

IMPACT STATEMENT

Legislation title: Authorize the Submittal of a Boundary Change Request to the State of Oregon to add .46 acres to the Portland Enterprise Zone (Resolution)

Contact name: Andy Reed, Portland Development Commission
Contact phone: 503-823-7053
Presenter name: Patrick Quinton, PDC Executive Director and Jared Wiener, Sr. Business Development Officer

Purpose of proposed legislation and background information:

The Portland Development Commission (PDC) is working with an international company with an existing presence in Portland, Jaguar Land Rover (JLR), which is conditionally committed to making a significant investment in a building located at 1420 NW 18th Avenue in Portland. The company has considered multiple sites on the east and west coast and internationally, but would strongly prefer to locate near their existing research and development office in Portland. The investment would create 50-80 new permanent full-time jobs averaging \$90,000 a year plus benefits. The company will invest approximately \$4 million in capital improvements and business operations if the Portland E-Zone boundary includes their expansion site.

In addition to the investment and job creation benefits listed above, and in addition to the other regulatory requirements from the E-Zone, JLR is willing to sign an additional public benefit agreement. Within this agreement, JLR is willing to provide enhanced benefits that will focus on partnering with local start-up community on inclusive entrepreneurship programs, identification of career ladder opportunities for underrepresented populations, and diversity goals around hiring and training underrepresented populations.

JLR will also offer an "Innovation Incubator" to start-up tech companies and the goal of program will be to encourage, promote and support new software-based automotive technologies that are being developed by U.S. technology start-ups. The new operation will expand their product development offerings for themselves and for technology they plan to sell to other automakers such as GM, Chrysler, Ford, etc. The new operation will also incubate up to 12 start-up firms at the location for up to six months or longer to mentor, test and deploy technology. Up to \$3 million in contracts will be provided to those firms.

This project meets many of Portland's goals to grow an innovation economy by mentoring, incubating and financing small start-up firms and providing them with an anchor firm to test and deploy their technology.

In order to provide the company with access to the E-Zone program and ensure this project moves forward, the City is requesting that Business Oregon add this property (.46 acres) to the Portland E-Zone.

Financial and budgetary impacts:

JLR is planning a \$4 million investment. 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.

Community impacts and community involvement:

Oregon Administrative Rules requires notifying overlapping taxing jurisdictions of any proposed boundary amendments. That notice was provided on June 3, 2015. No concern was expressed from these partners.

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 passed a resolution on June 10, 2015 in support of the project.

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 |
|------|-------------|-----------------|-----------------|----------------|-------|-------------------|--------|
| | | | | | | | |
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| | | | | | | | |
| | | | | | | | |

Tom Kelly
Chair
DATE: June 17, 2015

Aneshka Dickson
Commissioner
TO: Mayor Charlie Hales

Mark Edlen
Commissioner
FROM: Faye Brown, Acting Executive Director/CFO

FOR MAYOR'S OFFICE USE ONLY
Reviewed by Bureau Liaison _____

John C. Mohlis
Commissioner
RE: Authorize the Submittal of a Boundary Change Request to the State of Oregon to add .46 acres to the Portland Enterprise Zone (Resolution)

Charles A. Wilhoite
Commissioner

Charlie Hales
Mayor

Patrick Quinton
Executive Director

- 1. **INTENDED THURSDAY FILING DATE:** June 18, 2015
- 2. **REQUESTED COUNCIL AGENDA DATE:** June 24, 2015
- 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 –

222 NW Fifth Avenue
Portland, OR
97209-3859

This action will adopt a resolution to authorize the submittal of a boundary change request to the State of Oregon to add .46 acres to the Portland Enterprise Zone.

503-823-3200 Main
503-823-3368 Fax
503-823-3366 TTY

The Oregon Legislature established a statutory structure to permit cities to establish areas in their cities where businesses that invest in economic expansion and the creation and retention of jobs could claim property tax abatements for a period of time. In exchange for the tax abatements, local governments could establish local policies imposing obligations on such companies to provide designated community benefits.

In 1986, City Council established Portland's first E-Zone, designating PDC to serve as the E-Zone program manager. Since then, the E-Zone program has been an important tool to spur capital investment by companies while leveraging opportunities for employment and skills training for local residents and communities.

The Portland Development Commission (PDC) is working with an international company with an existing presence in Portland, Jaguar Land Rover (JLR), which is conditionally committed to making a significant investment in a building located at 1420 NW 18th Avenue in Portland. The company has considered multiple sites on the east and west coast and internationally, but would strongly prefer to locate near their existing research and development office in Portland. The investment would create 50-80 new permanent full-time jobs averaging \$90,000 a year plus benefits. The company will invest approximately \$4 million in capital improvements and business operations if the Portland E-Zone boundary includes their expansion site.

JLR will also offer an "Innovation Incubator" to start-up tech companies and the goal of program will be to encourage, promote and support new software-based automotive technologies that are being developed by U.S. technology start-ups. The new operation will expand their product development offerings for themselves and for technology they plan to sell to other automakers such as GM, Chrysler, Ford, etc. The new operation will also incubate up to 12 start-up firms at the location for up to six months or longer to mentor, test and deploy technology. Up to \$3 million in contracts will be provided to those firms.

In addition to the investment, incubator, and job creation benefits listed above, and in addition to the other regulatory requirements from the E-Zone, JLR is willing to sign an additional public benefit agreement. Within this agreement, JLR is willing to provide enhanced benefits that will focus on partnering with local start-up community on inclusive entrepreneurship programs, identification of career ladder opportunities for underrepresented populations, and diversity goals around hiring and training underrepresented populations.

This project meets many of Portland's goals to grow an innovation economy by mentoring, incubating and financing small start-up firms and providing them with an anchor firm to test and deploy their technology.

In order to provide the company with access to the E-Zone program and ensure this project moves forward, the City is requesting that Business Oregon add this property (.46 acres) to the Portland E-Zone.

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, the 2011 Neighborhood Economic Development (NED) Strategy, the Portland Comprehensive Plan Update, and the PDC 2015-2020 Strategic Plan which place an emphasis on creating traded-sector jobs and maximizing competitiveness and creating prosperity among all Portlanders. 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 June 3, 2015. No concern was expressed from these partners. 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 passed a resolution on June 10, 2015 in support of the project.

9. FINANCIAL IMPACT

JLR is planning a \$4 million investment. 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.

Over five years, the annual revenue that would be forgone by various jurisdictions with Jaguar Land Rover (JLR) receiving tax abatement is estimated as follows:

| 5-year Tax Abatement Period, Estimated Annual Revenue Forgone | | | | | |
|---|----------|----------|-------------|----------------------------|-------------------|
| | County | City | PPS and ESD | Portland Community College | Special Districts |
| 5-yr total: \$264,000 | \$47,520 | \$73,920 | \$89,760 | \$7,920 | \$21,120 |
| Annually | \$9,504 | \$14,784 | \$17,952 | \$1,584 | \$4,224 |

- If approved, the tax abatement period will likely begin in 2016. The tax abatement will last for five years, so company participation will end in approximately 2021.
- Tax abatement only applies to new investment. Taxes on the land and existing building will continue.
- The current yearly tax on the land and existing structure is \$66,000. Once the tax abatement period ends, the property will be fully taxed at approximately \$119,000 a year (in 5 years).

10. RECOMMENDATION/ACTION REQUESTED

It is recommended the City Council adopt a resolution to authorize the submittal of a boundary change request to the State of Oregon to add .46 acres to the Portland Enterprise Zone.

Sincerely,

 (Acting, 6/17/15)
Faye Brown
Acting Executive Director/ Chief Financial Officer