

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: 05/04/22 **Approx. Start Time:** 10:00 **Approx. Length:** 30 minutes

Presentation Title: Incentive Programs Overview

Department: Business & Community Services (BCS)

Presenters: Sarah Eckman, BCS Interim Director and Cindy Moore, BCS, Economic Development Coordinator

Other Invitees: Lynn Longfellow, Appraisal Manager, Assessment & Taxation, Tam Truong, Senior Property Appraiser, Assessment & Taxation, Dan Huff, City Manager, City of Molalla

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

As part of the Incentive Program overview, staff is requesting Board direction on two items.

- COVID 19 employment waiver for companies participating in the Enterprise Zone
- Direction on a consent request for the Molalla Enterprise Zone which will add parcels currently not yet annexed into the City & zone.

EXECUTIVE SUMMARY:

During the County Administrator Issues session on January 4th, the Board of County Commissioners requested an overview of current business incentive programs. These include the following: Enterprise Zones, Rural Renewable Energy Development Zone and the Urban/Rural Strategic Investment Zone. All three programs were developed at the State level and have been adopted and put into practice by Clackamas County. These programs help distressed areas in Clackamas County communities remain competitive for new investments by current and future employers. The program is administered through the joint work of the Business & Community Services and Assessment & Taxation departments.

As part of the incentive overview, staff will be requesting direction from the BCC on two topics relating to the Enterprise Zone.

The first is whether or not to adopt a resolution relaxing enterprise zone employment requirements otherwise imposed on authorized business firms for the 2021 property tax year if the company reduced employment due to the COVID-19 pandemic. In order to take effect, the resolution must be adopted by June 30, 2022. This action is allowed under enrolled HB 2343. If direction is given, staff would prepare a resolution to come before the BCC for approval as part of the public process.

The second item is informational in nature. Staff will discuss the potential inclusion of bordering parcels, currently in unincorporated Clackamas County, to be included in the Molalla Enterprise Zone expansion. This request comes from the City of Molalla. These under-developed parcels have been identified for annexation by the City at a future date. In order for the parcels to be included in the Molalla Enterprise Zone expanded boundary, the BCC would need to provide consent via resolution. In order for the boundary expansion to move forward, a notice to the

taxing districts will be provided by the City of Molalla as they are the Zone Sponsor. Once the notice and public comment period is complete, the resolution would come before the BCC for approval. The executed resolution would then be included in the zone boundary expansion application to Business Oregon for review/approval.

The purpose of including this second item is to inform the Board about the pending expansion and forthcoming exemption request. No action is currently needed from the Board, but once the City of Molalla completes its notice requirements it will need the County's approval to complete the expansion. As such, staff would like to begin addressing any questions or concerns the Board may have, if any, once the City completes its notice process.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? X YES NO

What is the cost? Staff time to administer the program for both Business & Community Services and the Assessment & Taxation Departments.

What is the funding source? Staff time is paid for with Lottery Funds for BCS Economic Development staff along with General Fund dollars for Assessment & Taxation staff, in combination with application fees collected from applicants.

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department's Strategic Business Plan goals?
This item aligns with the purpose of the Economic Development Division as outlined in the BCS strategic plan.
- By 2024, at least one new business within each of the County's top 5 targeted industries* will choose to locate in Clackamas County. (*Economic Development*)
* *Professional Business Services, Health Care, Wholesale Trade, High Tech, Advanced Manufacturing*
- How does this item align with the County's Performance Clackamas goals?
These program support the goal to *Grow a Vibrant Economy* by providing tools to help Clackamas County remain competitive in attracting and growing businesses in our communities.

LEGAL/POLICY REQUIREMENTS:

To provide additional context, below are links to the State Statute regarding the establishment and guidelines for each program.

Oregon Revised Statute:

Enterprise Zones: Tax abatement on new investments in building structures, machinery & equipment for traded sector industries. https://oregon.public.law/rules/oar_123-650-0001

Rural Renewable Energy Development Zones: Tax abatement similar in structure to the Enterprise Zones, only specific to the generation of renewable energy.
https://oregon.public.law/statutes/ors_285c.353

Urban/Rural Strategic Investment Zones: Tax abatement on new investments in building structures, machinery and equipment above \$100,000,000 for the Urban areas and \$25,000,000 for the rural areas. The project will be taxable at the regular rate until the investment threshold above has been met for the project. https://oregon.public.law/statutes/ors_285c.623

PUBLIC/GOVERNMENTAL PARTICIPATION:

Taxing districts in each zone are notified if/when any new Enterprise, Rural Renewable Energy, or Urban/Rural Strategic Investment Zones are created or modified.

OPTIONS:

1. Approve to prepare COVID 19 Employment Waiver to be placed on the BCC consent agenda prior to June 30, 2022.
2. Decline execution of the COVID 19 Employment Waiver. No further action necessary.

RECOMMENDATION:

Staff respectfully recommends the following options:

1. Approve to prepare COVID 19 Employment Waiver to be placed on the BCC consent agenda prior to June 30, 2022.

ATTACHMENTS:

- Incentive program overview (PowerPoint)

SUBMITTED BY:

Division Director/Head Approval _____
Department Director/Head Approval *Stuart Edman*
County Administrator Approval _____

For information on this issue or copies of attachments, please contact Cindy Moore @ 971-284-1002

Clackamas County Board of Commissioners

Incentive Program Overview

May 4, 2022



Business & Community Services - Economic Development Division:
Sarah Eckman, Interim Director
Cindy Moore, Economic Development Coordinator
Corina Copeland, Economic Development Specialist

Business Incentives as an Economic Development tool:

To encourage new job creation, job retention and to attract new capital investment.

- Not meant to make a project feasible or profitable, where it would not otherwise be.
- Positions Clackamas County communities to compete for projects on a national scale.
- Bolsters sense of community support.
- Improve cash-flow spreadsheet, price points and perceived risks. Allows for abated funds to be redirected into items such as workforce training, capital expenditures.
- Most often for existing firms to stay and grow (such as relocate nearby in order to expand)
- Program qualification criteria for each program, with penalties in place for lack of performance.

Enterprise Zones

Overview of Enterprise Zone program

- Began in Oregon in 1986
- Primarily, enterprise zones exempt businesses from local property taxes on new investments for a specified amount of time. Sponsored by municipal or tribal governments, an enterprise zone typically serves as a focal point for local development efforts.
- Goal of fostering economic opportunities, development and local competitiveness.

Note: Since 2017 approx. \$134,500,000 in new investment and 271 new jobs!

Enterprise Zone locations in Clackamas County

North Urban Clackamas County

(Includes: Milwaukie, Unincorporated Clackamas County, Gladstone)

Estacada

Molalla

Sandy

Oregon City

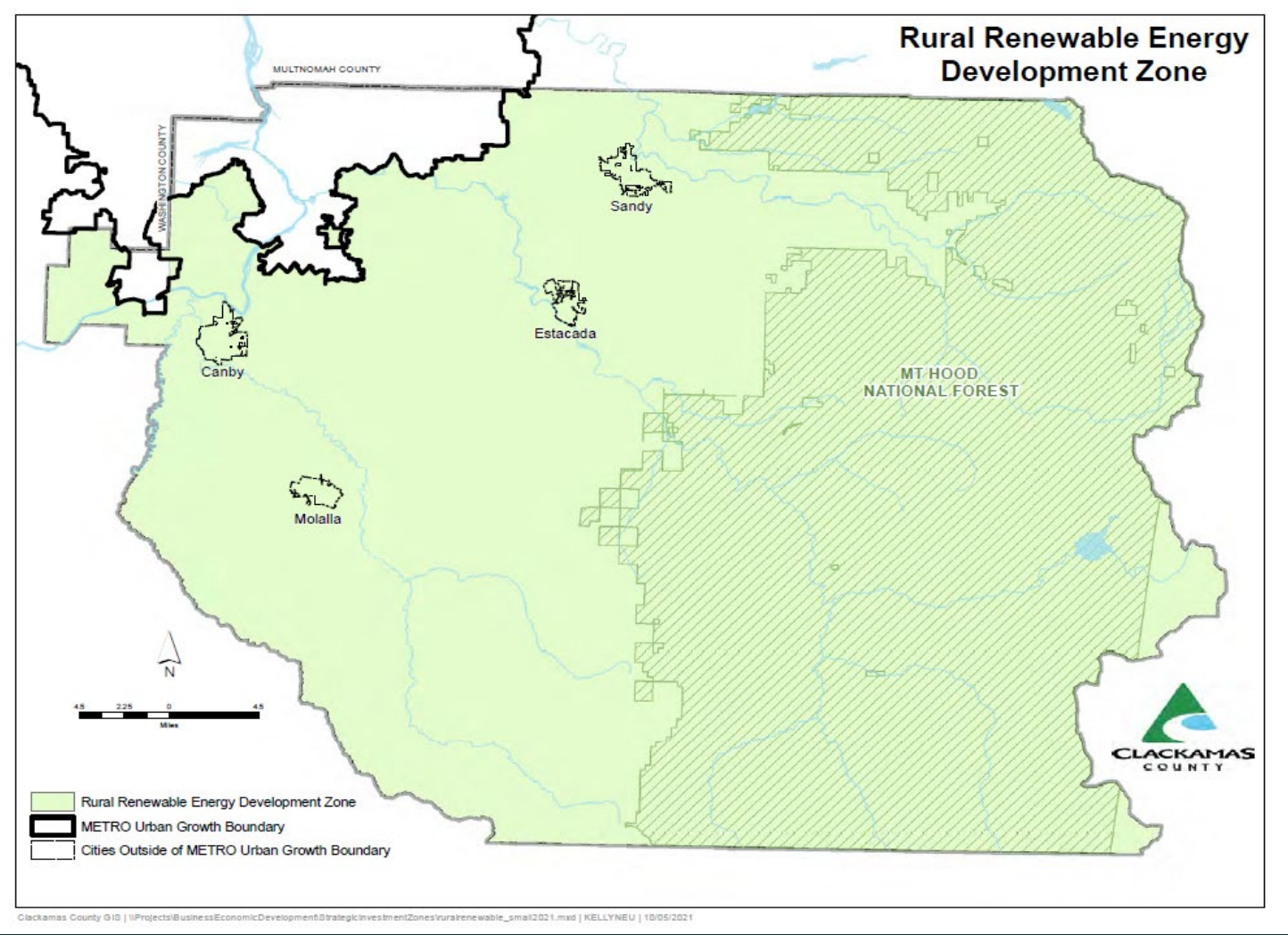
Business Eligibility

- **Prior to building construction/improvements or machinery equipment installation on-site, the zone manager must receive and approve an Application for Authorization.**
- **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.**

Rural Renewable Energy Development Zone

- Same 3–5-year exemption as enterprise zone—electricity from renewable resource, or producing, distributing or storing various fuels
- Rural means outside metropolitan or large-city (30,000 pop.) UGB
- Zone designated at local request by resolution to Business Oregon, which sets total cumulative maximum for exempt projects up to \$250 million

Rural Renewable Energy Development Zone



Strategic Investment Zone Urban/Rural

- The 15-year exemption is on project property greater than the threshold amount—only the assessed value under the threshold is taxed.
- **Urban:** Threshold starts at \$100 million for locations inside the current urban growth boundary of a metropolitan area or city with 40,000 or greater population
- **Rural:** Threshold starts at \$25 million if the total investment is \$500 million or less, and at \$50 million if project costs are between \$0.5 and \$1 billion.
- A community service fee is paid each year to local public service providers.
- **Note: Columbia Distributing approx. \$65,500,000 in new investment and 300 new jobs at full buildout!**

Additional examples of incentives

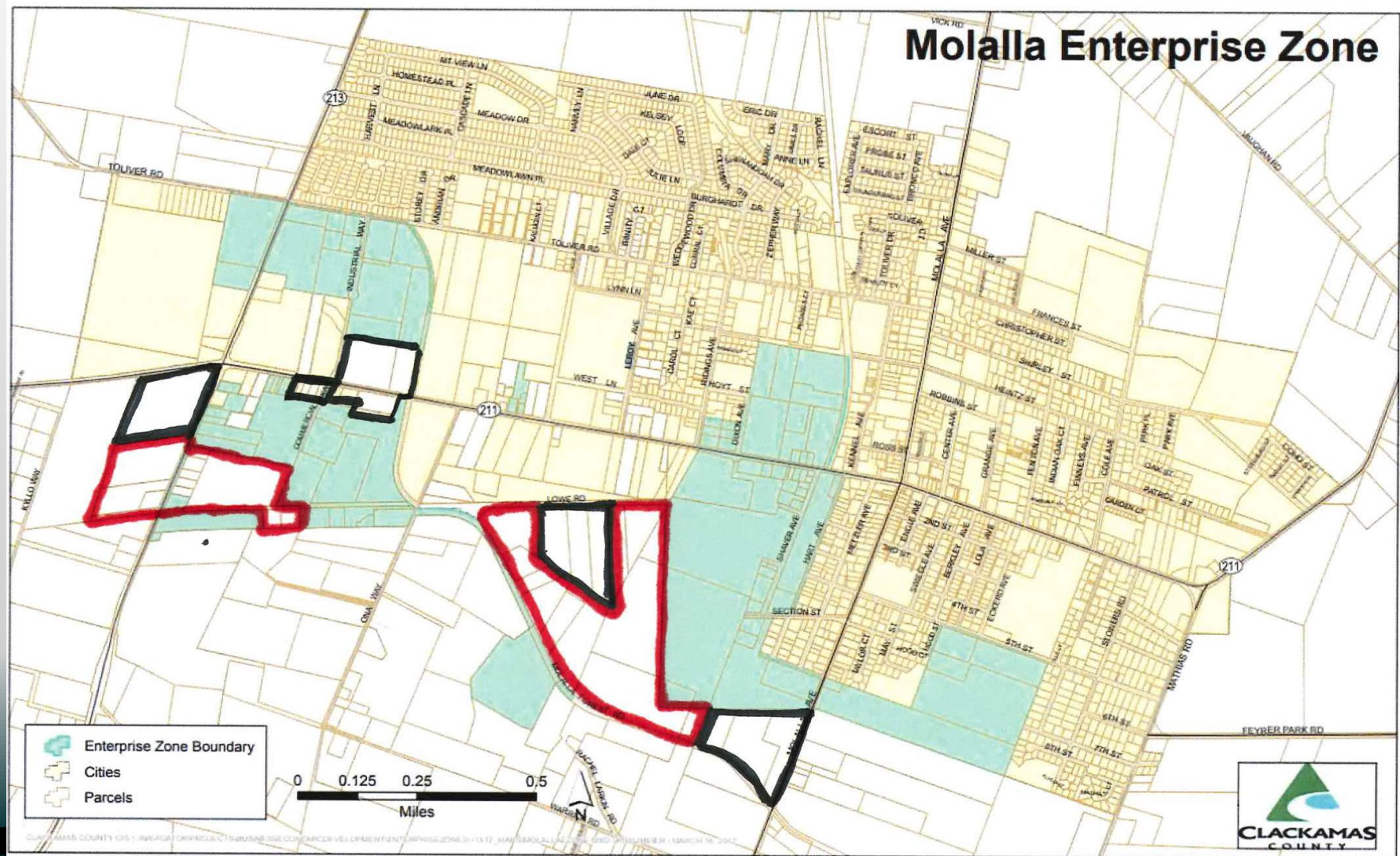
Oregon and other U.S. states & localities generally have, for example:



- **Export assistance and business advisory services, and access to research and related public–private resources**
- **Site/land –quality/readiness certification & documentation, as well as brownfield remediation or risk control**
- **Interagency regulatory coordination**
- **Worker placement/training services (often very cost-effective)**
- **Property tax increment financing (TIF – urban renewal in Oregon)**
- **Public infrastructure funds (project-specific w/Immediate Opportunity Funds and some Special Public Works Funds).**

Discussion items:

- **COVID 19 Employment waiver**
 - Governor Brown signed HB 23431 on July 19, 2021, now enrolled as chapter 522, Oregon Laws 2021. This new law allows (but does not require) an enterprise zone sponsor to adopt a resolution relaxing enterprise zone employment requirements otherwise imposed on authorized business firms for either or both of property tax years beginning on July 1, 2021, and July 1, 2022 if the company reduced employment due to the COVID-19 pandemic.
- **Direction on future consent agenda request to add unincorporated parcels to Molalla Enterprise Zone boundary change.**
 - Discussion on inclusion of these parcels to expand the opportunity for companies investing in the zone to benefit from the abatement. This action is also complimentary to other infrastructure projects planned in this area to support employment opportunities.

Proposed parcels to be considered for inclusion in Enterprise Zone:



-  - Inside UGB, Outside City limits
-  - Inside City limits

Questions & Discussion

Thank you!