced by Mayor Wheeler) 30 minutes requested
(Y-4)

37441

At 1:48 p.m., Council adjourned.

**DUE TO LACK OF A QUORUM THERE WAS
NO 2:00 PM MEETING WEDNESDAY, JULY 3, 2019**

**DUE TO THE INDEPENDENCE DAY HOLIDAY THERE WAS
NO 2:00 PM MEETING THURSDAY, JULY 4, 2019**

MARY HULL CABALLERO
Auditor of the City of Portland

By Karla Moore-Love
Clerk of the Council

For a discussion of agenda items, please consult the following Closed Caption File.

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Key: *** means unidentified speaker.**

July 1, 2019 Special Session 1:30 p.m.

Eudaly: We are now in session, good afternoon, this is a special meeting of the Portland city council, today is Monday, July 1st. Mayor Wheeler is absent today. I think we are going to skip the rules of decorum since I think I can handle these three individuals. It's four against three. Before we move on to the one and only item we have a housekeeping matter. We have to call roll first.

Hardesty: Here. **Fritz:** Here. **Fish:** Here. **Wheeler:**

Eudaly: Here. Colleagues is time for me to relinquish the gavel to commissioner Fritz. I know it will be in good hands. I need a motion to elect commissioner Fritz.

Fish: So moved.

Hardesty: Second.

Eudaly: It's not a competition, people. Commissioner Fish moved the motion, commissioner Hardesty seconded it. Karla, could you please call the roll on the motion.

Hardesty: It is my honor to vote yes.

Fritz: Aye. **Fish:** Aye.

Eudaly: Aye. Commissioner Fritz I now hand you the gavel. And -- should be a procession.

Fritz: And flowers.

Eudaly: An orchestra. You will be presiding over today's meeting. I understand that -- yes, I've got to give that up, too.

Fritz: Thank you so much. I'll be presiding for two days then going on vacation so commissioner Eudaly will be the president. Thank you, please read the item Karla.

Item 642.

Fritz: Do we have somebody -- please come forward and present this exciting item.

Andy Reed: Thank you, commissioner Fritz, commissioner Hardesty, commissioner Fish, commissioner Eudaly, thank you for taking your time on a Monday afternoon, it's a unique moment obviously to be here at a special session. My name is Andy Reed, I work for Prosper Portland and I manage the Portland enterprise zone on behalf of Prosper Portland as well as city of Portland. So, today we're here unfortunately, fortunately a unique day where we have to take an action on July 1 in order to retain our electronic commerce overlay for the Portland enterprise zone. I'll go into details about that and give a brief history about how this sits within our work that we do at Prosper as the city as well. Go in the impact of e-commerce companies or electronic commerce companies, talk a bit about the state statute and then bring request to you today. As you can see the Portland enterprise zone was established in 2008 most recently. If we have the slide going further back, back to 1986, the program has been in place for 40 years, we just had our new designations start as of today July 1 for the next 10 years and this action is linked to that. Specifically related to electronic commerce we first began using that in 2008 had our first project track come in a couple years later into the program. They were looking at relocating to Vancouver, Washington and due to the e-commerce overlay it allowed them to stay and incentivize them to keep their job here in Portland instead of crossing the river in that instance. In 2012 we applied for the east Portland enterprise zone to have its own electronic commerce overlay, that was granted, that expires in 2023 so that action is not in front of us today, but I will come forward in a few years when we go to redo that east

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enterprise zone. I'll share about some activity of the combined two enterprises prize zones in particular for the e-commerce elements as we're going through the presentation today. This is the first time we got into the weeds I think ever in front of city council on what the difference between electronic commerce and the standard enterprise zone exemption looks like. If you see the top left you have eligible businesses, this is what normally qualifies. Down towards the bottom ineligible activities or businesses, please note that electronic commerce does not qualify into the standard program. On the right-hand side you see the additional activity that can use the program with this overlay that goes with the enterprise zone. Companies that qualify under electronic commerce must meet all the criteria of every other enterprise zone company including higher wages, job creation, signing public benefit agreements, this is a question of activity or use in what kind of companies qualify in doing this kind of work. You'll see that there really is a question of what the kind of transactions are via the internet predominantly means that 50% of their transaction activity has to have via an internet platform of some sort or doing software creation. Why this is important and valuable to us about approximately 20% of our projects in our two enterprise zones use this particular form of qualifying. For us it's a big part of how we deploy our work, it's a tangible tool that we have to influence business culture particularly in the tech industry which we all know needs to see some pretty significant shifts in who they are hiring for their workforce and how they're doing diversity, equity and inclusion work inside their businesses, so, we're paying attention to that, this is one of the places where we have leverage in the transactions that we have with e-commerce companies. This is also one of our four cluster areas, so working with the software tech industry, it is the fastest growing industry in Portland, so we have the strong preference of having some of that direct influence in how these businesses are doing their work inside our city. With that, we also have, this is a tool for some of the smaller tech companies that otherwise wouldn't be able to use the program. It's going to be a key element for our Broadway corridor work that we're doing, we have a community benefit agreement that's getting attached to Broadway corridor, this is the public benefitting side which is the tenanting side and if we're attracting tech companies to that space we can influence the development of space as well as how the use of that space happens via the tenants, so that's a big deal to us as well. So, in terms of kind of where this sits in the timeline of activities, you authorize the Portland enterprise zone on May 1st successfully its effective as of today. The Portland enterprise zone and e-commerce overlay have identical maps, so the map that you see on the screen is the map that would be overlay as well. Again, the east Portland enterprise zone has own overlay until 2023. In terms of activity about 17% of the projects have the e-commerce elements to it. So again this is a big portion of our work of the 53 active projects that is. These are the companies that have qualified using the e-commerce overlay so some of them are fairly small, but cascade energy, treehouse island they do online training to get young people into the tech industry, into coding schools, things like that. You also have viewpoint construction software which is one of the first tech companies that existed in the city of Portland has grown significantly from there. Another one instrument marketing, with our changes in the 2015 enterprise zone rules or the public benefit agreement pieces, they have a childcare tool where they deploy a stipend for their employees that have childcare needs. We're looking at how we're influencing tech and we're bringing in childcare services for those young families that are trying to have a stable family and work-life balance. Seven of the eight businesses that you have here on the list highlighted in blue were founded in Portland, so something to note and four out of eight have less than 50 employees when they enrolled. Again this is a tool that we've leveraged for some of the smaller businesses. In terms of their impact, this is of the billion dollars that has been invested in the last few years, 100 million of it is from e-commerce companies. They have been spending money both in building buildings as well as buying goods and

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services within the city. We've seen about 360 new jobs come out of it. They pay on the higher scale of wages in the Portland market, obviously. Their benefit packages are really, really good and we want to encourage again these entry kind of pay companies growing in Portland creating jobs and opportunities for our residents, this is one of the sector that we want to influence as much as we can in that. In terms of the value proposition, this is a break down from what we presented in May, which talks about the foregone revenue to the city as well as what we're getting in return for that. You'll see about \$64,000 dollars in city general fund that is foregone as result of these companies using the program in return for that we have \$129,000 of money going back into workforce training business development fund which goes into inclusive business resource network, those kind of program. We have that public benefit agreement element that is getting attached, into reincorporate what we talked about back in may we're spending time looking at how these companies are engaging within communities of color, how their engaging with our nonprofits, with our schools and universities and we're going to be pretty soon seeing good data.

Fritz: Do you happen to know how much 2.2% city business tax how much that is?

Andy Reed: We weren't able to get into that level of detail if we spent time with the city staff that could help us back into that, that would be a really interesting number I think for me to see in particular.

Fritz: Obviously double our money into the workforce training already, but I'm guessing we would have even -- pretty significant if we looked at the actual business tax which we can then use for anything.

Andy Reed: I believe that's correct, commissioner Fritz.

Fritz: Thank you.

Andy Reed: Where this sits in the statute there are 15 electronic commerce overlays that are available at any time as of today two of them are available. One from the Portland enterprise zone which expired yesterday as well as from Medford enterprise zone which also expired yesterday. We're coming back today to try to pick that back up as a tool that we have in our toolbox. There are 70 enterprise zones that exist in the state, 55 do not have overlays. So that's first come first serve under the statute and that is the reason for the action, usually on a Monday. In terms of the process, we have to have a new designation of enterprise zone that happened on May 1st. We have to notify business Oregon of our intent to pass a resolution. I did that this morning because it had to be today. Then we have to adopt a resolution and if that's something that happens as well today then we can send in notification to business Oregon on august 1st letting them know that the city has designated an e-commerce overlay. That's what we're here for today. Glad to take any questions that you may have about this action moving forward.

Fritz: Thank you for your presentation. Colleagues, questions?

Hardesty: I just have a question.

Fritz: Commissioner Hardesty.

Hardesty: I greatly appreciate the presentation it was very thorough. I am just fascinated by the fact that as I mentioned when we spoke in my office that this turn around has to happen in this very narrow window. Is there any plan to change state law so that we're not like jumping at somebody else's arbitrary timeline?

Andy Reed: Thank you commissioner hardesty. I believe that this is elevating some questions, at least inside prosper Portland and we'd like to have that conversation with business Oregon to see if this is the most efficient and helpful way for all jurisdictions to be able to go after these.

Hardesty: That was a very diplomatic answer, thank you.

Fritz: Why did they limit the number that they are. Just when you look at the numbers the jurisdiction gets back more than they waive. What is the rational for limiting the number?

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Andy Reed: Thank you, commissioner Fritz, for the question. I can't speak for the legislature. My opinion is that electronic commerce is now becoming to kind of catch speed and becoming something more valuable. When they first opened it up there were only eight or ten overlays now 15 and I would hope that the state of Oregon would be willing to look at doing more down the road, but it is a legislative question and legislature has to approve further overlays moving forward.

Fritz: The legislature certainly made some very unfortunate decisions in the past few days. This one, where I can understand if we're getting a tax break and that money is not coming back to us, that is certainly comes on the ledger, but is we're getting back more than we're abating I don't understand the rational. If you can continue to work on that that would be great, thank you. Other questions, comments? Any public testimony?

Moore-Love: No one signed up.

Fritz: Could you please call the role on resolution.

Hardesty: How long am I going to be first?

Fritz: Three months.

Hardesty: Three months, oh ok I vote aye.

Eudaly: Aye. **Fish:** Aye.

Fritz: My least favorite position being first because sometimes you can get in debate but other people say stuff that you remember. This will be my last six-month term of serving as president. I'm very happy to take on that role. As I mentioned commissioner Eudaly will be serving most of the rest of July on that. Thank you very much for your presentation it was very clear and thank you for your diligence in making sure that we meet all of these state and post deadlines. Aye. With that we're adjourned. Thank you very much.

At 1:48 p.m. Council adjourned.