

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: November 22, 2016 **Approx Start Time:** 2:30pm **Approx Length:** 30 minutes

Presentation Title: North Urban Clackamas County Enterprise Zone Expansion

Department: Business & Community Services, Gary Barth, Director

Presenters: Cindy Hagen, Coordinator, Business & Economic Development & Enterprise Zone Manager

Other Invitees: Catherine Grubowski-Johnson, Manager, Business & Economic Development; Alma Flores, Community Development Director, Amy Koski, Economic Development Coordinator, City of Milwaukie, Ben Bryant, Assistant City Manager, City of Happy Valley; Michael Walter, Community Development Director, City of Happy Valley.

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Approval of the expansion of the North Urban Clackamas County Enterprise Zone. (NUCCEZ)

EXECUTIVE SUMMARY:

The purpose of this policy session is to inform you of the continued opportunity available to our region for improving the local economic base, business climate, long-term community development, and to capitalize on known business interest. The City of Happy Valley and the City of Milwaukie are seeking to add 0.27 square miles to the North Urban Clackamas County Enterprise Zone (NUCCEZ). Please see the enclosed map for details. The extension requires approval from the local cities/county that sponsor the North Urban Clackamas County Enterprise Zone. Upon approval, the boundary change request will be submitted to Business Oregon for final approval.

BACKGROUND:

The NUCCEZ was originally established in 1997 and re-designated and expanded in 2008 to provide the enterprise zone tool to the cities of Milwaukie and Happy Valley and parts of unincorporated Clackamas County. On April 1, 2008 the Milwaukie City Council approved a resolution in support of a co-sponsored application with Clackamas County for designation of the Milwaukie/North Clackamas County Enterprise zone.

On April 2, 2008 the City of Milwaukie entered into an IGA with Clackamas County to jointly sponsor the designation of Milwaukie as part of the NUCCEZ and for the county to provide zone management services.

Qualified businesses may be eligible to receive exemption from local property taxes on new investments including building construction and improvements, machinery, and equipment, for a period of three to five years.

Standard Incentives available to eligible businesses:

- Construction-in-Process Enterprise Zone Exemption - For up to two years before qualified property is placed in service, it can be exempt from local taxes.
- Three to five consecutive years of full relief from property taxes on qualified property after it is in service.
- Additional local incentives may be available.

Three-year exemption:

- Increase full-time, permanent employment by 10% pay employees at least 150% of the State minimum wage (benefits may be used to reach pay level)
- Maintain minimum employment level during exemption period
- Enter into a first-course agreement with local job training providers
- Pay an application fee of 0.1% of the proposed total investment

Five-year exemption:

Businesses should meet the three-year exemption criteria as well as:

- Compensation of new workers must be at or above 150% of the County average wage(benefits may be used to reach this pay level)
- Local approval by written agreement with the local zone sponsor (City of Milwaukie)

According to the Clackamas County Assessor's office, in the 2015 property tax year the assessed value of investments by the businesses in the program was \$51,505,759.00. These investments created 410 new jobs.

Based on continued positive interest in the Enterprise Zone, the City of Milwaukie and the City of Happy Valley are seeking the Board of County Commissioners support and consent in favor of expanding the NUCCEZ to include an additional 0.27 square miles for a total area of 5.36 square miles, under the maximum allowed 12 square miles. The proposed change would result in expansion of eligible areas that are industrially and commercially zoned. As required by the Business Oregon, the added areas are within the maximum allowable distance of five miles from other areas of the Zone. The proposed boundary changes are located within the City of Happy Valley (0.032 square miles) and City of Milwaukie (0.23 square miles), and Unincorporated Clackamas County (0.009 square miles).

FINANCIAL IMPLICATIONS (current year and ongoing):

Foregoing of property taxes on building, machinery and equipment for three or five year exemption.

Is this item in your current budget? YES NO

What is the cost? As the County serves as the Enterprise Zone Manager, and staff time is required to process applications that may occur.

REVENUE:

Applicants pay an application fee of 0.1% of the proposed total investment.

What is the funding source? Enterprise Zone application fees and Economic Development Funds for staff time.

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department's Strategic Business Plan goals?
To create living wage jobs
- How does this item align with the County's Performance Clackamas goals?
Grow a vibrant economy

LEGAL/POLICY REQUIREMENTS:

The Board of County Commissioners is required to adopt a resolution prior to the application to the State of Oregon for the expansion.

PUBLIC/GOVERNMENTAL PARTICIPATION:

The City of Milwaukie and the City of Happy Valley will be considering resolutions on November 15th. The Port of Portland consented to the application for expansion on November 9th.

OPTIONS:

1. Adopt the resolution to expand the North Urban Clackamas County Enterprise Zone as proposed.
2. Do not adopt the resolution.

RECOMMENDATION:

Staff respectfully requests that the Board of County Commissioners adopt a resolution to expand the North Urban Clackamas County Enterprise Zone as proposed.

ATTACHMENTS:

- Map of proposed expansion area
- Letter to the taxing districts
- Enterprise Zone program flyer
- Resolution by the Port of Portland
- Happy Valley City Council Resolution (11/15/2016 City Council Agenda)
- Milwaukie City Council Resolution (11/15/2016 City Council Agenda)

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval _____

County Administrator Approval _____

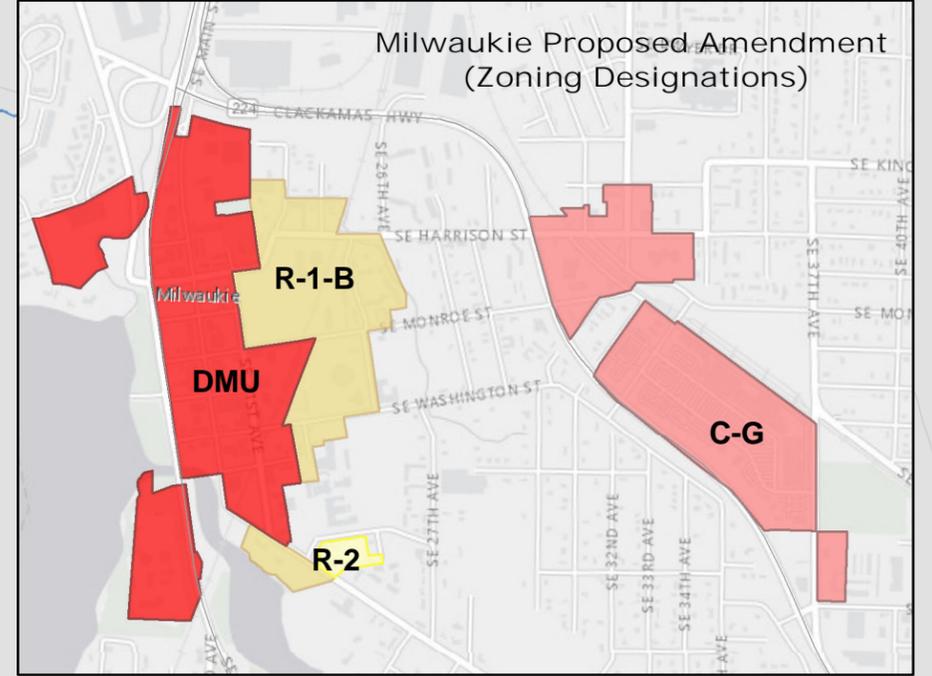
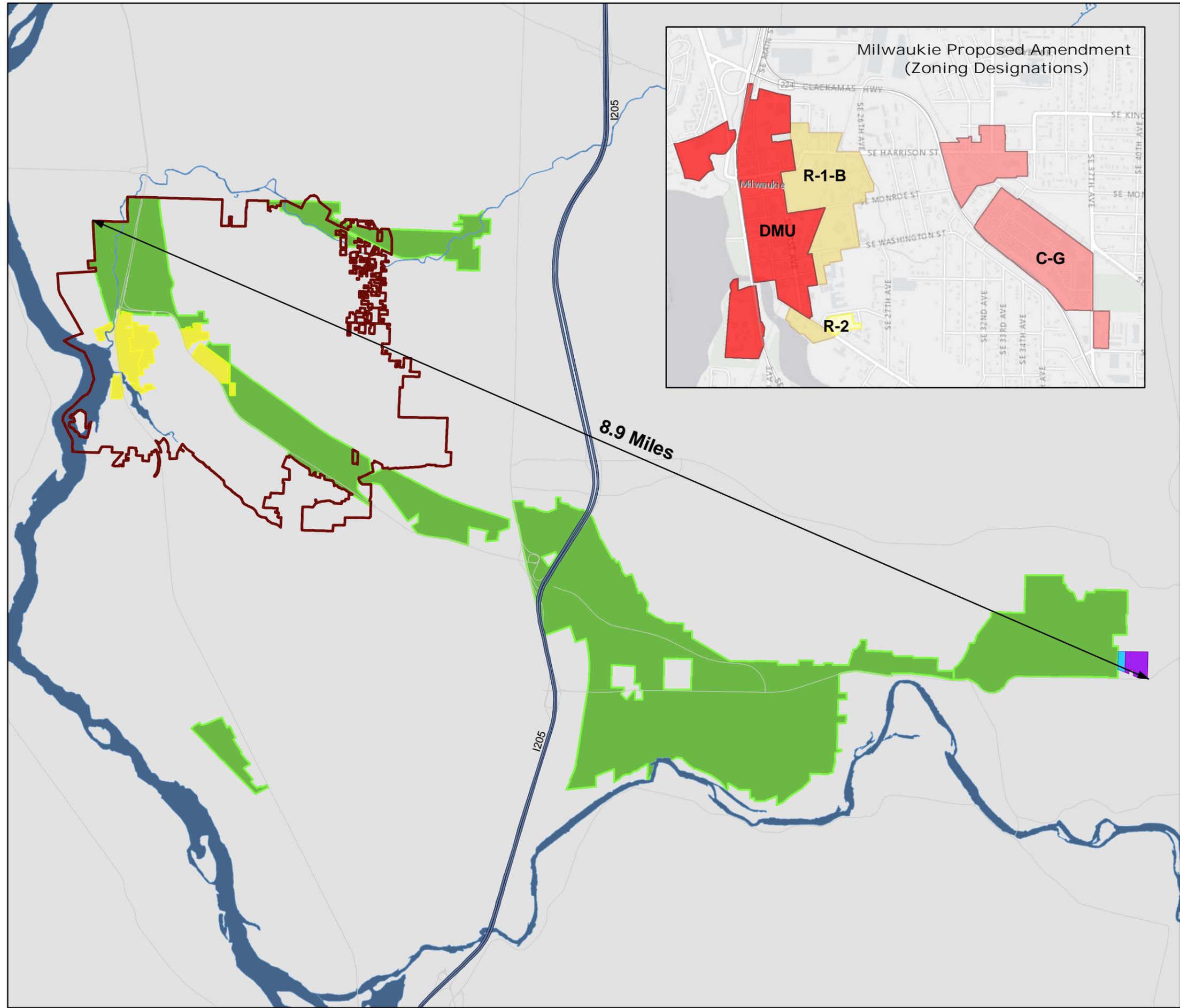
For information on this issue or copies of attachments, please contact Cindy Hagen @ 503-742-4328



Proposed Enterprise Zone Expansion Size and Dimensions

- Milwaukie City Limits
- Unincorporated Clackamas County Proposed Amendment 0.009 sq ml
- Happy Valley Proposed Amendment .032 sq ml
- Milwaukie Proposed Amendment 0.23 sq ml
- North Clackamas Ezone 5.09 sq ml

New Total Area = 5.36 Square Miles



Data Sources: City of Milwaukie GIS, Clackamas County GIS, Metro Data Resource Center, 2014 ACS 5 Year Estimates

Date: Monday, October 10, 2016

The information depicted on this map is for general reference only. The City of Milwaukie cannot accept any responsibility for errors, omissions or positional accuracy. There are no warranties, expressed or implied, including the warranty of merchantability or fitness for a particular purpose, accompanying this product. However, notification of errors would be appreciated.

GIS Coordinator
City of Milwaukie
6101 SE Johnson Creek Blvd.
Milwaukie, OR 97206
(503) 786-7498





Notice to Local Taxing District
Proposed North Urban Clackamas County Enterprise Zone Boundary Change

November 2, 2016

Dear Taxing District Representative:

The purpose of this letter is to inform you of the continued opportunity available to our region for improving the local economic base, business climate, long-term community development, and to capitalize on known business interest. The City of Happy Valley and the City of Milwaukie are seeking to add 0.27 square miles to the North Urban Clackamas County Enterprise Zone (NUCCEZ). Please see the enclosed map for details. The extension requires approval from the local cities/county that sponsor the North Urban Clackamas County Enterprise Zone. Upon approval, the boundary change request will be submitted to Business Oregon for final approval.

At a meeting on Thursday, December 1, 2016 at 10:00a.m. at the Clackamas County Public Service Building located at 2051 Kaen Road, Oregon City, Oregon, the Clackamas County Board of Commissioners is expected to consider a resolution requesting a boundary amendment.

The current NUCCEZ and proposed areas to be added include relevant tax codes, such that the zones could affect future property tax collections in your district. Therefore, you are asked to comment on this proposal by sending written comments to me by **Monday, November 21, 2016**.

Please submit comments or questions to:

Cindy Hagen, Enterprise Zone Manager
Clackamas County Business and Economic Development
150 Beavercreek Road
Oregon City, OR 97045
cindyhag@clackamas.us
503-742-7328

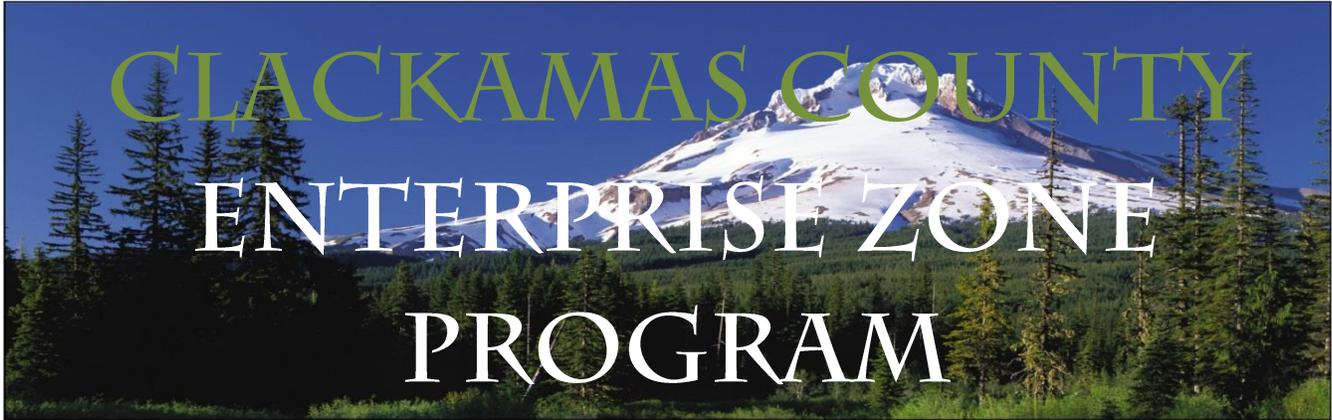
Of note, an enterprise zone exempts only new property that a job-creating business might build or install in the enterprise zone at some future time. In addition, an enterprise zone exemption is temporary, usually lasting only three years, after which time the property induced by these incentives is available for assessment. An extension to four or five years in total is possible. The proposed change would result in an expansion of (0.032) square miles in Happy Valley, (0.23) square miles in Milwaukie and (0.009) square miles in Unincorporated Clackamas County to include eligible areas that are industrially and commercially zoned. This is due in part to both an increased demand from property and business owners seeking to develop or grow operations within qualifying areas not already included within the NUCCEZ and to fully capture relevant land area for industrial, manufacturing, and office uses.

If you have any questions, please contact me at 503-742-7328 or cindyhag@clackamas.us.

Sincerely,


Cindy Hagen
Enterprise Zone Manager

cc: Don Krupp, Clackamas County Administrator
Jason Tuck, City of Happy Valley City Manager
Ann Ober, City of Milwaukie City Manager



Oregon's enterprise zones offer a unique resource to communities and an excellent opportunity for businesses growing or relocating in participating districts. Primarily, enterprise zones exempt qualifying businesses from local property taxes on new investments for a period of three to five years.

Enterprise Zone Incentives:

Businesses (generally non-retail) locating or expanding into an enterprise zone may be eligible to receive an exemption from property taxes on new investments including building construction and improvements, machinery, and equipment, for a period of three to five years.

The following are the standard incentives available to eligible businesses locating in any enterprise zone, subject to authorization, timely filings and criteria:

- Construction-in-Process Enterprise Zone Exemption—For up to two years before qualified property is placed in service, it can be exempt from local taxes. (For most authorized businesses this provides broader benefit than the regular exemption for commercial facilities under construction.)
- Three to five consecutive years of full relief from property taxes on qualified property, after it is in service.
- Depending on the zone, local incentives also may be available.

Enterprise Zone Contacts:

- **City of Estacada**, Matt Lorenzen, Economic Development Manager
Phone: 503-630-8270 x203 Email: lorenzen@cityofestacada.org
- **City of Molalla**, Dan Huff, City Manager
Phone: 503-829-6855 Email: dhuff@cityofmolalla.com
- **City of Oregon City**, Eric Underwood, Economic Development Manager
Phone: 503-496-1552 Email: eunderwood@ci.oregon-city.or.us
- **City of Sandy**, David Snider, Economic Development Manager
Phone: 503-475-8430 Email: dsnider@cityofsandy.com
- **North Urban Clackamas County**
 - **Happy Valley**, Michael Walter, Economic & Community Development Director
Phone: 503-783-3839 Email: michaelw@ci.happy-valley.or.us
 - **Milwaukie**, Alma Flores, Community Development Director
Phone: 503-786-7653 Email: floresa@milwaukieoregon.gov
 - **Clackamas County**, Cindy Hagen, Enterprise Zone Manager
Phone: 503-742-4328 Email: cindyhag@clackamas.us



Business Eligibility:

Prior to building construction/improvements or machinery equipment installation on-site, the zone manager must receive and approve an Application for Authorization (<http://www.oregon.gov/dor/PTD/docs/303-029.pdf>), which contains pertinent process information.

Eligible businesses include manufacturers, processors, shippers, and other traded sector businesses, as well as call centers and headquarter facilities. Hotel/resort businesses are eligible in the Estacada, Molalla, and Sandy Enterprise Zones. Retail, construction, financial and other defined businesses are ineligible.

Qualified Property:

A new building/structure, structural modifications or additions, or newly installed machinery and equipment qualify for exemption. Nonqualified items include land, previously used property value and miscellaneous personal items.

Criteria for Qualifying Projects:

For the standard, **three-year enterprise zone exemption**, the business should meet the following criteria:

- Increase full-time, permanent employment by 10%
- Pay employees at least 150% of the State minimum wage (\$14.18 per hour for **2016**) (*benefits can be used to reach this pay level*)
- Maintain minimum employment level during the exemption period
- Enter into a first-source agreement with local job training providers
- Pay an application fee of 0.1% of the proposed total investment.

Criteria for the extended tax exemption (for a maximum of a **five-year exemption**):

The business should meet the criteria for the three-year enterprise zone exemption as well as the following:

- Compensation of new workers must be at or above 150% of the County average wage \$33.47 per hour/\$69,621 annual for **2016** (*benefits can be used to reach this pay level*)
- There must be local approval by written agreement with the local zone sponsor, and
- The company must meet any additional requirements that the local zone sponsor may reasonably request.

For more information please contact:



Cindy Hagen, Enterprise Zone Manager
Business & Economic Development
Phone: 503.742.4328 Fax: 503.742.4349
Email: cindyhag@clackamas.us
www.clackamas.us/business



CONSENT TO EXPANSION OF THE NORTH URBAN CLACKAMAS COUNTY ENTERPRISE ZONE

November 9, 2016

Presented by: **Emerald Bogue**
Regional Affairs Manager**REQUESTED COMMISSION ACTION**

This agenda item requests consent to an expansion of the North Urban Clackamas County Enterprise Zone (NUCCEZ), 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

The Enterprise Zone program was enacted by the Oregon Legislature in 1985. In the 2005 legislative session, the statute for the Enterprise Zone program, ORS 285C.065, was changed to require the governing bodies of port districts 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 an important role in economic development in the community.

The NUCCEZ was originally established in 1997 and re-designated and expanded in 2008 to provide the enterprise zone tool to the cities of Milwaukie and Happy Valley and parts of unincorporated Clackamas County. On April 1, 2008 the Milwaukie City Council approved a resolution in support of a co-sponsored application with Clackamas County for inclusion of Milwaukie in the NUCCEZ.

On April 2, 2008, the City of Milwaukie entered into an intergovernmental agreement with Clackamas County to jointly sponsor the designation of Milwaukie as part of the NUCCEZ and for the county to provide zone management services.

Qualified businesses may be eligible to receive exemption from local property taxes on new investments including building construction and improvements, machinery and equipment, for a period of three-to-five years.

Standard Incentives Available to Eligible Businesses

- Construction-in-Process Enterprise Zone Exemption: Exemption from local taxes for up to two years before qualified property is placed in service.
- Full relief from property taxes on qualified property after it is in service for three-to-five consecutive years.
- Additional local incentives may be available.

CONSENT TO EXPANSION OF THE NORTH URBAN CLACKAMAS COUNTY ENTERPRISE ZONE

November 9, 2016

Page 2

Three-Year Exemption Criteria

- Increase full-time, permanent employment by 10 percent, pay employees at least 150 percent of the state minimum wage (benefits may be used to reach pay level).
- Maintain minimum employment level during exemption period.
- Enter into a first-course agreement with local job training providers.
- Pay an application fee of 0.1 percent of the proposed total investment.

Five-Year Exemption Criteria

Businesses should meet the three-year exemption criteria as well as:

- Compensation of new workers must be at or above 150 percent of the county average wage (benefits may be used to reach this pay level).
- Local approval by written agreement with the local zone sponsor.

According to the Clackamas County Assessor's office, in the 2015 property tax year, the assessed value of investments by the businesses in the Enterprise Zone program was \$51,505,759. These investments created 410 new jobs.

The Port Commission routinely receives requests for consent from jurisdictions as they move forward with Enterprise Zone applications or boundary changes. Based on continued positive interest in the Enterprise Zone, the City of Milwaukie and the City of Happy Valley are seeking the Port's support and consent in favor of expanding the NUCCEZ to include an additional 0.24 square miles for a total area of 5.37 square miles, under the maximum allowed 12 square miles. The proposed change would result in expansion of eligible areas that are industrially and commercially zoned. As required by Business Oregon, the added areas are within the maximum allowable distance of five miles from other areas of the Zone. The proposed boundary changes are located within the City of Happy Valley (0.031 square miles) and City of Milwaukie (0.23 square miles), and unincorporated Clackamas County (0.009 square miles).

IMPACT

Under the current tax levy, the Port will forgo approximately \$0.0710 per \$1,000 of *future* assessed value until the exemption period ends. The impact on Port property tax revenue is expected to be small (approximately \$1,065 over a three-year period if a five million dollar investment is made in the Zone). Upon completion of the three- to five-year exemption period, the property will revert to being fully taxed.

The City of Happy Valley and City of Milwaukie are each scheduled to go before their respective city councils to adopt a resolution on November 15, 2016. At a meeting on December 1, 2016, the Clackamas County Board of Commissioners is expected to consider a resolution requesting a boundary amendment.

CONSENT TO EXPANSION OF THE NORTH URBAN CLACKAMAS COUNTY ENTERPRISE
ZONE

November 9, 2016

Page 3

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 the joint application by Clackamas County, the City of Happy Valley, and City of Milwaukie for the expansion of the North Urban Clackamas County Enterprise Zone located within Port of Portland district boundaries; and

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.



Mayor and City Council

16000 SE Misty Drive
Happy Valley, OR 97086

Meeting: 11/15/16 07:00 PM

Department: Administration

Category: General

Prepared By: Ben Bryant

Presented By: Ben Bryant

Department Head: Ben Bryant

DOC ID: 1318

RESOLUTION (ID # 1318)

Resolution 16-45 Changing the Boundary of the North Urban Clackamas County Enterprise Zone

Explanation

In 1997, the City of Milwaukie and Clackamas County formed the Milwaukie/North Clackamas Enterprise Zone. In 2011, in an effort to attract new industrial development as part of the Council's goal of encouraging economic development, the zone was expanded to include portions of Happy Valley. It was then renamed the North Urban Clackamas County Enterprise Zone.

Recently, the City of Milwaukie requested the zone be expanded to include Central and Downtown Milwaukie. Subsequently, the City of Happy Valley received a request from General Distributors, Inc to expand the zone to also include the property they own on Highway 212. The proposed boundary changes are located within the City of Happy Valley (0.032 square miles), City of Milwaukie (0.23 square miles), and Unincorporated Clackamas County (0.009 square miles). In total, the expansion adds 0.27 square miles to the zone (map attached).

In order to expand the enterprise zone in these areas, the Happy Valley City Council must adopt a resolution in support. Additional approval is needed from the Milwaukie City Council, Clackamas County Board of Commissioners, the Port of Portland Commission, and Business Oregon.

Special Issues

Enterprise Zones are part of a State-initiated tax-abatement program available to businesses looking to locate or expand in a designated zone. Qualified businesses may be eligible to receive exemption from local property taxes only on new investments including building construction and improvements, machinery, and equipment, for a period of three to five years.

The primary beneficiaries of Enterprise Zone benefits are manufacturing and other more industrially-oriented facilities serving other businesses. Most commercial and retail-type operations are ineligible. Enterprise Zones provide up to 100 percent property tax abatement on a company's new investment over a three to five year period if a job threshold is met. Land, existing machinery and equipment are not tax exempt.

Financial Impact

The fiscal impact would be limited to abatement of property taxes on the new investment portion of an Enterprise Zone application, and only for the eligible portion of the new investment, up to five years.

Recommendation

Adopt Resolution 16-45.

ATTACHMENTS:

- Resolution 16-45 Enterprise Zone Expansion (DOCX)
- Resolution 16-45 Exhibit A: Map (PDF)

CITY OF HAPPY VALLEY, OREGON

Resolution No. 16-45

**A RESOLUTION CHANGING THE BOUNDARY OF THE NORTH URBAN
CLACKAMAS COUNTY ENTERPRISE ZONE**

WHEREAS, Business Oregon, the State of Oregon's economic development department, re-designated an urban enterprise zone for Clackamas County, City of Happy Valley, and City of Milwaukie (Co-sponsors) on July 1, 2008, the Co-sponsors shall fulfill its duties and implement provisions under ORS 285C.105 or elsewhere in ORS Chapter 285C and related parts of Oregon Law, and the Co-sponsors will apply all state and local requirements as adopted by the Clackamas County Commission in Resolution No. 98-71 for the original North Urban Clackamas County Enterprise Zone (NUCCEZ) boundary; and

WHEREAS, the Co-sponsors want to expand the NUCCEZ from a total area of 5.10 square miles to 5.36 square miles with the addition of 0.27 square miles of eligible industrial and commercial zoned parcels, as amended, it meets other statutory limitations on size and configuration, and it is depicted here on a drawn-to-scale map (Exhibit A); in order to continue the encouragement of new business investment, job creation, higher incomes for local residents, and greater diversity of economic activity; and

WHEREAS, all affected taxing districts that receive operating revenue through the levying of *ad valorem* taxes on real and personal property in any area of the NUCCEZ, as amended, were sent notice regarding this boundary change; and

WHEREAS, the NUCCEZ does not grant or imply permission to develop land within the Zone without complying with prevailing zoning, regulatory and permitting processes and restrictions for applicable jurisdictions; nor does it indicate any intent to modify those processes or restrictions, except as otherwise in accordance with Comprehensive Plans as acknowledged by the State of Oregon Land Conservation and Development Commission.

NOW THEREFORE, BE IT RESOLVED by the City Council for the City of Happy Valley that:

- Section 1.** Under ORS 285C.115, the City of Happy Valley does hereby change the boundary of the NUCCEZ as shown in the attached map.
- Section 2.** The NUCCEZ manager is authorized to submit documentation of this boundary change to Business Oregon for purposes of a positive determination under section 18, chapter 648, Oregon Laws 2015 (Enrolled House Bill 2643) on behalf of the City of Happy Valley.

Section 3. This change of the NUCCEZ boundary takes effect on the date that this resolution is adopted (or later, as so stipulated by Business Oregon in its determination following any revision or resubmission of documentation).

PASSED AND APPROVED this 15th day of November, 2016.

CITY OF HAPPY VALLEY

Council President Michael Morrow

ATTEST:

Marylee Walden, City Recorder

Attachment: Resolution 16-45 Enterprise Zone Expansion [Revision 1] (1318 : Resolution 16-45 Enterprise Zone Boundary Change)

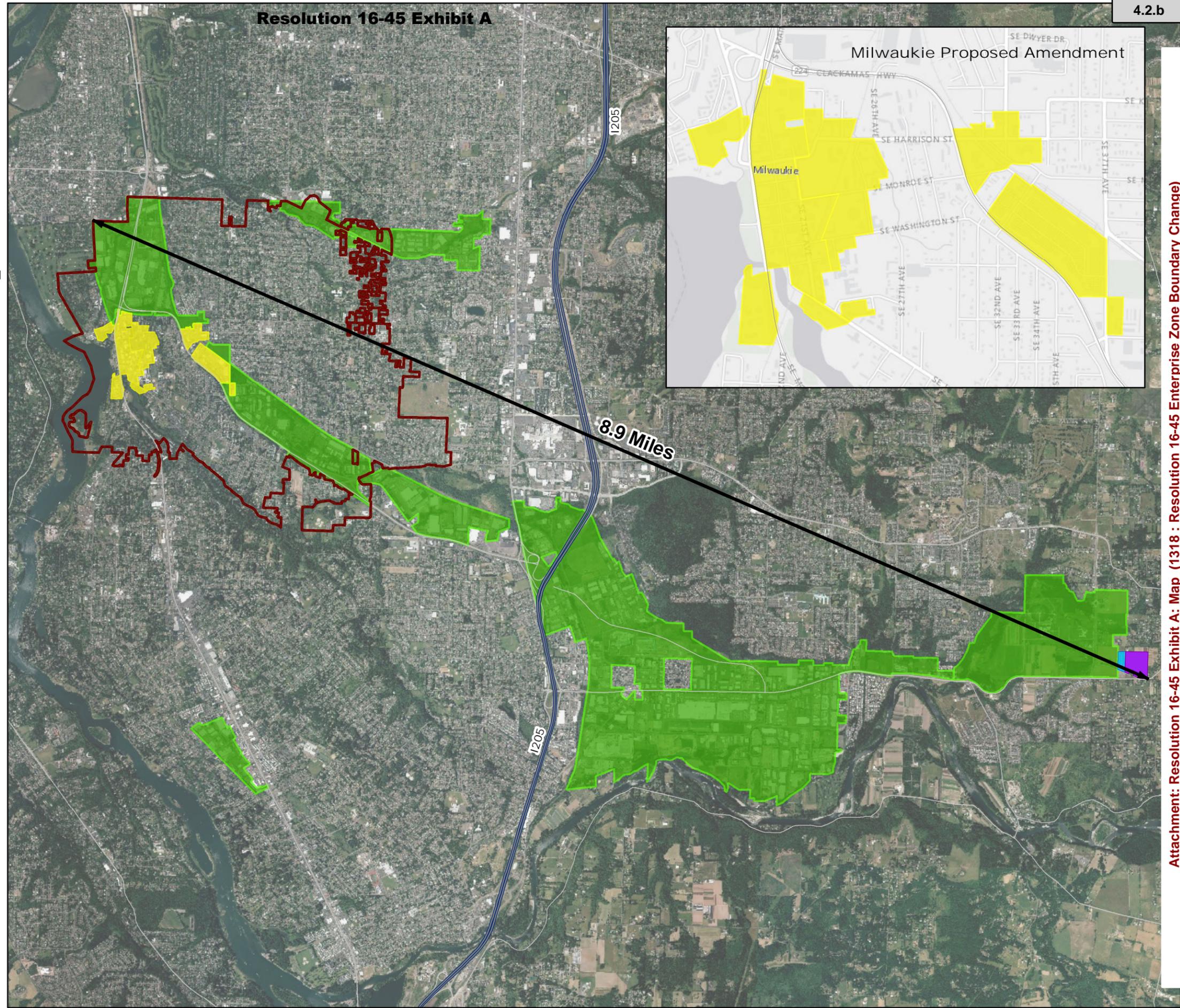


Resolution 16-45 Exhibit A

Proposed Enterprise Zone Expansion Size and Dimensions

-  Milwaukie City Limits
-  Unincorporated Clackamas County Proposed Amendment 0.009 sq ml
-  Happy Valley Proposed Amendment .032 sq ml
-  Milwaukie Proposed Amendment 0.23 sq ml
-  North Clackamas Ezone 5.09 sq ml

New Total Area = 5.36 Square Miles

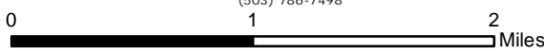


Data Sources: City of Milwaukie GIS, Clackamas County GIS, Metro Data Resource Center, 2014 ACS 5 Year Estimates

Date: Monday, October 10, 2016

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GIS Coordinator
City of Milwaukie
6101 SE Johnson Creek Blvd.
Milwaukie, OR 97206
(503) 786-7498



Attachment: Resolution 16-45 Exhibit A: Map (1318 : Resolution 16-45 Enterprise Zone Boundary Change)



MILWAUKIE CITY COUNCIL
STAFF REPORT

Agenda Item: **RS 6. A.**
Meeting Date: **11/15/16**

To: Mayor and City Council

Through: Ann Ober, City Manager
Alma Flores, Community Development Director

Subject: **Adopt Resolution to Change the Boundary of the North Urban Clackamas County Enterprise Zone to Authorize Submittal of Amendment to the State**

From: Amy Koski, Economic Development and Resource Coordinator

Date: October 21, 2016

ACTION REQUESTED

Adopt a resolution expanding the boundary of the North Urban Clackamas County Enterprise Zone (NUCCEZ), located within the City of Milwaukie, City of Happy Valley, Clackamas County, and Port or Portland jurisdictions, which authorizes submittal of amendment to Business Oregon.

Staff is proposing an expansion of the NUCCEZ boundary to include an additional 0.27 square miles for a total area of 5.36 square miles, under the maximum allowed 12 square miles as required by Business Oregon, as shown in the enclosed map. The proposed change would result in the expansion of eligible areas that are industrially and commercially zoned. As required by Business Oregon, the added areas are within the maximum allowable distance of five miles from other areas of the Zone. The proposed boundary changes are located within the City of Happy Valley (0.032 square miles), City of Milwaukie (0.23 square miles), and Unincorporated Clackamas County (0.009 square miles).

Additional approvals will be sought from the governing bodies of all co-sponsors of the NUCCEZ including Clackamas County Board of Commission, Happy Valley City Council, and the Port of Portland Commission.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

The NUCCEZ was originally established in 1997 as the Milwaukie/North Clackamas Enterprise Zone. It was later re-designated and expanded in 2008. In 2011, the Zone was expanded to include Happy Valley and was renamed the NUCCEZ.

At the April 4, 2016 City Council work session the Community Development Director and the Clackamas County Business and Economic Development Department co-presented background information on the enterprise zone program and a request to expand the NUCCEZ to include Central Milwaukie and Downtown. The feedback was to proceed with the process to expand the Zone to these areas.

BACKGROUND

Enterprise Zones are part of a State-initiated tax-abatement program available to businesses looking to locate or expand in a designated zone. Qualified businesses may be eligible to

receive exemption from local property taxes on new investments including building construction and improvements, machinery, and equipment, for a period of three to five years.

Standard Incentives available to eligible businesses:

- Construction-in-Process Enterprise Zone Exemption - For up to two years before qualified property is placed in service, it can be exempt from local taxes.
- Three to five consecutive years of full relief from property taxes on qualified property after it is in service.
- Additional local incentives may be available.

To receive the three-year exemption, the location must:

- Increase full-time, permanent employment by 10% pay employees at least 150% of the State minimum wage (benefits may be used to reach pay level);
- maintain minimum employment level during exemption period;
- enter into a first-source agreement with local job training providers; and
- pay an application fee of 0.1% of the proposed total investment.

To receive the five-year exemption:

Businesses should meet the three-year exemption criteria as well as:

- compensation of new workers must be at or above 150% of the County average wage(benefits may be used to reach this pay level); and
- local approval by written agreement with the local zone sponsor (City of Milwaukie).

Since its creation in 1997, the NUCCEZ has seen a total investment of \$200,616,075 resulting in the creation of 4,294 jobs. In the 2014-2015 property tax year, the assessed value of investments by businesses in the program was \$37,753,905. These investments were made by Milwaukie businesses such as Alpine Food Distributing, Inc. and Pacific Scientific OECO, LLC and Clackamas County businesses such as Boydston Equipment Manufacturing, S A Piazza & Associates LLC, and PECO Astronic.

The primary beneficiaries of Enterprise Zone benefits are manufacturing and other more industrially-oriented facilities serving other businesses. Most commercial and retail-type operations are ineligible. 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 (a minimum 110 percent of the average level from the time of the authorization application over the past 12 months). Land, existing machinery and equipment are not tax exempt.

CONCURRENCE

The City Manager and Community Development Director concur with this recommendation.

FISCAL IMPACTS

The fiscal impact would be limited to abatement of property taxes on the new investment portion of an Enterprise Zone application, and only for the eligible portion of the new investment, up to five years.

WORK LOAD IMPACTS

Administration of the Enterprise Zone program is handled by the Enterprise Zone Manager at Clackamas County, through the Business and Economic Development Department; however, each city is responsible for assistance with the application process and working with the local business. The work impact could include five to 10 hours when an application is received and if

the expansion occurs, it could be an additional five to 10 hours a week of dedicated time over approximately two months per new participant.

As part of the proposed boundary change, staff has gathered all of the necessary components required by the State to apply for an amendment. The following timeline is currently underway to expand the NUCCEZ boundary:

City of Milwaukie Council Work Session on EZone Overview	April 19, 2016
Send notice to all affected taxing districts	November 2, 2016
Port of Portland Commission Meeting for Consent Resolution	November 9, 2016
City of Happy Valley Council Meeting for Consent Resolution	November 15, 2016
City of Milwaukie Council Meeting for Consent Resolution	November 15, 2016
Clackamas County Board of Commission Policy Session	November 22, 2016
Clackamas County Board of Commission Business Meeting	December 1, 2016
Submit boundary change documentation to Business Oregon	December 2016
Business Oregon reviews documentation and makes decision	January 2017

ALTERNATIVES

If no action is taken, the NUCCEZ continues to operate as usual; however, there is a missed opportunity to offer increased incentives to Milwaukie businesses located within the expansion area.

ATTACHMENTS

1. Resolution
2. Exhibit A: Map



CITY OF MILWAUKIE
"Dogwood City of the West"

Resolution No.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILWAUKIE, OREGON,
CHANGING THE BOUNDARY OF THE NORTH URBAN CLACKAMAS COUNTY
ENTERPRISE ZONE**

WHEREAS, Business Oregon, the State of Oregon's economic development department, re-designated an urban enterprise zone for Clackamas County, City of Happy Valley, and City of Milwaukie (Co-sponsors) on July 1, 2008, the Co-sponsors shall fulfill its duties and implement provisions under ORS 285C.105 or elsewhere in ORS Chapter 285C and related parts of Oregon Law, and the Co-sponsors will apply all state and local requirements as adopted by the Clackamas County Commission in Resolution No. 98-71 for the original North Urban Clackamas County Enterprise Zone (NUCCEZ) boundary; and

WHEREAS, the Co-sponsors want to expand the NUCCEZ from a total area of 5.10 square miles to 5.36 square miles with the addition of 0.27 square miles of eligible industrial and commercial zoned parcels, as amended, it meets other statutory limitations on size and configuration, and it is depicted here on a drawn-to-scale map (Exhibit A); in order to continue the encouragement of new business investment, job creation, higher incomes for local residents, and greater diversity of economic activity; and

WHEREAS, all affected taxing districts that receive operating revenue through the levying of *ad valorem* taxes on real and personal property in any area of the NUCCEZ, as amended, were sent notice regarding this boundary change; and

WHEREAS, the NUCCEZ does not grant or imply permission to develop land within the Zone without complying with prevailing zoning, regulatory and permitting processes and restrictions for applicable jurisdictions; nor does it indicate any intent to modify those processes or restrictions, except as otherwise in accordance with Comprehensive Plans as acknowledged by the State of Oregon Land Conservation and Development Commission.

Now, Therefore, be it Resolved that by the Council of the City of Milwaukie, Oregon:

1. Under ORS 285C.115, the City of Milwaukie does hereby change the boundary of the NUCCEZ as shown in the attached map.
2. The NUCCEZ manager is authorized to submit documentation of this boundary change to Business Oregon for purposes of a positive determination under section 18, chapter 648, Oregon Laws 2015 (Enrolled House Bill 2643) on behalf of the City of Milwaukie.
3. This change of the NUCCEZ boundary takes effect on the date that this resolution is adopted (or later, as so stipulated by Business Oregon in its determination following any revision or resubmission of documentation).

Introduced and adopted by the City Council on _____.

This resolution is effective on _____.

Mark Gamba, Mayor

ATTEST:

APPROVED AS TO FORM:
Jordan Ramis PC

Scott Stauffer, City Recorder

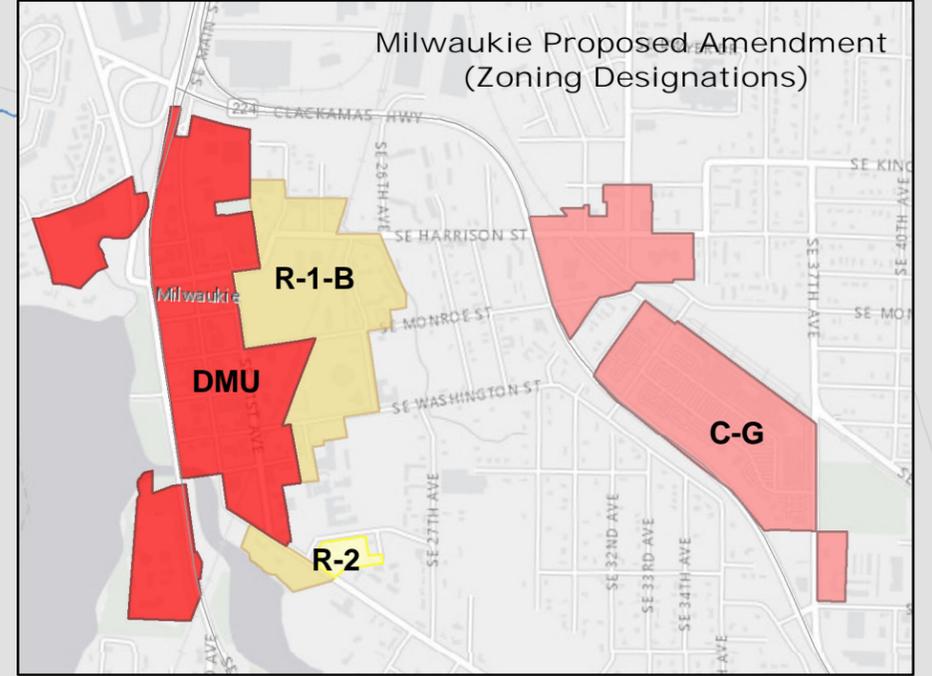
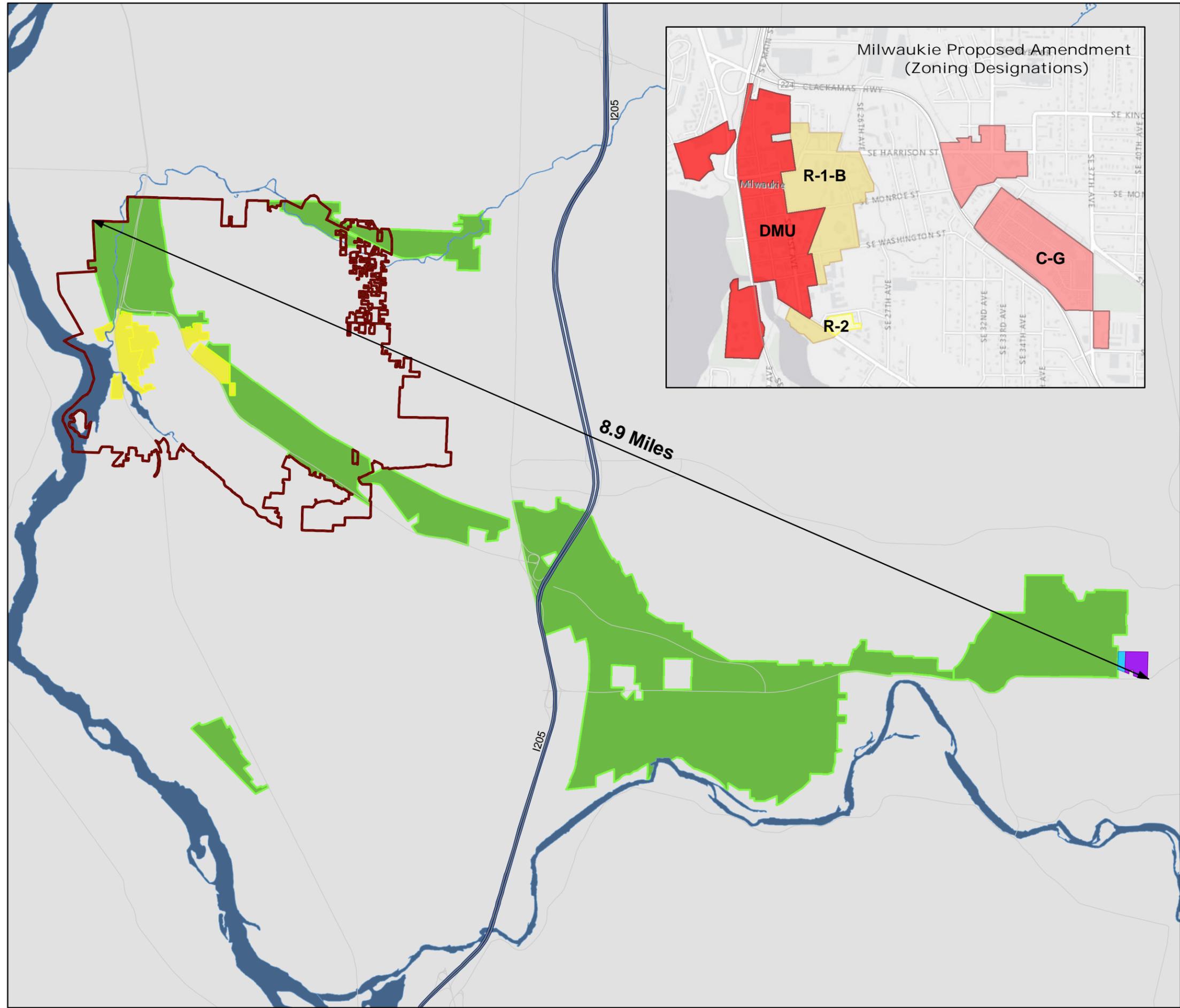
City Attorney



Proposed Enterprise Zone Expansion Size and Dimensions

- Milwaukie City Limits
- Unincorporated Clackamas County Proposed Amendment 0.009 sq ml
- Happy Valley Proposed Amendment .032 sq ml
- Milwaukie Proposed Amendment 0.23 sq ml
- North Clackamas Ezone 5.09 sq ml

New Total Area = 5.36 Square Miles



Data Sources: City of Milwaukie GIS, Clackamas County GIS, Metro Data Resource Center, 2014 ACS 5 Year Estimates

Date: Monday, October 10, 2016

The information depicted on this map is for general reference only. The City of Milwaukie cannot accept any responsibility for errors, omissions or positional accuracy. There are no warranties, expressed or implied, including the warranty of merchantability or fitness for a particular purpose, accompanying this product. However, notification of errors would be appreciated.

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