

FOR MAYOR'S OFFICE USE ONLY

Reviewed by Bureau Liaison _____

TO: Mayor Sam Adams

COPY: Keith Witcosky
Patrick Quinton
Bruce Allen

FROM: Bruce A. Warner, Executive Director

RE: Amend the Portland Enterprise Zone Policy and procedures for distributing Community Contribution Funds

1. **INTENDED THURSDAY FILING DATE:** April 29, 2010
 2. **REQUESTED COUNCIL AGENDA DATE:** May 5, 2010
 3. **CONTACT NAME & NUMBER:** Sierra Gardiner 503-823-2868
 4. **PLACE ON:** CONSENT X REGULAR
 5. **BUDGET IMPACT STATEMENT ATTACHED:** Y X N N/A
 6. **(3) ORIGINAL COPIES OF CONTRACTS APPROVED AS TO FORM BY CITY ATTORNEY**
ATTACHED: Yes No X N/A
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7. BACKGROUND/ANALYSIS

This action will adopt amendments to the North/Northeast Enterprise Zone Strategy and the Portland Enterprise Zone Policy.

Since 1986, the City of Portland (the "City") has sponsored a local Enterprise Zone ("E-Zone") program in order to spur capital investment by existing and new firms in certain designated areas of the city while leveraging opportunities for employment and skills training for nearby residents.

The premise of the Enterprise Zone program is to encourage companies to expand employment by providing a five-year property tax abatement on new capital investment. Additionally, employers agree to hire a specific number of employees based upon the tax value of their investment. The community benefits not only from the job opportunities, but also from a formula which funnels a percentage of the abatement toward two contribution funds which are typically made available to local workforce training centers, E-Zone suppliers and associated community organizations and businesses.

Portland participates in the State of Oregon's Enterprise Zone program to increase private capital investment, create traded sector and industrial job opportunities for local residents, and provide benefits to the local community surrounding the E-Zone boundary. The City's E-Zone designation lasts for ten-years, and can be renewed through state application. Since

1996, this program has leveraged over one billion dollars of private investments and created and retain over five thousand fulltime, quality jobs. Companies using the program range from Wacker Siltronic, to United Parcel Service, to Chris King Precision Components, to Solaix and others.

The latest renewal occurred in 2008. It was approved by the Commission, City Council, the Port of Portland and other affected taxing jurisdictions. The new Portland E-Zone's designation expires in 2018 (renewals are permitted).

At this time, there are two separate E-Zone programs active in the city of Portland: the N/NE E-Zone and the Portland E-Zone. The N/NE program is no longer accepting new applications but has thirty-five (35) active contracts remaining; the Portland program has been accepting applications under the new policy since July 2008. Currently, there are 39 active contracts.

Portland Development Commission ("PDC") staff, community stakeholders, business stakeholders and public partners have agreed upon an improved alignment to operate the programs by streamlining administration and incorporating greater citizen involvement.

Specifically, recommendations to City Council include the following changes:

1. Amend the N/NE E-Zone Investment Strategy and the Portland E-Zone Policy to consolidate funds from the N/NE E-Zone Community Contribution fund and the Portland E-Zone Workforce Training and Business Development funds ("WTBD") into one program fund account, with future Community Contribution funds being disbursed through the Portland E-Zone Policy process;
2. Amend the Portland E-Zone Policy to change the make-up and function of the E-Zone Technical Advisory Committee, including changing the make-up and number of voting members.
3. Revise, update and correct language in the Policy that does not materially affect the intent of the program.

Actions leading up to these proposed amendments:

March 10, 2010, PDC's Board adopted a resolution with proposed amendments to the Portland Enterprise Zone policy and a recommendation to request that City Council adopt the proposed amendments to the N/NE and Portland Enterprise Zone programs.

8. FINANCIAL IMPACT

There is no financial impact on overall collections and distributions of E-Zone WTBD funds. However, these actions are expected to reduce administrative costs and simplify the Portland E-Zone program which may lead to increased participation and investment by local firms.

ATTACHMENTS:

- A. Resolution to Adopt Amendments to the Portland Enterprise Zone Policy
- B. Proposed Amendments to the City of Portland Enterprise Zone Policy
- C. Exhibit A: E-Zone Ad Hoc Committee Proposed Recommendations