

IMPACT STATEMENT

Legislation title: Adopt a new Portland Enterprise Zone and Electronic Commerce Policy to replace existing Portland Enterprise Zone and East Portland Enterprise Zone Policies (Resolution)

Contact name: Andy Reed, Portland Development Commission

Contact phone: 503-823-7053

Presenter name: Patrick Quinton, PDC Executive Director and Andy Reed, Sr. Business Development Coordinator

Purpose of proposed legislation and background information:

This action before the City Council adopts a new Portland Enterprise Zone and Electronic Commerce Policy to replace existing Portland Enterprise Zone and East Portland Enterprise Zone Policies. The purpose of changes to the Policy to more closely align with current strategy and priorities, including the 2011 Neighborhood Economic Development (NED) Strategy, the Portland Comprehensive Plan Update, and the PDC 2015-2020 Strategic Plan.

The Oregon Legislature established a statutory structure to permit cities to establish areas in their cities where business 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 in companies while leveraging opportunities for employment and skills training for local residents and communities.

In 2012, City Council adopted the City's second E-Zone, the East Portland E-Zone. The policy governing the East Portland E-Zone mirrored the existing Portland E-Zone Policy and it was understood that PDC staff would ultimately approach the PDC Board and City Council and with revisions to combine the policies into a single city-wide policy.

PDC staff is recommending the following changes to the City's Current E-Zone Policies:

- Community Contributions: The Policy will insure all participating companies contribute to PDC an amount equal to 15 percent of their tax savings to a fund administered by PDC to provide employment training opportunities for local residents and funds to promote local economic development.
- Transit Support and Childcare: Companies with tax savings of greater than \$1 million will be required to contribute an additional five percent to support child care and public transportation assistance for low wage employees.

- Consolidating into One Policy: The Policy will provide consistency for all industries participating in the program and will serve as the over-arching guide for the City's local E-Zone requirements.
- Updating E-Zone Program Goals: The Policy will more thoroughly support numerous adopted plans and strategies, including the 2011 NED Strategy, the Portland Comprehensive Plan Update, and the pending PDC 2015-2020 Strategic Plan.
- Emphasizing the E-Commerce Program: The Policy will specifically call out E-Commerce as a vital part of the program and will align program requirements for E-Commerce investments with all E-Zone investments. E-Commerce investments are treated differently in the current Policy which requires fewer community benefits from E-Commerce investments.
- Requiring Community Participation in Revenue Allocation: The Policy will require PDC to solicit input from community organizations having an interest in how E-Zone revenue is allocated; the PDC Board will seek regular input from the NED Leadership Group and/or other similar groups in developing E-Zone related programs. This will allow more stakeholders from around the city to give input into programming.
- Simplifying the Policy: The Policy is complex and overly detailed. The recommendations contained in the new proposed policy are based on PDC's experience administering the program for the last 19 years.

Financial and budgetary impacts:

The Policy will specifically call out E-Commerce as a vital part of the program and will align program requirements for E-Commerce investments with all E-Zone investments. If approved, companies that realize E-Commerce tax credits will be required to contribute to the E-Zone community contribution fund similar to all other E-Zone investments.

No costs to the City are anticipated due to this legislation. We do not anticipate creating, eliminating, or reclassifying any positions this year due to this legislation. We do not anticipate creating or eliminating positions in future years due to this legislation.

Community impacts and community involvement:

PDC will have the ability, with the assistance of the NED Leadership Group, to allocate E-Zone revenue for priorities set forth in the 2011 Neighborhood Economic Development (NED) Strategy, the Portland Comprehensive Plan Update, and the PDC 2015-2020 Strategic Plan. Funds are anticipated to benefit low-income and under-represented residents and business owners through workforce development, support services, microenterprise and small business technical assistance, Neighborhood Prosperity Initiative Areas activities, and inclusive entrepreneurship initiatives.

PDC anticipates allocating future community contributions revenue for:

- Workforce Development
- Neighborhood Prosperity Initiatives and Mainstreets
- Inclusive Entrepreneurship programming
- Small Business and Microenterprise Development Technical Assistance

In the past year, PDC leadership and staff have reached out to current E-Zone companies, companies that have expressed interest in using the E-Zone program, the NED Leadership Group, TriMet, Swan Island Business Association, the Multnomah County Chair, and Worksystems, Inc. Stakeholders have responded favorably towards the proposed new Policy changes. No significant objections or concerns were raised during the process of engaging stakeholders.

The Portland Enterprise Zones cover 20 square miles of industrial and commercial land in the Portland. Participating E-Zone companies are located in NW Industrial, Swan Island, Rivergate, the Columbia Corridor, Airport Way, Lents, and the Central Eastside.

E-Zone revenue generated from these companies, as described in the E-Zone Policy, will be used to increase economic opportunity and income for historically disadvantaged Portlanders and businesses (e.g. communities of color, residents in priority neighborhoods, etc.) across the City of Portland.

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

Tom Kelly
Chair

DATE: February 11, 2015

FOR MAYOR'S OFFICE USE ONLY

Aneshka Dickson
Commissioner

TO: Mayor Charlie Hales

Reviewed by Bureau Liaison _____

Mark Edlen
Commissioner

FROM: Patrick Quinton, Executive Director

John C. Mohlis
Commissioner

RE: Adopt a new Portland Enterprise Zone and Electronic Commerce Policy to replace existing Portland Enterprise Zone and East Portland Enterprise Zone Policies (Resolution)

Charles A. Wilhoite
Commissioner

1. INTENDED THURSDAY FILING DATE: February 11, 2015

Charlie Hales
Mayor

2. REQUESTED COUNCIL AGENDA DATE: February 25, 2015

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

Patrick Quinton
Executive Director

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

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

This action will recommend that the Portland City Council (City Council) adopt a new and updated City of Portland E-Zone Policy for the Portland Enterprise Zone and the East Portland Enterprise Zone (E-Zone) policies and combine them into a single Portland E-Zone and E-Commerce Policy (Policy). PDC is requesting changes to the Policy to more closely align with current strategy and priorities, including the 2011 Neighborhood Economic Development (NED) Strategy, the Portland Comprehensive Plan Update, and the pending PDC 2015-2020 Strategic Plan.

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.

Pursuant to statute, the City Council established a local E-Zone Policy ("the E-Zone Policy") which included local requirements for participation in the E-Zone program. The current E-Zone Policy calls for PDC to administer the Portland E-Zones and for PDC to manage a pool of community contributions to benefit residents in or near the E-Zone through workforce training and small business development programming.

In 2012, City Council adopted the City's second E-Zone, the East Portland E-Zone. The policy governing the East Portland E-Zone mirrored the existing Portland E-Zone Policy. It was understood that PDC staff would ultimately approach the PDC Board and City Council and with revisions to combine the policies into a single city-wide policy.

Policy elements to be revised include:

- community contributions (including increases in transit support, child care support, and equity requirements);
- consolidating into one policy and policy simplification;
- updating E-Zone program goals;
- emphasizing the E-Commerce Program; and
- requiring community participation in revenue allocation.

For detailed information on the revisions see the Impact Statement being provided as part of the City Council packet.

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 pending PDC 2015-2020 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 – In the past year, PDC leadership and staff have reached out to current E-Zone companies, companies that have expressed interest in using the E-Zone program, the NED Leadership Group, TriMet, Swan Island Business Association, the Multnomah County Chair, and Worksystems, Inc. Stakeholders have responded favorably towards the proposed new Policy changes. No significant objections or concerns were raised during the process of engaging stakeholders.

9. FINANCIAL IMPACT

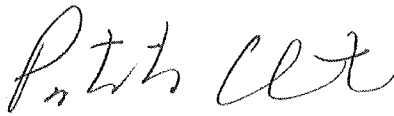
PDC anticipates allocating future community contributions revenue for:

- Workforce Development
- Neighborhood Prosperity Initiatives and Mainstreets
- Inclusive Entrepreneurship programming
- Small Business and Microenterprise Development Technical Assistance

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.

10. RECOMMENDATION/ACTION REQUESTED

It is recommended the City Council adopt a new Portland Enterprise Zone and Electronic Commerce Policy to replace existing Portland Enterprise Zone and East Portland Enterprise Zone Policies.

A handwritten signature in black ink, appearing to read "Patrick Quinton". The signature is written in a cursive, flowing style.

Patrick Quinton
Executive Director