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37629

Resolution

Authorize submission of a boundary change request to the State of Oregon to amend the Portland Enterprise Zone boundary

Adopted

WHEREAS, The Oregon Enterprise Zone Act, Oregon Revised Statutes (“ORS”) 285C.045 – 285C.250, authorizes the designation of Enterprise Zones, and provides for property tax abatement, job creation, and local municipal incentives to stimulate economic development in an economically disadvantaged area (“E-Zone”);

WHEREAS, in January 1986, the Portland City Council (“City”) adopted Resolution No. 34019, which authorized Prosper Portland, the City’s designated economic development agency, to prepare and submit an application on behalf of the City to the Oregon E-Zone program;

WHEREAS, in March 1987, City Council adopted Ordinance No. 159467, accepting the Governor’s designation of the first City of Portland E-Zone, with the City as the E-Zone Sponsor, and authorizing Prosper Portland to manage the City’s E-Zone program as part of its economic development responsibilities;

WHEREAS, the City reauthorized its E-Zone program for three additional 10-year designations in 1996 (City Resolution No. 35506), 2008 (City Resolution No. 36583) and in 2019 (City Resolution No. 37423);

WHEREAS, the current Portland E-Zone, designated by City Council on May 1, 2019, through Resolution No. 37423, expires June 30, 2029;

WHEREAS, the E-Zone program allows for industrial and other qualifying firms making substantial new capital investments an exemption of 100% of real property taxes attributable to the new investment(s) for a five-year period;

WHEREAS, the E-Zone program is one of the City’s most important tools to incent major new capital investments that create primarily traded sector job opportunities for local residents;

Introduced by

[Commissioner Carmen Rubio](#);
[Mayor Ted Wheeler](#)

Bureau

[Prosper Portland](#)

Contact

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Requested Agenda Type

Time Certain

Date and Time Information

Requested Council Date

August 31, 2023

Requested Start Time

2:00 pm

Time Requested

45 minutes (1 of 3)

WHEREAS, Prosper Portland desires to propose that City Council amend of the Portland E-Zone to add new tax lots in the downtown SW Portland core and NW Industrial areas;

WHEREAS, the combined East Portland and Portland E-Zones in 2021 created 3,600 new jobs which paid an average of \$36.34 in combined wages and benefits, and since 2015 generated a total of \$1,803,000,000 in capital and procurement investment;

WHEREAS, the Portland E-Zone will advance objectives of the Prosper Portland 2015-2020 Strategic Plan and the newly authorized 2023 Advance Portland Strategy, which emphasize making investments that create quality jobs and collaboration between community-based organizations, the private sector and public entities to support equitable outcomes for residents facing economic disadvantages;

WHEREAS, the Portland E-Zone can be used as a tool to revitalize the downtown core, as affected by the pandemic, by encouraging new investment and jobs in downtown Portland;

WHEREAS, the proposed Portland E-Zone is in an area that meets the requirements as set forth by ORS 285C.090;


WHEREAS, the City has consulted, through Prosper Portland, with local taxing jurisdictions in compliance with ORS 285C.067;

NOW, THEREFORE, BE IT RESOLVED, that the City Council adopts and approves amendments the area shown in the map attached hereto as Exhibit A, be designated by the Director of the Oregon Business Development Department as part of the Portland Enterprise Zone pursuant to ORS 285C.115

BE IT FURTHER RESOLVED, that the City Council authorizes Prosper Portland to submit an application on behalf of the City to the State of Oregon to amend the boundary of the Portland E-Zone; and

BE IT FURTHER RESOLVED, that this resolution shall become effective immediately upon its adoption.

Documents and Exhibits

 [Exhibit A \(https://www.portland.gov/sites/default/files/council-documents/2023/exhibit-a_proposed-portland-e-zone-boundary-amendment-map-august-2023.pdf\)](https://www.portland.gov/sites/default/files/council-documents/2023/exhibit-a_proposed-portland-e-zone-boundary-amendment-map-august-2023.pdf), 1.44 MB

Impact Statement

Purpose of Proposed Legislation and Background Information

This action will recommend that Portland City Council (City) add key areas to the Portland Enterprise Zone (E-Zone) in the downtown Portland Central City core and NW Industrial Area with the goal of incenting 1) employer retention in Portland's Central City, and 2) key investments by companies considering location into Portland or relocating away from Portland.

Currently Portland's SW Waterfront, Old Town/Chinatown, and much of NW Industrial areas are in the Portland E-Zone program, as is the entire Central Eastside as part of the East Portland E-Zone, which received re-designation July 1, 2023. As the Central City works to revitalize, the E-Zone program has potential to incentivize investment in downtown Portland in areas not currently in the E-Zone.

If approved, this action will allow Prosper Portland to promote E-Zone tax incentives as an economic development tool in downtown Central City more holistically. The Business Advancement Team at Prosper Portland, who is leading employer retention for the city, is in conversations with companies making active decisions about their future in Portland and have identified the Portland E-Zone as a key tool in their decision-making process to remain in the Central City.

In 2019, the Portland E-Zone was re-authorized for a fourth time since 1986; the current re-authorization expires in 2029. Any additions to the E-Zone will receive the remaining benefits from the program until the Portland E-Zone's designation expiration. At that time, the City will have the opportunity to reevaluate the cost/benefit of including the Central City in the E-Zone program beyond 2029. Essentially, this action has a sunset of six years from today.

The Portland E-Zone boundary change action will advance objectives of the Prosper Portland 2015-2020 Strategic Plan and the newly authorized 2023 Advance Portland Strategy, which emphasize making investments that create quality jobs and collaboration between community-based organizations, the private sector and public entities to support equitable outcomes for residents facing economic disadvantages.

In 1985, the Oregon State Legislature established a statutory structure for the E-Zone program that permits cities to establish zones where businesses that invest in economic expansion and the creation and retention of jobs can claim property tax abatements for a limited period (up to five years). In 1986, Portland City Council established the Portland E-Zone and designated Prosper Portland as the City's Zone Manager.

Since then, in 1996, 2008, and 2019 (Portland E-Zone) and 2012 and 2023 (East Portland E-Zone), Prosper Portland has requested, and City Council has approved submitting successful reauthorizations to the State to continue managing the two E-Zones in Portland.

Over the past ten years, Prosper Portland has managed 97 different E-Zone projects, with seven currently pursuing enrollment in the program. These active projects have the potential to invest \$100,000,000 and create approximately 350 new jobs in Portland.

Since the Great Recession in 2010, the program has seen significant increases in enrollment; currently, there are 45 active E-Zone participants. Since 2015, companies have:

- Invested in capital or procured goods and services totaling \$1,813,000,000 in the city of Portland;
- Created 3,600 new jobs in a 2021 snapshot (with 49% of employees coming from underserved communities); and
- Paid \$30.16 per hour average wages and offered total compensation of \$36.34 per hour.

In 2003, the Oregon State Legislature added provisions permitting local governments to establish local policies and written agreements imposing obligations on E-Zone companies to provide designated community benefits. Most recently, on September 13, 2017, the Prosper Portland Board through Resolution No. 7253 requested (and City Council ultimately adopted through Resolution No. 37321) amendments to the E-Zone policy that would increase requirements for wages/compensation, procurement plans, and institutionalizing additional public benefits through formal agreements between

participating businesses and Prosper Portland.

As such, the current E-Zone policy provides numerous community benefits through its innovative partnership and business practices, including:

- Institutionalization of public benefits agreements as more companies agree to invest in business culture change activities that create opportunities for a diverse, locally grown workforce;
- Job seekers from across the socioeconomic and demographic spectrum access quality employment opportunities;
- Direct funding for programs such as the Inclusive Business Resource Network and Mercatus and a direct connection between businesses using the E-Zone program and businesses and entrepreneurs from historically disadvantaged communities; and
- Infrastructure for new initiatives such as Portland Means Progress, which is mirroring efforts in the E-Zone to create new partnerships and pipelines for businesses owned by members of historically disadvantaged communities and business culture change with the

end goal of creating more equitable and inclusive businesses in Portland.

Financial and Budgetary Impacts

The E-Zone program does not, in and of itself, decrease projected growth in property taxes. The five-year property tax abatements only apply to new capital investment. Furthermore, once the tax exemption expires and taxable property value grows, property tax revenues collected by local taxing jurisdictions will increase.

Tax revenue impact from the Portland and East Portland E-Zones to the City of Portland has averaged \$1,900,000 over the last seven years. Anecdotal information from our partners suggests many of the investments would not be made absent the incentive provided to companies.

Community Impacts and Community Involvement

As required by Oregon State Statute, Prosper Portland has conducted outreach to discuss the proposed reauthorization with the following taxing jurisdictions:

- City of Portland
- Metro Regional Government
- Multnomah County
- Multnomah County Tax Assessor's Office
- Multnomah Education Service District
- Port of Portland
- Portland Community College
- Portland Public Schools
- TriMet
- East Multnomah Soil and Water Conservation District
- NW Regional Education Service District
- David Douglas School District
- Scappoose School District

On February 15, 2023, Prosper Portland staff met with a number of these jurisdictions to discuss the proposed East Portland reauthorization, as well as the impact of the program over the last ten years. Stakeholders expressed support for economic development programs and encouraged

Prosper Portland to continue to refine the public benefit agreement model to meet current needs of underserved communities.

Connected to this action, on August 8, 2023, Prosper Portland followed up to communication in January and February 2023 and notified jurisdictions of the proposed Portland E-Zone Boundary Amendment and included information about the proposed E-Commerce designation request.

100% Renewable Goal

This action does not increase or decrease the City's total energy use.

Budget Office Financial Impact Analysis

This action expands the area included within the Portland Enterprise Zone ("e-zone"). E-zones seek to incentivize capital investment by providing 5-year property tax abatements on new capital investments. While e-zone programs do not have explicit implications on tax base growth, any marginal increases associated with new investment in the zone is forgone until the end of the five-year abatement period. Conversely, the taxing jurisdictions capture any property tax increases resulting from additional investment upon the expiration of the abatement period.

Agenda Items

733 Time Certain in [August 30-31, 2023 Council Agenda](https://www.portland.gov/council/agenda/2023/8/30) (<https://www.portland.gov/council/agenda/2023/8/30>)

Adopted

Commissioner Rene Gonzalez Absent

Commissioner Mingus Mapps Yea

Commissioner Dan Ryan Yea

Commissioner Carmen Rubio Yea

Mayor Ted Wheeler Absent