



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
December 8, 2010
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – November 10, 2010

Executive Director

Approval of Executive Director's Report – November 2010

General Discussion

Portland Region's Economic Health	<i>JOHN TAPOGNA, ECONORTHWEST</i>
Strategic Planning Outlook	<i>SCOTT DRUMM SUZANNE KENNY</i>
State Legislative Overview	<i>ANNETTE PRICE</i>
West Hayden Island Update	<i>SUSIE LAHSENE</i>
2011 Port of Portland Transportation Improvement Plan – General Discussion and Public Hearing	<i>SUSIE LAHSENE PHILIP HEALY</i>

Action Item

1. CONSENT TO ENTERPRISE ZONE EXPANSION APPLICATION
BY THE CITY OF PORTLAND *LISE GLANCY*

Requests consent to an Enterprise Zone expansion application by the City of Portland, located within Port of Portland boundaries, to provide an additional incentive to encourage existing or new companies to invest and add employees within the zone.

CONSENT TO ENTERPRISE ZONE EXPANSION APPLICATION BY THE CITY OF PORTLAND

December 8, 2010

Presented by: Lise Glancy, Manager
Regional Government Relations**EXECUTIVE SUMMARY**

This agenda item requests consent to an Enterprise Zone expansion application by the City of Portland, located within Port of Portland (Port) boundaries, to provide an additional incentive to encourage existing or new companies to invest and add employees within the zone.

BACKGROUND

In the 2005 legislative session, the statute for the Enterprise Zone program was changed to require the governing bodies of a port district to consent by resolution to Enterprise Zone applications by a city or county within the boundaries of the port. This change was requested to ensure coordination of economic development activities within port districts. Oregon ports play a key role in economic development in the community. The legislature also provided for the designation of 10 new Enterprise Zones statewide by the Oregon Business Development Department. Since the statute changed in 2005, the Port Commission routinely receives requests from jurisdictions as they move forward with Enterprise Zone applications and/or boundary changes.

The City of Portland is seeking the Port's support and consent in favor of expanding their Enterprise Zone to include an additional .01 square miles. The expansion area consists of a 3.66-acre lot at 7700 NE Ambassador Place, which is located immediately adjacent to CascadeStation.

The addition of this single property into the Portland Enterprise Zone is designed to allow the principal tenant, Rentrak Corporation (Rentrak), to apply for the E-Zone Tax Abatement and E-Commerce programs. Approval of their participation in these programs will allow Rentrak to make substantial new investments in the property, hire additional staff, and maintain their headquarters in Portland. Rentrak, a large software technology and administrative service company, currently has 230 employees at this location and is a targeted industry cluster for Portland and the State. Rentrak is the primary tenant of the building at 7700 NE Ambassador Place, and the building owner, J & R Airport LLC, is a Port tenant through a long-term land lease.

Typically, the beneficiaries of Enterprise Zone benefits are manufacturing and other, more industrially-oriented, traded sector companies. Most commercial and retail-type operations are ineligible; however, Rentrak is eligible for the E-Zone regular abatement as it will purchase qualifying investments that meet the normal E-Zone abatement, and Rentrak will access the E-Zone e-commerce overlay that supports investment in electronic commerce.

CONSENT TO ENTERPRISE ZONE EXPANSION APPLICATION BY THE CITY OF
PORTLAND

December 8, 2010

Page 2

Enterprise Zones provide up to 100 percent property tax abatement on a company's new investment in facilities, equipment and machinery over a three- to five-year period if a job threshold is met (110 percent increase from base employment average over five years). Land and existing machinery or equipment are not eligible for the exemption, resulting in no loss of current property tax levies to the Port. The E-Commerce provision gives a 25 percent income tax credit on new investments in electronic commerce up to a maximum of \$2 million; this provision is scheduled to expire in 2011 unless renewed by the Oregon legislature. The tax credit must be earned in a year in which the business receives an Enterprise Zone property tax exemption.

Through their inclusion in the Portland Enterprise Zone, the primary benefit to Rentrak will be through the E-Commerce provisions. These provide up to a five-year tax credit for infrastructure investments to help offset the adverse effects of Oregon's tax structure. Oregon taxes Oregon corporations on sales outside of Oregon that are transacted through the internet, even if that income is also taxed in other states in which the product sales occurred. This tax benefit will make Rentrak's Portland location competitive for future growth opportunities and allow it to retain its headquarters in Portland. In addition, Rentrak will realize modest tax abatement benefits from its planned expansion.

Rentrak and the building owner anticipate investing an estimated \$500,000 to \$1,000,000 in eligible capital improvements and Rentrak anticipates hiring an estimated ten new employees per year over the next five years.

Under the current tax code related to this action, the Port would forgo approximately \$0.0701 per \$1,000 of assessed value of any new investment by Rentrak until the exemption period ends. For the Portland Enterprise Zone expansion, the impact on Port property tax revenue is expected to be relatively small (less than \$1,000 over a five-year period). Upon completion of the five-year exemption period, the property would be fully taxed again. The E-Commerce tax credit impacts only the State, not the Port.

In order to move the Portland Enterprise Zone expansion application forward to the Oregon Business Development Department for approval, the City of Portland is required to have the consent of the Port Commission for this application. The City of Portland has requested that the Port provide a resolution consenting to this Enterprise Zone boundary expansion.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That the Port of Portland Commission consents to an application by the City of Portland for the expansion of the Portland Enterprise Zone located within Port of Portland district boundaries.

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.