

REVENUE: Revenue statement issued

FISCAL: Fiscal statement issued

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<b>Action:</b>	Do Pass as Amended, Be Printed Engrossed, and Be Referred to the Committee on Ways and Means by Prior Reference
<b>Vote:</b>	5 - 1 - 0
<b>Yeas:</b>	Edwards, Girod, Monroe, Starr, Beyer
<b>Nays:</b>	Thomsen
<b>Exc.:</b>	0
<b>Prepared By:</b>	Patrick Brennan, Administrator
<b>Meeting Dates:</b>	3/18, 4/15

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**WHAT THE MEASURE DOES:** Establishes Oregon Industrial Site Readiness Program Fund and continuously appropriates moneys from Fund to Oregon Business Development Department. Directs Department to establish and administer Oregon Industrial Site Readiness Program to enter into tax reimbursement arrangements with, and to make loans to, qualified project sponsors for development of certified, regionally significant industrial sites. Allows Department to forgive portions of loans in cases where project sponsor contracts with eligible employer. Limits loan forgiveness to lesser of percentage of eligible site preparation costs or estimated incremental income tax revenues. Takes effect on 91<sup>st</sup> day following adjournment sine die.

**ISSUES DISCUSSED:**

- Impact of limited supply of large industrial sites
- Findings of study on site readiness in Portland metro area and statewide
- Potential economic and job growth of improved industrial site availability
- Potential environmental impacts

**EFFECT OF COMMITTEE AMENDMENT:** Replaces references to “state and regional industrial sites” with “regionally industrial sites.” Revises definitions of “project sponsor” and “regionally significant industrial site.” Allows Department to enter into tax reimbursement arrangements with qualified project sponsors. Revises qualification for regionally significant site for purposes of measure. Extends from five years to seven years the time limit for forgiveness of loan when a project sponsor enters into a contract to conduct business with an eligible employer in the traded sector industry on a regionally significant industrial site.

**BACKGROUND:** Currently, there is a lack of large sites available for industrial development in Oregon. Such sites are considered an integral part of efforts to expand and improve the state’s economy and to attracting and retaining large employers to the state. There has been a consistent interest in potential sites for industrial development of 50 acres and up, even through the recent recession. Senate Bill 766 (2011) sought to address this by providing a process for expediting the review and permitting process for significant industrial sites.

Senate Bill 246-A establishes the Industrial Site Readiness Program, which includes a fund through which the Oregon Business Development Department would be able to make loans or provide tax reimbursement for development of industrial sites designated as regionally significant.

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: SB 246 - A**

Seventy-Seventh Oregon Legislative Assembly – 2013 Regular Session  
Legislative Fiscal Office

***Only Impacts on Original or Engrossed  
Versions are Considered Official***

Prepared by: Krista McDowell  
Reviewed by: Steve Bender  
Date: 4/18/2013

**Measure Description:**

Requires Oregon Business Development Department to establish and administer Oregon Industrial Site Readiness Program to make loans to qualified project sponsors for development of certified state and regionally significant industrial sites.

**Government Unit(s) Affected:**

Business Development Department (Business Oregon)

**Local Government Mandate:**

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**Analysis:**

This fiscal impact statement is for the purpose of transmitting the measure from the Senate Committee on Business and Transportation to the Joint Committee on Ways and Means. Initial fund allocation and biannual appropriation will need to be determined in addition to clarifying qualifications regarding loan forgiveness. The Business Development Department anticipates having a fiscal impact associated with this bill, the amount of this impact is still being determined. A more complete fiscal analysis on the bill will be prepared as the measure is considered in the Joint Committee on Ways and Means

Further Analysis Required

**REVENUE IMPACT OF  
PROPOSED LEGISLATION  
Seventy-Seventh Oregon Legislative  
Assembly  
2013 Regular Session  
Legislative Revenue Office**

**Bill Number: SB 246-A  
Revenue Area: General fund/lottery  
Economist: Mazen Malik  
Date: 04/21/2013**

***Only Impacts on Original or Engrossed  
Versions are Considered Official***

**Measure Description:**

Requires Oregon Business Development Department to establish and administer Oregon Industrial Site Readiness Program to make loans to qualified project sponsors for development of certified state and regionally significant industrial sites.

**Revenue Impact (in \$Millions):**

The establishment of the fund and the way by which it will be seeded will have impacts on revenue. This measure is referred to the Joint committee on ways and means. This statement is issued to assist in this movement.

**Impact Explanation:**

This Measure establishes the Industrial Site Readiness Program, which includes a fund through which the Oregon Business Development Department would be able to make loans for development of industrial sites designated as regionally or state significant. This measure as it develops and gets amended will have a change and impacts on state revenue. This will be further examined as it moves to the ways and means committee.

**Creates, Extends, or Expands Tax Expenditure: Yes  No**

The loan forgiveness portion of this measure might be a tax expenditure that needs to be evaluated.

**Further Analysis Required**

**A-Engrossed**  
**Senate Bill 246**

Ordered by the Senate April 22  
Including Senate Amendments dated April 22

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 Senate Interim Committee on Business, Transportation and Economic Development)

**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.

Requires Oregon Business Development Department to establish and administer Oregon Industrial Site Readiness Program to **enter into tax reimbursement arrangements with, or to make loans to, qualified project sponsors for development of certified [*state and*] regionally significant industrial sites. Allows department to forgive portions of loans where project sponsor contracts with eligible employer. Limits loan forgiveness to lesser of percentage of eligible site preparation costs or estimated incremental income tax revenues.**

Establishes Oregon Industrial Site Readiness Program Fund. Continuously appropriates moneys in fund to Oregon Business Development Department.

Takes effect on 91st day following adjournment sine die.

**A BILL FOR AN ACT**

1  
2 Relating to the Oregon Industrial Site Readiness Program; appropriating money; and prescribing an  
3 effective date.

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

5 **SECTION 1. The Legislative Assembly finds that:**

6 **(1) Traded sector industries are the foundation of state and regional economic develop-**  
7 **ment strategies for long-term prosperity and job creation.**

8 **(2) Industrial development that provides new traded sector jobs reinforces the economies**  
9 **of local and regional communities and contributes to the economic recovery of the State of**  
10 **Oregon.**

11 **(3) There is a shortage of market-ready regional industrial sites in this state. Project**  
12 **sponsors have limited financial tools to facilitate development of significant and complex in-**  
13 **dustrial sites that are appropriate for traded sector industrial use.**

14 **(4) Public assistance is necessary to overcome development-related constraints and to**  
15 **incentivize industrial site development in this state.**

16 **(5) The State of Oregon has a significant interest in the success of regional economic**  
17 **development strategies and is the primary beneficiary from increased income tax revenues**  
18 **generated by such economic development. These revenues should be shared and invested in**  
19 **facilitating significant site development for traded sector industrial use in this state.**

20 **SECTION 2. As used in sections 1 to 5 of this 2013 Act:**

21 **(1) "Compensation" has the meaning given that term in ORS 314.610.**

22 **(2) "Eligible employer" means an employer that:**

23 **(a) Has entered into a contract with a project sponsor to conduct a business in the traded**

**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 sector industry on a regionally significant industrial site; and

2 (b) Has hired one or more full-time employees who are residents of this state and whose  
3 compensation averages at least the county or state average in annual per employee com-  
4 pensation, whichever is less.

5 (3) "Estimated incremental income tax revenues" means the Oregon personal income tax  
6 revenues that are estimated pursuant to section 4 of this 2013 Act to be substantially  
7 equivalent to the amount of tax that employees of an eligible employer who are hired after  
8 the eligible employer enters into a contract with a qualified project sponsor to conduct a  
9 traded sector business on a certified regionally significant industrial site will be required to  
10 pay under ORS chapter 316 as a result of compensation paid to the employees by the eligible  
11 employer in the tax years beginning with the tax year following the fifth tax year in which  
12 a project sponsor was qualified under section 3 of this 2013 Act.

13 (4) "Industrial use" means employment activities, including but not limited to manufac-  
14 turing, assembly, fabrication, processing, storage, logistics, warehousing, importation, dis-  
15 tribution, transshipment and research and development, that generate income from the  
16 production, handling or distribution of goods or services, including goods or services in the  
17 traded sector.

18 (5) "Project sponsor" means:

19 (a) A public owner of a regionally significant industrial site that is investing in prepara-  
20 tion of the site for industrial use by a third party; or

21 (b) A public entity that has entered into a development or other agreement with the  
22 private owner of a regionally significant industrial site to prepare the site for industrial use.

23 (6) "Regionally significant industrial site" means an area planned and zoned for industrial  
24 use that:

25 (a)(A) Contains a site or sites, including brownfields, that are suitable for the location  
26 of new industrial uses or the expansion of existing industrial uses and that can provide sig-  
27 nificant additional employment in the region;

28 (B) Has site characteristics that give the area significant competitive advantages that  
29 are difficult or impossible to replicate in the region; and

30 (C) Has superior access to transportation and freight infrastructure, including but not  
31 limited to rail, port, airport, multimodal freight or transshipment facilities and other major  
32 transportation facilities or routes; or

33 (b) Is land designated by Metro, as defined in ORS 197.015, as a regionally significant in-  
34 dustrial area.

35 (7) "Traded sector" has the meaning given that term in ORS 285A.010.

36 **SECTION 3.** (1) In consultation with the Department of Revenue, the Oregon Business  
37 Development Department shall establish and administer the Oregon Industrial Site Readiness  
38 Program. The purpose of the program is to:

39 (a) Enter into tax reimbursement arrangements with qualified project sponsors pursuant  
40 to subsection (5) of this section; or

41 (b) Provide loans, including forgivable loans, to qualified project sponsors pursuant to  
42 subsection (5) of this section.

43 (2)(a) Subject to standards and procedures that the Oregon Business Development De-  
44 partment shall establish by rule, the department shall certify regionally significant industrial  
45 sites for inclusion in the program.

1 (b) A regionally significant industrial site certified under this section must be an indus-  
2 trial site that is planned and zoned for industrial use.

3 (3) A project sponsor may apply to participate in the program by submitting an applica-  
4 tion and development plan in writing in a form prescribed by the department by rule.

5 (4) The department shall establish by rule criteria and standards for the qualification of  
6 project sponsors to participate in the program.

7 (5) Upon qualification of a project sponsor under this section, the department may:

8 (a) Enter into a tax reimbursement arrangement with the project sponsor pursuant to  
9 which the project sponsor shall receive 50 percent of the estimated incremental income tax  
10 revenues generated by an eligible employer per tax year until the total investment of the  
11 qualified project sponsor in the eligible site preparation costs established under subsection  
12 (7) of this section has been recovered. The tax reimbursement arrangement shall end upon  
13 recovery of all eligible site preparation costs, including interest.

14 (b) Enter into a loan agreement with the project sponsor under terms and conditions  
15 specified and required by the department. The agreement may specify that a portion of the  
16 loan may be forgiven if the project sponsor enters into a contract with an eligible employer  
17 to conduct a business in the traded sector industry on a regionally significant industrial site  
18 within seven years after the project sponsor was qualified under this section.

19 (6) The total amount of the loan forgiveness that may be allowed under subsection (5)  
20 of this section is the lesser of:

21 (a) 50 percent of the total cost of eligible site preparation costs; or

22 (b) 50 percent of the amount of the estimated incremental income tax revenues for the  
23 eligible employer.

24 (7) The department shall establish, by rule, eligible site preparation costs including, but  
25 not limited to, some or all of the following:

26 (a) Acquisition and assembly costs associated with creating large development parcels.

27 (b) Transportation improvements such as access roads, intersections, turning lanes,  
28 signals, sidewalks, curbs, transit stops and storm drains.

29 (c) Water and sewer infrastructure.

30 (d) Natural resource mitigation.

31 (e) Site grading activities.

32 (f) Environmental remediation and mitigation activities to address brownfields issues in  
33 accordance with state and federally approved remediation plans.

34 (g) Planning, engineering and administrative costs associated with applying for necessary  
35 local, state and federal permits.

36 (h) Interest-carrying costs incurred by a project sponsor for borrowing undertaken to  
37 develop a regionally significant industrial site, not to exceed 20 percent of the total amount  
38 forgiven, if any, under subsection (5) of this section.

39 **SECTION 4.** The Director of the Oregon Business Development Department, in consul-  
40 tation with the Director of the Department of Revenue, shall:

41 (1) Determine the amount of estimated incremental income tax revenues attributable to  
42 each certified regionally significant industrial site.

43 (2) Rely on reasonable techniques of estimation in making the determination under sub-  
44 section (1) of this section.

45 (3) Transfer 50 percent of the amount determined under subsection (1) of this section to

1 the Oregon Industrial Site Readiness Program Fund established in section 5 of this 2013 Act.

2 (4) Disburse moneys to eligible project sponsors from the Oregon Industrial Site Read-  
3 iness Program Fund as provided in the tax reimbursement arrangements or loan agreements  
4 entered into under section 3 of this 2013 Act.

5 (5) Adopt rules to administer and implement the provisions of this section.

6 **SECTION 5.** The Oregon Industrial Site Readiness Program Fund is established in the  
7 State Treasury, separate and distinct from the General Fund. The Oregon Industrial Site  
8 Readiness Program Fund consists of amounts deposited in the fund and other moneys  
9 transferred to the fund. Amounts in the fund are continuously appropriated to the Oregon  
10 Business Development Department for the purposes of entering into tax reimbursement ar-  
11 rangements and making loans under section 3 of this 2013 Act and paying the costs and ex-  
12 penses of the Oregon Business Development Department in connection with the  
13 implementation and administration of sections 1 to 5 of this 2013 Act.

14 **SECTION 6.** The Oregon Business Development Department shall report on the Oregon  
15 Industrial Site Readiness Program to the committees of the Seventy-eighth Legislative As-  
16 sembly with authority over the subject area of economic development during the 2015 regular  
17 session.

18 **SECTION 7.** This 2013 Act takes effect on the 91st day after the date on which the 2013  
19 regular session of the Seventy-seventh Legislative Assembly adjourns sine die.

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