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Evolving Tax Incentives: A Shared Value Approach to Economic Development in Portland.

In 2015, the global auto manufacturer Jaguar Land Rover (JLR) invested in a \$4 million innovation incubator in Portland to encourage and support new software-based automotive technologies. The incubator created slots for up to 12 startup firms, each benefiting from mentoring, space to test and deploy technology, and up to \$3 million in contracts from JLR. In turn, the incubator provides fertile grounds in which JLR can jointly test technologies with smaller firms.

Many companies invest in local incubators, but a unique incentive program run by Prosper Portland, the city's economic development arm, distinguishes this approach. To receive a tax incentive, JLR entered into a public benefits agreement and committed to partnering with the local startup community on inclusive entrepreneurship programs, identification of career ladder opportunities for underrepresented populations, and diversity goals around hiring and training underrepresented populations.

The work that JLR is doing is emblematic of a shared value approach, a concept wherein companies find business opportunities in solving social problems. Using this model, Prosper Portland has turned its traditional economic development tax incentive program, the Portland Enterprise Zone (E-Zone), into an innovative, nation-leading model which aims to identify shared value between business, community, and the public sector.

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Acknowledging the past, changing our ways

The pivot toward the shared value approach has its roots in the city's racist history: Discriminatory practices from the 1950s to the 1980s, such as redlining, destabilized communities of color and people who were not landowners. Prosper Portland's own subsequent urban renewal efforts, while focused on the preservation of Portland's neighborhoods and a lively downtown, also created conditions ripe for gentrification. Those conditions pushed lower-income households, frequently people of color, to more affordable areas of east Portland at the outer fringe of the city.

The result has been gaping disparities in employment, income, and wealth between white communities and communities of color in our city. Today, Portland has a booming economy, but due to decades-long patterns of institutional discrimination, widely shared prosperity is not flowing to those who have been displaced and live at the city's edges. Wage earners in the less diverse central city and west Portland earn an average \$102,209, while wage earners in east Portland, home to a higher percentage of communities of color, earn an average \$44,328.

Prosper Portland's response to that dichotomy is to deepen its commitment to building an equitable economy, driven by a strategic plan based on four cornerstones: growing family-wage jobs, advancing opportunities for prosperity, collaborating with partners for an equitable city, and creating vibrant neighborhoods and communities.

Embracing shared value

Over the past 30 years, Prosper Portland has administered tax incentives, including local tax abatement and state income tax credits, to compete with other regions and states for new economic development projects. The direct benefits of job creation and investment continue to be core to our efforts to recruit and retain businesses.

Today, however, corporate social responsibility has become equally important to both workers and customers, and society demands that companies act differently.

These norms align with the shared value model. According to the [Shared Value Initiative](#), “More companies are now building and rebuilding business models around social good, which sets them apart from the competition and augments their success. With the help of NGOs, governments, and other stakeholders, business has the power of scale to create real change on monumental social problems.”

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Already, we are seeing the private sector collaborate with schools and universities, nonprofits, and government, agreeing on shared values that strengthen both the business and social framework—a new way to achieve economic success across previously underserved communities. Businesses are recognizing that their competitiveness relies on investments in surrounding economic and social environments, and therefore are more willing partners.

Using the E-Zone program to engage businesses in creating shared value

As we endeavor to create an environment where all Portlanders can thrive, business leaders—local, national, and international—have expressed interest in doing the same.

These new norms presented an opportunity for Prosper Portland to turn the E-Zone program into a tool to address wider disparities. We convened work sessions with representatives from every high school in Portland, local colleges, universities, government, businesses, and more than 50 nonprofit leaders. This effort birthed a public benefits agreement menu which we now use to guide our efforts.

As of 2017, a new city policy requires companies that receive tax incentives through the E-Zone program to engage with public benefits agreements. Prosper Portland defines a public benefit agreement as a legally binding agreement between a governmental organization and a business with the goal of creating shared value and partnership, where the competitiveness of a company and the prosperity of the public we serve are interdependent.

Under this framework, participating companies must fulfill certain requirements—wage levels, career ladder development, local purchasing, and equitable contracting—and then must choose from a menu to provide additional benefits related to jobs, partnerships, neighborhoods, prosperity, and equity. Companies are held accountable for their commitments with obligatory annual tracking and reporting. This is an evolving program, driven by the community, and those same partners who built the menu are now actively working to implement new partnerships between business, community, education, and government.

Impact and goals moving forward

We now have eight companies that have signed agreements, ranging from food manufacturers to software developers, with many more in the pipeline. We hope to deploy this model across our entire

portfolio of economic development incentive programs. Other local jurisdictions and statewide programs in Oregon are beginning to incorporate elements of our benefits agreements into tax incentive programs, and companies outside the incentive program have expressed strong interest in joining our efforts even without receiving tax savings.

The city of Portland is home to 32,000 businesses. Our hope and dream is that each of them engage for good, even on just one or two things—where every kid has a summer job or internship if they want one, where every small business has access to free business consulting from larger companies, and where communities that have been left behind have more hope for the future. Scaling the effort to this degree offers yet another opportunity for the shared value approach, wherein big data and artificial intelligence could be deployed to track results.

As Portland Mayor Ted Wheeler said while introducing the new city policy that established the shared values model, “When we create policy that enables companies to do more, we see the positive results in neighborhoods and among residents throughout the city. That is the path to an equitable economy.”

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