



35773

March 15, 1999

The Honorable Vera Katz
Mayor, City of Portland
1220 SW 5th Ave
Portland, Oregon 97204

RE. Re-authorization of the Portland Enterprise Zone

Dear Mayor Katz

In writing you as the City Council considers continuation of the Enterprise Zone program in North and Northeast Portland, I would like to acknowledge and commend the City of Portland's innovative and constructive use of this statewide program which has been employed by numerous distressed communities in Oregon

As you and the council may know, the Oregon Economic Development Commission in 1996, at Governor Kitzhaber's request, reviewed the impacts of property tax incentives for industrial investment in Oregon. These programs, including the Enterprise Zone Program and the Strategic Investment Program, were found to have been appropriate and effective tools for local governments, and to have had positive impacts on employment growth and retention, wages, and quality of life, with a small impact on population growth. Altogether, Oregon's Enterprise Zone Program has stimulated industry investments worth over \$100 million per year in distressed areas of the state in recent years, along with the creation of an estimated 1,450 jobs per year. In the current economic climate, the program is an important tool for job retention, helping maintain the competitiveness of Oregon's existing businesses and attracting new investment where that is desired by communities.

Portland is to be commended for tailoring the Enterprise Zone program over the years to meet the specific needs of Oregon's largest city. The city's ten-plus years of experience with the program have resulted in an excellent collaboration with the N/NE Portland community, and creative contracts with companies involving training and other non-mandated benefits. The proposed new program requirements build on these community benefits, and impose realistic limitations on the tax exemption per employee. These requirements set the standard for other cities in Oregon to emulate.



Mayor Vera Katz
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Our department has worked hand in hand with the Portland Development Commission and other city departments to assist Portland's distressed areas, N/NE Portland and the Outer Southeast area (Lents) As with the Martin Luther King Jr Blvd project, the "distressed area" designation has allowed us to apply our programs more liberally in these targeted neighborhoods, and to make exceptions to departmental rules We would look forward to continuing this type of involvement and support under the city's proposed new guidelines

Our department is prepared to continue to support Portland's Enterprise Zone as a tool for business investment and job enhancement, if the City Council wishes to continue this valuable program

Sincerely,



William C Scott
Director

CC Commissioners Jim Francesconi, Charlie Hales, Dan Saltzman, Eric Sten



Port of Portland

Box 3529 Portland Oregon 97208 U S A
503/231 5000

March 16, 1999

35773

The Honorable Vera Katz
Mayor, City of Portland
City Hall
1220 S W Fifth Avenue
Portland, OR 97204

Dear Mayor Katz

The Port of Portland endorses the continuance of the City's North/Northeast Portland Enterprise Zone program. The program has benefited the community by supporting job retention and job creation, as well as adding new investment to the City's tax base. As the economy changes, the availability of the Enterprise Zone to support existing firms and attract new business could become even more important. This is particularly true for North/Northeast Portland where the unemployment rate has continued to trail the rest of the Portland area.

The Oregon Steel Mills story is instructive. The City granted Enterprise Zone benefits to Oregon Steel Mills, an established Portland company in the Rivergate area. This allowed the firm to invest in a new manufacturing operation. This investment, in turn, caused two Portland businesses to expand (Helser Machine and NW Pipe) and a new company (Welded Tube of America) to locate in Portland. As a result, over 60 family-wage jobs were retained and 55 new family-wage jobs were created in the North/Northeast area. In addition, over \$65 million in new investment was added to the tax base.

The Enterprise Zone has helped offset the more expensive site development costs that often accompany the construction of these higher-wage manufacturing facilities. These improvements, in the case of Welded Tube, involved installing piling to support heavy equipment loads.

Yours very truly,

Mike Thorne
Executive Director

c Portland City Commissioners

PORTLAND DEVELOPMENT COMMISSION

MEMORANDUM

Martin Brantley
Chairman

James J. Atkinson
Commissioner

Douglas C. Blomgren
Commissioner

Carl B. Talton
Commissioner

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DATE: March 17, 1999

TO: Portland City Council

FROM: Felicia L. Trader, Executive Director, PDC 

SUBJECT: **Recommendation to the City Council that the N/NE Portland Enterprise Zone program be continued as a tool for business investment as well as job and business opportunities for North/Northeast Portland Residents and Businesses**

Executive summary

The North/Northeast (N/NE) Portland Enterprise Zone program was revised and renewed in 1996 for a ten year period by the Commission and the City Council, according to Oregon State statutes. In 1997, the City Council requested that we put the program on hold and analyze the effectiveness of the program. In reviewing the program with the N/NE Economic Development Alliance and the Workforce Development Board we have found that the program is an important tool for job and business development in the N/NE area. As a result of that analysis, we are recommending the continuation of the program. The Council took no formal action to hold the program, and we are an authorized Enterprise Zone by the state through 2007, therefore this resolution recommends that Council continue the Enterprise Zone program.

Background

Enterprise Zones are typically low income and high unemployment areas in need of economic development. Qualified companies locating or expanding in Enterprise Zone areas receive a three to five year tax abatement on local property taxes for any new buildings or equipment added to the tax rolls. The program does not include the value of the land or existing improvements. In 1986, the Oregon Legislature created the Enterprise Zone program to assist areas of high unemployment and low per capita income throughout the state. Portland applied and received designation for that program and then renewed that program for another ten years in 1996. During the ten year interim, a number of changes and modifications to the program were made at the state and local level to address areas of concern and improve the program. All of these program changes were included in the 1996 reauthorization through a collaborative effort with the N/NE Economic Development Alliance.



Program Requirements

Portland's Enterprise Zone Program allows companies to receive a five year property tax exemption on new buildings or equipment that would be added to the tax rolls. In exchange for the exemption, the companies are required to enter in to a First Source Agreement with the Workforce Development Board.

The state requirements are as follows:

- require existing companies to increase employment by 10% over existing levels or have an investment in the Enterprise Zone exceeding \$25 million
- provide wages in excess of minimum wage

The additional Portland requirements are as follows:

- provide other non-mandated benefits must be equal to companies of equal size to insure quality jobs
- require training programs and/or opportunities for advancement to provide upward mobility
- large projects over \$1 million of total tax exemption must provide child care and transit pass benefits (up to 1% of payroll)
- require companies to develop a procurement plan for the purchase of goods and services from N/NE area businesses, including a strategy and goals for increasing the percentage of local purchases during the exemption period
- cap the tax exemption to the net present value of \$10,000 per employee - exemption amounts in excess of that are paid as Community Contributions to benefit the residents and businesses of the N/NE Community
- utilize the Emerging Small Business program and the City of Portland's Workforce and Training Program for construction of their facility

No other community in Oregon has the breadth of requirements for their Enterprise Zone program. The basic intent of the state program is to provide jobs and investment within the Enterprise Zone areas. Additional requirements must be balanced to ensure meeting the original purpose of providing job opportunities for N/NE residents.

Purpose/Need

The Enterprise Zone program was developed by the state to provide a tool to assist local communities in encouraging companies to provide jobs for distressed areas in the state. The experience with this program is that it has been an effective tool for locational decisions by companies. While property tax considerations alone will not be the key decision factor in locations, given roughly equal weight of other factors, it can be a very important decision. There are limited tools available. The only other program that PDC has to assist expanding or relocating companies in the N/NE is limited loan funds. Most of the boundary of the Enterprise Zone is exclusive of any Urban Renewal District, where other tools may exist. While this program does not work for every company considering location or expansion, its existence reflects an attitude that Portland is willing to assist companies in

providing jobs. The absence of this type of program sends an equally strong message. The Workforce Board believes the Enterprise Zone is an important tool to link their "demand driven" equation, providing jobs for the supply side of their new "One Stops". Through the First Source Agreement, it requires companies to list the majority of their job openings with the Workforce Development Board. Companies then must report regularly to the WDB on hiring, wage and retention results.

Results

The Enterprise Zone program has had success in achieving the purpose originally set out in the investment strategy. Since its inception, the Enterprise zone program has placed nearly 3,000 workers in jobs with Enterprise Zone companies. However, based upon a limited enactment time for the new regulations to take effect before the program was put on hold, only four companies are utilizing the new rules. In addition, since many projects take at least three years from conception to completion, many of these new developments and their subsequent programs are just now taking effect.

Since 1996, there has been \$65 million in Enterprise Zone investment in the N/NE. First Source Agreements have been signed with each of these companies, allowing N/NE residents access to jobs. Companies have utilized the construction Workforce and Training program - hiring minority and women in the construction of their facilities, utilizing emerging small business contractors - and developed programs to solicit business purchases from N/NE businesses. Over \$1.3 million has been contributed in Community Contributions, with another \$1.8 million expected over the next few years. These funds will be used to aid in workforce training and direct assistance to N/NE businesses.

ENTERPRISE ZONE TIME LINE
Based On Calendar Years
July 1, 1998

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*	
Zone	Benson High School Samosudor Training Center Program Begins	Phase I Abatement Begins July 1st	Phase II Abatement Begins July 1st	Expansion Investment Completed	Evaluate 1997 Procurement Plan expense and Complete Phases of Outreach for Procurement Plan	Develop plan to encourage vendors to use qualified E Zone subcontractors					
Construction Phase I Completed	Construction Phase I Phase I submitted	Defined new vendor criteria sent mailings to vendors implement plan	Initial Application Phase II submitted								
\$750,000 Community Contribution		\$81,000 Community Contribution		\$50,000 Community Contribution							
On-Going Throughout Life of Project Operate and Maintain Benson High School Samosudor Training Center											
		WT Site Preparation Completed WT Building Construction/Modification Begins	WT Hiring Begins WT Building Construction/Modification Completed	WT Hiring Completed WT Site Ready for Occupancy Completed	WT Abatement Begins July 1st	WT Hiring Completed WT Site Ready for Occupancy					
		Helder Site Preparation Completed Helder Building Construction Begins	Helder Site ready for occupancy Helder Building Construction Completed	Helder Site ready for occupancy Helder Building Construction Completed	Helder Abatement Begins July 1st	Helder Hiring Completed					
		Helder Machinery & Equipment Procurement and Installation Begins	Helder Machinery & Equipment Procurement and Installation Completed	Helder Hiring Begins							
		Abatement Begins July 1st								\$319,975 Estimated Community Contribution	
		Site Preparation and Modification Begins	Initial Application completed Site Preparation and Modification Completed and Ready for Occupancy	Hiring Completed					Abatement ends June 30th		
		Machinery & Equipment Procurement/ Installation Begins	Machinery & Equipment Procurement and Installation Completed	Abatement Begins July 1st							
		Site Preparation Completed Hiring Completed									
		225,000 Community Contribution	\$450,000 Community Contribution	\$450,000 Community Contribution	\$450,000 Community Contribution	\$450,000 Community Contribution	\$450,000 Community Contribution	\$225,000 Community Contribution			

* is into the development and staffing of the Benson High School Samosudor Training Center. In addition to these funds, Wacker is responsible for the operating and maintaining the Center through the life of these tax abatement.
Actual amount may change

**N/NE PORTLAND ENTERPRISE ZONE
PROGRAM**

**Presentation to the N/NE Alliance
August 10, 1998**

**Portland Development Commission
Workforce Development Board**

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N/NE Portland Enterprise Zone Program Background Information

In 1986, the Oregon Legislature created the Enterprise Zone program to assist areas of high unemployment and low per capita income throughout the state. Portland applied for that program and renewed that program for another ten years in 1996. During the ten-year interim, a number of changes and modifications to the program were made at the state and local level to address areas of concern and improve the program. All of these program changes were included in the 1996 reauthorization.

Some of the changes include

- ◆ require existing companies to increase employment by 10% over existing levels or have an investment in the Enterprise Zone exceeding \$25 million
- ◆ provide not only wages in excess of minimum wage but other non-mandated benefits must be equal to companies of equal size to insure quality jobs
- ◆ require training programs and/or opportunities for advancement to provide upward mobility
- ◆ large projects over \$1million of total exemption must provide childcare and transit pass benefits (up to 1% of payroll)
- ◆ require companies to purchase a minimum percentage of goods and services from the N/NE area and increase that percentage each year during the exemption period
- ◆ cap the tax exemption to the net present value of \$10,000 per Enterprise Zone job-exemption amounts in excess of that are paid as Community Contributions to benefit the residents of the N/NE Community

No other community in the state has the breadth of requirements for their Enterprise Zone companies that provide benefits to the Enterprise Zone residents.

However, based upon a limited enactment time for the new regulations to take effect before the program was put on hold, only four companies are utilizing the new rules. In addition, since many projects take at least three years from conception to completion, many of these new programs are just now taking effect.

BENEFITS TO THE COMMUNITY

I. Employees and Benefits Information

Question: Describe the training. Did it lead to upward mobility?

Example: Wacker Siltronic Corporation

Wacker Siltronic Corporation located in Portland, Oregon manufactures silicon wafers. With a need to expand its operations to meet growing demands, the company sought to establish a training program to ensure a consistent quality of new hires. The Wacker-Benson Semiconductor Training Center (STC) was established in June 1995 to train entry-level operators for these job opportunities. The design of the center focused on three goals:

- To provide quality training for new employees that would increase their value as an employee and reduce company turnover, and
- To target employment opportunities in Portland's Enterprise Zone where poverty and unemployment is more than double city's average, and
- To establish a model for other businesses or industries in Portland, increasing the competitiveness of both companies and the City.

The STC is a 12-week program integrating basic and technical skills that combines four weeks of classroom and eight weeks of on-the-job training. It also introduces critical workplace skills such as teamwork, problem solving, and communication, and reinforces workplace standards of attendance, punctuality, and responsibility.

The STC appears to be successful in its endeavor. In just 18 months, it has met or exceeded its goals. These successes include a reduction in turnover by over 50%, and a reduction in training costs by 30-50%. Furthermore, over 42% of the new employees came from the Enterprise Zone (an area that makes up only 12.2% of the City's workforce). The jobs that result from this training are career jobs that provide family wages: the typical salary of an entry-level operator within one year is \$20,000 plus benefits, with an opportunity to move up in the company.

One measurement of the effectiveness of a training program is the time it takes for trainees to feel comfortable performing their job. 100% of the workers who completed the program within the last six months felt comfortable in three months or less, indicating that the continuous improvements made to program may be having a positive effect.

The following table contains a summary of the participants in the Semiconductor Training Center (STC)

Year	Number of Participants Starting at the STC	Number of Participants Starting OJT (approximately 30 days later)	Number of Participants Converted to Regular Status	Number of Regular Status Employees Still Active (as of 3/31/98)
1995	251	220	176	91
1996	230	208	186	109
1997	417	387	317	261
1998*	70	63		
TOTALS	968	878	679	461

* 1998 employees referenced above are currently in transition to regular status

Question: Benefits: Childcare and Transit passes. Has anyone used the benefit? Describe the usage- number of individuals using the program

Wacker Siltronic Corporation:

Wacker Siltronic Corporation is required to provide Childcare support for regular full-time employees at the following rates

Household income of \$15,600/year= subsidy of at least \$1,800/year

Household income of \$28,860/year= subsidy of at least \$1,200/year

Wacker Siltronic Corporation has had 29 employees utilize this program since 1997 and 20 are currently enrolled

Wacker Siltronic Corporation is required to provide a Transit subsidy. The company picks up 75% of the cost of monthly transit passes for regular full-time and part-time employees. There have been 470 passes subsidized for the time period July 31, 1996 through July 31, 1998.

Wacker Siltronic Corporation is required to continue its Siltronic Home Ownership Program (SHOP) throughout the exemption period. Under SHOP, Wacker offers an interest-free, "forgivable" loan to all qualified employees to assist with the downpayment on a new home in N/Northeast Portland. Four employees have utilized this program.

NW Pipe

NW Pipe is required to provide Childcare support for regular full-time employees at the following rates

Household income of \$15,600/year= subsidy of at least \$1,800/year

Household income of \$28,860/year= subsidy of at least \$1,200/year

NW Pipe is also required to provide a Transit subsidy The company picks up 75% of the cost of monthly transit passes for regular full-time and part-time employees

Currently no employees are using these programs The company is marketing these programs to employees by posting notices and including the information as part of new employee orientation

ANI America, Inc.

ANI America, Inc is required to provide the same benefits as are Wacker Siltromic Corporation and NW Pipe No data on usage is available as project is just beginning

Direct Marketing Solutions, Inc.

Direct Marketing Solutions, Inc is not required to provide Childcare and Transit support due to the size of the company and had less than \$1 million of exempted taxes

Details on the following questions will be brought by the Workforce Development Board to the meeting on August 10, 1998.

Wage information- what is the rate? What are new hires paid after a certain amount of days of service? How many people did Enterprise Zone companies hire? How many were hired from the current zone? What is the retention rate?

II. Construction Related Emerging Small Business/Minority Business Enterprise/ Women Business Enterprise Utilization.

Question: How many companies benefited from this program and the dollar amount of the contracts to these companies?

The Portland Development Commission is committed to proactively encouraging and facilitating the participation of Emerging Small Businesses (ESB), Minority Business Enterprises (MBE), and Women Business Enterprises (WBE) in the construction of Commission Projects. Therefore, it has been a requirement in the Enterprise Zone Contracts that the contractors must work to increase their business with ESB and are encouraged to make a good faith effort to meet or exceed goals with MBE and WBE. The following are the goals set for the companies participating in the Enterprise Zone Program.

	ESB Goals ¹	MBE Goals ²	WBE Goals ²
ANI America (Helsler/Welded Tube)	10% (\$228,670)	9%	5%
NW Pipe	10%	9%	5%

¹ Contractors must meet or exceed the 10% ESB goal or demonstrate a good faith effort.

² Contractors are not required to meet or exceed the MBE and WBE goals, but are strongly encouraged to do so.

To date, eight companies have benefited from the Enterprise Zone's ESB, MBE, WBE requirements for a total of \$253,616 in contracts. These numbers are preliminary due to the fact that the majority of construction for the projects is still underway.

Wacker Siltronic Corporation and Direct Marketing Solutions, Inc. were not required by contract to participate in this program, but are required to increase business with suppliers in the N/NE Enterprise Zone through the N/NE Business Procurement Plan requirement detailed below in Section III.

II. City of Portland's Construction Related Workforce Training and Hiring Program

Question: How many construction employees E-Zone companies have used building the new facilities?

The Workforce Training and Hiring Program was created to increase apprenticeship training and work opportunities for the City's diverse construction workforce. The following are the goals set for the companies participating in the Enterprise Zone Program

	Minority* Apprentice Workers	Apprentice Workers	Total Minority* Apprentice and Journey-level Workers
ANI Amenca (Helser Machineworks/ Welded Tube)	32	124	64
NW Pipe **	9	47	30
TOTALS	41	171	94

* Minority Numbers do not include Caucasian females

** Data only reflects the prime contractors with contracts over \$200,000 and subcontractors with contracts of \$100,000 or more and does not reflect all the workers on a project

Direct Marketing was not required to use this program due to the fact that they are occupying a leased space and company was not involved in construction of facility

Wacker Siltronic Corporation was not required to participate in this program because construction started prior to program implementation

III. N/NE Business Procurement Plan

Question: What are the goals for each company and how much utilization to date?

Each company receiving Enterprise Zone benefits is required by contract to complete a N/NE Business Procurement Plan. This plan is intended to increase the dollar amount of products and services purchased by the contractor from businesses which are located within the bounds of Portland's N/NE Enterprise Zone. Each company is required to develop this plan with specific goals and timelines. These plans are to be assessed and amended as necessary by the Portland Development Commission on an annual basis. The following outlines the N/NE Business Procurement Plans and results to date of the companies participating in the Enterprise Zone Program.

Wacker Siltronic Corporation:

Goals:

- 1 Wacker's expenditure increase with qualified E-Zone firms will exceed the percent increase of all outside purchases for a given 12-month period (excluding capital equipment)
- 2 During each 12-month period, a minimum of three vendors will be targeted for regular vendor status. Vendor "report cards" will be generated to summarize their success or area of needed improvement or support.
- 3 During the span of this agreement Wacker will strive to play a major role (as determined by the vendor) to move one supplier beyond the 100 employees as 10% of our E-Zone purchasing threshold. "In other words Partners for significant growth"
- 4 Develop and execute Outreach Programs
 - Establish mailings to existing and new qualified Enterprise Zone vendors to target specific products and services which are procured by Wacker Siltronic Corporation
 - Host seminars/meetings to introduce vendors Wacker Siltronic Corporation's procurement plan to existing and potential vendors
 - Participate in local small business seminars, workshops, trade shows, and conventions specific to local area businesses
- 5 Follow, execute and document milestones as per agreement

Utilization to Date:

First year of tax exemption- FY 96 -97 Below represents reported results to date
 Purchases from N/NE vendors for the period January 1997 through December 1997 include 114 vendors in the E-Zone representing \$3,376,939.91 in sales

ANI America (Welded Tube/Helser Machineworks):**Goals:**

- 1 Identify and document N/NE vendors that are currently on Helser's vendor list
- 2 Increase the dollar value of goods and services purchased from N/NE Enterprise Zone businesses by 10% annually
- 3 Target three new vendors for participation in year one and two per year thereafter
- 4 Develop Outreach Programs to identify and qualify new N/NE Enterprise Zone vendors to target Develop an alternative method of contacting vendors- produce advertisement soliciting N/NE Enterprise Zone vendors to contact ANI Helser and place it in local newspapers Host seminars/meetings to directly introduce qualified vendors to ANI Helser's procurement plan
- 5 Follow, execute and document effectiveness of the program

Utilization to Date:

To date, two new vendors have been established and ANI America has made a Community Contribution of \$479,964, 30% of which will go to help ESB businesses "develop into potential buyers"

This Procurement Plan became effective on April 15, 1998 The first annual report and audit is in February 1999

NW Pipe

NW Pipe's N/NE Business Procurement Plan is currently being developed. The overall goal of this plan will be to increase the amount of business that they do with N/NE businesses each year that they receive an exemption

Direct Marketing Solutions, Inc.

The N/NE Business Procurement Plan for Direct Marketing Solutions, Inc is currently being developed. The overall goal of this plan will be to increase the amount of business that they do with N/NE businesses each year that they receive an exemption.

Utilization to Date:

Direct Marketing Solutions, Inc used 37 N/NE vendors in 1997 for a total of \$189,561.

IV. Community Contribution***Question: What is the Community Contribution?***

Companies whose exemptions exceed the \$10,000 maximum net present value of tax exemption per new hire or retained job are required to make a Community Contribution for the amount of the excess. The Community Contribution is to be used for projects beneficial to both the company and to the community, such as employee training, small business loans, employee support, etc. The recommended allocation and expenditure of Community Contributions will be determined through a cooperative agreement reached through the involvement of the N/NE community, the Workforce Development Board/PDC and the individual company making the contribution.

Community Contributions are computed based upon the "Net Tax Effect" (see definition below). If the Net Tax Effect is greater than \$10,000 per hiring credit (job), the remaining amount becomes a Community Contribution.

Definition: Net Tax Effect is computed by taking the total of each year's exempted taxes and computing the present value. The sum of those totals - (the number of hiring credits (jobs) X \$10,000) = Community Contribution.

Question: What is the amount of Community Contribution by year and company?

See Attached Spreadsheet (Attachment A)

Question: How will the Community Contributions be distributed?

- a 30% Business
Have held two meetings with representatives from the community, from the contributing companies, and PDC Attachment B contains the results of those meetings
- b 70% Workforce/Employment
The Workforce Development Board has been designated the administrative entity responsible for the disbursement of the Enterprise Zone related workforce funds This occurred as a result of the City Council action to transfer the Portland Development Commission's Workforce and Target Industry staff and functions to the Workforce Development Board The development of a structured disbursement process with funding criteria and outcomes will require input and guidance from the N/NE Economic Development Alliance and the participating Enterprise Zone companies, with recommendations presented to the Workforce Development Board, and final approval coming from the City Council The goal is to reach agreement on a process by late Fall 1998

V. Abatements

The amount of the Tax Abatement for the companies participating in the Enterprise Zone Program is equal to the Property Taxes that would have been paid by the company with a maximum of \$10,000 net present value of tax exemption per new hire or retained job

See Attached Spreadsheet (Attachment C)

VII. City Cost of Service

The City Cost of Service is estimated at 25% of the City's exempted property taxes during each fiscal year This dollar amount is offset by the amount that Enterprise Zone companies pay in Business License Fees and City Utility Franchise Fees

See Attached Spreadsheet (Attachment C)

**N/NE Portland Enterprise Zone Investment Strategy
Project Summary**

COMPANY **Direct Marketing Solutions, Inc.**

PRODUCT/SERVICES OF ZONE OPERATIONS

Full-service direct (mail) marketing agency operations, including Creative Design, Pre-Press, Printing, Bindery/Inserting, Warehousing, Mailing and Delivery.

PROJECT AND LOCATION

Expansion/consolidation of 20,000 square feet in existing facilities at 1425 NW Johnson and 1515 SW Fifth Avenue to 45,000 s.f. in a newly constructed building at 8534 NE Alderwood (Portland International Center).

PROJECT FEATURES

- 1. Locally owned growing small company that promotes from within.**
- 2. Profit sharing program for all employees.**
- 3. Retention of 27 jobs and creation of up to 33 new positions.**
- 4. Creative Services target industry.**

TOTAL INVESTMENT **\$1.825 million**

ESTIMATED TOTAL TAX EXEMPTION

\$137,932 over five years

RETAINED EMPLOYMENT IN PORTLAND **27**

TOTAL PROJECTED NEW JOBS

19 estimated; facility could accommodate 25 new positions in existing operations and up to 33 positions in (possible) telemarketing operations.

PROJECTED NET TAX EFFECT PER HIRE (retained, replaced and new) **\$4,640**
(Program Maximum is \$10,000, anything over results in Community Contribution)

EXPECTED CASH COMMUNITY CONTRIBUTIONS **\$0**

**N/NE Portland Enterprise Zone Investment Strategy
Project Summary**

COMPANY Wacker Siltronic Corporation

PRODUCT/SERVICES OF ZONE OPERATIONS AND PROJECT LOCATION

The project consists of construction of a new wafer manufacturing building and several new production lines and upgrades of existing production, including the acquisition and installation of process support equipment, silicon wafer fabrication equipment and related improvements and equipment. The project represents an investment by Wacker of approximately \$320 million. The project is located within the N/NE Portland Enterprise Zone at 7200 NW Front Avenue, Portland, OR 97210.

PROJECT FEATURES

- 1. Excellent Benefits including a 401K, a home ownership program, transit support, educational assistance, vacation and holiday pay and medical insurance.**
- 2. Retention of 960 jobs and creation of up to 762 new positions. These new positions are a result of the investment.**
- 3. Created, operates and maintains the Benson High School Semiconductor Training Center. Students attending the Center are paid by the company.**
- 4. High Technology Target Industry**

TOTAL INVESTMENT \$320 million

ESTIMATED TOTAL TAX EXEMPTION \$19,003,159

RETAINED EMPLOYMENT IN PORTLAND 200

TOTAL PROJECTED NEW JOBS 762

**PROJECTED NET TAX EFFECT PER HIRE (retained, replaced and new) \$10,000
(Program Maximum is \$10,000, anything over results in Community Contribution)**

EXPECTED CASH COMMUNITY CONTRIBUTIONS

Wacker Siltronic Corporation's Community Contribution is \$881,000, in addition to the cost of operations and maintenance of the Benson High School Semiconductor Training Center through the life of the abatement. \$750,000 of this amount went towards the development of the Training Center and equipment. \$131,000 of these funds will be used for the Workplace Entry-Level Skills Project.

The purpose of this project is to identify and clarify employers' expectations regarding workplace entry skills and proficiency standards so that the Community-Based Organizations (CBO) can enhance pre-employment, workplace readiness and basic skills training. People who successfully complete the training will meet employers' proficiency standards, are hired, and have a solid foundation for staying on the job.

To date, approximately \$32,000 has been spent on verifying entry-level workplace skills and standards, compiling the results and presenting the findings in a format that is useful to the CBOs and employers for implementation. Approximately \$81,000 is earmarked for technical assistance and capacity building through the N/NE One Stop and its partnering agencies to help them enhance existing pre-employment, workplace readiness and adult basic skills programs to meet the industry-defined standards.

**N/NE Portland Enterprise Zone Investment Strategy
Project Summary**

COMPANY **NW Pipe**

PRODUCT/SERVICES OF ZONE OPERATIONS

Manufactures large diameter, high-pressure steel pipes for water transmission, small diameter pipe for construction, agricultural and industrial applications and tubular products.

PROJECT AND LOCATION

Project is located at 12005 N. Burgard Way in Portland, within the N/NE Enterprise Zone.

PROJECT FEATURES

- 1 Excellent Benefits include childcare support and transit support.**
- 2 Retention/expansion of existing project that provides a connection to jobs in N/NE that may have located elsewhere.**
- 3 Company collaborated with Oregon Steel Mills and participated in the NE Metals Training Project. This project provided training for Entry Level Skills for the Metals industry for N/NE residents.**
- 4 Metals Target Industry.**

TOTAL INVESTMENT **Estimated \$9,500,000**

ESTIMATED TOTAL TAX EXEMPTION **Estimated \$566,589**

RETAINED EMPLOYMENT IN PORTLAND **200**

TOTAL PROJECTED NEW JOBS **Estimated 55 Hires for this project.**

PROJECTED NET TAX EFFECT PER HIRE (retained, replaced and new) **\$9,223**
(Program Maximum is \$10,000, anything over results in Community Contribution)

EXPECTED CASH COMMUNITY CONTRIBUTIONS

No estimated Community Contributions are expected for this project.

**N/NE Portland Enterprise Zone Investment Strategy
Project Summary**

COMPANY ANI America (Helser, Welded Tube)

PRODUCT/SERVICES OF ZONE OPERATIONS

The ANI Helser portion of this project is a new manufacturing facility to repair rock crushers and equipment for sale as refurbished machines and replacement parts. The Welded Tube portion of this project is a manufacturing facility for the production of tubular structural steel

PROJECT AND LOCATION

The ANI Helser portion of this project is located 8823 North Harborgate. The Welded Tube portion of this project will be located at 8735 North Harborgate. Both are located within the Rivergate Industrial Park.

PROJECT FEATURES

- 1 Excellent benefits including child care and transit support.**
- 2 Retention of ANI Helser and 60+ jobs in Portland as a result of program.**
- 3 Excellent wages.**
- 4 Welded Tube is a primary customer of Oregon Steel Mills, an Enterprise Zone participating company.**

TOTAL INVESTMENT Estimated \$56,354,000

ESTIMATED TOTAL TAX EXEMPTION Estimated \$3,819,620

RETAINED EMPLOYMENT IN PORTLAND 63

TOTAL PROJECTED NEW JOBS 90

PROJECTED NET TAX EFFECT PER HIRE (retained, replaced and new) \$10,000
(Program Maximum is \$10,000, anything over results in Community Contribution)

EXPECTED CASH COMMUNITY CONTRIBUTIONS \$1,280,000

ATTACHMENTS

ATTACHMENT A

Community Contributions

Fiscal Year

Company	Fiscal Year											Total Per Company
	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04**	FY 04-05		
ANI America			\$479,964	\$479,964					\$319,975			\$1,279,903
NW Pipe***												\$0
Direct Marketing Solutions, Inc ****												\$0
Oregon Steel Mills			\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000				\$2,250,000
Subtotals****	0	0	\$929,964	\$929,964	\$450,000	\$450,000	\$450,000	\$0	\$319,975			\$3,529,903
Wacker Siltronic Corporation*	\$750,000		\$81,000	\$50,000								\$881,000
Totals	\$750,000	\$0	\$1,010,964	\$979,964	\$450,000	\$450,000	\$450,000	\$0	\$319,975			\$4,410,903

- * Wacker Siltronic Corporation is also responsible for the Operation and Maintenance of the Benson High School Semiconductor Training Center during the entire length of their exemption. The \$750,000 paid for equipment and the development of the Training Center
- ** The final Community Contribution Payment for ANI America of \$319,975 is an estimate and may change at the time of payment
- *** No Community Contribution is expected to result from these contracts as the "NetTax Effect" is expected to be below the \$10,000 per Hire Credit
- **** The subtotal represents the noncommitted funds. 30% of these funds will be available for Business Development projects and 70% of these funds will be available for Workforce and Employment projects. The subtotal does not include Community Contributions from Wacker Siltronic Corporation. The funds from Wacker go directly towards the development, maintenance and operation of the Benson Semiconductor Training Center and the Workplace Entry Skills project

Enterprise Zone Distribution of Community Contribution Business Portion

Goal of Business Community Contribution Businesses who have a direct connection to the contributing Enterprise Zone companies shall receive priority for funding

Operating Priorities The following shall guide the distribution of funds

- A Money from the program remains in the community
- B Money should be received by community-based organizations and businesses
- C Money leveraged to produce better products/services for community which have a lasting benefit
- D Contracts shall be performance based, for instance, reimbursement shall be based on delivery of promised goods/services Some financial support may be needed upfront

Use of Funds

Examples of proposed services and possible uses of funds divide into two categories - access and capacity building

Access

- A Clearinghouse to N/NE businesses
- B Supplier identification of N/NE businesses who have , or could acquire, the ability to supply E-Zone companies
- C Vendors fairs cosponsored by the Enterprise Zone companies and community based organizations The committee feels strongly that access to Enterprise Zone companies is important and vendor fairs are key to this program

Capacity Building

- A Revolving loan funds - for receivables, equipment acquisition, etc
- B Technical assistance - including manufacturing improvements, marketing, accounting systems, equipment acquisition, ISO standards, etc For example, services of the Oregon Manufacturing Extension Program
- C Incubator - manufacturing related
- D Specialized infrastructure needs - additional water capacity, power, gas, etc
- E Assistance to meet regulatory requirements (OSHA, DEQ) - could be equipment upgrades

Companies will be providing a list of items purchased to aid in vendor identification This is provided for in the Enterprise Zone contract N/NE Supplier procurement plan for recent Enterprise Zone companies

Contractor Selection Criteria

The critical factor in selection of service providers would be experience in successfully delivering the proposed service.

Process For Determining Service Providers

Requests for Qualifications, RFQ's, will be requested of companies or individuals who can provide the service(s) detailed above. A selection committee will be made up of community members of the N/NE Alliance who will not be affiliated with a service provider, contributing Enterprise Zone company representatives, and PDC personnel. In selecting service providers, emphasis will be placed on past successful experience in providing services to supplier businesses. Contracts will then be developed with service providers.

Program Review

PDC will administer the program. The review of the effectiveness of the program would be by the N/NE Alliance, the Enterprise Zone companies and PDC. Quarterly reviews by PDC of the service providers are recommended. Annual reviews of the program and program requirements will provide opportunity for feedback and correction to assure the goals of the N/NE Community, Enterprise Zone companies and the City are being met.

Participants in the Business Portion of the Distribution of Community Contributions included

Sam Brooks - President, Oregon Association of Minority Entrepreneurs

Jorge Guerra - Director, Oregon Association of Minority Entrepreneurs

Brad George - Corporate Tax Manager, Oregon Steel Mills

Dennis Knapp - V P Administration & Finance, ANI America (and Helser & Welded Tube)

Bill Leigh - President, N/NE Business Association

Carl Talton - Business Growth and Development Committee & PDC Commissioner

Bishop Wells - NE Business Economic Development Alliance, Business Growth and Development Committee

Lorraine Hering - Office Manager, ANI America

Mark Clemons - Director of Economic Development, PDC

Bob Alexander - Enterprise Zone Manager - PDC

ATTACHMENT C

Tax Abatement By Year and Company
Enterprise Zone Program

Company	Fiscal Year										Totals
	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999*	2000-2001*	2001-2002*	2002-2003*	2003-2004*	2004-2005*	
Wacker Siltronic Corporation		\$3,473,064	\$4,771,771		\$90,672	\$884,282	\$823,329	\$761,357	\$699,215	\$560,765	\$8,244,835
ANI America					\$129,379	\$113,318	\$97,257	\$81,196		\$566,589	
NW Pipe			\$145,439		\$28,866	\$27,787	\$26,707	\$25,628		\$137,932	
Direct Marketing Solutions, Inc			\$28,944		\$248,917	\$1,025,387	\$947,293	\$868,181	\$699,215	\$560,765	
Totals			\$3,473,064	\$4,946,154	\$248,917	\$1,025,387	\$947,293	\$868,181	\$699,215	\$560,765	\$8,244,835

City Cost of Service By Year and Company**
Enterprise Zone Program

Company	Year									
	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999*	2000-2001*	2001-2002*	2002-2003*	2003-2004*	2004-2005*
Wacker Siltronic Corporation			\$868,266	\$1,192,843	\$0	\$0	\$0	\$0	\$0	\$0
ANI America					\$22,668	\$221,071	\$205,832	\$190,339	\$174,804	\$140,191
NW Pipe				\$36,360	\$32,345	\$28,330	\$24,314	\$20,299		
Direct Marketing Solutions, Inc			\$868,266	\$7,236	\$7,217	\$6,947	\$6,677	\$6,407	\$174,804	\$140,191
Totals			\$868,266	\$1,236,539	\$62,229	\$256,347	\$236,823	\$217,045	\$174,804	\$140,191

* Estimated Values are used Actual values may change

** The City Cost of Service is to be offset by Enterprise Zone company contributions in Business License Fees and City Utility Franchise Fees

35773

RESOLUTION No.

35773

Accept the continuance of the Enterprise Zone program as a tool for business investment and creating job and business opportunities for North/Northeast Portland residents and businesses (Resolution)

WHEREAS, the State of Oregon authorized the formation of the Enterprise Zone program in 1986 and 37 zones have been established throughout the state, and

WHEREAS, the purpose of the Enterprise Zone program is to assist areas of high unemployment and low per capita income, and

WHEREAS, the City of Portland originally became a participant in the Enterprise Zone program in 1986 and the City reauthorized participation in the Enterprise Zone program for an additional 10 years in April, 1996 and designation was granted by Oregon Economic Development Department in June, 1996, and

WHEREAS, the City of Portland adopted an Enterprise Zone Investment Strategy in April, 1996 which outlined the goals, operating principles, performance standards and guidelines for the program, and

WHEREAS, program criteria provide benefits to the Enterprise Zone residents such as requiring companies to pay 150% of minimum wage to ensure quality jobs, provide training programs and opportunities for advancement, procure goods and services from North/Northeast Portland businesses, and requiring large projects to provide childcare and transit support, and

WHEREAS, the City Council requested that the Enterprise Zone program be put on hold in Spring, 1997, until further discussion and analysis could occur, and

WHEREAS, the attached memorandum delineates company requirements that include a First Source Agreement and completing a procurement plan to increase business with N/NE businesses, and

WHEREAS, the Enterprise Zone program is a successful tool in creating employment opportunities for North/Northeast Portland residents as exemplified by the recruitment of 1,833 jobs during the first 10 and a half years of the program, and

WHEREAS, discussion was held with the Northeast community, as represented by the North/Northeast Economic Development Alliance, whose board has recommended continuation of the Enterprise Zone program, and

WHEREAS, discussions were held with the Workforce Development Board who's Board passed a resolution supporting the Enterprise Zone program as a tool for workforce development in North/Northeast Portland,

NOW THEREFORE, BE IT RESOLVED that the City Council supports the Enterprise Zone program as a tool for business investment and creating job and business opportunities for North/Northeast Portland residents and businesses

Adopted by the Council:

Bob Alexander, PDC
March 9, 1999

MAR 17 1999

GARY BLACKMER
Auditor of the City of Portland
By

Britta Olson

Deputy

RESOLUTION NO.

35773

Title

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INTRODUCED BY	DATE FILED MAR 12 1999
MAYOR KATZ	Gary Blackmer Auditor of the City of Portland
NOTED BY COMMISSIONER	
Affairs	By <u>Cay Keniskner</u> Deputy
Finance and Administration <i>W</i>	For Meeting of _____
Safety	
Utilities	
Works	
BUREAU APPROVAL	ACTION TAKEN
Bureau PDC	
Prepared by Date	
Bob Alexander 3/10/99	
Budget Impact Review	
___ Completed ___ Not Required	
Bureau Head <i>Felicia Trader</i> Felicia Trader	

AGENDA	FOUR FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS	
		YEAS	NAYS
Consent Regular <input checked="" type="checkbox"/>	Francesconi	✓	
NOTED BY	Hales	✓	
City Attorney	Saltzman	✓	
City Auditor	Sten	—	
City Engineer	Katz	✓	