

February 6, 2012

## **HB 4093 – Enterprise and e-commerce zones**

The League of Oregon Cities, Association of Oregon Counties and Oregon Economic Development Association strongly support HB 4093, which would:

- expand the number of enterprise zones the Oregon Business Development Department can approve from 27 to 35, with rural zones being increased from 17 to 20 and urban zones from 10 to 15;
- enlarge the size of such zones from 12 to 15 miles;
- increase the number of e-commerce enterprise zones from 10 to 20; and
- potentially extend the additional exemption from property taxes from 2 to 3 years.

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. Currently, there are 60 enterprise zones located around the state.

Several cities are interested in sponsoring new zones, including the cities of Beaverton, Tigard, Tualatin and Sherwood.

To qualify for an enterprise zone, a municipality must demonstrate economic hardship with:

- household median income being 80% or less of state median income; or
- local unemployment rate that is 2 percentage points or more above comparable state unemployment rate, based on the most recent annual figures.

The Oregon Business Development Department can consider alternative but equally strict threshold criteria by rule. A municipality can also include additional requirements such as local purchasing agreements for an enterprise zone.

E-Commerce zones must be located in enterprise zones, and must be engaging in business primarily over the Internet. In addition to being exempt from property taxes for new plants and equipment, the e-

commerce designation allows qualified businesses to be eligible for income tax credits based on capital investments. Local governments, such as Gresham and Beaverton, are interested in creating e-commerce zones.

**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.
- 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.
- 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.
- 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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