



PROSPER
PORTLAND
Building an Equitable Economy

DATE: February 14, 2017
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 18-04
Requesting that Portland City Council Designate Prosper Portland as the Entity Authorized to Administer the Industrial Sites Readiness Program on Behalf of the City of Portland

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7262

This action by the Prosper Portland Board of Commissioners (Board) will request that Portland City Council (City Council) designate Prosper Portland as the entity authorized to administer the Industrial Sites Readiness (ISR) Program on behalf of the City of Portland (City). The ISR Program, in support of Regionally Significant Industrial Sites program (RSIS), was approved by the Oregon State Legislature in 2013, and provides reimbursements based on income tax revenues for private-public partnerships to cover the cost of development of industrial sites that would likely not occur without targeted public assistance. Should City Council authorize Prosper Portland as the ISR Program administrator, the agency will have access to a tool that will both incentivize quality industrial job growth and create a potential long-term, flexible revenue stream for Prosper Portland to invest in community economic development priorities.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action aligns with the Prosper Portland 2015-2020 Strategic Plan in several ways. First, it provides the agency with a tool to support redevelopment of industrial sites. Second, the program requires a focus on traded sector employers that offer quality wage jobs. Finally, it delivers on Prosper Portland's 90% Draft Financial Sustainability Plan by offering a flexible new source of capital and operating funds to the agency to invest in strategic initiatives.

BACKGROUND AND CONTEXT

ISR Program statutes and regulations definitions do not contemplate urban renewal agencies as eligible sponsors, as they do not meet the State of Oregon (State) definition of a "local service district" with taxing authority. However, cities are eligible sponsors and, with City Council approval, Prosper Portland can act as the administrator on behalf of the City, similar to the role Prosper Portland plays with the Enterprise Zone program.

Should Prosper Portland become the ISR Program administrator, it will have the ability to sponsor eligible projects for future industrial use on regionally-significant sites that the agency either owns or sponsors through a development agreement with a private owner. In general, these are sites that are planned or zoned for industrial use.

Once a site and project are identified, Prosper Portland and the eligible traded sector employer would enter into a sponsorship contract that binds the employer to the requirements of the ISR Program, provides for periodic reporting of employment statistics, and specifies the financial assistance (e.g., loan or grant) from Prosper Portland to the private property owner and/or employer.

After the sponsorship contract is executed, Prosper Portland would then be eligible to apply for an ISR Tax Reimbursement Arrangement (TRA). The TRA would be a contract between Prosper Portland and Business Oregon that would allow Prosper Portland to be reimbursed by the State Department of Revenue. Reimbursement would be estimated by the incremental income tax generated by the employer, until such time as the public sponsor's eligible costs are fully recaptured.

The following is a hypothetical example of an ISR Program transaction:

- Project A has eligible costs of \$1,000,000 in site preparation and environmental remediation, which can be funded by either the public or private sector and allows Project A to be developed and tenanted by traded sector Employer B.
- Prosper Portland directly or through an agreement with the private sector partner contracts for those improvements.
- After Project A is tenanted there are 50 employees working for Employer B, all of whom earn approximately \$79,700, or 150 percent of the State of Oregon average wage.
- Cumulatively, those employers will earn \$3,985,000 annually and, at a nine percent State income tax rate, the State will recover approximately \$358,650 in revenue every year.
- Prosper Portland may be reimbursed a maximum \$358,650 annually, until the \$1,000,000 in eligible reimbursable costs are fully recaptured in slightly under three years.

Additional detail on the ISR Program (including site designations, employer eligibility, the application and approval process, eligible costs, and other program details) can be found in Attachment A.

EQUITY IMPACT

If approved, the ISR Program could be used by Prosper Portland to support the development of industrial redevelopment projects that further the agency's job creation and social equity objectives (including application of the agency's Business and Workforce Equity Programs as well as community/public benefit agreements). Not only would Prosper Portland be able to incentivize industrial employment growth and help connect those opportunities to priority populations, it would have access to resources that Prosper Portland can use to fund Strategic Plan and social equity objectives across the city of Portland.

COMMUNITY PARTICIPATION AND FEEDBACK

There has been no specific public participation related to this action.

BUDGET AND FINANCIAL INFORMATION

There are no immediate budget impacts related to this action. Should City Council authorize Prosper Portland as the ISR Program administrator, there will be staffing expenses incurred in administering the program as well as revenue through reimbursements on a project-by-project basis.

RISK ASSESSMENT

Administrative rules for the ISR Program have not yet been finalized, so there is a potential risk that the final rules could affect Prosper Portland's interest or eligibility in administering the ISR Program. Given that there is a statewide cap of \$10,000,000 per year on all TRAs, statewide, there is also a risk that

demand for participating in the ISR Program across the state could preclude Prosper Portland from securing eligible reimbursements.

ATTACHMENTS

- A. [Industrial Site Readiness Program Proposed Administrative Rules](#)