

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: 2/22/2021 **Approx Start Time:** 3:00pm **Approx Length:** 30 mins

Presentation Title: Moses Lake Industries – Enterprise Zone Agreement

Department: Business and Community Services (BCS)

Presenters: Cindy Moore, Economic Development Coordinator, Business & Community Services
Sarah Eckman, Deputy Director, Business & Community Services

Other Invitees: Laura Zentner, Director, Business & Community Services
Andrew Naylor, Assistant County Counsel, Clackamas County
Laura Manske, Accountant, Moses Lake Industries
Alison Wicks, Development Project Manager, City of Milwaukie
Jacque Betz, City Administrator, City of Gladstone

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Approval of a written agreement to allow Moses Lake Industries to participate in the 5 year Enterprise Zone abatement option.

EXECUTIVE SUMMARY:

BCS – Economic Development has been working with Moses Lake Industries in Milwaukie on an expansion of their facility. They have submitted an Enterprise Zone application requesting the five year abatement option allowed under the Enterprise Zone program, which is considered an extended abatement, in comparison with the standard three year abatement. If approved, they will have their tax abated for the investments listed in the application for an additional two years beyond the standard format.

Enterprise zones are part of a state-initiated tax-abatement program available to businesses looking to locate or expand in a designated area. 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.

Moses Lake Industries (4287 Suite D, SE International Way) is located in the International Way industrial business area in Milwaukie. Moses Lake Industries is a supplier of high performance, high purity chemicals to all segments of the semiconductor and flat panel industries. Moses Lake Industries currently has 22 employees at this location and plans to initially add 2-3 employees as a part of this expansion. The estimated value of the investment is \$987,300 which is comprised of the installation of an additional research lab. The main purpose is to test chemical solutions that will potentially be sold to customers who produce lithium ion batteries.

In order for a company to receive the extended abatement (5 year vs 3 year) a written agreement is required. We have worked with County Counsel to develop the attached agreement outlining the criteria necessary to remain in compliance with the requirements of the extended abatement. For the five year option, the requirement is for the wage to be 150% of the County average wage. This wage requirement would be for the new employees.

WAGES AS CALCULATED BY BUSINESS OREGON FOR URBAN ENTERPRISE ZONE EXTENDED ABATEMENT PARTICIPANTS:

	Wage	150% of Wage
County Average Annual Wage*	\$54,802	\$82,203

*County Average Annual Wage as reported by Business Oregon for Enterprise Zone participants, relevant until Nov. 2021.

A standard exemption is for three years, therefore the taxes are abated for three consecutive years (if the full investment is claimed in the first year). A five year extended abatement would extend this to five years (if the full investment is claimed in the first year).

The company is investing \$987,300 to receive a tax abatement of those assets for five years.

The abated tax estimate listed below represents taxes the County will forego.

Investment	Year 1	Year 2	Year 3	3 Year Abatement Subtotal	Year 4	Year 5	5 year Abatement Total
296,000	592	610	628	1,830	647	666	3,144
390,400	1,252	1,289	1,328	3,869	1,368	1,409	6,645
300,900	965	994	1,023	2,982	1,054	1,086	5,121
987,300	2,808	2,893	2,979	8,680	3,069	3,161	14,910

Since the facility is located in the North Urban Clackamas County Enterprise Zone, all zone sponsors and the company need to approve the agreement. The three zone sponsors include the City of Gladstone, the City of Milwaukie and Clackamas County. Even though the facility is physically located in Milwaukie, all sponsors must approve in order to move forward as they are part of the zone. The Milwaukie City Council approved this item on their agenda for January 19, 2021, and the Gladstone City Council approved this item on their agenda on February 9, 2021.

Moses Lake has submitted a complete application and the supporting documentation required to apply.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO

What is the cost? The company would receive an additional two years of abatement as allowed in the program if the criteria is met.

What are the funding sources? No funding sources are necessary to facilitate this approval.

STRATEGIC PLAN ALIGNMENT:

- **How does this item align with your Department’s Strategic Business Plan goals?**
 - Approval of this agreement aligns with the BCS strategic goal to *create living wage jobs* as the North Clackamas County Enterprise Zone was a key factor in Moses Lake

Industries decision to expand in Milwaukie. As stated in their application, this will bring 2-3 jobs to Milwaukie/Clackamas County at full build out.

- **How does this item align with the County's Performance Clackamas goals?**
 - Approval of this agreement aligns with the County's goal to *grow a vibrant economy*. This project will grow the economy by increasing the amount of dollars spent by the company and their employees in the local community.

LEGAL/POLICY REQUIREMENTS:

County Counsel and the Assessor's Office have reviewed and approved the agreement.

PUBLIC/GOVERNMENTAL PARTICIPATION:

This agreement was discussed and approved by the Milwaukie City Council on January 19, 2021 and will be discussed by the Gladstone City Council on February 9, 2021.

OPTIONS:

1. Approve the agreement and move it forward for final approval at an upcoming Business Meeting
2. Offer amendments to the Agreement and authorize staff to bring modified agreement for final approval at an upcoming Business Meeting
3. Take no further action on this topic at this time

RECOMMENDATION:

Option 1 - Approve the agreement and move it forward for final approval at an upcoming Business Meeting.

ATTACHMENTS:

1. Written agreement – Moses Lake Industries extended abatement.
2. Map of North Urban Clackamas County Enterprise Zone

SUBMITTED BY:

Division Director/Head Approval _____
Department Director/Head Approval *Laura Zentner* 2/11/2021
County Administrator Approval _____

For information on this issue or copies of attachments,
please contact Cindy Moore, Business & Community Services, cmoore@clackamas.us

Written agreement with the North Urban Clackamas County enterprise zone sponsor to extend property tax exemption for an additional two years, for a total of five consecutive years, for investment by Moses Lake Industries, Inc.

Pursuant to ORS 285C.160, the sponsor of the North Urban Clackamas County Enterprise Zone comprising the governing bodies of Clackamas County, the City of Milwaukie, and the City of Gladstone (hereinafter the “Zone Sponsor”) and Moses Lake Industries, Inc. (hereinafter the “Firm”) do hereby enter into an agreement (the “Agreement”) for extending the period during which the Firm shall receive an exemption from ad valorem taxes on its proposed investment in qualified property in the Enterprise Zone for an additional two (2) tax years, contingent on certain requirements and the terms and conditions of this Agreement.

The Zone Sponsor and the Firm jointly acknowledge that, subject to timely submission and approval of an application for authorization, as well as satisfaction of requirements under ORS 285C.050 to 285C.250, the Firm may be eligible for three years of full exemption on its qualified property under ORS 285C.175(2)(a). This Agreement is only effective if Firms’ application for an exemption under ORS 285C.175 is granted. In the event Firm is determined not to be eligible for three years of full exemption, this Agreement shall be null and void.

The Zone Sponsor does hereby grant to the Firm an extension to the property tax abatement, as allowed under ORS 285C.160 and ORS 285C.175(2)(b), of an additional two (2) tax years on property that qualifies in the North Urban Clackamas County Enterprise Zone beginning with the assessment year that the qualified property is first put into service. The total exemption period, including the additional two tax years provided under this Agreement, is five consecutive tax years. During the total five tax year exemption period, Firm must comply with all statutory and regulatory requirements for the standard three-year enterprise zone exemption, as well as those set forth in this Agreement.

In order for qualified property to be exempt from ad valorem taxes for the additional two tax years of enterprise zone exemption as granted herein, the Firm agrees that, under ORS 285C.160(3)(a)(A)(i),ii), ORS 285C.160(3)(b), and OAR 123-674-0600:

1. For each year of the total five tax year exemption period, including the additional two tax years provided under this Agreement, the Firm’s new employees shall receive an average level of compensation equal to or greater than 150 percent of the county average annual wage. In determining whether Firm’s new employees are receiving equal to or greater than 150 percent of the county average annual wage, only compensation that can be monetized may be considered. Compensation from a payroll tax or similar government mandate shall be excluded from consideration. Except as revised under ORS 285C.160(4), the 2019 average annual wage for Clackamas County is \$54,802, and 150 percent of that average wage equals \$82,203.
2. The Firm’s “new employees,” for purposes of these requirements, has the meaning set forth in ORS 285C.050 and OAR 123-674-0600, and comprise only employees hired for and working at full-time, year-round, non-temporary jobs that are created and filled for the first time after the date of

application for authorization but on or before December 31 of the first full year of the initial exemption, and that are performed within the current boundaries of the North Urban Clackamas County Enterprise Zone and engaged a majority of their time in the Firm's eligible operations according to ORS 285C.135 and 285C.200, regardless if any such employee is leased, contracted for or otherwise obtained through an external agent, provided that they are hired by and employed directly by the Firm.

3. The Firm's responses and assertions in its application for an Enterprise Zone exemption are incorporated into this Agreement and are relied upon by the Zone Sponsor for approval of this Agreement, and that the approval for an extension for an additional two tax years, for a five tax year total period of exemption, is contingent upon the Firm meeting and maintaining all requirements and representations set out in the application, including continuing the approved activities, throughout the entire exemption period.

By their signatures below, the parties to this Agreement agree to the terms, conditions, and content expressed herein.

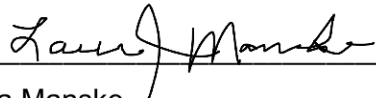
Clackamas County:

By: _____

(Printed Name)

Date: _____

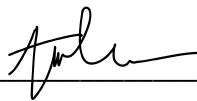
Moses Lake Industries, Inc.:

By:  _____
Laura Manske

(Printed Name)

Date: 28 December 2020

The City of Milwaukie:

By:  _____
Ann Ober

(Printed Name)

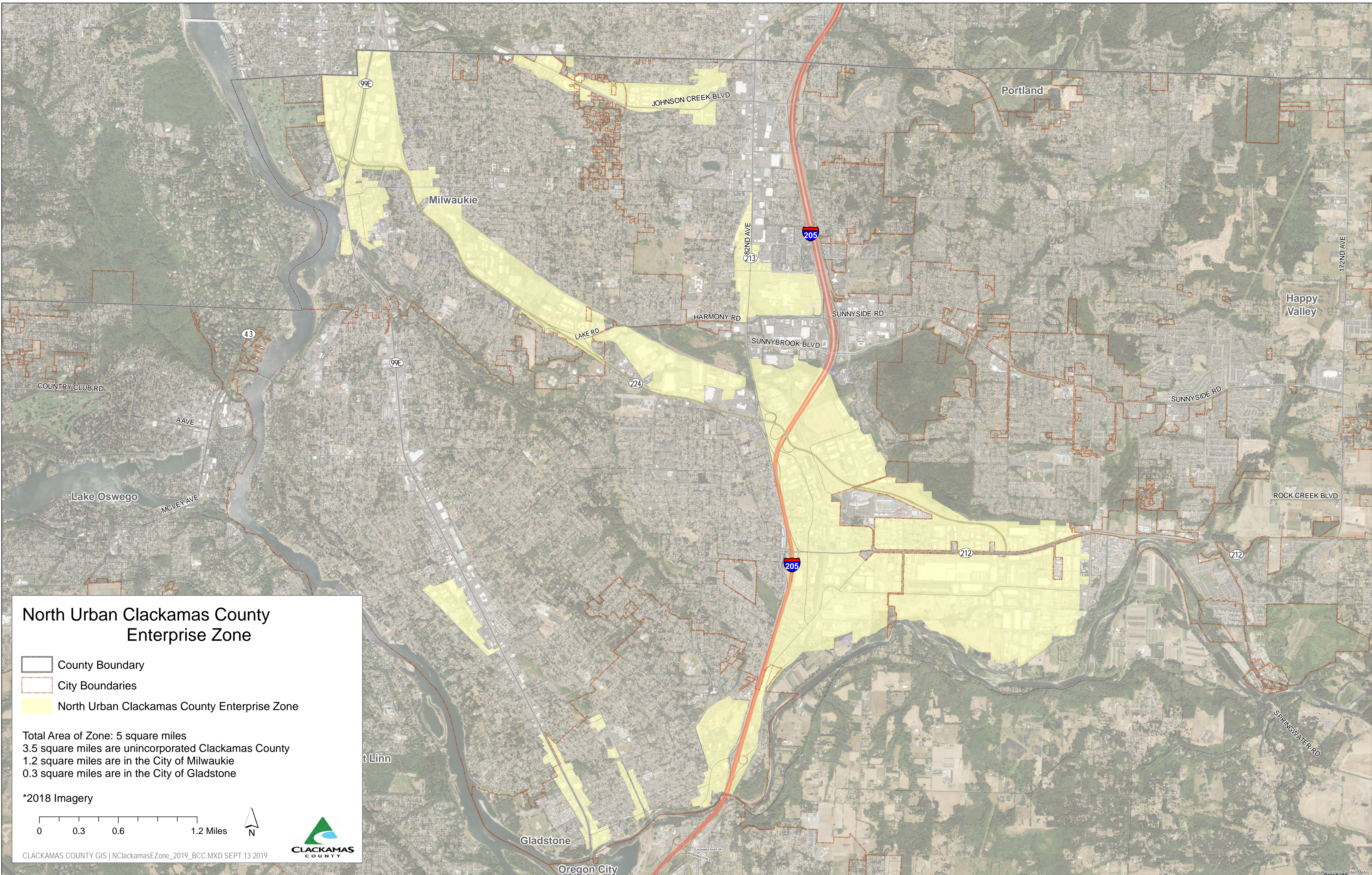
Date: 1/25/2021

The City of Gladstone:



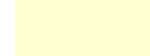
By: _____

(Printed Name)

Date: _____



North Urban Clackamas County Enterprise Zone

-  County Boundary
-  City Boundaries
-  North Urban Clackamas County Enterprise Zone

Total Area of Zone: 5 square miles
 3.5 square miles are unincorporated Clackamas County
 1.2 square miles are in the City of Milwaukie
 0.3 square miles are in the City of Gladstone

*2018 Imagery

