

**B-Engrossed**  
**Senate Bill 151**

Ordered by the Senate May 18  
Including Senate Amendments dated April 10 and May 18

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with pre-session filing rules, indicating neither advocacy nor opposition on the part of the President (at the request of Governor Theodore R. Kulongoski for Economic and Community Development Department)

**SUMMARY**

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

**Permits two-year extension of enterprise zone property tax exemption for sustainable business firms. Applies to sustainable business firms filing applications for authorization after effective date of Act and after sponsor elects to extend sustainable business firm enterprise zone property tax exemption.**

Extends sunset date for enterprise zone program from June 30, 2009, to June 30, 2013.

Directs Oregon Economic and Community Development Commission to report to Legislative Assembly regarding evaluation of enterprise zone performance and related tax incentives.

**A BILL FOR AN ACT**

1  
2 Relating to enterprise zone program; creating new provisions; amending ORS 285C.150, 285C.160,  
3 285C.175, 285C.255 and 285C.406; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. Section 2 of this 2007 Act is added to and made a part of ORS 285C.050 to**  
6 **285C.250.**

7 **SECTION 2. (1)(a) The governing body of a city, county or port that is seeking enterprise**  
8 **zone designation under ORS 285C.065 may elect to permit a qualified business firm described**  
9 **in subsection (2) of this section to receive an extended period of exemption on qualified**  
10 **property.**

11 **(b) The election must be made on or after the date the governing body applies for zone**  
12 **designation under ORS 285C.065 and no later than six months following the date the zone is**  
13 **designated.**

14 **(c) The election shall be made by a resolution adopted by the governing body of the city,**  
15 **county or port. A resolution under this paragraph does not take effect until submitted to the**  
16 **Economic and Community Development Department and acknowledged by the department.**

17 **(d) The resolution shall contain the commitment of the city, county or port, as the**  
18 **sponsor of the enterprise zone, to:**

19 **(A) Confirm the fulfillment of criteria under subsection (2) of this section; and**

20 **(B) Facilitate timely receipt and review of relevant documents, evidence and other in-**  
21 **formation necessary to confirm the continued eligibility of the business firm for exemption.**

22 **(e) The sponsor may revoke an election made under this subsection by resolution. If the**  
23 **sponsor revokes an election under this subsection, the sponsor may not make another**  
24 **election under this subsection.**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1       **(2) An eligible business firm is a sustainable business firm if the business firm satisfies**  
2 **all of the following:**

3       **(a) Any qualified new building or addition to or modification of an existing building owned**  
4 **or leased by the business firm must be certified for design, construction and utilization by**  
5 **the Leadership in Energy and Environmental Design Green Building Rating System, Earth**  
6 **Advantage or any program for building standards and practices that the department deter-**  
7 **mines provides comparable certification.**

8       **(b) The operations of the business firm in the enterprise zone satisfy renewable portfolio**  
9 **standards consistent with the standards required of an electric utility under ORS 757.600 to**  
10 **757.687 in terms of the portion of energy, including but not limited to electricity, consumed**  
11 **by the business firm that is derived from renewable energy sources.**

12       **(c) The business firm has developed and implemented an environmental management**  
13 **system for the business firm's activities and facilities in the enterprise zone. The environ-**  
14 **mental management system must include plans for improving resource efficiency and for**  
15 **minimizing or eliminating solid and hazardous waste and emissions of water and air**  
16 **pollutants. The business firm shall develop the environmental management system based on**  
17 **International Organization for Standardization standard ISO 14001 or another standard that**  
18 **the department determines is comparable for minimizing the impact of industry on the en-**  
19 **vironment.**

20       **(d) The business firm uses and maintains a publicly available strategy and plan for re-**  
21 **ducing greenhouse gas emissions and mitigating the contribution of the business firm to**  
22 **global climate change.**

23       **(e) The business firm publicly releases an annual sustainability report that has defined**  
24 **measurements and benchmarks for evaluating progress on an annual basis. If feasible, the**  
25 **business firm shall make the report available for review through the business firm's website.**

26       **SECTION 3. Notwithstanding section 2 (1)(b) of this 2007 Act, if an enterprise zone is**  
27 **designated before the effective date of this 2007 Act, the sponsor of the enterprise zone may**  
28 **elect to permit a qualified business firm described in section 2 (2) of this 2007 Act to receive**  
29 **an extended period of exemption on qualified property. The sponsor may make an election**  
30 **under this section on or before June 30, 2008. If an election under this section otherwise**  
31 **complies with section 2 (1) of this 2007 Act, the election shall be considered an election under**  
32 **section 2 (1) of this 2007 Act.**

33       **SECTION 4. ORS 285C.150 is amended to read:**

34       285C.150. (1) The sponsor of an urban enterprise zone may require an eligible business firm  
35 seeking authorization under ORS 285C.140 to satisfy other conditions in order for the firm to be  
36 authorized.

37       (2) The conditions that a sponsor may impose under this section must be reasonably related to  
38 the public purpose of providing opportunities for groups of persons, as defined by the sponsor, to  
39 obtain employment, including but not limited to providing training to these groups of persons.

40       (3) The sponsor may establish procedures for monitoring and verifying compliance with condi-  
41 tions imposed on the firm under this section and require the firm to agree to the procedures as a  
42 condition to authorizing the firm.

43       (4) Conditions established under this section may be imposed on a firm only if the sponsor has  
44 adopted a policy that establishes standards for the imposition of the conditions.

45       (5) Conditions imposed by a sponsor under this section shall be in addition to, and not in lieu

1 of, conditions and requirements imposed under ORS 285C.050 to 285C.250 or pursuant to an agree-  
2 ment entered into under ORS 285C.160 and do not affect the duties of the Department of Revenue  
3 or of the county assessor under ORS 285C.050 to 285C.250.

4 **(6) Notwithstanding subsection (2) of this section, the sponsor may adjust conditions**  
5 **imposed under this section as reasonably necessary for sustainable business firms under**  
6 **section 2 of this 2007 Act.**

7 [(6)] (7) A sponsor of an urban enterprise zone that imposes conditions for authorization on eli-  
8 gible business firms under this section shall submit a written report every four years to the Legis-  
9 lative Assembly concerning the application and effects of the conditions on business firms within the  
10 enterprise zone.

11 **SECTION 5.** ORS 285C.160 is amended to read:

12 285C.160. (1) An eligible business firm seeking authorization under ORS 285C.140 and the spon-  
13 sor of the enterprise zone in which the firm intends to invest may enter into a written agreement  
14 to extend the period during which the qualified property is exempt from taxation under ORS  
15 285C.175 if the firm complies with the terms of the agreement.

16 (2) The period for which the qualified property is to continue to be exempt must be set forth in  
17 the agreement and may not exceed two additional tax years.

18 (3) In order for an agreement under this section to extend the period of exemption, the agree-  
19 ment must be executed on or before the date on which the firm is authorized, and:

20 (a) If the enterprise zone is a rural enterprise zone or an urban enterprise zone located inside  
21 a metropolitan statistical area of fewer than 400,000 residents, the agreement must require that the  
22 firm meet both of the following:

23 (A) Annually compensate all new employees hired by the firm at an average rate of not less than  
24 150 percent of the county average annual wage for each assessment year during the tax exemption  
25 period, as determined at the time of authorization.

26 (B) Any additional requirement that the sponsor may reasonably request.

27 (b) If the enterprise zone is an urban enterprise zone located inside a metropolitan statistical  
28 area of 400,000 residents or more, the agreement must require that the firm meet any additional  
29 requirement the sponsor may reasonably require.

30 (4) If a firm enters into an agreement under this section that includes a compensation require-  
31 ment under subsection (3)(a)(A) of this section and the firm subsequently submits one or more  
32 statements of continued intent under ORS 285C.165, notwithstanding the terms of the agreement  
33 made under this section, for each statement of continued intent submitted, the county average an-  
34 nual wage under subsection (3)(a)(A) of this section shall be adjusted to a level that is current with  
35 the statement.

36 **(5) Notwithstanding subsections (1) to (4) of this section, the period during which the**  
37 **qualified property is exempt from taxation under ORS 285C.175 is extended for two additional**  
38 **years if:**

39 **(a) The sponsor of the enterprise zone has elected under section 2 (1) of this 2007 Act to**  
40 **extend the exemption period of sustainable business firms;**

41 **(b) The eligible business firm submits documentation, evidence and any other information**  
42 **required by the sponsor to show the firm's commitment to and fulfillment of the criteria**  
43 **provided in section 2 (2) of this 2007 Act; and**

44 **(c) Based on the information supplied to the sponsor by the eligible business firm, the**  
45 **sponsor confirms in writing to the assessor of the county where the property is located:**

1 (A) On or before the date on which the firm is authorized, that the firm reasonably in-  
2 tends to satisfy the criteria of a sustainable business firm; and

3 (B) On or before April 1 of the third tax year of exemption, that the firm has met the  
4 criteria of a sustainable business firm. The sponsor may retract the written confirmation  
5 required by this paragraph on or before April 1 of the third year of exemption, if the sponsor  
6 determines that the firm has failed to maintain satisfaction of the criteria.

7 **SECTION 6.** ORS 285C.175 is amended to read:

8 285C.175. (1) Property of an authorized business firm is exempt from ad valorem property taxa-  
9 tion if:

10 (a) The property is qualified property under ORS 285C.180;

11 (b) The firm meets the qualifications under ORS 285C.200; and

12 (c) The firm has entered into a first-source hiring agreement under ORS 285C.215.

13 (2)(a) The exemption allowed under this section applies to the first tax year for which, as of  
14 January 1 preceding the tax year, the qualified property is in service. The exemption shall continue  
15 for the next two succeeding tax years if the property continues to be owned or leased by the busi-  
16 ness firm and located in the enterprise zone.

17 (b) The property [*may be*] is exempt from property taxation under this section for up to two  
18 additional tax years consecutively following the tax years described in paragraph (a) of this sub-  
19 section, if authorized by the written agreement entered into by the firm and the sponsor **or as**  
20 **otherwise allowed** under ORS 285C.160.

21 (c) If qualified property of a qualified business firm is sold or leased to an eligible business firm  
22 in the enterprise zone during the period the property is exempt under this section, the purchasing  
23 or leasing firm is eligible to continue the exemption of the selling or leasing firm for the balance  
24 of the exemption period, but only if any effects on employment within the zone that result from the  
25 sale or lease do not constitute substantial curtailment under ORS 285C.210.

26 (3)(a) The exemption allowed under this section shall be 100 percent of the assessed value of the  
27 qualified property in each of the tax years for which the exemption is available.

28 (b) Notwithstanding paragraph (a) of this subsection:

29 (A) If the qualified property is an addition to or modification of an existing building or structure,  
30 the exemption shall be measured by the increase in value, if any, attributable to the addition or  
31 modification.

32 (B) If the qualified property is an item of reconditioned, refurbished, retrofitted or upgraded real  
33 property machinery or equipment, the exemption shall be measured by the increase in the value of  
34 the item that is attributable to the reconditioning, refurbishment, retrofitting or upgrade.

35 (4)(a) An exemption may not be granted under this section for qualified property assessed for  
36 property tax purposes in the county in which the property is located on or before the effective date  
37 of the:

38 (A) Designation of the zone; or

39 (B) Approval of a boundary change for the zone if the property is located in an area added to  
40 the zone.

41 (b) An exemption may not be granted for qualified property constructed, added, modified or in-  
42 stalled in the zone or in the process of construction, addition, modification or installation in the  
43 zone on or before the effective date of the:

44 (A) Designation of the zone; or

45 (B) Approval of a boundary change for the zone if the property is located in an area added to

1 the zone.

2 (c) An exemption may not be granted for any qualified property that was in service within the  
3 zone for more than 12 months by January 1 of the first assessment year for which an exemption  
4 claim is made.

5 (d) An exemption may not be granted for any qualified property unless the property is in use  
6 or occupancy before July 1 of the year immediately following the year during which the completion  
7 of the construction, addition, modification or installation occurred.

8 (e) Except as provided in ORS 285C.245, an exemption may not be granted for qualified property  
9 constructed, added, modified or installed after termination of an enterprise zone.

10 (5) Property is not required to have been exempt under ORS 285C.170 in order to be exempt  
11 under this section.

12 (6) The county assessor shall notify the business firm in writing whenever property is denied  
13 an exemption under this section. The denial of exemption may be appealed to the Oregon Tax Court  
14 under ORS 305.404 to 305.560.

15 (7) For each tax year that the property is exempt from taxation, the assessor shall:

16 (a) Enter on the assessment roll, as a notation, the assessed value of the property as if it were  
17 not exempt under this section.

18 (b) Enter on the assessment roll, as a notation, the amount of additional taxes that would be  
19 due if the property were not exempt.

20 (c) Indicate on the assessment roll that the property is exempt and is subject to potential addi-  
21 tional taxes as provided in ORS 285C.240, by adding the notation "enterprise zone exemption (po-  
22 tential additional tax)."

23 **SECTION 7. Sections 2 and 3 of this 2007 Act and the amendments to ORS 285C.150,**  
24 **285C.160 and 285C.175 by sections 4 to 6 of this 2007 Act apply to exemptions on qualified**  
25 **property for which the eligible business firm's application for authorization under ORS**  
26 **285C.140 is made on or after the effective date of this 2007 Act and the effective date of**  
27 **election by the sponsor of the enterprise zone under section 2 of this 2007 Act.**

28 **SECTION 8.** ORS 285C.255 is amended to read:

29 285C.255. (1) Notwithstanding any other provision of ORS 285C.050 to 285C.250:

30 (a) An area may not be designated as an enterprise zone after June 30, [2009] **2013**;

31 (b) A business firm may not obtain authorization under ORS 285C.140 after June 30, [2009]  
32 **2013**; and

33 (c) An enterprise zone, except for a reservation enterprise zone, that is in existence on June 29,  
34 [2009] **2013**, is terminated on June 30, [2009] **2013**.

35 (2) Notwithstanding subsection (1) of this section:

36 (a) A reservation enterprise zone may be designated under ORS 285C.306 after June 30, [2009]  
37 **2013**; and

38 (b) A business firm may obtain authorization under ORS 285C.140 after June 30, [2009] **2013**:

39 (A) If located in a reservation enterprise zone; or

40 (B) As allowed under ORS 285C.245 (1)(b).

41 **SECTION 9.** ORS 285C.406 is amended to read:

42 285C.406. In order for a taxpayer to claim the property tax exemption under ORS 285C.409 or  
43 a corporate excise or income tax credit under ORS 317.124:

44 (1) The written agreement between the business firm and the rural enterprise zone sponsor that  
45 is required under ORS 285C.403 (3)(c) must be entered into prior to the termination of the enterprise

1 zone under ORS 285C.245; and

2 (2) The business firm must obtain certification under ORS 285C.403 on or before June 30,  
3 [2009] 2013.

4 **SECTION 10. (1) Prior to February 1, 2009, the Oregon Economic and Community Devel-**  
5 **opment Commission shall submit to the Seventy-fifth Legislative Assembly a report that**  
6 **evaluates the performance of enterprise zones and related tax incentives under ORS 285C.050**  
7 **to 285C.250.**

8 (2) The report may include, but is not limited to, evaluations of:

9 (a) The cost-benefit analysis of the effects on the state and local economy, public finance  
10 and services and other matters associated with actual business firms receiving the incen-  
11 tives, including but not limited to assessing the degree to which the incentives are signif-  
12 icantly affecting investments and employment in the enterprise zones; and

13 (b) The statistical change in measures of local economic hardship over time for commu-  
14 nities associated with enterprise zones.

15 (3) Under the direction of the commission, the Economic and Community Development  
16 Department shall retain the services of one or more outside experts to perform the evalu-  
17 ations described in this section or to review the results of the evaluations.

18 (4) The commission shall share preliminary results of the evaluations with interested  
19 parties and consider ways to incorporate comments received into the report submitted to the  
20 Legislative Assembly under subsection (1) of this section.

21 **SECTION 11. This 2007 Act takes effect on the 91st day after the date on which the**  
22 **regular session of the Seventy-fourth Legislative Assembly adjourns sine die.**

23