

Portland, Oregon  
**FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT**  
**For Council Action Items**

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

1. Name of Initiator Andy Reed	2. Telephone No. 503-823-7053	3. Bureau/Office/Dept. Portland Development Commission
4a. To be filed (date):  May 21, 2014	4b. Calendar (Check One)  Regular <input type="checkbox"/> Consent <input checked="" type="checkbox"/> 4/5ths <input type="checkbox"/>	5. Date Submitted to Commissioner's office and FPD Budget Analyst: May 15, 2014
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 a Boundary Change Request to the State of Oregon to add 1.61 acres to the Portland Enterprise Zone (Resolution)

**2) Purpose of the Proposed Legislation:**

The action before the City Council authorizes the Portland Development Commission (PDC), on behalf of the City of Portland (City), to submit a request to Business Oregon for a 1.61 acre boundary expansion of the Portland Enterprise Zone (E-Zone). The purpose of the expansion is to allow the E-Zone program to be available for 1) a private investment by ISITE Design at 2030 NW Pettygrove St. and 1335 NW 20<sup>th</sup> Ave. and 2) promoting future development and job creation at 240 SE Clay St.

ISITE Design is currently headquartered in Portland and hopes to purchase an adjacent building to accommodate its rapid growth. This company is a digital experience agency that has full-service web solutions for 200 clients ranging from startups, non-profits and small businesses to Fortune 25 industry leaders including Moda Health, Columbia Sportswear, OHSU, and Harvard University. If the boundary amendment is granted, it will provide incentive to allow them to purchase the building and to expand their workforce by 25% within one year of placing the building into service. Their capital investment would be greater than \$2 million.

PDC is requesting to add this property to the Portland E-Zone so as to provide the company with access to the E-Zone program to help build the case to the company's shareholders to make this significant investment in Portland. It has opportunities to grow in Boston where the company's satellite office is already located. The company has expressed that without the E-Zone a purchase will not be financially prudent.

For the second project in this boundary amendment request, the City has received a request from Metro to support a project in the Central Eastside Industrial District (CES), slated to begin in fall 2014. On May 9th, Metro approved \$300,000 in Transit Oriented Development (TOD) funding to support development of 240 SE Clay, a planned creative/industrial office building in Portland's CES. The site is where the

former Taylor Electric building burned down in 2006. Metro is interested in seeing this site be brought back to productive use, particularly as it's very close to the new MAX line and features design elements uniquely suited to our burgeoning tech/creative-class and light industrial job clusters. Killian Pacific has advanced significant design, engineering and costing work and has full local support from the Central Eastside Industrial Council.

The new owner of the site, Killian Pacific, intends to market the project to urban manufacturers and software companies. The likely construction lender's confidence in the project is reflected in its current offer to require no preleasing before construction starts. However, Killian Pacific believes the combination of Metro support as well as the expansion of the E-Zone will uniquely attract potential tenants and shorten the lease-up period which will in turn unlock full funding from its lender. This is an opportunity for the Port, the City, PDC, and Metro to work together to support TOD and target industry investments in the CES.

**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 type="checkbox"/> Northeast            | <input checked="" type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast                 | <input checked="" type="checkbox"/> Southeast | <input type="checkbox"/> Southwest            | <input 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.

ISITE is planning a \$2 million investment, which will include the purchase of a building. The existing land building and land will continue to be taxed but any new value added to the building would be abated for a period of five years. After five years, property taxes will accrue to the City and other applicable taxing jurisdictions.

Killian Pacific is planning a \$21.8 million investment at 240 SE Clay. A portion or all of the building to be constructed would be abated for a period of five years. If their tenant does not qualify for the E-Zone, or the tenant does not want to commit to meet the community benefits obligations as outlined in the E-Zone Policy, no tax abatement will be granted. After five years, property taxes will accrue to the City and other applicable taxing jurisdictions.

**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.)

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.

Oregon Administrative Rules requires notifying overlapping taxing jurisdictions of any proposed boundary amendments. That notice was provided on April 28, 2014. No significant concern was expressed from these partners although a request for additional information was promptly provided to Multnomah Education Service District and Portland Public Schools. Another taxing jurisdiction, METRO, initiated the request for the 240 SE Clay E-Zone expansion and are fully supportive of this amendment.

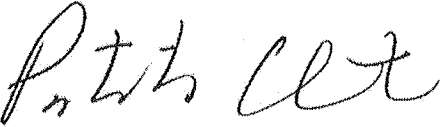
Additionally, the statutes require the Port of Portland to pass a resolution in consent of proposed boundary amendments. Port staff supports the proposed action and are forwarding that recommendation to the Port Commission for action at their scheduled meeting May 14, 2014.

**9) If "YES," please answer the following questions:**

- a) What impacts are anticipated in the community from this proposed Council item?
- 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?
- c) How did public involvement shape the outcome of this Council item?
- d) Who designed and implemented the public involvement related to this Council item?
- e) Primary contact for more information on this public involvement process (name, title, phone, email):

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

No further public involvement is anticipated for this specific action.

A handwritten signature in black ink, appearing to read "P. Quinton", is enclosed within a rectangular box.

Patrick Quinton  
BUREAU DIRECTOR

I. Scott Andrews  
Commission Chair

Aneshka Dickson  
Commissioner

Tom Kelly  
Commissioner

John C. Mohlis  
Commissioner

Charles A. Wilhoite  
Commissioner

Charlie Hales  
Mayor

Patrick Quinton  
Executive Director

**DATE:** May 21, 2014

**TO:** Mayor Charlie Hales

**FROM:** Patrick Quinton, Executive Director

**FOR MAYOR'S OFFICE USE ONLY**

Reviewed by Bureau Liaison \_\_\_\_\_

**RE:** Authorize the Submittal of a Boundary Change Request to the State of Oregon to add 1.61 acres to the Portland Enterprise Zone (Resolution)

**1. INTENDED THURSDAY FILING DATE:** May 15, 2014

**2. REQUESTED COUNCIL AGENDA DATE:** May 21, 2014

**3. PRIMARY CONTACT NAME & NUMBER:** Patrick Quinton, 823-3355

**4. SECONDARY CONTACT & PREPARED BY:** Andy Reed, 823-7053

**5. PLACE ON:** ☒ CONSENT ☐ REGULAR

**6. FINANCIAL IMPACT & PUBLIC INVOLVEMENT STATEMENT ATTACHED:**

☒ Yes ☐ No ☐ N/A

**7. (THREE) ORIGINAL COPIES OF CONTRACTS APPROVED AS TO FORM BY CITY ATTORNEY**

**ATTACHED:** ☐ Yes ☐ No ☒ N/A

**8. BACKGROUND/ANALYSIS**

**Introduction and History –**

The action before the City Council authorizes the Portland Development Commission (PDC), on behalf of the City of Portland (City), to submit a request to Business Oregon for a 1.61 acre boundary expansion of the Portland Enterprise Zone (E-Zone). The purpose of the expansion is to allow the E-Zone program to be available for 1) a private investment by ISITE Design at 2030 NW Pettygrove St. and 1335 NW 20<sup>th</sup> Ave. and 2) promoting future development and job creation at 240 SE Clay St.

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PDC is requesting to add this property to the Portland E-Zone so as to provide the company with access to the E-Zone program to help build the case to the company's shareholders to make this significant investment in Portland. It has opportunities to grow in Boston where its satellite office is already located. The company has expressed that without the E-Zone a purchase will not be financially prudent.

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industrial job clusters. Killian Pacific has advanced significant design, engineering and costing work and has full local support from the Central Eastside Industrial Council.

The E-Zone program provides an abatement of property taxes for five years to firms making new capital investments which expand operations and increase employment. This program has proven to be a valuable economic development tool across Oregon. It is one of the state's most effective mechanisms for business growth, expansion, retention and recruitment. The program is attractive to growing businesses because it brings immediate benefit by increasing their short term cash flow.

**Legal Issues – None**

**Link to Current City Policies –** Active use of the E-Zone program advances many objectives of the 2009 City of Portland Economic Development Strategy and the PDC Strategic Plan which place an emphasis on creating traded-sector jobs and maximizing competitiveness. In addition, companies must adhere to a community benefits agreement as described in the Portland E-Zone Policy.

**Controversial Issues – None**

**Citizen Participation –** Oregon Administrative Rules requires notifying overlapping taxing jurisdictions of any proposed boundary amendments. That notice was provided on April 28, 2014. No concern was expressed from these partners although a request for additional information was promptly provided to Multnomah Education Service District and Portland Public Schools. Another taxing jurisdiction, METRO, initiated the request for the 240 SE Clay E-Zone expansion and are fully supportive of this amendment.

Additionally, the statutes require the Port of Portland to pass a resolution in consent of proposed boundary amendments. Port staff supports the proposed action and are forwarding that recommendation to the Port Commission for action at their scheduled meeting May 14, 2014.

#### **FINANCIAL IMPACT**

There is no direct financial impact of this action on the City of Portland. The E-Zone program does not decrease projected growth in property taxes. The five-year property tax abatements only apply to new capital investment, and once they expire, the increased value returns to the tax rolls.

#### **9. RECOMMENDATION/ACTION REQUESTED**

It is recommended the City Council approve the Resolution authorizing PDC to submit a request to the State of Oregon for a 1.61 acre boundary expansion to the E-Zone.



Patrick Quinton  
Executive Director