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# 37631

Resolution

## Authorize an Oregon Enterprise Zone statutory employment increase waiver for Daimler Truck

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 Enterprise Zone ("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;

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;

### 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 (3 of 3)

WHEREAS, the Portland E-Zone will continue to advance objectives of the Prosper Portland 2015-2020 Strategic Plan and the newly authorized 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, ORS 285C.155(1), ORS 285C.200(2)(b)(A) and OAR 123-674-4300, allow for a company that will complete an investment of \$25 million or more in qualified property, the City may waive the statutory employment increase of 10% by the statutory deadline of April 1 of the first year a company files an enterprise zone exemption claim form and property schedule to the Multnomah County Assessor's Office;

WHEREAS, ORS 285C.155 and 285C.200 (2) provide that the enterprise zone sponsor may provide by resolution that an eligible business firm may qualify for the abatement on qualified property in the zone without increasing zone employment as normally required, if the firm's total investment in qualified property costs \$25 million or more, it maintains a minimum number of full-time employees in the zone of 2,505 (as established by the zone manager), and it satisfies other reasonable requirements as the zone sponsor also may establish;

WHEREAS, Daimler Truck is considering a significant expansion at an amount greater than \$25 million, either in Portland, or in other markets throughout the U.S. and is actively site selecting the location for such expansion in cutting edge clean technology investments in 2023;

WHEREAS, if the project is located in Portland, Daimler Truck and Prosper Portland will expand on its partnership in the city in advancing clean technology, supporting a diverse workforce, and intentional purchasing through a public benefit agreement in accordance with the guidelines in the Portland E-Zone Policy;

WHEREAS, in accordance with OAR 123-674-4300 if Daimler Truck seeks an E-Zone project exemption related to this potential and new investment, it will be required to maintain a minimum annual average baseline employment in the Portland Enterprise Zone for the term of the abatement;

NOW, THEREFORE, BE IT RESOLVED, that the Portland City Council in accordance with ORS 285C.155(1), ORS 285C.200(2)(b)(A) and OAR 123-674-4300, waive statutory employment increases for Daimler Truck related to new capital investment in Portland that meet the \$25M minimum threshold.

## Impact Statement

### Purpose of Proposed Legislation and Background Information

This action by Prosper Portland staff will request that the Portland City Council (City) provide a statutory employment waiver from the Enterprise Zone (E-Zone) job creation requirements as described in ORS 285C.155(1), ORS 285C.200(2)(b)(A) and OAR 123-674-4300.

This waiver will allow for Daimler Truck to complete an investment of \$25 million or more in qualified property and qualify for the Enterprise program benefits without a statutory increase in employment. This part of the statute has been used throughout the State of Oregon by other jurisdictions. The only other time this waiver has been used in the City of Portland was in the 2005.

Daimler Truck is a global market leader in heavy-duty zero emission transportation with over 3000 employees in Portland. The company holds the long-term ambition to transition all new vehicle sales to exclusively carbon-neutral (in driving operation) by 2039. Their proposed new facility in Portland would support cutting-edge research, development and testing of electric and hydrogen fuel cell trucks. Alongside Daimler Truck investment in their engineering workforce, their existing manufacturing plant is upskilling its workers to fully transition its product line to zero-emission trucks.

Daimler Truck is a significant private sector anchor in Portland for electric mobility, leading the way in transforming the industry from diesel truck fleets to zero emission as well as providing quality green jobs in both engineering and manufacturing. If Daimler Truck does not choose Portland to build this facility, the City of Portland loses out on 150 high wage Daimler Truck engineering positions and likely future investments as the global electric truck market increases

The presence of these positions not only benefit the individuals employed but also create a significant boost to the local economy and create a ripple effect throughout the city. The project is estimated to have a \$xM annual direct economic impact.

This investment from Daimler Truck is not only about economic growth but also signals Portland's importance in establishing cutting edge research and development within the climate tech industry. Further investment by Daimler Truck would solidify Portland's reputation and attract further investment and collaboration from other industry leaders and attract top talent, creating an environment that drives the advancement in electric mobility.

Over the past ten years, Prosper Portland has managed 97 different E-Zone projects. 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 (\$31.98 per hour in Portland E-Zone, \$28.00 per hour in East Portland E-Zone, in 2021 dollars).

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.

Daimler Truck, as a participant in the E-Zone program will make commitments to provide underserved students and businesses with opportunities for internships, supplier diversity programming, and will also make good faith efforts to lead local programming to transition Portland towards a clean energy economy.

## 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.

Absent the incentive, there is a high chance that that Portland will not be able to compete with incentive packages from other states for this new Daimler Truck facility, particularly those states in which Daimler Truck already has an active corporate presence and an existing robust electric mobility cluster such as North Carolina or Michigan. Initial estimates find this property tax incentive will amount to approximately \$2.4 million over five years. Daimler Truck has shared with staff that nationally competitive incentive packages would be in the range of \$15 million.

## Community Impacts and Community Involvement

As a practice, economic development recruitment and retention projects generally do not include community stakeholders due to the needs for private sector companies to keep this information confidential until a project is confirmed. No outreach to community has occurred to date beyond the necessary notifications that need to be made to taxing jurisdiction partners.

## 100% Renewable Goal

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

## Budget Office Financial Impact Analysis

This action exempts Daimler Truck from the statutory 10% employment increase to receive enterprise zone (e-zone) tax benefits. Daimler Truck is considering capital investments that meets the \$25 million minimum to qualify for exemption to the statutory requirement of a 10% increase in employment within the e-zone. 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

735 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