

AGENCY OVERVIEW

CHRIS HARDER



Core Agency Functions

- Business Retention, Expansion, and Recruitment
- Infrastructure Financing
- Innovation and Entrepreneurship
- Arts and Culture

Hermiston Water system and Lamb Weston Expansion



Program Additions over time

- 1985: Oregon Lottery created to fund economic development
- 1993: Arts Commission added to Agency
- 2003: Cultural Trust added to Agency
- 2005: Oregon Innovation Council established
- 2008: Certification Office for Business Inclusion and Diversity added from DCBS
- 2009: Infrastructure Finance Authority established
- 2011: Manufacturing Business Energy Tax Credit added from Energy (2013 sunset)
- 2011: New Market Tax Credit established (2016 sunset)
- 2013: Seismic Rehabilitation Program added from Military
- 2014: Oregon Growth Board added from Treasury
- 2018: Broadband Office established



VISION:

Prosperity for all Oregonians

MISSION:

**We invest in Oregon businesses, communities,
and people to promote a globally competitive,
diverse, and inclusive economy**

Strategic Priorities

1. Innovate Oregon's economy
2. Grow small and middle-market companies
3. Cultivate rural economic stability
4. Advance economic opportunity for underrepresented people
5. Ensure an inclusive, transparent, and fiscally healthy agency

Shifts in Action

- Public and community benefits program
- Social impact investments through Oregon Growth Fund
- Regional offices to better serve rural communities
- Oregon InC focus on R&D and new product development
- Creation of Oregon Royalty Fund
- Use of Strategic Reserve Fund

BUSINESS INCENTIVES



Governor's Strategic Reserve Fund

- Discretionary incentive program (ORS 285C.266)
- New Approach: Mix of Job Creation & Capacity Development
- Robust process, financial review, and Governor's approval
- 2017-19 Biennium had 22 projects:
 - 2/3 projects in rural Oregon (15 Rural , 7 urban)
 - \$5.3 million in SRF awards, leveraging \$435m in private investment
 - 1,086 new jobs created // 2,083 jobs retained

Public Benefits Framework

- Additional opportunities for community benefit
 - Workforce Development & Equitable Job Access
 - Diversity, Equity, & Inclusion (DEI)
 - Community Engagement
 - Environmental Sustainability

More Business Incentives

- Enterprise Zones
- Strategic Investment Program
- Oregon Investment Advantage
- Business Expansion Program

Enterprise Zones

- ORS 285C.050–285C.250, 285C.400–285C.420
- Local property tax exemption for new buildings and equipment.
- Local governments administer abatements, Business Oregon oversees zone creation and provides technical assistance.
- **3–5** year exemption; **7–15** allowed in some rural zones.
- Businesses report **34,000 employees** within the standard program, of which **13,000** were direct, full-time jobs newly created inside the zone.
- **260 business** projects in standard program in 2017-18.

Strategic Investment Program

- ORS 285C.600 – 285C.635
- Locally-driven program exempts very large projects from a portion of county property tax
- Property value in excess of \$25m, \$50m or \$100m, initially, is exempt for 15 years
- Company pays community service fee and more as negotiated locally
- **5,223** new jobs, **7,247** retained in 2018
- **17** current users, **\$31.2 billion** in capital investment

Oregon Investment Advantage

- ORS 285C.500 – 285C.506
- Exempts portion of state income tax relative to new operations in distressed areas (15 counties)
- Facility must be first of its kind for the company in Oregon and not compete with existing local businesses
- **9 companies** using OIA as of close of 2018.

Business Expansion Program

- ORS 285B.600 – 285B.620
- Incentives high-wage jobs in high-growth industries
- Forgivable loans require companies to create and maintain a minimum of **50 jobs at 150%** of local average wage in urban areas and **130%** of local average wage in rural areas
- Maximum loan amount based on estimated income tax revenue from new jobs over **two** years
- *Example:*
First Tech Federal Credit Union, created far more than the **188 jobs** originally anticipated

SMALL BUSINESS FINANCE PROGRAMS

JOHN SARIS



Business Finance Programs

Direct loans, loan guarantees, private activity bonds

- **Intent:**

Leverage private capital, geographic diversity, increase financial capacity, and support business expansion/retention

- **Funding:**

Non-recurring appropriations (Lottery, General, Federal Funds), Other Fund limitation

Delegation of Authority

Programs delegate specific authorities to the Oregon Business Development Commission and to the Director.

Early 1990s Commission established the Finance Committee as the complexity and diversity of the Business Finance programs continued to expand.

- Delegated authority to the Finance Committee
 - Bond Resolutions (Intent, Eligibility, Closing)
 - Direct loan awards more than \$250,000
 - Portfolio oversight (fiscal performance, risk rating, program modifications, administrative rule revisions, program efficacy)
 - Reviewing Legislative Concepts

Industrial Development Bonds

- ORS 285A.055, 285B.320-371
- Helps Oregon manufacturers grow by providing long-term financing for land, buildings and equipment through tax-exempt bonds issued by the state of Oregon.
- Lender is exempt from federal income tax on interest income and tax savings passed along to borrower.
- Not a state of Oregon obligation. Lender retains all risk and obligations.
- The **role of Business Oregon** is to ensure that the project meets the eligibility requirements of the Internal Revenue Code.

Capital Access Program

- ORS 285B.109-119
- CAP helps banks and credit unions make commercial loans to small businesses for business startup or expansion
- Loan proceeds can be used for the acquisition of fixed assets and working capital

2015-17:

- Enrolled **44 loans** matching \$92,146 in borrower, lender fees
- Leveraged **\$2,628,695 in private funding**
- Projected to create and retain **186 jobs**

Credit Enhancement Fund

- ORS 285B.200-218
- Loan insurance program available to private lenders to assist businesses with loans and lines of credit
- Available to most businesses statewide regardless of industry
- Insurance fee of **1.25% to 3.5%** (1 to 15 year term)
- Covers up to **80%** of the loan with a **cap of \$2m** and **15-year** term
- Covers up to **75%** of the lender's line of credit with a maximum term of one-year

Oregon Business Development Fund

- ORS 285B.050-098
- **Direct loans** to small businesses
- Revolving loan fund, fixed-rate financing for land, buildings, equipment, and working capital.
- Participants must project to create or retain jobs and must be traded-sector.

2015-17:

- **21 loans** totaling **\$6.7m** approved funding
- Leveraged **\$29.5m** in private funding
- Projects projected to create/retain **363 jobs**

Entrepreneurial Development Loan Fund

- ORS 285B.740-758
- Direct loans to help start-ups and micro-enterprises expand or become established in Oregon.
- Fills a niche not typically available through traditional lending markets.

2015-17

- **9** loans totaling **\$353,000**
- Leveraged **\$1,258,784** in private funding
- Projected to create **37** jobs

Oregon Royalty Fund

- ORS 285B.050
- Direct loans to help traded-sector, high-growth companies grow in Oregon.
- Fills a niche not typically available through traditional lending markets providing capital typically used for sales and marketing.
- Benefits: retain ownership and control, demonstrate proof of concept, attract future equity funding, repayment aligned with sales.

2015-18:

- **10 loans** totaling **\$1,979,100**
- Projected to create more than **40 jobs**

COBID

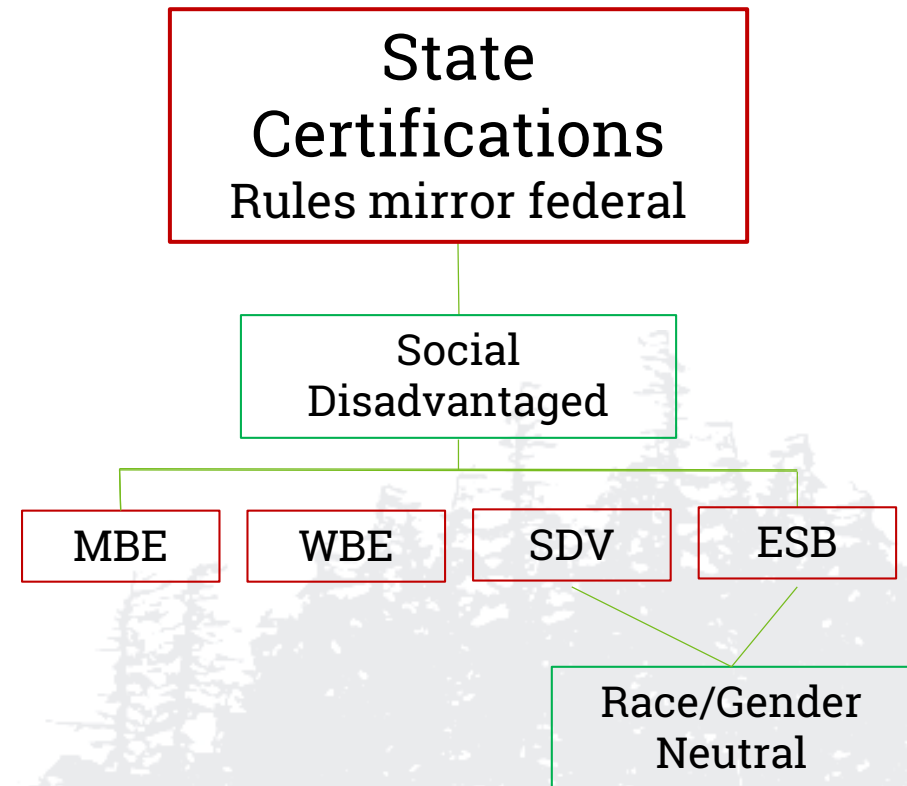
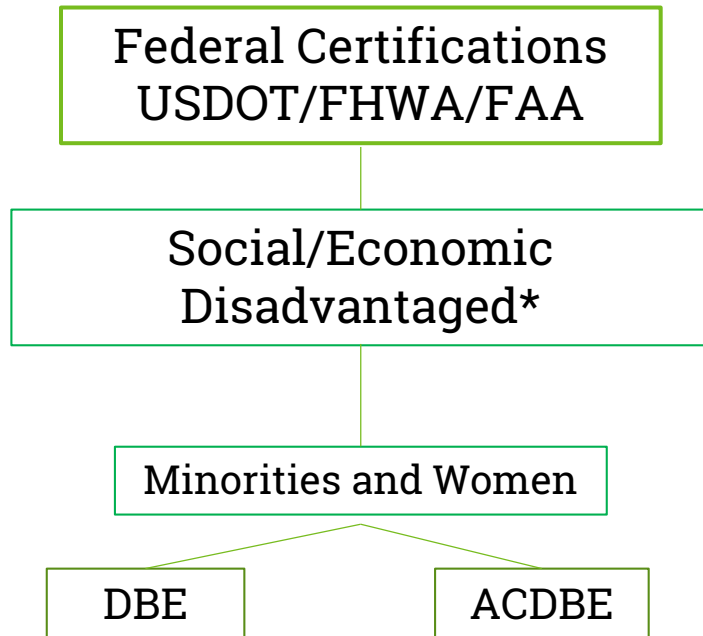
CARRIE BAXANDALL



Certification Office for Business Inclusion and Diversity (COBID)

- Six certifications to level the playing field for businesses owned and managed by *minorities, women, service-disabled veterans, and emerging small* business
- Certifications are primarily used on public contracting opportunities – may also include hospitals, universities, and large private companies

COBID

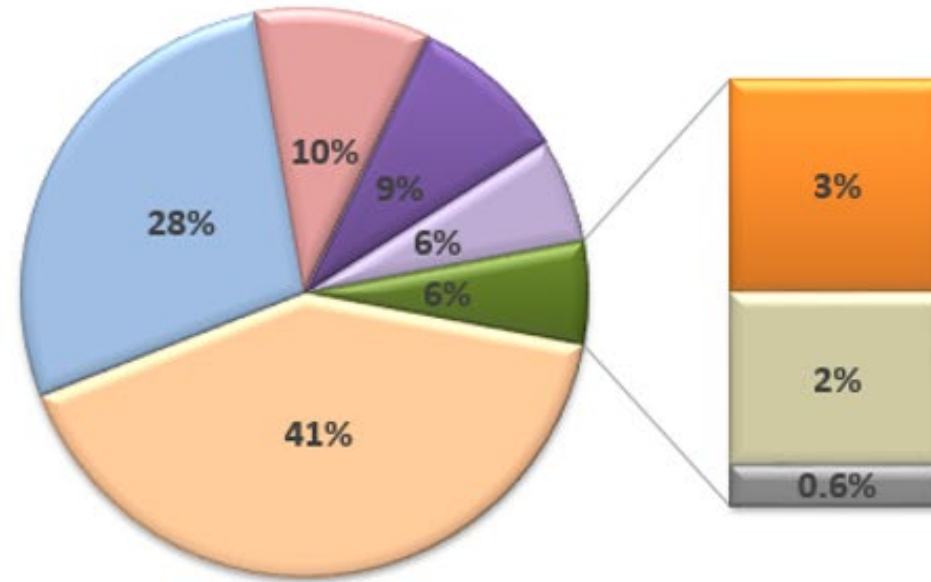


*Less than \$1.32m Personal Net Worth and/or <\$350k personal annual salary over a 3-year annual average

Certification Office for Business Inclusion and Diversity (COBID)

- **\$2.4m** Other Funds (2019-21 GRB)
- **4,245 firms** submitted applications in 2018
 - New: 997
 - Yearly notification: 2,286
 - 3 yr. Review: 884
 - Interstate: 62
 - Expansion: 16
- As of May 9, 2019, there are approximately **3,419** actively certified firms
- **64** outreach events in 2018

COBID Statistics



■ Caucasian (White) Female

■ Caucasian (White) Male

■ Hispanic

■ African American (Black)

■ Asian Pacific

■ Native American (Indian)

■ Subcontinent Asian (Asian Indian)

■ Other

COBID 2018 Statistics

- **Total Decertified – 335**

- 323 Failure to communicate
- 12 No longer qualify

- **Total Denied – 50**

- 24 Failure to communicate
- 26 Did not qualify

- **Withdrawals – 229**

- 84 Did not qualify
- 145 (i.e., sale of business, no longer wishing to participate, etc.)

