

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: December 8, 2010

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 10-112
Enterprise Zone Amendment to Add Property at 7700 NE Ambassador Place

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6841

ACTION SUMMARY

This action authorizes a recommendation to the Portland City Council to amend the Portland Enterprise Zone (E-Zone) boundary to add the property located at 7700 NE Ambassador Place in order to allow the principal tenant, Rentrak Corporation (Rentrak), to apply for the E-Zone tax abatement and E-Commerce programs. Approval of Rentrak's participation in these programs will allow it to make substantial new investments in the property, hire additional staff, and maintain its headquarters in Portland.

PUBLIC BENEFIT

The proposed boundary amendment will add a 3.66-acre piece of property at 7700 NE Ambassador Place to the E-Zone boundaries as shown and described in Attachments "A" and "B," a map and legal description. This addition increases the total acreage of the Portland E-Zone from 7,552 acres to 7,556 acres. The property is a 4-story, class-A office building, owned by J & R Airport LLC and consisting of approximately 73,000 square feet. Its primary tenant is Rentrak, who currently leases approximately 85 percent of the building. Rentrak currently has 230 employees. The company specializes in the audience measurement and analytical research of the full array of media sources, including videos, television shows, movies, and cable. A majority of their sales are generated from web-based technology, making Rentrak eligible for the E-Commerce program. Additionally, Rentrak is part of the Portland Development Commission's (PDC's) software cluster and, as such, is eligible for PDC financial assistance through our Business Finance tools.

Amending the E-Zone boundary to add this property will allow Rentrak to apply for the property tax abatement benefits of the E-Zone program and the tax credits allowed under the State of Oregon's E-Commerce program. The amount of the benefits accruing to Rentrak is tied to the level of capital investment made to the building (e.g., tenant improvements) and in eligible E-Commerce investments such as server rooms, computer equipment, hardware, and software. Tentatively, Rentrak and the building owner anticipate investing up to an estimated \$1 million in eligible capital improvements, and Rentrak will hire

an estimated ten new employees per year over the next five years. Rentrak is currently considering a very competitive offer to move its headquarters to Washington State. PDC, the Port of Portland, and the State of Oregon are working collaboratively to find resources to keep this important company in Portland, and the E-Zone and E-Commerce programs are key elements of that strategy.

In addition to the private investment and job creation requirements, the public benefits derived from the E-Zone/E-Commerce programs include: 1) increased business opportunities for companies within the E-Zone through the program's local procurement requirement; and 2) payment of 15 percent of the value of the tax abatement into the Business Development and Workforce Training Fund to support local job training and financial assistance to small businesses in the area.

This action will support the following PDC goals:

- Strong Economic Growth and Competitiveness
- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

OAR 123-650-5500 requires that the taxing entities having jurisdiction over the subject property be notified of any proposed E-Zone boundary amendment at least 21 days prior to the proposed approval of the amendment and afforded the opportunity to comment. That notice was mailed to the ten taxing jurisdictions on November 16, 2010. Additionally, the Oregon E-Zone statutes require that the Port of Portland pass a resolution approving any proposed boundary amendments. Port of Portland staff supports the proposed action and are forwarding that recommendation to the Port of Portland Commissioners at their next scheduled meeting, which is also scheduled for December 8, 2010. PDC staff has consulted with staff from the Port of Portland, Multnomah County, and Portland Public Schools regarding this proposal. At this time, PDC staff does not anticipate that there will be opposition to the amendment.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

This proposal is consistent with the City's adopted Economic Development Strategy and PDC's Strategic Plan, both of which call for support in growing Portland's software cluster. The proposal is also consistent with the goals and policies contained in the Airport Way Urban Renewal Plan.

FINANCIAL IMPACT

The projected costs to PDC for administering the proposed changes to the E-Zone boundary are confined to staff time, which is budgeted in PDC's 2010-11 Adopted Budget. When Rentrak applies for the E-Zone program, PDC will collect an administrative fee equal to 1/10

of one percent of the estimated capital investment, and, after completed, PDC will collect 15 percent of the total amount of the annual abatement which goes into the E-Zone Workforce Training and Business Development Fund.

If and when Rentrak is approved for entry into the E-Zone program, they may apply for up to five years of property tax abatement on the value of the new, qualifying investment to the property. While this does abate assessments that would otherwise accrue to the taxing jurisdictions (currently estimated to be less than \$1,000 over the 5-year period), there is a high likelihood that the same level of investment would not have been made without the E-Zone program being in place. Furthermore, once the applicant exits the program, the improvements are placed back on the tax rolls and the full amount of the taxes is distributed to the taxing jurisdictions thereafter.

The impacts are somewhat different with the E-Commerce program. In this case, assuming Rentrak is admitted to the E-Commerce program in 2011, they are eligible for a 25 percent tax credit on qualifying E-Commerce investments in a total amount not to exceed \$2 million. Rentrak is currently projecting up to \$4 million per year in eligible E-Commerce capital expenditures over the next few years. However, the E-Commerce program is currently scheduled to sunset in 2011, so, unless it is reauthorized by the Legislature, the tax credit available to Rentrak would be limited to the formula for 2011. If, however, the E-Commerce program is reauthorized, Rentrak could benefit from it for four additional years. So, while the program does impact state tax revenues in this fashion, it is temporary and typically offset by the long-term benefits resulting from the new investment, which investment may not have been made without the program first being in place.

RISK ASSESSMENT

There is no risk to PDC in taking this action as it is advisory to the City Council.

WORK LOAD IMPACT

Existing staff resources are available to undertake this work.

ALTERNATIVE ACTIONS

The PDC Board of Commissioners could elect to NOT approve the proposed Resolution, or could elect to make changes to it prior to its adoption.

CONCURRENCE

The subject property lies within the boundaries of the Columbia Corridor Association, which supports this action and has provided a letter of support to the PDC Board of Commissioners, the Mayor, and City Council. The Multnomah Drainage District No. 1 also submitted a letter of support. Both letters are included in Attachment "C."

BACKGROUND

The E-Zone program is a State of Oregon Business Development Department program that allows eligible companies property tax exemptions for up to five years in exchange for making new, capital improvements that create jobs and job opportunities for area residents.

In January 1986, the Portland City Council authorized PDC, on behalf of the City of Portland, to prepare and submit an application to the State of Oregon for the Oregon E-Zone program. Since 1986, three E-Zone designations have been sponsored by City Council and PDC has acted as the E-Zone Manager for each zone. Over 50 companies have participated in the program, and currently 25 projects are active. Since 1996, the City's E-Zone programs have leveraged over one billion dollars in private investments and have created and retained over five thousand full-time, quality jobs.

On March 26, 2008, the Portland City Council submitted an application to the State of Oregon for E-Commerce designation, which allows for companies that have been accepted into the Portland E-Zone program and have filed for their E-Zone exemption to also receive a tax credit for E-Commerce capital expenditures such as server rooms, computer equipment, hardware, and software. The E-Commerce designation was approved by the State of Oregon to begin on July 1, 2008.

In September 2010, the Oregon Business Development Department approached PDC to assist in the retention of Rentrak, a software-related business located in the Airport Way Urban Renewal Area. The company currently has 230 employees who earn an average wage of \$65,000 each, and has offices in New York, Los Angeles, Europe, and Asia. Projected sales and revenue growth in the coming years will place Rentrak in a disadvantaged tax situation if they keep their headquarters in Oregon. Because of this, Rentrak has indicated their intention to move all of their employees to a new facility they have in Vancouver unless a business case can be developed and presented to keep the headquarters operation in Oregon.

In conversations with Rentrak, the E-Zone and E-Commerce programs are tools that would provide great benefit to them since they are planning on making substantial E-Commerce investments over the next few years. The building they occupy is very close to the existing E-Zone boundary, but the boundary would need to be amended to take them in and be eligible for the program benefits. Because their building lease is up for renewal, they have a very short timeline by which to make a decision, and have indicated that they will do so by December 31, 2010. They have also indicated that, if the E-Zone benefits are substantial enough to significantly offset their Oregon tax burden, they would renew the building lease and work with Business Oregon to address the unique tax structure affecting their business model.

The amendment itself is a fairly simple action and has no impact on any of the other properties in the Columbia Corridor. It is expected, however, to result in the retention of this sizable software company in Oregon.

ATTACHMENTS:

- A. Project Summary and Amended E-Zone Boundary Map
- B. Legal Description
- C. Letters of Support from the Columbia Corridor Association and the Multnomah Drainage District No. 1

PROJECT SUMMARY

Project Name: Project Track

Description: Boundary Amendment to the Portland E-Zone to Add the Property at 7700 NE Ambassador Place

Location: 7700 NE Ambassador Place

URA: Airport Way URA

Current Phase: Preparing Application to the State of Oregon for Boundary Amendment

Next Milestone: Approval of Application by December 31, 2010

Completion Target: December, 2010

Outcome: Portland Enterprise Zone Boundary Amendment

Site/Project Map: See next page

Portland Enterprise Zone – Lot to be Added to the E-Zone



November 17, 2010

 7700 NE Ambassador Pl

 Enterprise Zone



Information Sources: Portland Development Commission Geographic Information System (GIS) and the City of Portland Corporate GIS.

Caution was taken in the creation of this map, but it is provided "as is." The Portland Development Commission cannot accept any responsibility for errors, omissions or positional accuracy, and therefore, there are no warranties which accompany this product.

Legal Description

1. Legal description of the tax lot being added to the E-Zone, pursuant to requested changes:

On Portland Maps the property is legally described as:

Property Description			
Tax Roll	PORTLAND INT'L CENTER, TL 1200 LOT 1&2	Use	OFFICE LOW RISE
Lot	1&2	Block	

The entire list of tax lots was created on 3/26/2008 and submitted with the Portland Enterprise Zone Designation Application. This Portland Enterprise Zone Boundary Change Application confirms that no properties have been added to the Portland Enterprise Zone since 3/26/08. This Application only seeks to add the tax lot described in this section:

AREA	STATE_ID	RNO	OWNER1	OWNER2	PROPERTYID
158699	1N2E09C 1200	R669300200	PORT OF PORTLAND (LEASED)	J & R AIRPORT LLC	R247843

Letter of Support from Columbia Corridor Association

COLUMBIA CORRIDOR
A S S O C I A T I O N

29 November 2010

Portland Development Commissioners and Mayor and City Council

Dear Commissioners,

The Columbia Corridor Association understands that the PDC Commissioners and the Portland City Council will be considering a minor amendment to the Portland Enterprise Zone (“E-Zone”) boundaries to add the property at 7700 NE Ambassador Place. Because the property is in the Columbia Corridor, PDC asked that we consider providing a letter of support as this proposal moves through the amendment process.

The purpose of the amendment is to allow a significant Portland software company, the Rentrak Corporation, to access the tax benefits of the E-Zone and the related E-Commerce Zone as Rentrak embarks on a plan to make major capital investments and job growth in the near future. We understand that, without this boundary change, there is a good chance that Rentrak may decide to move its headquarters outside of Oregon due in large part to the way Oregon’s tax structure is applied to this company, which taxes all company revenue regardless of whether those sales are inside or outside of Oregon. If they did leave, this would result in the loss of approximately 230 jobs in our area and would create a huge, vacant commercial space in the Columbia Corridor.

We are aware the amendment has no impact on any of the other properties in the Columbia Corridor, but we believe it is important to keep our region strong, and retaining this company is important in achieving this goal. Therefore, we support PDC and the City Council in their efforts to retain this company by allowing them to access the Enterprise Zone and E-Commerce programs through a boundary change.

Sincerely,



Corky Collier
Executive Director

Letter of Support from Multnomah Drainage District No. 1



1880 NE Elrod Drive Portland, Oregon 97211
(503) 281-5675 FAX (503) 281-0392

Board President
J. Tim Warren

Board Supervisors
Larry Cooper
George Donnerberg
Bruce Holte
George Lingelbach

Executive Director
Bob Eaton

Deputy Director
Dave Hendricks

November 24, 2010

Mayor Sam Adams
City of Portland
1221 SW 4th Avenue
Portland OR 97204

Dear Mayor Adams,

This District, through its flood control system, protects many of the City of Portland's most integral resources including much of the City's industrial sanctuary. Within that sanctuary is a building owned by Rentrak which the City Commission and PDC Commission are considering for inclusion in the enterprise zone. This District wishes to support that action.

The District does not regularly write letters on behalf of individual businesses, and has not been asked by anyone to write this letter. So long as including Rentrak into the enterprise zone meets requirements of the program, the District agrees that it makes good sense to keep the current and future jobs, and future plans for expansion, in the Columbia Corridor.

Sincerely,

A handwritten signature in cursive script that reads 'Bob Eaton'.

Bob Eaton
Executive Director

Cc: City Commissioners
PDC Commissioners
Port of Portland Commission
Rentrak COO/CFO David Chemerow