

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Staff Presentation Worksheet

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Presentation Date: January 8, 2010

10:00
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Time: 2 pm

Length: 30 minutes

Presentation Title: Rural and Urban Strategic Investment Zones

Department: Business and Community Services – Business and Economic Development

Presenter: Renate Mengelberg, Gary Barth

POLICY QUESTION

Does the Board of County Commissioners support sponsoring an Urban and Rural Strategic Investment Zone program in partnership with the cities of Wilsonville, Lake Oswego, Milwaukie, Happy Valley, Oregon City, Sandy, Estacada, Canby and Molalla?

ISSUE & BACKGROUND

The Business and Economic Development Department and city economic development leaders are interested in forming Urban and Rural Strategic Investment Zones (SIZ) in Clackamas County. SIZ's are a compelling business recruitment tool designed to attract large capital intensive traded sector businesses. The states first SIZ was recently established in the city of Gresham.

A SIZ is a "pre-established" zone that standardizes the discretionary Strategic Investment Program (SIP) process in place today, providing for consistent criteria and a streamlined approval process. This provides greater certainty to new or existing companies. Highlights include:

- 15 year property tax abatements on facilities and equipment to any "traded-sector" business. Examples include production, manufacturing, high tech, and energy generation among others.
- Applies to large capital investments (\$25 million minimum in rural areas and \$100 million in the Metro UGB).
- Requires a community service fee paid by the company equal to 25% of the tax savings per year to local public service providers to offset community impacts. The community service fee is capped at an annual maximum of \$2 million in urban areas or \$500,000 in rural areas.
- Additional local requirements can also be required and outlined in the SIZ.
- Once established, the SIZ boundary can not change. However, additional zones can be added and operational changes can be made by amending intergovernmental agreements and applying for approval to the Oregon Business Development Department.

City partners in the proposed urban zone include Wilsonville, Lake Oswego, Milwaukie, and portions of Happy Valley, and Oregon City. Communities interested in the rural strategic investment zone include Sandy, Estacada, Molalla, Canby and portions of Oregon City and Happy Valley. Maps of proposed zones are attached. West Linn, Gladstone and Damascus are not candidates for this program because they do not have sufficient zoned and served industrial land.

In forming a SIZ, the county and interested cities determine the businesses requirements and the distribution of community service and other fees. City partners and the county economic development staff have considered several options:

Additional Requirements of Companies - Rural SIZ:

In the proposed Rural SIZ, city partners recommend the following additional requirements:

- Business should consider county residents and contractors first in their hiring and procurement process and sign first source agreements to outline the details.
- Businesses should also partner with community and county education and workforce training providers to ensure they have the skilled workforce they need.
- Claw back provisions were recommended that require the company to pay back abated taxes if they do not meet business requirements or should they relocate the company outside the SIZ within 10 years.
- Companies must meet all local zoning, permitting, building and environmental requirements and pay all associated fees.

They do not recommend imposing any minimum number of employees or wage levels because they do not want to dictate constraints that hamper the businesses competitiveness or long term business success.

Additional Requirements of Companies – Urban SIZ:

In the urban zone, city leaders recommend requiring the same measures as the rural zone above but were divided on the need for additional requirements.

- There was some interest in requiring at least 50 employees per \$100 million invested and wages tied to the county median wage plus benefits. However explicit job requirements would be difficult to project based on the type and amount of capital investment. The capital investment alone is the significant activity that will fuel economic output and general job creation.
- Claw back provisions could be expanded to include wage and hiring requirements.

The Gresham Strategic Investment Zone discounts payments of additional fees as an incentive for green development and LEED Gold certification. City representatives for this project are meeting with their city councils to explore local preferences.

Community Service Fees Options:

As noted, the state requires businesses to pay an annual community service fee equal to 25% of abated taxes capped at \$2 million in urban areas and \$500,000 in rural areas. SIZ partners help determine how that fee is distributed. Rural SIZ partners prefer to focus community service fee revenues first on mitigating impacts or addressing needs of the project (expanded road, sewer, water, natural gas, broadband, alternative transportation, fire, police and schools) Once those needs are met they would focus remaining resources on addressing strategic community priorities established by their respective City Councils.

Urban Communities favored that approach but some wanted to explore a percentage split of revenues such as 50% city, 20% county and the remaining 30% divided among other taxing districts. The city of Gresham chose to form a Community Enhancement Fund to coordinate community services impacted by the project. The fund is managed by City and County representatives in consultation with local taxing districts.

Next Steps in the Process

- Meet with taxing districts to explain the program and potential impacts.
- Holding a public hearing.
- Develop SIZ intergovernmental agreements and obtain board and city approval.
- Develop a standardized agreement between the prospective business, city and county and obtain city and board approval.
- Apply to the Oregon Business Development Department for formal approval of our urban and rural SIZ.

QUESTION(S) PRESENTED FOR CONSIDERATION

1. Should Clackamas County form urban and rural Strategic Investment Zones in partnership with interested cities?
2. Does the county wish to impose any additional requirements of companies beyond state mandated investment, and first source hiring agreement requirements?
3. How would the commissioners like to prioritize community service fee investments?

OPTIONS AVAILABLE

A. On forming the Strategic Investment Zone:

1. Implement both urban and rural SIZ programs and co-sponsor the zones with all interested cities.
2. Implement a strategic investment zone in unincorporated county only.
3. Form just the rural zone or just the urban zone but not both.
4. Do not form a county wide zone but support cities efforts to form their own on request.
5. Discontinue efforts to form Strategic Investment Zones. Interested firms can access the Strategic Investment Program with the county or its cities using the existing, non-standardized process in place today.

B. On requirements of companies, if staff proceeds with SIZ formation:

1. In addition to state mandates, impose additional requirements as developed with city partners.
2. Require only state mandated requirements.
3. Direct staff to explore additional requirements beyond state and city mandates such as green development incentives.
4. Impose wage and job creation thresholds to qualify for the exemption.

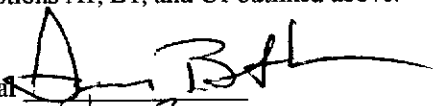
C. On investment of community service and other program revenues:

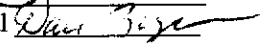
1. Prioritize funds to:
 - Mitigate for impacts of the development.
 - Address a top community project or priority.
 - Fund or support an existing community grants program.
2. Form a committee to determine appropriate allocation of funds with representatives from the City, the County and affected taxing districts.
3. Establish an allocation formula for the city, county, and taxing districts

RECOMMENDATIONS

Staff respectfully recommends that the county continue pursuing the formation of urban and rural strategic investment zones that contain options A1, B1, and C1 outlined above.

SUBMITTED BY:

Division Director/Head Approval 

Department Director/Head Approval 

County Administrator Approval _____

For information on this issue or copies of attachments, please contact Renate Mengelberg
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