



HB 3017 – Enterprise Zones

May 18, 2011

HB 3017 renews Oregon's highly successful job creation/retention Enterprise Zone program scheduled to sunset in 2013.

Background: The Enterprise Zone program was enacted 25 years ago as a “special aid to attract commerce, industry, and jobs.” The Enterprise Zone program has been proven to create jobs, expand wealth and enhance long-term property tax revenue with a payback of about seven years.

Enterprise zone programs include the tried and true incentive of the standard property tax exemption of 3–5 years, the long-term facility incentives for special rural opportunities, the electronic-commerce tax credit available in several zones, and special Tribal/reservation designations.

Enterprise Zones are sponsored by local governments (city, county, tribe or port) and serve as a focal point for local development efforts by exempting eligible traded sector businesses from local property taxes on investments in new plants and equipment for three to five years in a standard zone and up to 15 years in a rural zone in exchange for agreeing to locate or expand new plants and equipment. One hundred seven cities in 35 counties currently use enterprise zones to create better economic opportunities.

Oregon's 59 (47 rural and 12 urban) enterprise zones offer a unique economic development tool for Oregon counties to encourage businesses to grow or locate in Oregon. The boundary of a zone may be noncontiguous, but it must encompass no more than 12 square miles and conform to restrictions on the distances within the zone. Each zone sunsets after 10 years subject to possible reapplication to the Oregon Business Development Department and designation of other applicants. Cities, counties, and ports apply for designation of an enterprise zone; however, they must demonstrate economic hardship by having household median income of 80% or less of the state median income or an unemployment rate of 2.0 percentage points or more above the state rate.

For the basic, three-year enterprise zone exemption, qualifying traded sector projects must:

- Increase full-time, permanent employment of the firm inside the enterprise zone by the greater of one new job or 10 percent (or special-case local sponsor waivers);
- Have no concurrent job losses outside the zone boundary;
- Maintain this minimum employment level during the exemption period;
- Enter into a first-source agreement with local job training providers; and satisfy additional local conditions, potentially imposed under an *urban* zone policy.

A four or five year period of abatement may be granted conditioned upon:

- Compensation of new workers at or above 150 percent of the county average wage.
- Local approval by written agreement with the local zone sponsor.

MEASURE: HB 3017

EXHIBIT: 5

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SUBMITTED BY: Association of OR Counties
via Jackie Roth

- Meeting any additional requirements that the local zone sponsor may reasonably request.

Available in most rural enterprise zones, the long-term zone program extends property tax abatement to 15 years, rather than the standard three to five years provided under the standard enterprise zone. Any type of business activity is eligible, but these incentives depend on local approval and varying levels of investment, job creation and employee compensation.

Why Enterprise Zones are needed: Since its inception 25 years ago, Enterprise Zones have been a powerful and effective business recruitment and expansion tool across the state:

- The Milwaukie/North Clackamas County Enterprise Zone program has retained 2,722 jobs, created another 628 jobs and spurred over \$57 million in investment by providing tax abatements for 15 companies.
- The Enterprise Zones in Prineville and Ontario, Oregon attracted Facebook to Oregon. Facebook selected Prineville resulting in approximately 200 construction jobs to build a 300,000 sq ft facility. When the project is finished a minimum of 35 full time jobs will be created for Facebook's data center.
- Gresham's Enterprise Zone, approved in 2006, has proven to be an exceptional retention and expansion tool for existing Gresham manufacturing companies. Since its approval, the Gresham Enterprise Zone has helped 5 companies invest more than \$220 million in new equipment and buildings, has retained 185 jobs and created more than 500 new family wage jobs. The Enterprise Zone program is vital to the City of Gresham and its manufacturing community. The Enterprise Zone continues to provide Gresham an advantage in recruiting companies to locate in Gresham. Gresham's recent recruitment of Solexant was successful in large part because of the Enterprise Zone program.
- Since 1996, Portland's E-Zone programs have leveraged over one billion dollars in private investments and have created and retained over five thousand full-time, quality jobs.
- Roseburg firm First Call Resolution operates a call center and was looking to expand and open a second call center which it located in an enterprise zone in Grants pass. Sixty-six new full time jobs were created in 2010 and the company expects to create up to 180 jobs at this facility.
- Southern Oregon is served by three enterprise zones – an Urban Enterprise Zone in Medford, a rural enterprise zone in Jackson County and a rural enterprise zone covering Grants Pass and Josephine County areas. These zones have been supporting the expansion and new investments by traded sector businesses for over fifteen years and have generated new investments of over \$184 million and created at least 2,350 new jobs for our region. In addition, both the Medford Urban Enterprise Zone and the newly named Rogue Enterprise Zone covering all communities of Josephine County have E- Commerce overlay option have been instrumental in supporting the rapidly growing internet commerce sector of our regional economy.
- Garmin Manufacturing in Salem was able to stay in Salem, upgrade its facility, retaining 157 jobs and adding 67 more jobs for a total of 224 family wage jobs. It expects to hire 250 more employees for a separate E-commerce support center.

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