

Industrial Site Readiness: Jobs and Prosperity for Oregonians

Industrial Site Readiness: The Case for Senate Bill 34 (2019)

Since 2013, a broad coalition of interests in the public, private and nonprofit sectors has been advocating for policy and funding to help build a competitive supply of market-ready industrial sites statewide. The availability of such industrial sites is a key asset for areas hoping to expand or attract traded-sector businesses that create family wage jobs and provide critical tax base for education and other public services.

Many regions of the state lack an adequate supply of such sites. Even when land is zoned, planned and designated for future industrial jobs, significant capital investments (e.g., infrastructure, brownfield cleanup, wetland mitigation and site aggregation) may be required to make sites market ready. Many local jurisdictions are unable to afford these investments or are not in a position to incur significant up-front costs by themselves.

Original Solution: Senate Bill 246

The Legislature addressed this problem in 2013 by creating the Oregon Industrial Site Readiness Program. Senate Bill 246 authorized Business Oregon to offer partially forgivable loans or reimbursement of project costs to help public sector sponsors remove constraints to market readiness on regionally significant industrial sites in exchange for job creation commitments. These loans and reimbursements would be funded by a portion of the income taxes generated by new employment made possible by the project.

To date, there are two sites that have been designated, two applications that are being processed, and 10 local governments that are preparing applications for the tax reimbursement portion of the Industrial Site Readiness Program. This list includes nine rural areas and three urban areas: Madras, Canby, Wilsonville, Klamath Falls, Hillsboro, Port of Morrow, Port of Portland, Scappoose, Lakeview, Woodburn, Albany and Waldport. Due to a lack of startup funding for the loan program, loan funding has not been available.

Current Problem: Why Changes Are Needed

Business Oregon and Governor Brown have proposed three statutory changes to increase access to the Industrial Site Readiness Program in all parts of Oregon, but most notably in rural communities. The Industrial Land Coalition also requests funding to capitalize the loan portion of the program to expand access for communities unable to finance site readiness investments.

Changes Requested

- Reduce average annual wage threshold from 150% to 130% of county/state average annual wage. The reduced wage threshold is intended to expand opportunities for rural communities to participate in the program. This change is based on stakeholder feedback from across Oregon and Business Oregon's 2017 analysis of average wages from projects across the state that showed an average annual wage of 118%. Similar changes are being proposed in the Enterprise Zone Program.

Apply wage/job threshold to combined jobs from all eligible employers on designated sites vs. jobs for each employer (25 jobs in rural areas, and 50 jobs in urban areas). This clarification, which focuses on the number of jobs created rather than the

Industrial Land Coalition

Oregon Economic
Development
Association

Oregon Business
Council

Oregon Business &
Industry

Oregon Public Ports
Association

Association of Oregon
Counties

League of Oregon Cities

1000 Friends of Oregon

NAIOP, Oregon Chapter
– The Commercial Real
Estate Development
Association

Economic Development
for Central Oregon
(EDCO)

Strategic Economic
Development
Corporation (SEDCOR)

Southern Oregon
Regional Economic
Development, Inc.
(SORED)

Greater Eastern Oregon
Development
Corporation

Port of Morrow

Port of Portland

Metro

Portland Business
Alliance

Clackamas County

City of Portland

City of Wilsonville

number of employers, reflects the intent of the original 2013 legislation and will benefit all participants in the program.

- Allow private property owner reimbursement limited to 50% of site readiness costs. Many prime industrial sites in the state are privately held. In some communities, all industrial sites are privately held. The original legislation envisioned that public sponsors could partner with private landowners in a development agreement to pursue site readiness on private industrial sites; however, the legislative history on this was unclear. This change is intended to allow reimbursement of up to 50% of site readiness costs for private landowners, excluding acquisition and assembly costs.
- Provide \$5 million in funding to capitalize the loan portion of the program. This small investment in loan funding allows smaller, rural communities to work with Business Oregon on site readiness challenges as well as larger local governments with more revenue and debt capacity. The Industrial Land Coalition will separately request that this funding be included in Business Oregon's budget.

How is the state protected in Senate Bill 34?

- Any shared revenues come from income taxes that would not have been received "but for" the investments made under this program.
- The local project sponsor bears all the risk if the site underperforms; less income tax revenue means less reimbursement or loan forgiveness to the project sponsor. If no development occurs, there is no reimbursement or loan forgiveness.
- The only risk to the state is the highly unlikely scenario of a local project sponsor defaulting on a loan. In the case of reimbursements, there is no risk to the state since there is no outlay of funds until income taxes are already flowing into state coffers.

Taken together, the proposed statutory changes and funding can help build a competitive supply of market-ready industrial lands needed to drive Oregon's economic growth over the next 20 years. The potential economic benefit from successful traded-sector development (direct and indirect jobs, income and property tax revenues) that remains unrealized due to site constraints is significant. Growth in income tax revenues would make the state's general fund the largest beneficiary from an increase in traded-sector industrial jobs. By helping to reduce barriers to traded-sector industrial development, the Oregon Industrial Site Readiness Program should provide significant return on investment to both the state and local governments.

For questions, contact:

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