AGENDA

ASTORIA CITY COUNCIL
SPECIAL SESSION

WEDNESDAY, March 14, 2018
9:00 AM
2nd Floor Council Chambers
1095 Duane Street · Astoria OR 97103

1) **CALL TO ORDER**
2) **ROLL CALL**
3) **ENTERPRISE ZONE AT TONGUE POINT**
4) **OPPORTUNITY ZONES**
5) **ADJOURNMENT**

THIS MEETING IS ACCESSIBLE TO THE DISABLED. AN INTERPRETER FOR THE HEARING IMPAIRED MAY BE REQUESTED UNDER THE TERMS OF ORS 192.630 BY CONTACTING JENNIFER BENOIT WITH THE CITY MANAGER'S OFFICE AT 503-325-5824

Enterprise Zones

Enterprise zones were formed in 1986 to help foster employment opportunities and increase local competitiveness. These zones offer tax relief on new private capital in exchange for investing and hiring in the enterprise zone. Qualifying businesses receive exemption from local property taxes on new plant and equipment for three years (but up to five years) in the standard program.

Enterprise zones are sponsored by city, port, county, or tribal governments. In general, the sponsor must comprise all jurisdictions in which there lies some part of the zone. Sponsors have a number of duties and opportunities, but all such sponsoring governments must act jointly in conducting zone business.

Enterprise zones in Oregon come in many shapes, are often noncontiguous, and typically encompass all of the local land that an eligible business might use throughout the community.

There are currently 69 enterprise zones across Oregon: 54 rural and 15 urban. Local governments are responsible for creating, amending, managing, and renewing most of these zones, until June 30, 2025.

CEDR is Clatsop County's zone manager.

Business Eligibility

Eligible businesses include manufacturers, processors, shippers and a variety of operations that serve other organizations, as well as call centers and headquarter-type facilities. Hotel/resort businesses also are eligible in some of the enterprise zones, with local approval. Otherwise, retail, construction, health care, financial and certain other defined activities are ineligible.

Qualified Property

In Oregon, all non-vehicular, non-inventory business property is assessed for taxation. Total local levies average about 1.6 percent of assessed value.

New buildings/structures, structural modifications or additions, or newly installed machinery and equipment located in the zone qualify for the tax exemption. Only the increase in assessed value attributable to the additions or modifications is exempt in the case of a building or structure. The investment must be $50,000 or more in total for all of the real property in any property schedule.

Land, non-inventory supplies, rolling stock, vehicles and motorized-driven vehicles, previously used property value and miscellaneous personal property do not qualify.

Criteria for Qualifying Projects

For the basic, three-year enterprise zone exemption period, the business needs to:

- increase full-time, permanent employment of the firm inside the enterprise zone by the greater of one new job or 10% (or less with special-case local sponsor waivers);
- generally have no concurrent job losses outside the zone boundary inside Oregon;
- maintain minimum employment level during the exemption period;
- enter into a first-source agreement with local job training providers.

For the four or five year exemption period, the business must satisfy the above criteria for the three-year period, and

- receive special local approval, and
    - the average of new employees' compensation (including benefits), needs to be at or above 130% or 150% of the county average wage as set at the time of authorization; and
    - wages must be equal to or greater than the current county average wage in that fourth/fifth year.

Employment to Qualify

Oregon's enterprise zones are intended to create new jobs, for which there are two basic requirements that an authorized business must satisfy to receive the standard exemption on property.

Increase by First Year of Initial Exemption (gateway requirement)
• Authorized business must increase its employment within the enterprise zone by the **greater of one person or 10%**.

Maintain Increased Employment Level
• For each assessment (calendar) year of the exemption period, the business' annual average employment must likewise be at least 110% of (and one job more than) the pre-application annual average.

• As reported at the start of each year–and after the last year–of exemption, total firm employment may not have fallen by 85%, or by 50% over two successive Exemption Claims, relative to the highest level of total employment on any previous claim form.

• Noncompliance with one or both of the above two requirements constitutes substantial curtailment.

Jobs That Are Counted
• Persons working full-time–employed more than 32 hours per week (not full-time equivalents or part-time employees).

• Permanent/year–round positions, and thus not anyone hired temporarily, seasonally, or solely to construct/install property.

• Employees working mostly (anywhere) inside the enterprise zone.

• Jobs that primarily perform or support eligible operations/activities.

• May include contract or leased employees.

Local Waiver of Employment Requirements
The governments that sponsor the enterprise zone may waive the required increase of employment inside the zone, as discussed above, by adopting resolution(s) that establish an alternative minimum employment level and possibly other conditions.

This must be done before authorization and satisfy either of two sets of circumstances:

1. If the total cost of investment in qualified property is $25 million or more, the business' employment may even be permitted to decrease.
2. If all of the following are met:
   – Productivity at the facility increases by 10% within 18 months of starting exemption, according to measures described in the resolution.
   – Business dedicates an amount equal to 25% of its property tax savings to workforce training, including internal use up to $3,500 per employee.
   – No net drop in the enterprise zone employment of the business.

Impacts of an enterprise zone

Combined with upgrading local capacity (e.g., infrastructure, industrial sites), an Oregon enterprise zone is meant to induce additional private-sector investment and jobs by signaling a receptive business climate, primarily through a significant but short-term infusion for the project's cash flow, in order to:

• encourage homegrown entrepreneurs and businesses to start up and grow
• prompt bigger re/investment than might otherwise occur
• accelerate investments and hiring compared to an ordinary rate
• expand employment (business must increase full-time, year-round jobs in the zone)
• help regions overcome economic dislocations and structural deficiencies
• retain and attract operations that would move or locate elsewhere
• buttress the early success of traded-sector business projects, and
• stimulate higher levels of employee compensation with the 5-year abatement.

Enterprise zone exemptions do not necessarily affect available resources for local public services, depending on statewide equalization of school funding and prevailing limitations on tax rates and levies that pertain to new industrial property in particular tax codes. Enterprise zone incentives can even enlarge the local tax base, which under the current property tax system would increase future revenues, due to the introduction of new property that is taxable for many years after the period of exemption.

Enterprise zone termination

Ten to eleven years after designation, each enterprise zone terminates by operation of law (sunset). Boundary changes and other intervening events in no way affect these sunset provisions.

In addition, the zone sponsor may always adopt resolutions and submit them to the department requesting the director of Business Oregon to issue an order of termination. Such a request must pertain to the entire enterprise zone and include all of its sponsoring local governments. Similarly, the director of Business Oregon might order termination of an enterprise zone, because the sponsor is unable or unwilling to fulfill its duties. Termination under either of these circumstances precludes the community from having another enterprise zone for the next 10 years.

Finally, effective June 30, 2025, all non-tribal enterprise zones expire under current law, along with their ability to approve future tax incentives (programmatic sunset).