

PROJECT SYNOPSES: OREGON ENTERPRISE ZONES

June 2011

SALEM, OREGON

FOREWORD

...

have assembled this compendium of various examples, anecdotes, case studies, testimonials, and the like, with respect to how enterprise zones have decisively helped induce new investment and job creation in an Oregon community that has exhibited economic hardship.

Many more synopses are possible. What's here reflects essentially the convenient availability of textual material. Many more great projects deserve such accounts, including those in regions and in a number of enterprise zones going unrepresented in the present draft.

A document of this type defies summary distillation. Rather, it offers the reader a sense of how diverse enterprise zone activity is, and how the zones help strengthen Oregon communities. Nevertheless, several observations are possible.

Key takeaways

- The objective is to **incentivize** (not subsidize) new development by “traded-sector” industries—that is, not firms competing locally in retail services.
- In practice, this typically involves companies already operating in the zone, even as competitive, interstate opportunities arise for new facility development.
- A notably recurring situation is a business that outgrows its space and needs to move, and it is considering attractions beyond Oregon, but a nearby enterprise zone encourages the firm to re-locate within the immediate region.
- In addition, intra-firm competition arises, in which the enterprise zone gives an existing Oregon facility the edge in winning new capital investments within a large corporation, in which various facilities are competing for essentially the same project.
- A common challenge that new and existing businesses face is a lack of selection among suitable sites, such that the enterprise zone is a way for the public sector to help offset or ameliorate the costs or hurdles arising from land-use or other regulations.
- Types of businesses or industries using enterprise zones in Oregon run the gamut.
- All parts of the state are participating and utilizing this program, even as much of the effort to promote projects and their impact is specific to the local community.
- Examples here are overrepresented by the much fewer projects that involve a sizeable investment in new capital, for which the inducement of the zone (and the property taxes involved) will be much more substantial. (The enterprise zones serve many more projects in terms of smaller investment and company size)

Document organization

The INTRODUCTION briefly explains how these incentives work primarily to exempt new plant & equipment (not existing property) from local taxes for a defined period – normally only three years – subject to employment or other criteria. This tax abatement directly enhances the cash flow and attractiveness of investing and hiring to a greater and sooner extent than might otherwise occur. Special state income tax credits may also be available in targeted cases.

This compendium organizes and presents project synopses based on the 60 Districts that currently define election to the Oregon Legislative Assembly's House of Representatives. (Every two House Districts correspond to a State Senate District) In some cases, two or more Districts are combined when intertwined by a particular enterprise zone.

Using House Districts is relevant and instructive for two reasons:

- ❖ The enterprise zone system, like anything related to taxation, arises specifically from state statutes (ORS). It has regularly and repeatedly been a matter of discourse and action by Oregon legislators since 1985.
- ❖ House District boundaries reflect population density and urbanization across the state. As shown in the MAP OF ZONES BY HOUSE DISTRICT, 15 of 60 Districts contain no part of an enterprise zone, while physically larger districts tend to have more designations. These facts affirm the generally **rural nature** of Oregon's enterprise zone system, even as proportionally more zone employment occurs in urban or Willamette Valley zones, where the vast majority of economic activity in Oregon remains concentrated.

Localness and further evaluation

This type of compendium is not a substitute for quantitative, analytical efforts to evaluate the performance of enterprise zone tax incentives. Although much of the general research is not relevant to the programs in Oregon, a few such efforts have taken place specific to Oregon enterprise zones – SEE APPENDIX A – but they will inevitably encounter limitations with data and so forth.

Therefore, the examples found here not only offer insight into the everyday workings of Oregon enterprise zones, but this sort of anecdotal evidence can also supplement, complement and corroborate other techniques to evaluate the efficacy of tax incentives for business development as are meant to improve local economic opportunities.

Finally, even as state law closely prescribes the operation of the enterprise zones, each zone has a local sponsor in the form of city, port and county governments or an Indian tribe. This zone sponsor administers the tax incentives for business firms. In addition to technical and marketing assistance by state agencies, the director of BUSINESS OREGON is responsible for the designation and amendment of zone boundaries. APPENDIX B documents the **local-state nature** of Oregon enterprise zones, as mirrored by the partnership in creating this compendium.

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INTRODUCTION

General background on Oregon enterprise zones

Throughout the world, one finds different types of “enterprise zones.” Oregon’s version has been in existence since the mid-1980s: In areas meeting certain measures of economic hardship, the zone offers tax savings to induce additional investment and employment by (essentially non-retail) business firms. For many Oregon communities, this is the only true incentive available in pursuit of business growth and expansion. Its effectiveness involves a short-term but fairly upfront and certain benefit for the business project’s future cash flow.

ORS 285C.055 (2009) sums up the purpose for enterprise zone legislation, first enacted by the Oregon Legislature in 1985, as follows:

“... [T]he health, safety and welfare of the people of this state are dependent upon the continued encouragement, development, growth and expansion of employment, business, industry and commerce throughout all regions of the state, but especially in those communities at the center of or outside of major metropolitan areas for which geography may act as an economic hindrance. The Legislative Assembly further declares that there are areas in the state that need particular attention of government to help attract private business investment into those areas and to help resident businesses to reinvest and grow and that many local governments wish to have tax incentives and other assistance available to stimulate sound business investments that support and improve the quality of life.”

NUMBER, SIZE & DURATION – Currently, 60 enterprise zones are designated: 48 being rural, 12 urban. The boundary of a zone may be noncontiguous but must encompass no more than 12 square miles and conform to maximum distances. Each zone terminates after 10 years, at which time local communities may re/apply to BUSINESS OREGON (Oregon Business Development Department).

HOW IT WORKS – In exchange for expanding or locating in an enterprise zone, an eligible business firm receives total exemption from the property taxes normally assessed on its **new** plant & equipment.

LOCAL DETERMINATION – Sponsored by local city/port/county governments or tribal governments, an enterprise zone serves as a focal point for local development efforts and incentives. One hundred ten (110) cities in 34 counties currently use enterprise zones to create better economic opportunities.

ROLE OF STATE AGENCY – BUSINESS OREGON is responsible for designations, terminations and changes to zone boundaries. In cooperation with the Department of Revenue and other state agencies, it provides administrative rules, information materials, training, technical assistance and marketing support to local governments and county assessors for implementing business tax incentives.

LOCAL APPLICATION & DESIGNATION – Cities, ports and counties anywhere in Oregon may apply for designation of an enterprise zone. The statutes specify the following two threshold criteria for local economic hardship to qualify: (1) Household median income is 80 percent or less of state median income, or (2) Unemployment rate is 2.0 percentage points or more above comparable state unemployment rate, based on the most recent annual figures.*

* The Oregon Business Development Department can define or consider alternative but equally severe threshold criteria, one of which is location predominantly in a city or county identified as “[distressed area](#),” which is a determination that the department regularly makes for other purposes under ORS Ch. 285A, using an index of economic measures. [NOTE: Oregon also has locally determined “[urban renewal](#)” plan areas to address physical blight through tax increment financing (TIF). Urban renewal does NOT relate to enterprise zones, except for technical and policy considerations regarding property tax revenue and TIF projections.]

STANDARD (3-TO-5-YEAR) PROPERTY TAX EXEMPTION[†] – This is the primary means by which a designated Oregon enterprise zone induces eligible businesses of any size to make additional investments that will improve employment opportunities, spur economic growth and diversify business activity.

BUSINESS FIRM ELIGIBILITY—Before commencing construction/installation, an eligible business firm submits an application for local “authorization.” Eligible firms include manufacturers, processors, shippers and quite a variety of operations that serve other organizations, as well as call centers and headquarter-type facilities. By virtue of local option, hotel/resort businesses are also eligible in some or all of 42 enterprise zones. Otherwise, retail, construction, financial and certain other defined activities are ineligible.

BENEFIT—Qualifying new plant & equipment in the zone is exempt from local *ad valorem* property taxes for at least three and up to five consecutive years (extended abatement). These taxes can deter private investors seeking to enlarge or start operations that involve a substantial capital outlay. In addition (except for hotel/resorts & utilities), there is an exemption for up to two years while the property is being constructed or installed.[‡]

QUALIFIED PROPERTY—A new building/structure, structural modifications or additions, or newly installed machinery or equipment qualify for exemption, but not land, previously used property value and miscellaneous personal property items.

REQUIREMENTS OF BUSINESS FIRM—

Basic, 3-year enterprise zone exemption:

- 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)
- Generally no concurrent job losses outside/beyond the zone boundary
- Maintain minimum employment levels during exemption period
- Enter into first-source agreement with local job training providers
- Satisfy local additional conditions, potentially imposed under an *urban* zone policy.

Extended Abatement, 4 or 5 years of exemption in total ... same as 3-year, plus:

- “Compensation” of new workers at 150 percent of county average wage,[§]
- Local approval by written agreement with the local zone sponsor,
- Additional requirements that local zone sponsor may reasonably request.

LONG-TERM RURAL FACILITY TAX INCENTIVES – In certain rural enterprise zones—those inside a “county with chronically low income or chronic unemployment”—the new property of an entire qualified facility is fully exempt from property taxes during construction and then for 7 to 15 years. With the Governor’s approval, corporate income tax credits can supplement the property tax relief, although these particular credits are unlikely to be usable. These incentives are for rather exceptional investments in terms of investment size and new employment relative to the facility’s location within rural Oregon. A handful of projects are currently exempt under this program.

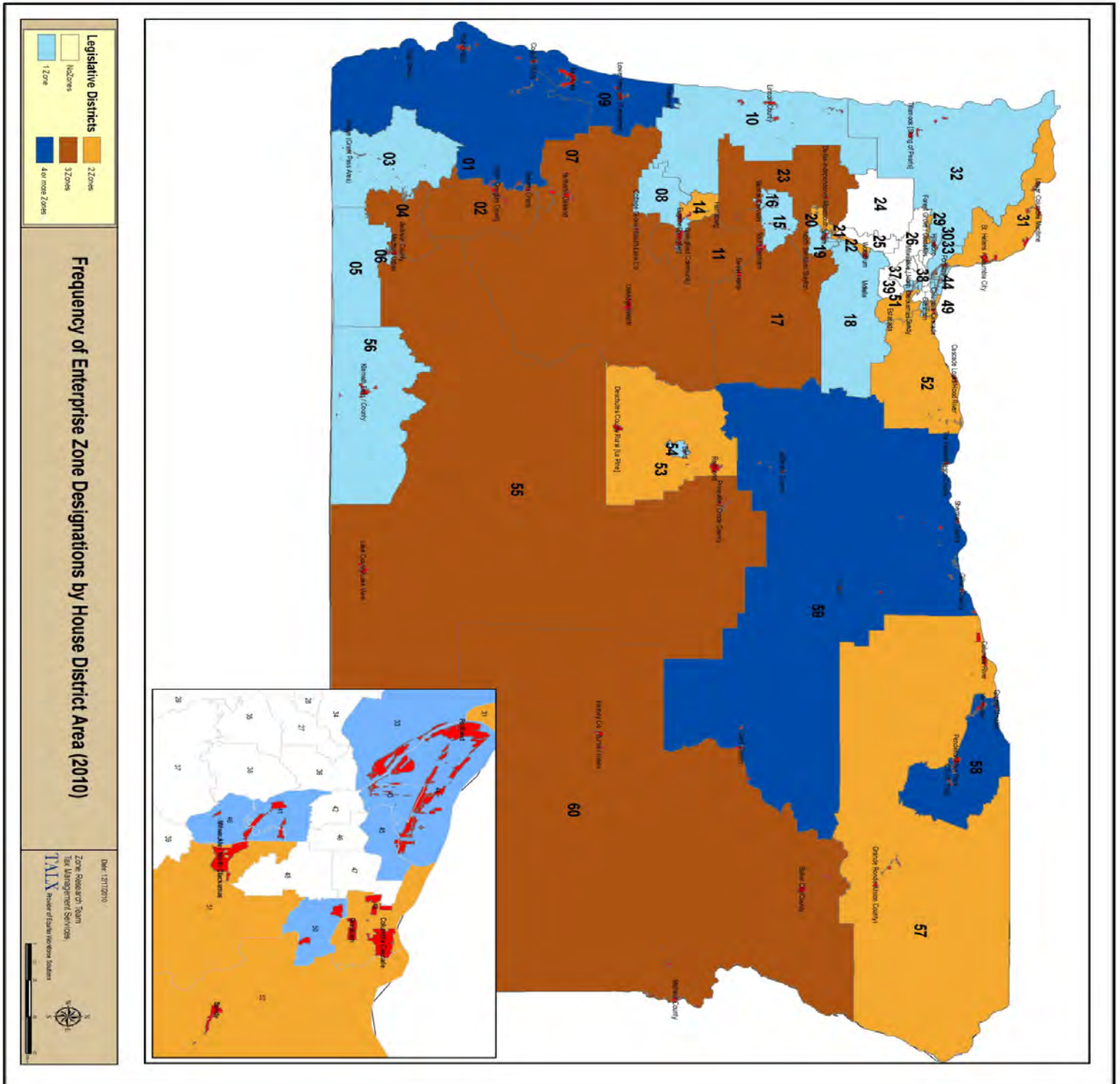
STATE INCOME TAX CREDITS – In up to 10 specially designated zones, any electronic commerce operation may qualify for the standard exemption, in which case the firm can also claim a credit equal to 25 percent of its E-commerce investment. Finally, in a reservation enterprise zone, a credit is available to offset annual tribal taxes imposed on virtually any type of business.

[†] While in no way mandated, BUSINESS OREGON staff has at times worked with annual business-county assessor reports prepared for the Oregon Department of Revenue to produce snapshots of descriptive statistics and charts of annual program activity. The latest such iteration of this snapshot from 2010 is available from BUSINESS OREGON. Same exemption also applies in (countywide) Rural Renewable Energy Development (RRED) Zones.

[‡] The two-year construction-in-process tax abatement arises from what has generally been available statewide to manufacturing facilities for more than 50 years. Two other material benefits of the standard exemption program for authorized business firms are: (1) Local government incentives, such as fee waivers, reduced charges and administrative priority, and (2) The right to acquire surplus, publicly owned real estate for use in the zone.

[§] Other than in an *urban* enterprise zone within the Portland metro area.

MAP OF ZONES BY HOUSE DISTRICT



House Districts out of 60 by Number of Enterprise Zones

15 No zones* | 23 One Zone | 10 Two Zones | 8 Three Zones | 4 Four or more

* Only five Senate Districts have no zones.

NOTE: Some enterprise zones cross district boundaries, so that the same zone is attributed to two or more districts in several cases. (Changes since 2010 not shown; shadings still accurate)

PROJECT SYNOPSES: OREGON ENTERPRISE ZONES

Zones by Oregon House of Representatives District		
Number of Zones	NAMES OF THE OREGON ENTERPRISE ZONES (Each Senate District Encompasses Two House Districts)	Density & District Number
4	Coquille Valley, Gold Beach, Port Orford and Roberts Creek	1
3	Roberts Creek, South Douglas County and Sutherlin/Oakland	2
1	Rogue	3
3	Rogue, Jackson County and Medford Urban	4
1	Medford Urban	5
1	Medford Urban	6
3	Cottage Grove/South Lane Co., Oakridge/Westfir and Sutherlin/Oakland	7
1	Eugene	8
4	Bay Area, Coquille Valley, Florence and Lower Umpqua	9
1	Lincoln County	10
3	Harrisburg, Springfield Community and Sweet Home	11
1	Springfield Community	12
1	Eugene	13
2	Eugene and Harrisburg	14
1	South Santiam	15
1	Benton/Corvallis	16
3	North Santiam, South Santiam and Sweet Home	17
1	Mollala	18
1	Salem	19
2	Dallas/Independence/Monmouth and Salem	20
1	Salem	21
2	Salem and Woodburn	22
3	Dallas/Independence/Monmouth, Harrisburg and Sweet Home	23
0		24
0		25
0		26
0		27
0		28
2	Forest Grove/Cornelius and Hillsboro	29
1	Hillsboro	30
2	Lower Columbia Maritime and St. Helens/Columbia City	31
1	Tillamook	32
1	Portland	33
0		34
0		35
0		36
0		37
0		38
0		39
1	Milwaukie/North Clackamas	40
1	Milwaukie/North Clackamas	41
0		42
1	Portland	43
1	Portland	44
1	Portland	45
0		46
0		47
0		48
2	Columbia Cascade and Gresham	49
1	Gresham	50
2	Estacada and Milwaukie/North Clackamas	51
2	Cascade Locks/Hood River and Sandy	52
2	Deschutes County Rural and Greater Redmond Area	53
1	Bend	54
3	Jackson County, Lake County/Lakeview and Prineville/Crook County	55
1	Klamath Falls/Klamath County	56
2	Columbia River and Grande Ronde	57
4	CTUIR Tribal, Greater Umatilla, Hermiston and Pendleton/Pilot Rock	58
7	Fossil, Gilliam County, Grant County, Jefferson County, Sherman County, The Dalles/Wasco County and Warm Springs Reservation [not shown in above map]	59
3	Baker City/County, Harney County/Burns/Hines and Malheur County	60

PROJECT SYNOPSES

HOUSE DISTRICT 1

Featured Enterprise Zone: COQUILLE VALLEY

In 2005, **Hardin Optical** closed its retail store and concentrated operations in fabrication at a facility located near the Bandon Airport south of Bandon. With authorization in the enterprise zone that year, Hardin had 44 employees, to which by 2009 it added 51 employees, who are now working in new modern optical component manufacturing, valued at about \$3.8 million.

Hardin Optical makes precision optical components for industrial, aerospace, and defense customers. Their unique combination of classic optic fabrication, thin film coating, and machining abilities gives them the opportunity to create custom manufacturing systems to meet their customers' individual needs. They also offer engineering support, innovative problem-solving, and special fabrication techniques.

Mobile Sentry[®] uses Hardin Optical's newly patented technology called Relativity[®], which is safe, automatic, and completely undetectable. Mobile Sentry is a revolutionary electro-optical system that measures and records the speed and range of moving objects. It has a wide range of applications being easily programmable to detect "events" which meet certain characteristics. This business provides critical diversification for the Southern Coos County economy.

HOUSE DISTRICT 2

Featured Enterprise Zone: SOUTH DOUGLAS COUNTY

After receiving local certification in the late 1990s, **Roseburg Forest Products** became in 2001 the first user of the long-term rural enterprise zone facility exemption from property taxes on its then cutting-edge plant to manufacture laminated veneer lumber (LVL) structural beams. The plant is located immediately southwest of the City of Riddle.

Although such exemption periods can be as short as seven years, Roseburg was approved for 15, and through the ninth year of its exemption, it had saved a little more than \$4 million on its \$80 million investment.

This LVL plant remained a stalwart anchor for the community through the latest downturn, employing more than hundred people receiving compensation greater than \$60,000 a year. In 2007, the local zone sponsor of cities and county certified a second line for one of these relatively rare 15-year exemptions. It is expected to add another 80 jobs upon completion in the next year or so.

HOUSE DISTRICT 3

Featured Enterprise Zone: ROGUE

In February 2009, a newly minted 1.5 megawatt cogeneration plant was fired up at the sawmill of the **Rough & Ready Lumber Company**, which has been family owned since 1922. The \$6-million plant has created nine new jobs on top of 80 existing company employees in the enterprise zone. The new plant serves several functions, besides generating enough energy from a renewable resource to serve up to 1,500 homes on the regional power grid. It will also provide critical capacity to dry more high-quality lumber for the mill itself, helping secure 85 existing jobs and restore the health of overstocked local forests through thinning. The current incentive for the project in the enterprise zone amounts to around \$65,000 and will run for at least three more years.

The company has been at its current site six miles south of Cave Junction since 1943. Half of the fuel for Rough & Ready's plant will come from the byproduct of sawmills, known as "hogged fuel," with the remainder from logging debris and forest stewardship projects. The new boiler will produce twice as much steam while producing only a fraction of the particulates, compared to the 30-year-old boiler previously used at the mill.

A federal program that Congress created to support renewable power from burning biomass was crucial for the small, family-owned company's being able to afford the cost of the cogeneration plant. The former Oregon enterprise zone followed the boundary of a former federal enterprise community designated in the high-poverty areas of Josephine County in 1994, but the site is now part of the newly consolidated Rogue Enterprise Zone.

* * *

First Call Resolution, LLC operates a call center in Roseburg and was looking to expand and open a second call center, which it located in Grants Pass. BUSINESS OREGON and local governments provided financial assistance, which along with the enterprise zone, helped make the Grants Pass call center a reality. It started its three-year exemption in 2010 with 66 new full-time employees.

The company expects to create up to 180 jobs at their Grants Pass facility over the next three years, and ultimately hopes to grow the operation to 250 employees. The project will cost up to \$350,000, the majority of which will be spent on retrofitting the building that First Call will lease. The capital improvements to the building will allow the city of Grants Pass and the building owner to attract new businesses/tenants for the first floor of the building.

First Call Resolution specializes in a wide range of boutique call center and business process outsourcing services. These services include customer service support, technical support, both inbound and outbound telesales, data processing and management, and email/web chat support. They operate in a highly competitive domestic and international market, with clients that include Nintendo, Cisco Web X and SAFECO/Liberty Mutual Insurance.

HOUSE DISTRICT 4, 5 & 6

Featured Enterprise Zone: MEDFORD URBAN

Originally established in Ashland in 1992, **Professional Solutions** later expanded to Medford, becoming one of the region's first seekers of special electronic commerce zone incentives. The owners, who returned to Oregon from Texas, specialize in problem solving with intuitive software technology for business clients, including the processing of tuition charges for childcare centers nationwide.

This thriving company will soon expand into another adjacent site. Further growth in the market continues to be strong, and the firm wants to develop and maintain a single unified campus so that their team can focus on controlled growth, develop new products and foster a work environment that is friendly, flexible and nimble. Professional Solutions offers a full benefit and average base salaries upwards of \$65,000 per year.

Under the enterprise zone property tax abatement of five years, the company saved around \$35,000, on a half-million investment. Employment increased from 10 to 34. Data on any tax credit use is unavailable.

* * *

Coming together in 2003, the founders of **Rogue Valley Microdevices** brought with them a diverse background of similar business experience from the east coast and southern California, but they found the absence of adversarial business relationships in Southern Oregon to be an eye-opener. This helped with their decision to start-up in Medford, along with being near family and finding a central location between Portland and the Silicon Valley.

The enterprise zone provided another important factor in this decision of carving out a niche as the region's first microelectronic manufacturer. At just over \$500,000, the firm's enterprise zone investment is also on the "micro" side by the standards of an industry with often astronomical levels of investment. Tax savings will be only several thousand a year. In 2010, the firm began its three-year exemption period.

The current facility includes a 1,000 square foot class 100 clean room, a rarity in the region. The business has added two for seven full-time jobs in total. Expectations for the next five years include additional facility build-out to the point of owning their own full fabrication operation and own intellectual property (IP), and securing new investment which will aid them in reaching \$5 million in revenue by 2010.

HOUSE DISTRICT 7

Featured Enterprise Zone: SUTHERLIN/OAKLAND

Fire destroyed the **Murphy Company's** plywood plant in Sutherlin on July 5, 2005. Within days, state and local officials were assisting the company and owner John Murphy in considering options to rebuild the facility. Out of this arose the Company's decision to build a

\$52-million facility on the same site to produce engineered laminated beams as structural components.

The new 200,000-square-foot plant began production in January 2008 and put on a second shift the next month for a total of 66 jobs by 2010. A third shift will eventually be added as product demand increased, creating another 25 jobs. In total, the new facility will employ upwards of 100 Oregonians at an average wage of more than \$40,000 a year, with full benefits, compared to a Douglas County average wage of around \$32,000.

In addition to a \$100,000 grant to cover initial development costs, such as wetlands study, a critical incentive to rebuild was the agreement with local governments for a 15-year property tax exemption. This long-term exemption will save the company about \$200,000–400,000 in property taxes per year, starting in 2009. These savings, for which the company agreed to make \$150,000 annual payments for 10 years to the City of Sutherlin for city projects, was indispensable in Murphy's decision to undertake this new venture.

The Eugene-based Murphy Company also operates a softwood veneer production facility in White City, and with this new facility, it has grown to be one of the largest engineered wood manufacturers in the nation.

HOUSE DISTRICT 8, 13 & 14

Featured Enterprise Zone: EUGENE

In 1995, **Hynix** (originally, Hyundai Semiconductor of America) came to Eugene out of direct interest in the area's attributes. It also wanted to access the more straightforward enterprise zone program rather than the Strategic Investment Program (SIP), as massive semiconductor "fabs" were doing at that time in the Portland region to mitigate otherwise uneconomic property tax liabilities. Though originally promised a five-year exemption period, Hynix received only the basic three-year exemption on various investments in new property over many years.

Its multi-billion-dollar capital investments dwarf the rest of enterprise zone system, having represented as much as two-thirds of all exempt property value in certain years—an anomaly even among the minority of enterprise zone projects costing hundreds of million of dollars. Following these initial exemptions, it became by far the largest taxpayer in Lane County, while maintaining a large workforce in the face of ups & downs in the world economy and "high-tech" markets for its memory chips. Hynix, nevertheless, paid quality wages and benefits over a 12-year period to 700 to 1,000 employees, enriched the local economy and generating \$15 to \$20 million in state income taxes.

As demand slipped for its memory chip product during a global recession, Hynix closed the facility in 2008. Counting taxes to be payback on its finally exemptions, the company will have paid property taxes over a dozen years in excess of \$60 million exceeding the amount it saved through enterprise zone abatements, and far exceeding the taxes paid by any comparable development in terms of demands on public services. The facility's structure will continue to produce property tax revenue, while also offering an excellent opportunity for redevelopment by new business operations.

* * *

Golden Temple is a natural foods company located in Eugene, Oregon for over 35 years. The company specializes in the production of organic tea, cereals, and natural products, and it is the largest bulk granola producer in the natural foods market. In 2005, a \$12-million, multi-year expansion project was authorized in the Eugene Enterprise Zone. At that time, Golden Temple employed 155 people and was experiencing rapid sales growth. The facility and equipment expansion was critical in helping the company meet growing demand for its products.

Following their major enterprise zone expansion, Golden Temple has grown its local employment to 293. The business offers excellent entry-level employment and advancement opportunities that include above-average wages and comprehensive employee benefits. Property tax savings in 2009 on three staggered, three-year exemptions was about \$180,000.

Despite the slowing economy, Golden Temple is well positioned for continued long-term growth. In the next five years, the company is expecting sales to double. The company has also been an exceptional corporate citizen, recently pledging to donate 1.5 million servings of cereal to the Oregon Food Bank system.

* * *

Lanz Cabinets is a second generation, family-owned business operating in Eugene for 50 years. One of the largest cabinet manufacturers on the West Coast, the business distributes kitchen and bath cabinetry throughout the I-5 corridor from Canada to Los Angeles. Lanz's tremendous growth over the past 10 years has required four major facility expansions and production equipment investments totaling over \$10 million within the West Eugene Enterprise Zone. The production facility has grown from 40,000 to 125,000 square feet. Lanz produces over 1,000 cabinets per day.

Prior to an earlier investment in the former West Eugene Enterprise Zone, Lanz Cabinets had 22 employees. With a more recent exemption, begun in 2008, employment has grown by 42 to 187 jobs in total, with annual tax savings of about \$102,000. The company offers attractive wages, training and advancement opportunities, and a comprehensive employee benefit package. Lanz has established itself as an important secondary wood product manufacturer in the region and one of Eugene's major private employers.

HOUSE DISTRICT 9

Featured Enterprise Zones: **BAY AREA** and **LOWER UMPQUA**

Small trees and other wood byproducts of logging created a market opportunity for **Southport Lumber Company**. It started up in 1998 to mill or chip small trees and other timber resources that are not attractive to large lumber manufacturing companies. The company grew quickly and in just four years needed a larger facility and access to rail transportation, in order to remain in the Coos Bay area and to keep its business revenues increasing, but a suitable site was not available.

BUSINESS OREGON and other federal, state and local organizations helped finance the crucial extension of a rail line to the existing site at the North Bay Marine Industrial Park of the Oregon International Port of Coos Bay on the bay's North Spit.

The enterprise zone provided a critical, further inducement for the company's own investment in a new facility on additional acreage. This project helped to add 43 jobs and maintain many more in Coos Bay. The exemption period has recently concluded after three years, with savings for the company of more than \$200,000.

* * *

Enterprise zone authorization of the **American Bridge Company** occurred in June 2002. Subsequently, on an abandoned mill site north of the City of Reedsport, the company built a steel fabrication facility for bridge and other steel products, space for West Coast office personnel and a paint facility, as well as \$1.9 million in equipment.

Due to the economic downturn of 2007–2009 and the cessation of regional rail service, they were unable to meet the job creation and wages to qualify for tax abatement for years 4 and 5. The business continued to employ 97 workers as of 2008. The enterprise zone has nevertheless been influential to the business decision of making such an investment and staying at this somewhat remote location.

The American Bridge Company is a privately held civil engineering firm specializing in the construction and renovation of bridges and other large civil engineering projects. It was founded in 1900 and is headquartered in Coraopolis, Pennsylvania, a suburb of Pittsburgh. The firm has built many bridges in the U.S. and elsewhere; the Historic American Engineering Record (at the Library of Congress) lists at least 81. American Bridge has also been involved in significant building construction projects such as the Sears Tower, the Empire State Building and the Chrysler Building, as well as in other structural projects such as launch pads and resorts. Some of American Bridge's most notable projects are more a testament to construction engineering expertise and management abilities than to its historical strength in steel construction. The company pioneered the use of steel as a construction material; developing the means & methods for fabrication and construction that allowed steel to be widely used in buildings, bridges, vessels, and other plate applications.

HOUSE DISTRICT 11 & 12



Featured Enterprise Zone: SPRINGFIELD

Although the vast majority of businesses that receive a standard enterprise zone exemption will stay in operation for years if not decades afterwards, one notable exception was the **Sony Corporation's** compact disc manufacturing facility in Springfield, which was a large, new development in 1995, valued at nearly \$66 million. The property tax benefit of the zone was indispensable for Sony's decision to undertake that investment, having saved the company a total of about \$3.5 million, less local additional payments as agreed to with

the local sponsor. Sony fully satisfied statutory and local requirements for the five years of exemption on qualified new plant and equipment. Regrettably, just over two years later, in 2003, it closed down, eliminating quality jobs for more than 300 residents.

All indications are that Sony made its massive investment expecting to double the size of its manufacturing facilities and operate for the long term, but unforeseen technology and market changes arose (think, music downloads). It is worth noting also that in every year since the property exemption ended (and even during the time of the exemption), the land and facility generated much greater property taxes and other public revenues than if the site had remained undeveloped. Less than two years after closing, Sony sold its state-of-art building, which has been back in private, commercial use for several years, where it now employs about 400 in medical testing at wages similar to Sony's.

HOUSE DISTRICT 15 & 17

Featured Enterprise Zone: SOUTH SANTIAM

In 2003 and 2004, with the energetic assistance of BUSINESS OREGON and other organizations, the City of Lebanon successfully courted a massive West Coast distribution center by **Lowe's**, the world's second largest home improvement retailer. This development has profoundly changed the fortune of this former *Mecca* of Oregon's bygone days of big timber. The center's employment has risen now to 487.

Without the enterprise zone, as part of a package of diverse considerations and arrangements, this center would almost certainly have ended up in Washington State or elsewhere. The incentive of the three-year exemption in this case amounts to approximate \$6 million. Other factors in such a complex development included shovel-ready certification by BUSINESS OREGON to give Lowe's confidence about the land, along with state funds to the city to address outstanding issues of wetlands and public utilities.

* * *

Following zone authorization in 2008, **Peak Sun Silicon** has recently commenced operations at a pilot project in the city of Millersburg, involving 8 acres, 20 jobs by 2009, and average gross payroll of more than \$80,000 per year. Employment is expected to grow with ongoing expansion at this state, using the standard (5-year) enterprise zone exemption, which is critical for this venture's attempt to deploy and commercialize innovative technology, so far saving the firm nearly \$60,000 in property taxes. The facility is developing a new and less costly continuous process for making photovoltaic (PV) material at a greatly reduced cost, putting Oregon at the leading edge of solar cell production. For Phase 2, depending on the current venture's results, Peak Sun would build out onto 96 acres, create 650 jobs and \$40-million payroll, and make an \$882-million investment, for which it would likely use the long-term rural incentives.

The enterprise zone incentives were a major factor in attracting this company to Oregon. During year-long negotiations relating to land acquisition and options, a proverbial day did not go by when the enterprise zone and its benefits were not part of the discussions. Without enterprise zone benefits, this company would not be located in Millersburg.

* * *

In 1994, the **Target Corporation** constructed a 600,000-square-foot distribution center—a \$36-million investment, involving more than 300 jobs and a \$13-million annual payroll in South Albany. The company has bluntly maintained that it would not have located in Oregon without the enterprise zone tax savings, which amounted to \$2.7 million under a 3-year exemption.

A non-exempt expansion several years later more than doubled size, for a total of \$80 million invested, with now more than 700 jobs and a \$21-million payroll. Such a large facility is of great value to nationwide corporate operations. Locally, the 12-year-old operations continue to deliver tremendous impacts. Cumulative payroll paid has been about \$205 million, with more than \$8 million in property tax revenues.

This type of older project offers important lessons about these projects and incentives: The incentives end, but the jobs, payrolls and benefits paid and tax revenue to support the communities and the state can continue for decades.

* * *

Tec Laboratories is a pharmaceutical company founded in Albany, which recently created a product to treat the serious MRSA staph infections, a major threat to public health

In 2001, it was preparing to relocate, probably out-of-state, but time and effort to identify and to enhance the usability of a local site, as well as enterprise zone tax savings, kept the company in Albany. Tec Labs proceeded to purchase 6 acres and make a \$5-million dollar investment, saving 24 and adding 7 more jobs with \$2 million in payroll. The new investment meant that the enterprise zone saved \$237,000 in 2003–2005, while the business continues to pay over \$89,000 per year in property taxes.

HOUSE DISTRICT 16

Featured Enterprise Zone: BENTON/CORVALLIS



In 2008, the City of Corvallis and Benton County applied for and received designation of an urban enterprise zone, for which they adopted special environmentally focused conditions to impose on business firms.

Previously, these governments had experienced little success attracting investments to the Corvallis Airport Industrial Park. But even as the economy faltered, remarkably, two projects were local authorized shortly after the zone's designation.

For example, in 2010, the **T. Gerding Construction Co.** took occupancy of its \$2-million corporate headquarters at the industrial park. The 14,000-square-foot building includes offices,

regional material warehouse and storage facilities and is expected to receive LEED Gold Certification. With location at the industrial park, T. Gerding has added staff with compensation that is at least 150 percent of the Benton County's high average wage rate. Further staffing and expansion is part of the plan for the facility.

* * *

At the beginning of 2011, **NaturalPoint Inc.** moved into its also newly constructed, approximately \$2-million office and manufacturing plant in south Corvallis. The firm is a high-tech electronics manufacture of optical tracking systems, motion capture based video gaming inputs, and hands free ergonomic mouse alternatives. As should continue with steadily rising payroll, NaturalPoint has been growing rapidly over the last few years.

The Enterprise Zone benefits were one of the primary reasons we considered locating out corporate headquarters in the Corvallis AIP. During these challenging economic times, the Enterprise Zones are of tremendous benefit in helping companies like ours break even so we don't have to let people go.

— Chris Giggy, PE, PMP, General Manager
T. Gerding Construction Co.

The view is wonderful here, but what's even better is the Enterprise Zone incentive program! By temporarily relieving [our firm] of standard property taxes, Benton County is allowing us to focus on making sure our increasing staffing, equipment, and inventory needs are being met during this tumultuous transition! Not only does the Enterprise Zone Program give small companies such as out an opportunity to reinvest in ourselves, it gives us the ability to diversify and enrich the job market.

— Jennifer Migano, Office Manager, NaturalPoint, Inc.

HOUSE DISTRICT 18

Featured Enterprise Zone: MOLLALA

Cencast Corp. had been producing a variety of orthopedic and other medical devices at leased space in Milwaukie for a number of years, but having outgrown that facility, it could not expand at its former location. Relocation had become necessary, for which the company was considering attractive inducements for locations in Kansas. Instead, the newly designated zone helped cement the opportunity for Cencast to move its operations to a new 30,000-square-foot office and manufacturing plant in July 2007 at the Molalla Industrial Park less than 25 miles away from Milwaukie. With the enterprise zone, Cencast has added 17 jobs and is saving \$25,000 annually.

Epitomizing the multi-faceted nature of economic development, this retention and relocation of an Oregon operation also relied on Cencast's receipt of a state business loan to buy equipment and to pay moving and training costs, as well as special state financial assistances with public highway and street improvements for site access.

HOUSE DISTRICT 19–22

Featured Enterprise Zones: SALEM and DALLAS/INDEPENDENCE/MONMOUTH

Garmin AT, Inc. is a worldwide company that makes electronic equipment for aircraft and is a major manufacturer of global positioning systems. The avionics technology produced at the Salem plant is the type used in retrofitting general aviation-type aircraft. The plant was in need of modernization, when in 2003, Garmin International bought the operation for \$38 million from UPS Aviation. Garmin's local management was faced with the ultimate prospect of either upgrading its Salem facility, including advanced technological equipment, or consolidating operations within the parent company and relocating to another plant in the U.S. or abroad.

The City and BUSINESS OREGON were able to retain this top employer and its \$22-million annual payroll through customized assistance to assist with reinvestments. From the perspective of global corporate accounting, the enterprise zone added an essential inducement for the \$14-million investment, which along with new equipment added 62,000 square feet to Garmin's facility. The company will save about \$600,000 overall.

To the benefit of the Salem-area economy, Garmin's employment has increased from 157 in 2006 to 224 very well paying jobs. Recently, the company was authorized to use the enterprise zone for a separate, E-commerce support center expected to hire 250 more employees.

* * *

In 2001, **Medallion Cabinetry, Inc.** became the first large employer to start up operations in the City of Independence in decades. It began with 240 employees, and since then, it has grown to 379 full-time jobs averaging more than \$40,000 in compensation, including benefits.

Relocating less than 10 miles from a facility in Salem, the new plant more than doubled the manufacturing floor to 150,000 square feet of the former facility, where Medallion had run out of room. This relocation retained 120 regional jobs. With greater space, state-of-the-art machinery and more efficient layout, Medallion was able to increase productivity, total output and shipping capacity. As a result, it is able to compete better with Eastern factories in supplying top-quality, branded cabinetry to the West Coast.

For both the initial decision to reinvest locally, and continued investments, totaling around \$14–15 million, Medallion has greatly valued enterprise zone exemptions as a way to improve the financial prospect of committing capital to the Independence operations. Multiple exemptions of both three and five years in length have save the firm \$1.26 million in initial cash outflows on property that will produce public revenue for many more years into the future.

Medallion Cabinetry, Inc., has been building quality kitchen cabinets since 1969. When Elkay Manufacturing Company purchased Medallion in 1993, Medallion turned its focus to the semicustom market and has since made a name for itself, offering contemporary fashion and superior craftsmanship with a wide selection wooden and laminated kitchen cabinets and bathroom vanities using diverse hardwoods. Its other location and headquarters are in Waconia, Minnesota.

* * *

A leading financial services firm based in Charlotte, North Carolina, **Wachovia Corporation** chose Salem as the site of an elite contact center in 2005. Local government, education and business leaders, as well as BUSINESS OREGON were instrumental in helping Wachovia to develop this new facility. In terms of the enterprise zone, Wachovia avoided about \$188,000 in property taxes on exemptions running from 2005 to 2008, by which time the center had 593 employees.

The 77,500-square-foot contact center handles thousands of requests for service a day from the company's retail and investment customers. The hundreds of employees receive not only competitive pay and first-rate benefits, but such an employer offers entry-level and transitional opportunities to people, with which they acquire invaluable training, experience and exposure to advanced communication technology. It also serves the interest of many for nonconventional workweeks.

Wachovia chose to locate its new center in Salem after narrowing a list of more than 100 potential locations. The company maintains a number of such contact centers in the U.S., but most are on the East Coast between Connecticut and Florida.

The Salem Enterprise Zone has been supportive during our phase of tremendous growth and expansion. The support facilitated some essential business decisions and was greatly appreciated at the time.

—Gloria Sukraw, General Manager of Garmin AT

The Enterprise Zone in Salem played a major role in our decision-making process for locating a plant here. The Zone offers a cost savings for the first few years of operations that will enable us to grow our company here and provide much needed capital investment and jobs for the region and state.

—Yasuyoshi Kawanishi
President of SANYO Solar of Oregon LLC.

Hanard Machine, Inc. used the Enterprise Zone program in 2006 to help assist in the expansion of our existing facility; 10,000 sq. ft. of additional space made room for (4) machine tools. This created approximately 10 new job openings. The EZ Program was one of the incentives that allowed us to expand the facility.

—Mike Parker, Co-Owner, Hanard Machine, Inc.

In 2005, Wachovia made the decision to expand our call center operations to Salem, Oregon. One of the deciding factors on the selected location was the Enterprise Zone Benefits that we received. As a result of this decision, Wachovia spent approximately \$35 million in our new facilities and have created over 600 new jobs in Salem. Our business is thriving here and these incentives helped us remain a leader in our industry.

—Jenica Hopson, Vice President, Wachovia

I can say that the tax exemption was a contributing factor in our decision to purchase a high definition plasma cutting machine and brake. These machines have given us more control of our manufacturing and kept the jobs in Salem instead of sending the work to an outside vendor.

—Roger Jensen, Aggregate Machinery, Inc

HOUSE DISTRICT 23

Featured Enterprise Zone: HARRISBURG

Gheen Irrigation Works, established in 1933, sells irrigation equipment to farmers throughout North America. In April 2007, the company lost its Eugene facility, in a devastating fire that caused \$5 million in damage and idled its workforce. BUSINESS OREGON and local resources helped it resume operations at a couple of Eugene sites and maintain around 70 employees working until 2010.

Further financial assistance and the enterprise zone have more recently helped the business to acquire and consolidate operations at a former Monaco Coach plant, left empty when the RV manufacturer went bankrupt in March 2009, in nearby Harrisburg. In 2011, Gheen is expected to begin its enterprise zone exemption on more than \$1.8 million of new property improvements or equipment, adding at least seven employees, but more seem likely.

HOUSE DISTRICT 29 & 30

Featured Enterprise Zone: HILLSBORO

In 2006, BUSINESS OREGON and other local and state programs provided considerable inducement as part of an extraordinary recruiting effort to attract an investment of \$400 million by **Genentech, Inc.** in a new biopharmaceutical manufacturing facility. For its first major location outside California, the company was drawn to Hillsboro, Oregon, and as such, Oregon's offer could come below the considerably more generous incentives at alternative sites.

The company has already created 275 jobs at its 75-acre Hillsboro site—a state-of-the-art fill/finish and packaging facility for commercial biotechnology therapeutics and innovative medicines to fight serious and life-threatening disease. Genentech plans to add more workers in the years to come. FDA-certified operations are imminent and the 15-year exemption period on that facility under Strategic Investment Program (SIP) is already underway, following two years of construction that alone provided big benefits to the Oregon economy accounting for 2,180 full- and part-time jobs earning an industry average of \$42,600 per year.

Less well known is that a year later Genentech decided to co-locate a distribution center, representing an additional \$19-million investment in the Hillsboro Enterprise Zone, as part of increasingly nationwide presence to serve burgeoning demands for capacity. This separate facility's five-year exemption began in

Building a solar-technology production center of 1,000 employees in recessionary times, as we have done in Hillsboro, has required help from many quarters, and the property tax relief that has come from our enterprise zone designation under the state of Oregon has provided a further boost. Under the partnership, SolarWorld has responded in kind, placing as much spending as possible on goods and services within the business communities of Hillsboro as well as the Portland area. In all, the company spent about \$40 million there in 2010.

— Bob Beisner, Managing Director
SolarWorld Industries America Inc.

2009, saving Genentech nearly \$300,000 and adding several more jobs with average annually compensation (with benefits) of more that \$62,000.

* * *

TriQuint Semiconductors, a major supplier of microchips to the mobile and smart phone industry, invested around \$30 million to upgrade their Hillsboro manufacturing facilities, involving modification of their existing building, the construction of a new 4,500-square-foot building and new machinery & equipment. With the help of BUSINESS OREGON and the City of Hillsboro, including a five-year enterprise zone exemption, TriQuint's expansion kept 400 jobs that were subject to relocation out-of-state and created an additional 177 jobs.

Utilizing the Hillsboro Enterprise Zone since 2007/2008, TriQuint has so far saved a little more than \$1 million and will likely save about that much over the next few years with its current exemption. More recently, the business was locally authorized again in the zone for additional investments totaling an estimated \$123 million and as much as 260 additional employees.

HOUSE DISTRICT 31

Featured Enterprise Zones: LOWER COLUMBIA MARITIME and ST. HELENS/COLUMBIA CITY



In 2008, **Portland General Electric** began a 5-year exemption—saving electricity ratepayers in the region more than \$2 million a year in property taxes—on its Port Westward natural gas combined-cycle power plant, which is among the most efficient such facilities in the country.

Helping ensure the building of this plant in Oregon is its location in the Lower Columbia Maritime Enterprise Zone, sponsored by two cities, a port and two counties. Zone authorization and the start of construction occurred in 2004.

Located near the City of Clatskanie, the generating plant employs 18–20 people directly, allowing PGE to expand its local and exceptionally well-paid workforce by at least 10 percent. With 400 megawatts of capacity, it will serve 300,000 customers. PGE invested approximately \$285 million in the facility and contributed about \$5.4 million to the Oregon Climate Trust to fund projects that offset the CO₂ emissions of the plant. Other emissions are below strict DEQ permitted requirements.

* * *

Pacific Stainless Products, Inc., now a St. Helens company, manufactures high-quality stainless steel equipment for the restaurant, food processing, silicon wafer and other industries.

In 2006, it was looking at alternatives to its Beaverton location, where it had 55 jobs. Helping to keep the firm in Oregon and not move too far away, the local zone sponsor approved an extended tax abatement of five years. The firm proceeded to make a roughly \$4-million investment, with which it was also helped by an express industrial development bond issued through BUSINESS OREGON. Starting the exemption in 2008, Pacific Stainless has saved \$109,000 over two years, and it created 31 additional full-time jobs with average compensation (including benefits) of more than \$46,000 per year.

HOUSE DISTRICT 40 & 41

Featured Enterprise Zone: MILWAUKIE/NORTH CLACKAMAS

Precision Castparts Corporation/PCC Structurals uses advanced technology in the production of exacting components for gas turbine, jet engines and the aerospace industry. One of only two FORTUNE 500 companies headquartered in Oregon, it is also one of Oregon's very largest manufacturers and private employers, located mostly in NW Clackamas County.

Continued expansion at its several existing facilities has become increasingly difficult, due to constraints on land, as well as installation of high-cost equipment. Consequently, the savings from a five-year enterprise zone exemption was instrumental in the 2006 decision to invest around \$25 million at current locations, adding hundreds of new employees, but also securing the future for thousands of employees, which pay well above the average of even Portland-metropolitan jobs.

Precision Castparts' total enterprise zone employment stood in 2008 at 1,940. The company stands to save about \$1-1.5 million over several years on the new facility improvements and machinery, before the property is added to a total company assessment that has made it for years one of the Clackamas County's top five non-utility taxpayers. Such long-run property valuations pay the costs of municipal and special service districts.

In regards to the investment and use of the enterprise zone, Ed Kirchhofer, Fire Chief of Clackamas District No. 1, noted, "It's a short-term option to help stimulate local business. We're a community partner that supports these short-term efforts." (*The Oregonian* newspaper, September 25, 2006)

HOUSE DISTRICT 43-45

Featured Enterprise Zone: PORTLAND

A first-time user of the Portland's enterprise zone program in 2009, **Widmer Brewing** had planned its recent expansion before learning from the zone sponsor about the feasibility of qualifying under the City of Portland's somewhat involved urban-zone program. According to the 2008 zone performance review by ECONORTHWEST (see Appendix A), utilizing the program allowed Widmer to increase the size of the investment and to proceed sooner with more of it. The abatement available under the program reduced the rate of return necessary for a larger investment.

**COST OF SERVICE CHARGE,
RARELY ASSESSED**

Under its urban zone policy, the City of Portland imposes a number of additional conditions on companies authorized in the Portland Enterprise Zone.

One of these is a charge that a business pays if the estimated cost of city services for the new investment exceeds city revenue from other taxes and fees.

Remarkably, by 2009, less than 7 percent among the dozens of businesses using the Portland Enterprise Zone have actually ever owed anything for this charge, because other revenue directly collected from the business aside from the exemption more than covered the increased burden on basic public services (utilities, water, fire protection, etc.).

Specifically, the Portland Development Commission (PDC) calculates the cost of service, as follows:

(1) Multiply City’s share of abated taxes by 30 percent, which relates to how much of the city budget goes to basic services. (Portland’s share of the entire abatement is around 40%, with the rest going to the County and other districts; so, this amounts to only 12% of contingent property taxes)

(2) Sum up what the business firm is paying City in business license fees, utility franchise fees, taxes levied on non-exempt property, and so forth, pertaining to the new qualifying investment in the zone.

(3) Subtract amount for 1 above from the amount for 2.

The firm must pay a positive difference to PDC. Any such funds would go to the City to provide new services.

Widmer has created 41 additional full-time jobs with a \$25-million total investment. The property tax abatement saved the company about \$340,000 in 2009. After overcoming issues with timing and application for the enterprise zone, Widmer contracted for \$125,338 in construction through Minority/Women/Emerging Small Businesses under the Portland program.

* * *

Solaicx had good reasons and other incentives for putting its \$52-million solar photovoltaic cell manufacturing plant in Portland’s Rivergate industrial area. There was a forgivable loan through BUSINESS OREGON and the generous 50% renewable energy investment tax credits, as well as highly technically skilled labor.

Nevertheless, the temporary abatement of property taxes on so much new capital was critical for actually recruiting such a solar energy company, especially in light of intense interstate and international competition for such facilities over the past few years. Solaicx was able quickly to begin operations in November 2007 in 135,000 square feet of leased space, for which the forgivable loan financed facility improvements. The enterprise zone is saving around half of a million dollars annually. The company employs 70 people in Portland, a workforce that may yet grow further. Average wages and benefits are at least \$45,000 annually.

Solaicx, based in Santa Clara, California, manufactures silicon wafers and ingots used in the solar power industry. The company’s decision in 2006 to put its plant in Portland capped two years of recruitment efforts by BUSINESS OREGON and the Portland Development Commission (PDC).

* * *

Evraz Oregon Steel Mills, Inc. has made several enterprise zone investments since the early 1990s. According to the 2008 zone performance review by ECONORTHWEST (see Appendix A), the enterprise zone program has ostensibly influenced investment and expansion decisions, due to the high-tech, costly nature of Oregon Steel’s investments. Critical in all this was when the Portland City Council amended Oregon Steel’s North Portland facilities into the zone boundary

in 1994 and first passed special resolutions for the firm to qualify, because it could not increase its large, existing workforce enough every time.

Under Portland's relatively intricate urban zone program, Oregon Steel has maintained a good status and stayed in compliance, even if at times needing flexibility with specific program criteria. Company staff has become experienced and relatively more efficient over time in handling administrative obligations under the program, according to the 2008 zone performance review by ECONORTHWEST (see Appendix A). It paid "community contribution" fees for the 1994 investment as a direct result of the relatively low number of new jobs at that time compared to enormous capital outlays and resulting tax savings on equipment and construction. Subsidiaries of Oregon Steel have made several more investments that also used the enterprise zone.

With its latest enterprise zone investment of around \$70 million, Oregon Steel added 357 jobs with average compensation in excess of \$70,000 a year. Its five-year exemption began in 2007 and has produced tax savings of \$3.3 million over three years.

Oregon Steel produces plate and coil, large diameter line pipe and structural tubing according to specifications of its customers' needs. Founded in Portland in 1926, it also operated facilities in Alberta, Canada, and Colorado. In 2007, the Russian conglomerate Evraz Group S.A., Inc. purchased the company for \$2.3 billion. Evraz Inc. NA has become one of the most diversified steel manufacturers in North America.

* * *

A world-class manufacturer and integrator of fluid power and electronic systems sold throughout the world, **Western Integrated Technologies (Whistler Partners)** supplies everything from power units, accumulators, cylinders, fittings, filtration, pumps and servo valves, as well as remote system monitoring hardware and software and much more.

In the context of the Portland Enterprise Zone, Whistler Partners has made one of the smaller investments at around \$2 million, which is still double its original estimate. Additions to the Portland workforce with these investments amount to 10 jobs, with retention of 24. The enterprise zone has abated \$104,000 in taxes after two years into a five-year exemption period. The enterprise zone was a critical factor in the location decision, size, timing and subsequent growth in this investment, according to the 2008 zone performance review by ECONORTHWEST (see Appendix A), based on a site visit and interviews with company officials.

* * *

Service Steel is another comparatively small business by the standards of the Portland Enterprise Zone, even if not unusually small within the statewide system. Service Steel uses capital-intensive processes including high-tech lasers and plasma cutters. The direct employment by Service Steel in the zone is 77, up from 67 before the enterprise zone exemption. In 2009 the firm's property tax savings were about \$66,000.

The 2008 zone performance review by ECONORTHWEST (see Appendix A) found this project notable because of the ripple effects it created in nearby businesses and because of the company's commitment to training. This review also indicated that according to company executives, the enterprise zone made the current \$1.7 million investment cost-effective. The abatement on these machines, especially for a smaller company, allowed them to stay ahead of

the competition. The enterprise zone program also facilitated the application by qualified job seekers to find work through the first source hiring agreement, a common feature enterprise zones statewide.

Because of the aforementioned spillover benefits to neighboring businesses, in particular welders, direct figures for the firm do not begin to reflect the total job creation or economic benefit to the community from the Service Steel investment. Although the tax abatement lowers tax revenue for 5 years, further study might indicate an immediate tax revenue return from the increased economic activity in the area

* * *

Since 1977, **YoCream International** has pioneered the innovation, production and marketing of frozen yogurt and fruit-based frozen desserts and beverages. The company operates a state-of-the-art production facility in Portland to manufacture its "true" frozen yogurt, which contains real yogurt fermented and cultured on site daily. The company offers more than 110 flavors of frozen yogurt, ice cream, frozen custard, sorbet, smoothies, frozen carbonated beverages, slushes and frozen drink mixes. The company now runs multiple shifts per day, six to seven days a week. The company has achieved outstanding growth in sales and earnings over the last several years. Fiscal year 2009 sales rose by 18.1 percent, following 2008 sales that had increased 52.4 percent, as foreign export markets blossomed.

In 2006, the company undertook an \$8.4-million expansion project, partially financed with \$6.7 million of BUSINESS OREGON industrial development bonds. The Portland Enterprise Zone also enabled the company to support additional growth. Since 2007, the firm has saved nearly \$375,000 while increasing its workforce by 50 percent to 75 full-time employees in total. In 2010, to keep up with growth demands, YoCream began a new five-year exemption in the zone on a more than \$12-million new investment.

HOUSE DISTRICT 49 & 50

Featured Enterprise Zones: COLUMBIA CASCADE and GRESHAM

Well before **Fedex Corp.** was outgrowing its Swan Island home in Portland and looking at options for a new and much larger regional freight distribution hub, the Port of Portland had committed funds and effort into acquiring and securing the former Reynolds Aluminum site in Troutdale to bolster the supply of land for future economic development. This was a novel endeavor into real estate development for the Port beyond land directly related to its own facilities. Another foresighted move, though more with the potential of FedEx in mind, was the application for designation of an enterprise zone by the cities of Troutdale and Fairview in 2007; the City of Wood Village joined in 2008.

Despite the work by Reynolds and the Port, site redevelopment remained problematic. In May 2008, to help overcome these challenges, the Port of Portland received \$11.7 million in infrastructure loans from BUSINESS OREGON to make street and other municipal improvements. These improvements and the enterprise zone lay the groundwork for further development and job creation in partnership among the state and local governments.

In October 2008, FedEx bought 77 acres and broke ground for its first new facility, planned at 441,000 square feet and expandable to 557,000 square feet; it employed approximately 700

people when operations began in August 2010, including those from Swan Island about 14 miles away. FedEx considered alternatives elsewhere in the Pacific Northwest. At full build out the new regional hub will have approximately 1,000 workers in the local area.

* * *

The Gresham plant of the **Boeing Company** manufactures and assembles parts for virtually every Boeing aircraft used today, with a new focus on components of the new 787 Dreamliner. Boeing was already a major contributor of public revenue in Multnomah County, for which its existing land, buildings and machinery will continue to generate taxes.

To make a major new investment in capital, the Gresham operations had to compete globally within the overall Boeing corporate structure against many other facilities nationwide, as well as major vendors worldwide. The enterprise zone gave the Gresham plant a crucial advantage to reduce upfront costs for the project. By happenstance, during a routine site visit, city and local business leaders alerted the firm to the new enterprise zone as a way to win the project. Gresham had received the designation only in early 2006.

Boeing has so far begun exemption on a \$62-million investment in new equipment and facility upgrades, for which it increased employment by 276 full-time jobs to 1,634. The five-year exemption should save Boeing local property taxes that may be estimated now to approach \$5 million. Investments made to the Boeing plant in 2007 will first be subject to full taxation in 2013, at which time, as new property is added to the rolls over the next two years, Boeing's annual property tax payments will increase significantly. In the meantime, under its agreement with the City, which alone sponsors the zone, Boeing will pay \$366,336 in "community service fees," specifically earmarked for use on local economic development projects. In 2010, Boeing received local authorization to use the enterprise zone on another \$110 million of investment.

In just the first year of Boeing's current enterprise zone abatement, its local procurement with Gresham companies increased significantly. In 2007, Boeing spent over \$8 million with local firms. In 2008, total local procurement was over \$15 million – more than \$914,000 of that \$15 million went to fourteen local companies that had not previously been local Boeing suppliers.

The growth associated with the new investment has prompted the recall of laid-off workers, spurred recruitment of new workers, and restarted the plant's apprentice training program. The growth also relieves concerns about Boeing someday selling the Gresham plant, which it has operated since 1974. According to the machinists' union, about 1,160 of the employees it represents make an average wage of \$27.46 per hour. Stacy C. Breunig, chief shop steward, International Association of Machinists and Aerospace Workers, District Lodge

The City of Gresham's support of the process and requirements for application helped the facility located in Gresham meet schedules and budget requirements to implement process improvements and technological upgrades that support the Gresham facilities ability to compete with other Tier One suppliers globally. Boeing Portland is not guaranteed the opportunity to build complex machine parts for Boeing Commercial Airplanes. The facility has to provide the highest quality of parts, but also the most competitive and competes with suppliers worldwide.

— Elizabeth J. Warman
Boeing NW Region

24, noted, "We've pretty much exhausted the recall list. We have brand-new-to-Boeing employees. We have new faces, which we haven't seen for a long time. It's hopping." (*The Oregonian* newspaper, August 23, 2007)

* * *

The **R.R. Donnelley & Sons Company** is an industrial printer of telephone directories at its Gresham facility, which is one of several across the US. As in the case of Boeing above, the Gresham plant had to compete for the nearly \$20-million investment within the overall company, for which the enterprise zone gave it the edge in securing this capital outlay for expansion, to which Kris Anderson, RR Donnelley's Portland Division Controller, testified before the Legislature in 2007.

With this investment, RR Donnelley has added 44 jobs for 200 in total. It applied and was authorized in 2006 for tax abatement spanning five years. The savings in the short-term will translate into around a 50 percent increase in the plant's taxable value for local governments after the exemption period, while saving the business \$246,000 in 2009.

The City of Gresham reports how RR Donnelley increased their purchasing with local Gresham companies, adding seven new local vendors, with the new enterprise zone project, which has also given existing RR Donnelley employees additional opportunities to advance within the company to higher skilled, higher wage positions.

HOUSE DISTRICT 52

Featured Enterprise Zone: CASCADE LOCKS/HOOD RIVER

With the help of gubernatorial leadership, local agencies and BUSINESS OREGON successfully landed a premier recruitment in Hood River County, when in 2003, **Cardinal Glass IG** decided to locate major, new manufacturing operations, initially building a 100,000-square-foot plant on a 10-acre site in Odell, Oregon, and creating more than 60 jobs. The company, whose US headquarters are in Minneapolis, has since grown to greater than 200 jobs in Hood River County. Cardinal IG provides insulating glass panels used by Jeld Wen and other window manufacturers. The attraction of Cardinal led directly to the attraction of one of its leading customers (Homeshield–Quanex) to the region.

In view of new plant & equipment costing tens of millions of dollars, enterprise zone benefits were essential to the location decision. The benefits were possible due to cooperation with the City of Cascade Locks, which agreed to expand its enterprise zone in partnership with the City of Hood River and Hood River County. This inter-community partnership has paid huge dividends for the region with other projects and opportunities.

Cardinal has expanded its facility to approximately 335,000 square feet under roof. The total investment made by the firm exceeds \$30 million. This investment is a very significant element for the local economy, which has otherwise seen major growth only by the tourism & leisure sector. Cardinal has contributed to the overall economy in diverse ways, according to county officials. In qualifying for two sets of five-year extended abatements, Cardinal is annually paying non-mandatory benefits and wages of nearly \$50,000 on average to zone employees.

HOUSE DISTRICT 53

Featured Enterprise
Zone: GREATER
REDMOND AREA

Over the past five years, the company has expanded twice basically doubling capacity and adding over 150 well paying jobs to the community. The financial justification for this expansion was aided by the inclusion into the Redmond Enterprise Zone. Without this benefit, this manufacturing expansion could have occurred at any of PCC's other manufacturing facilities throughout the world.

— Keith Covlin
General Manager, PCC Schlosser

HOUSE DISTRICT 55

Featured Enterprise Zone: PRINEVILLE/CROOK COUNTY

Having served more than a dozen, small to medium-sized companies since designation in 2002, the Prineville/Crook County Enterprise Zone had certainly been using the standard enterprise zone program to bolster local employment and investment. It was not nearly enough, however, to deflect the severe blow inflicted on the local economy after 2007.

Something that has definitely helped was the opportunity to land **Facebook, Inc.**'s first proprietary data center, for which the long-term rural enterprise zone played a major deciding factor in favor of Prineville, versus locations in other states, as emphasized by both the company and its site selector.

Completed in 2011, construction of the 300,000-square-foot data center provided for well in excess of 200 construction jobs in late 2009 and 2010 and cost around \$300 million. It will initially employ 35–40 full-time workers with wages exceeding 150 percent of the county's average pay. Financially, the City of Prineville will collect significant funds through power franchise fees. Facebook will also pay \$110,000 annual community fee during each of the 15 years of tax exemption and will set aside \$105,000 annually for charitable giving in Crook County and Prineville, assisting local non-profit and service organizations, as announced by the company in 2011.

Aside from the immediate economic boost, the local community has gained from this project in other ways that promise further success: (1) The experience of negotiating an extraordinary, highly confidential development; and (2) The renown of being home to a technologically advanced and environmentally cutting-edge facility of a company that is a household name internationally.

HOUSE DISTRICT 57

Featured Enterprise Zone: Former WALLOWA COUNTY

Stein Distillery is a micro-distillery facility producing aged rye whiskey and bourbon, rum, gin, vodka and a variety of cordials. The business created two new jobs, with a \$400,000 investment in qualified property, on which in 2010, began the only exemption ever in the now terminated Wallowa County Enterprise Zone.

HOUSE DISTRICT 58

Featured Enterprise Zones: CTUIR TRIBAL, HERMISTON, and PENDLETON/PILOT ROCK

In 2005 & 2006, BUSINESS OREGON worked with the Confederated Tribes of the Umatilla Indian Reservation (CTUIR) to facilitate a new venture business, **Cayuse Technologies**, on the reservation under a management agreement with Accenture, LLC, a global management consulting, technology services and outsourcing company with more than 140,000 employees in 48 countries. In addition to state infrastructure funds for the extension of utility services to the Coyote Industrial Park, the State awarded a \$300,000 forgivable loan to help train employees in software development, image processing and call center function. Federal, Tribal and regional resources contributed to this project's fruition, as well.

Cayuse employs over 100 people from the region and plans to employ 250 people by the end of 2012. These funds helped provide sustainable jobs in rural Oregon.

In 2002, CTUIR pursued designation of the first and so far only reservation enterprise zone, in order to create a competitive environment for investment in collaboration with private partners. So far, the Cayuse facility is entirely comprised of Indian property, for which the standard exemption would be redundant in terms of local property taxes, but it remains an important consideration for potential installation of taxable property owned by Accenture or any non-Indian corporation. In addition, a special tax credit available in the zone was also important in making this development happen. A non-Indian partner can claim the credit on its state income tax return based on the annual tribal tax that CTUIR will levy on all occupants at the industrial park to raise funds, which will be used to support further development.

* * *

Breaking ground in early 2009, **Pioneer Hi-Bred Seed International, Inc.**, a subsidiary of DuPont, began construction of a \$28-million seed processing facility on a state Certified Industrial Site. This followed a competitive process with the company looking in Oregon, Idaho, California and Wyoming. This recruitment involved not only a five-year enterprise zone abatement, but also state financing for infrastructure improvements.

In starting its initial abatement in 2010, Pioneer has already created 24 full-time, year-round jobs, in addition to seasonal employment opportunities that run into the hundreds. Pioneer also maintains special crop contracts for area growers. Pioneer later amended its application to cover

further investments, for which DuPont favored the Hermiston Enterprise Zone over other locations.

Hermiston is located a mere 40 miles due south of the Tri-Cities in Washington. Fueled by federal resources, the Tri-Cities area has been aggressive and successful in its recruitment efforts, against which Eastern Oregon cities such as Hermiston must compete in any number of recurring ways. Local officials have found that only with incentives like the enterprise zone can they measure up with Tri-Cities in terms of keeping and attracting business opportunities, for which strong alternative locations also abound elsewhere in Washington and Idaho.

* * *

The enterprise zone provided critical assistance when in 2008 **Snack Alliance Inc.** chose to add a new production line in Hermiston for a new gourmet brown rice crisp product – riceworks® - which Snack Alliance introduced and patented in 2006 to satisfy consumer demand for healthier snacks. The company needed a larger facility to produce the new line for a product marketed both nationally and for export. Snack Alliance has multiple production facilities in the U.S. To bring the project to Oregon meant a competitive process. Without the enterprise zone as an added incentive, the production line would likely have been built in Virginia.

But through extension of the zone to the Snack Alliance site, along with other state, regional and local programs, 73 Oregon jobs have been retained and 44 new positions added at the facility, where Snack Alliance invested \$2.1 million, on which over three years it may save close to \$100,000 in property taxes. **Shearer's Food, Inc.**, which lately acquired Snack Alliance has recently been authorized for a \$25-million expansion to be completed in 2011 with the addition 50 more employees.

* * *

Barhyte Specialty Foods is a family-owned processing company specializing in mustards, salad dressings, marinades, dry coatings, horseradish, and so forth in Pendleton. Twice in recent years, expansion projects have benefited from the enterprise zone program, helping the company to add both jobs and production. While most of the product is sold outside Oregon, all manufacturing and processing occurs here. The company manufactures, bottles, and labels product for more than 20 university and colleges including "Pac 10" schools. Ever on the lookout for additional opportunities, Barhyte Specialty Foods is constantly submitting bids. Even in the wake of the current economic climate, Barhyte continues to operate with full anticipation for the further growth.

The earlier project in 2005 comprised a completely new processing line nearly doubling production capacity. This \$369,000 project created four new jobs and provided the potential of running two shifts in the future. The second project expanded on the first and involved a total remodeling of the existing facility, including new stainless steel and bronze kitchen, gift shop/display area, parking lot, and entryway with a Tuscan décor, as a more fitting image to large business customers. This time the enterprise zone will save Barhyte up to \$40,000 on a project costing \$652,000 and adding 6 jobs, such that the employee count has grown to 30.

HOUSE DISTRICT 59

Featured Enterprise Zones: GRANT COUNTY, JEFFERSON COUNTY and THE DALLES/WASCO COUNTY

BUSINESS OREGON in cooperation with local economic development officials has assisted **Winner's Choice Custom Bow Strings** in expanding its operations through construction of a new building, relocation of an office facility and equipment purchases, especially with business loans. The Grant County Enterprise Zone has also been of use for affiliated businesses, with the Motion Target LLC having a 2007–2009 exemption that saved a little less than \$6,000 on a \$158,000 investment that created seven jobs at that particular subsidiary.

* * *

Based in Redmond and pursuing expanded operations to locate at the Madras city airport (at which BUSINESS OREGON has helped the City of Madras to pay for public works improvements), **Butler Aircraft Company** provides aviation services for the needs of forestry and fire-fighting. Butler will use the Jefferson County Enterprise Zone to save on property taxes arising from its lease of the newly constructed, city-owned hangar and other investments totaling \$3 million. Authorized in 2010 for a five-year exemption, Butler anticipates creating 20 new jobs in Madras.

* * *

In 2004, **Google, Inc.** approached state and local officials around Oregon (and elsewhere in the Western US) about developing its first data center that it would self-operate away from its California complex. Besides a suitable source of power, Google soon identified the long-term rural facility tax incentives as critical for any location that it would choose in Oregon.

By 2005, Google had entered into an agreement with the City of The Dalles and Wasco County for certification of the facility, so that it would receive 15 years of property tax exemption. Seemingly surpassing \$1 billion, the new investment entails 82 direct jobs with average annual compensation of \$57,000, not including numerous on-site contractors. The company is saving as much as \$25 million a year in taxes. This project fundamentally altered the outlook and attitude of The Dalles community.

Google's notably high concern with confidentiality are not necessarily incomparable to most any business with respect to public relations and protecting proprietary or other news and information that competitors might exploit. In Google's case, maintaining a low profile also reflected issues of homeland security and safeguarding customer data, as well as the culture of a young company uniquely attune to how electronic data can be disrupted, accessed or abused.

HOUSE DISTRICT 60

Featured Enterprise Zones: BAKER CITY/COUNTY and MALHEUR COUNTY

The recruitment of **Cutter's Edge** from California to Baker City, Oregon, involved planning and collaboration by BUSINESS OREGON and local officials for more than three years, in order to create sustainable, living wage jobs in rural Oregon. To close the deal in February 2007, temporary tax savings under the enterprise zone and Oregon Investment Advantage were critical, along with a

forgivable loan from the Governor and an express industrial revenue bond to help develop the new manufacturing facility.

Cutter's Edge manufactures the toughest saws in the world for cutting steel and concrete, primarily for use in fire-rescue work, notably the MULTI-CUT™ brand. Currently, the company has four employees at its new facility at which it invested \$870,000. The three-year enterprise zone abatement will save it somewhere around \$30,000 in property taxes.

* * *

In 2007–2008, the enterprise zone expedited construction of a Holiday Inn Express by **TQ Properties** in Ontario. This \$6.6-million project not only created considerable construction jobs in Malheur County, it has also resulted in part-time/seasonal employment, as well as 10 of full-time, year-round positions. This type of project also enhances the local capacity of the hospitality industry in the local area with respect to the total number of rooms, conference space and other amenities to serve both recreational and business travelers, who when they stay overnight for extended periods have a multiplier effect with restaurants and other retail establishments. From the perspective of county officials, the tax relief of about \$50–60,000 per year for three years by the enterprise zone program was one of several contributors to the decision to proceed with this facility.

* * *

The onion industry in Eastern Oregon and Western Idaho produces over 25% of the yellow Spanish sweet onions grown in the United States. **Owyhee Produce** is an onion packing facility in Nyssa and a family-owned business with three generations working at this facility. Owyhee Produce was strongly considering building a modern, automated facility in Idaho. Having the enterprise zone program available was a key asset in Oregon's favor, as an influence on the business owners, as they weighed their options and elected to make the \$3-million dollar investment on land in the Nyssa area in 2007. So far, they have added nine employees.

APPENDIX A

Analyses specific to Oregon enterprise zones

Below are studies that say something about enterprise zone tax incentives in Oregon. Previously, serious research and analysis related only to other types of programs and zones outside Oregon, which had little relevancy for policy discussions here. Aside from fundamental differences among study methodologies, the circumstances, criteria, objectives, resources and so forth vary dramatically among enterprise zone programs elsewhere. The mere provision of a program or incentive will never guarantee the sort of recurring success demonstrated above.

In addition, the overall economy is massive and dominated by the service sector, such that economic data contain a great deal of "noise." In contrast, the tax incentives are trying to influence business decisions at a targeted margin, respective only to (non-retail) traded-sector industries. Therefore, it is remarkable that these studies indicate some efficacy on the part of Oregon's enterprise zone system at delivering what it was meant to do.

Ham, John C., Charles Swenson, Ayşe İmrohoroğlu and Heonjae Song. "Government Programs Can Improve Local Labor Markets: Evidence from State Enterprise Zones, Federal Empowerment Zones and Federal Enterprise Communities." *Journal of Public Economics* 95:7-8, pp. 779–797 (August 2011). <http://dx.doi.org/10.1016/j.jpubeco.2010.11.027>. Also, see www.econ.umd.edu/research/papers/485, www.marshall.usc.edu/leventhal/research/working-papers.htm.

This paper employs high-level econometrics of long-term socioeconomic effects among federal enterprise zones and state enterprise zones designated during the 1990's, in considering the fundamental policy notions that generally underlie most enterprise zones, for example, reducing local poverty. Oregon was among the states studied; see tables.

LRO. "Enterprise Zones Study" Research Report #4-09. LEGISLATIVE REVENUE OFFICE, STATE OF OREGON (2009), Salem, OR. www.leg.state.or.us/comm/lro/2009_session/entr_prz_zones_sb151.pdf.

Called for by amendments to 2007 legislation (SB 151) but without funding, this study debunks a number of myths, with its short- and long-term analyses of geographically based data and its examination of the impacts from contingently foregone property taxes.

SEE BULLETS ON NEXT PAGE FOR FURTHER DETAIL

Moore, T., J. Kopel-Bailey, and R. Wyman. "N/NE Portland Enterprise Zone: Performance Review." Portland, OR (2008). Available from Portland Development Commission (PDC), 222 NW Fifth Ave, Portland OR 97209–3859, 503-823-3200, and from BUSINESS OREGON.

This consultants report offers tremendous insight into the effectiveness of the former N/NE Portland Enterprise Zone. It is more of an evaluation of public policy and program operations, rather than analysis of benefit-costs or statistical evidence, even as it does include quantitative examinations and surveys.

ALSO, SEE OEDA SPONSORED RESEARCH BY ECONORTHWEST (2010) – http://www.oeda.biz/resource_ezones.html.

REMI NORTHWEST (2009). "SOREDI Benefits Executive Report." Medford, OR. Available from Southern Oregon Regional Economic Development Inc., 673 Market Street, Medford OR 97504, 541-773-8946, and from BUSINESS OREGON.

Using regional economic modeling and sophisticated data, this consultants reports analysis estimates very impressive effects in Southern Oregon, primarily in association with the Medford Urban Enterprise Zone and that zone's *Electronic Commerce* status.

SUMMARY OF 2009 ENTERPRISE ZONES (EZs) STUDY, LEGISLATIVE REVENUE OFFICE (LRO)

IN GENERAL:

- Study is a positive step forward in pursuit of evaluation and deliberation based on factual analysis.
- Resourcefulness and hard work produced interesting and encouraging information.
- Statistical limitations and an inconclusive quality are hallmarks of such analyses, and results are mixed among the five geographic strata (categories); as with any such investigation, it can attempt only to answer certain questions.
- It highlights economic challenges facing "Rural Remote" areas (listed fifth), which have acquired zones more recently and have had rather less EZ business activity to sample.

SHORT-TERM ANALYSIS (Employment Department Data, 2003-2006):

- Shows strong employment and gross payroll effect for business users in sample EZs.
- Payroll numbers also perform well in most strata/sample areas – see page 8, tables 6 & 7 – but "spillover" effect for all firms in sample area is less definitive in terms of total employment.
- Note – sample areas are only inside specific zone boundaries, and the number of EZs in each sample by stratum is quite small. The analysis also covers only three years of then available data.
- Average pay of EZ businesses grew by less than "all firms" in comparison areas, as well as sample EZ areas in particular; all firms include diverse industries like retail and professional services.
- Average pay at EZ businesses mostly starts from a substantially higher base, likely due to manufacturing bias among actual EZ firms.
- Comparison areas are well chosen by stratum based on an industry–employment structure similar to EZ areas but generally began with better socioeconomic conditions – see long-term analysis.

LONG-TERM ANALYSIS (Census Data, 1990-2000):

- Sample EZs generally register relative gains in reducing poverty and unemployment rates.
- Data for gross income (\$-millions) and housing are difficult to interpret without population control.
- Effort represents rudimentary first-shot at this type of study; per page 15: it is at "best preliminary and indicative of potential future investigations."
- Note, as above – comparison group not selected based on correlation of socioeconomic conditions.
- Sample size may be much too small, and EZ boundaries may relate poorly to historic period.
- Census tracts (that overlap EZ) may oftentimes poorly define relevant area for study.

INTERNAL RATE OF RETURN (IRR) ANALYSIS (Program Data, 1998-2007*):

- Section demonstrates diversity of EZ activity, quantities and different reality among the five strata.
- Corroborates long-standing evidence in terms of how the property taxes alone can be recouped fairly soon – seven-year payback for all projects – and that property taxes per job are rather low and highly sensitive to outlying values or special exemptions.
- Any average "\$-tax : job" ratio is problematic and extremely variable, but it is reasonably estimated here at around \$11,000 in general. (Figures are not annual but cover all years of exemption)
- Ratio falls to less than \$8,000, without power generation facilities or investments locally excused from having to increase employment by 10 percent, which excludes only 20 of 460 exemptions, while still leaving a number of anomalously large, capital-intensive investments.
- Beyond these simple measures, the study points to future elements for inclusion:
 - Present value/discounting and other adjustments to property tax revenue streams,
 - Fuller treatment of costs & benefits, in terms of actual public service/fiscal costs and second-order impacts for other public finances and economic growth, and
 - "But-for" issues through at least modeling "what ifs" of how much to attribute to an "incentive" effect and/or assume would happen anyway [including relative (non-linear) capital intensity].

* Data come from annual business–county assessor reports prepared for the Oregon Department of Revenue. Oregon Business Development Department (OBDD) compiled and modeled such data for use by LRO, including techniques, for which it might be possible to replicate for further investigations.

APPENDIX B

Local and state features of Oregon enterprise zones

The table below demonstrates how Oregon has a “state–local” enterprise zone system. Issue-by-issue, duty-by-duty, it identifies which of the following is responsible for the action or decision that may or must be taken:

- The state of Oregon, typically as a direct function of technical provisions in the Oregon Revised Statutes (ORS) enacted by the State Legislature.
- The one or more City Councils, Port District Boards and/or Boards of County Commissioners or the Tribal governing body that (jointly) sponsor the zone.

Issue, Action or Decision	State, Local Sponsor, etc.
Purpose and duration of enterprise zone system	State Statutes
Constitution of Enterprise Zones	
To propose/apply to have an Enterprise Zone	Local governments
Terminating an Enterprise Zone prematurely	Local governments ^A
Minimum level of local economic distress in a proposed Enterprise Zone	State Statutes ^B
Maximum statewide number of Zones (57+)	State Statutes
Maximum life span of Zone	State Statutes (sunset on 6/30 after more than 10 years)
To reapply for designation after sun-setting	Local governments
Application elements/process for Enterprise Zone designation (e.g., accurate map)	State Statutes ^C
Selection of Enterprise Zones to be designated in the face of competition	State—Director of Oregon Business Development Department
Shape and actual area/jurisdictions in a Zone	Local governments (statutory limits)
Changing existing boundary of a Zone	Local governments (statutory limits)
Maximum size & dimensions (limits) of any Zone	State Statutes
Benefits to Business Firms in Enterprise Zones—with Standard Exemption ^D	
Minimum property tax exemption—i.e., 100% for 3 years	State Statutes
Property covered by exemption (e.g., new plant & equipment, \$50,000 minima for real property)	State Statutes
Adding either one or two years to exemption—Extended Abatement of 4 or 5 years in total	Local governments (Written agreement between firm and sponsor)
Other benefits/incentives (e.g., fee waiver, regulatory flexibility)	Local governments (Such local incentives become binding)
That local/state publicly-owned land to be made available for lease or purchase	State Statutes

Issue, Action or Decision	State, Local Sponsor, etc.
Requirements to Get Standard Property Tax Exemption/Benefits	
General eligibility of business/activity	State Statutes
Inclusion of hotels/motels/resorts as eligible	Local governments (one-time option)
Authorization filing fee	Local governments ^E
Authorization application & approval	Local zone manager (with county assessor, according to statutory eligibility) ^E
Exemption Claim approval & compliance	County Assessor (with assistance of local zone manager/sponsor)
Enter into first-source hiring agreement	State Statutes ^G
Minimum hiring/10% increase in employment	State Statutes
Waiver from minimum employment increase	Local governments (by resolution, either for investments of \$25 million or more, or for projects entailing increased productivity and dedicated job-training expense)
Alternative minimum employment level and other requirements for special waiver	Local governments ^H
Safeguard against moving jobs into a Zone	State Statutes
Additional employment-related conditions	Local governments (urban zones only) ^I
Compensation standard for Extended Abatement up to 5 years	State Statutes ^J
Any “additional” requirements for Extended Abatement up to 5 years	Local governments ^K
Other	
Management of an Enterprise Zone	Local governments
Marketing plans, strategies & initiatives	Local governments ^L
Community relations, outreach & support, and Coordination among local players	Local governments
Annual report on exemptions & new job data	County assessors
Identify available publicly-owned land in any Zone, and Indices of all land in urban Zones	Local governments ^M
Interaction with federal enterprise zones	State—Oregon Business Development Department
Technical assistance, information & training to zone sponsors/assessors/business firms	State—Oregon Business Development Department & Department of Revenue
Forms for applications by business firms	State—Department of Revenue (with Oregon Business Development Department)
Adoption/amendment of administrative rules	State agencies
Interpretation/construction of Statutes	State—Attorney General
Appeals by business firms upon denial	State ^N

NOTES FOR ABOVE TABLE OF LOCAL-STATE FEATURES OF OREGON ENTERPRISE ZONES—

A Director of the Oregon Business Development Department is required to terminate an enterprise zone whenever a sponsor is unable or unwilling to fulfill responsibilities; this has never been done.

B With some discretion by the Director or through administrative rules of the Oregon Business Development Department.

C Specified/clarified by administrative rules of the Oregon Business Development Department.

D This commonly used program offers an exemption from property taxes on new plant & equipment invested in the enterprise zone by an eligible business firm that increases its in-zone, full-time employment. (**Long-term tax incentives** also are available, for which an entire qualifying facility may be exempt from property taxes for 7 to 15 years, but only in (most) rural zones. Like the extended abatement, the local government sponsors have complete discretion over the granting of these incentives, except for the state tax credits approved by the Governor, although the facility must satisfy certain minima for dollars invested, jobs created and compensation paid. The zone sponsor also sets the exemption period and may impose additional requirements.)

E Not charged by many sponsors, but fee may range from \$200 to 0.1 percent of estimated investment cost.

F May be waived in accordance with special circumstances in administrative rule or by Oregon Department of Revenue for good cause.

G Same requirement for business firms benefiting under lottery-funded programs; waiver possible but rare by Director of the Oregon Business Development Department; agreement is between the authorized business firm and a local office of Worksource Oregon (State Employment Department), which acts as the contact for a network of publicly funded job-training providers. Under the agreement, firm provides notice of job openings and accepts referral of qualified job applicants.

H As specified in resolution(s), which may allow for a decrease in employment with \$25 million investment.

I Several urban zones have established standards of a locally adopted policy; zone sponsors must submit written report to Legislature on application and effects of such conditions every four years.

J Average "compensation" for new employees during each of four/five years must be at least 150 percent of county average annual wage as set at start of investment, except for urban zones in Portland area.

K As reasonably requested in written agreement between firm and zone sponsor, to be monitored by sponsor. Guidance in administrative rules adopted by Oregon Business Development Department.

L With assistance by Oregon Business Development Department in "efforts to retain, expand, start or recruit eligible business firms"—ORS 285C.060(2).

M Statutory duty.

N All such appeals go directly to the Oregon Tax Court, Magistrates Division.

