

BASIC STEPS FOR AN ENTERPRISE ZONE APPLICATION

- 1 Getting started:** Identify (a) all cities, ports and counties that must/will participate in or consent to application, (b) sites and lands to go in the proposed zone and (c) the *preparer*, who studies these materials, * contacts Arthur Fish, Business Incentives Coordinator, arthur.fish@state.or.us, 503-986-0140, and attends workshops as available.
- 2 Getting organized:** (a) Schedule and reserve dates to adopt resolutions by city/port/county governing bodies, (b) determine how to produce maps/legal description for proposed zone boundary and (c) work with county assessor to identify all local taxing districts (other than sponsor-based districts) that levy taxes on property inside proposed enterprise zone area.
- 3 Notice of public meeting:** (a) Develop complete list of contact names—addresses for local taxing districts (*e.g.*, staff, key board members); (b) establish date, place and time for meeting, *seven or more days before adoption of first resolution*; (c) prepare informative notice with preliminary agenda and (d) send it to list at least 21 days before meeting date.
- 4 Further outreach:** (a) Elicit letters of interest from eligible business firms that might effectively expand or locate in proposed zone within 2½ years of designation (local business and development organizations may have leads; business is disqualified if diminishing in-state jobs and transferring them into zone from more than 30 miles away), and (b) initiate public information and involvement (as appropriate) with education & training organizations, community groups and the media.
- 5 Interim tasks:** (a) Pursue additional interaction with local taxing districts, as warranted, and solid attendance at meeting; (b) send copy of contact list and notice to SDAO in Salem; (c) finalize meeting agenda; (d) assemble economic data/statistics and information about good industrial sites for application and (e) have draft of enterprise zone map produced.
- 6 Public meeting & follow-up:** (a) Conduct meeting with (applicant reps/leaders in attendance), using map, *etc.*; (b) prepare minutes and distribute them to local taxing districts not in attendance; (c) undertake further consultative discussions or analyses, as warranted and (d) finalize any agreed-to arrangements to be put into practice if proposed zone is designated.
- 7 Wrap-up:** (a) Print final map and legal description of proposed zone boundary; (b) see that resolutions are drafted, adopted (no sooner than seven days after public meeting) and copied for application; (c) assemble other documentation from consultations and on sites (zoning, real estate listings, environmental report summaries, *etc.*) and (d) fill out first four pages of application form.
- 8 Complete application and submit at least mandatory elements (resolutions, maps, *etc.* ...):** To Business Oregon on or before the deadline (continue to submit copies of local taxing district comments or other public responses, as they are received, as well as business firm letters, which may be kept confidential).
- 9 Competition (potential):** (a) Standby for announcement and be prepared, and (b) as necessary, submit responses to other competitive criteria and optional materials, such that they are received at Business Oregon in Salem on announced date little more than 30 days after deadline.

* And administrative rules—OAR 123-065-0000 thru ...-1901—http://arcweb.sos.state.or.us/rules/OARS_100/OAR_123/123_065.html

INSTRUCTIONS FOR ENTERPRISE ZONE APPLICATION

Any city or cities, port or ports, and/or county or counties may apply for an enterprise zone, including the sponsors of zones that have or will terminate due to statutory sunset.*

No more than 60 days after the due date for the submission of applications, Business Oregon (Oregon Business Development Department) will have determined which proposed enterprise zones meet mandatory qualifications. The director of Business Oregon will make a final determination, about which applicants to designate (considering comparative ratings as necessary) and issue the orders of designation.

All applicants will be duly informed of the final outcome. An applicant that is not designated may apply in future designation rounds, although an updated application would need to be submitted.

City, Port & County Sponsorship Resolutions

To qualify, a proposed enterprise zone must be sponsored by the local jurisdictions in which it is located. To accomplish this, the governing bodies of each city, port and county are required to approve resolutions of application within 90 days prior to submitting the application—SEE OAR 123-065-1530 and 123-065-1540.

There are exceptions as indicated in OAR 123-065-0010; for example, a zone located entirely within city limits does not need the county to be a sponsor.

In addition, in special cases, a jurisdiction may approve of the proposed enterprise zone, but not actually sponsor it, by adopting a resolution of “consent.” This is allowed: (a) for a city, if the zone is sponsored by county or port, (b) for a port if zone is sponsored by city and county, or (c) for a county, if sponsored by a port, or by a city if the only unincorporated areas are in the city’s urban growth area.

Public Involvement & Support

The adoption of requisite resolutions will likely inspire significant public involvement and discussion on the desirability and importance of an enterprise zone for the local community.

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* The exceptions are that the city/sponsor of a zone that terminated for reasons other than statutory sunset may not seek designation again, and that only cities with a population of at least 100,000 may sponsor two different enterprise zones at one time.

Except for consultations with local taxing districts, additional public involvement or support is not mandatory for designation, but it is a relative factor to be weighed among applicants, and it is naturally encouraged.

Consultations with Local Taxing Districts

In recent years, many taxing districts have expressed concern with state laws that affect property taxes, including enterprise zones. In allowing additional zones, the 2005 Legislature called for adoption of administrative rules—SEE OAR 123-065-1050 to 123-065-1080—for mandatory consultations with these districts in applying for any future designation.

These consultations involve several elements:

1. **BASIC FEATURES AND TIMEFRAME.** At a minimum, a public meeting must be held, to which are invited all local taxing districts. Every effort should be made to make this a meaningful gathering at which substantial discussion and understanding can occur:

- Meeting must take place 7 or more days before adoption of any sponsorship resolution.
- A notice/invitation must precede meeting by 21 or more days.
- Planning and prompt action are critical in order to have the time to still adopt resolutions before application deadline.

2. **LOCAL TAXING DISTRICTS.** These include school districts, special service districts, *etc.* (other than districts with boards/territory equivalent to a sponsoring government) that levy *ad valorem* taxes on property in a tax code area inside the proposed enterprise zone:

- Some districts (*e.g.*, emergency services) may be more interested than others—strive to coordinate meeting date with the most interested ones.
- County assessor can help identify the affected districts.
- Include on mailing list not only executive staff (who may be engrossed by daily operations), but also board chairs or other key contacts.
- Necessary to send a copy of notice and mailing list to—Attn: Government Affairs, Special Districts Association of Oregon (SDAO), PO Box 12613, Salem OR 97309-0613.

- Do not necessarily copy Business Oregon at time of mailing, but rather simply submit materials as described below under #10 with application.
3. NOTICE. This must be postmarked no later than 21 days before meeting date and include:
- Invitation to participate and discuss issues and so forth at meeting
 - Contact information for questions and to submit written comments to sponsoring governments (in addition to or instead of attending meeting)
 - Explanation of proposed enterprise zone and the application to be made
 - Established meeting date, place and time (*e.g.*, up to two hours in early evening) and related instructions
 - Dates when each city, port or county is expected to adopt resolutions of sponsorship (at least 7 days after meeting)
 - Information about the temporary exemptions on new property, available to some business firms in a zone
 - Brief narrative of policy and economic reasons for seeking the enterprise zone
 - Preliminary meeting agenda.
4. PUBLIC MEETING. Person, who can answer diverse questions about the proposed enterprise zone, should conduct meeting; elected or executive proponents of the application from sponsoring governments are urged to attend, too:
- Open to public, but neither a hearing nor opportunity for public comment.
 - Requisite notice under ORS Ch. 192, and invite county assessor, of course
 - Really encourage interested districts to send someone.
 - Follow final agenda.
 - Note/record-taking required for preparation of minutes.
 - Must present map of proposed zone boundary and application outline for review/discussion at meeting.
 - Allot time for recognizing written commentary and statements by district representatives in attendance.
5. ISSUES AND DIALOGUE. At the public meeting and/or through other consultative efforts, pursue open exchange of ideas:
- Perceived benefit, need and role of an enterprise zone designation
 - Comparison with other development programs and tax policies
 - Possible/probable new business or industrial property with/without zone
- Estimated effects over time of potential investments on property tax revenues
 - Current service capacity related to industry for emergency preparedness, public safety, rescue, fire suppression, emergency medical services, transportation infrastructure, public utilities and so forth.
 - Impacts of actual business projects and general development, including but not limited to large workforce or particular structures, industrial materials or other risk factors—on not only service costs—but also special needs or risks in terms of roads, capital improvements, and special equipment, protective gear, supplies or training for first responders.
 - Role of building standards and permits, design review and land-use zoning & other mechanisms, to resolve impacts.
6. REVENUE/ECONOMIC ANALYSIS. Local districts often lack specialized financial staff; so, it may offer invaluable context, to explore with them the effects in terms of “dollar & cents” on property assessment and taxation over time that an enterprise zone could have:
- Forecast type and plausible amount of (new) property subject to exemption.
 - Consider how much might generally be additional due to tax incentives.
 - Factor in length of exemption (3 or more years), valuation and tax rate(s) ... relative to overall tax base.
 - Estimate taxation of property after exemption period (*e.g.*, up to 20 years).
 - Tabulate other benefits—costs from extra local employment and so forth.
7. OTHER EFFORTS. Besides the public meeting, other interaction, surveys, interviews and so forth might be undertaken with local taxing districts. These may include analytical exercises as described above; also:
- Distribute copy of meeting meetings to all attendees and to non-attending districts as soon as possible.
 - Applicant should respond in two weeks to a request for special meeting or for answers to specific, formal questions.
 - Commentary from districts, whether written or not, must be given due consideration by sponsor.
 - Consent by local taxing district, explicit or otherwise, is **not** required for designation or for consequent tax exemptions on business property.

8. RESULTS FROM CONSULTATIONS. In many cases, the chance to learn and comment will satisfy. Applicants ought to look for any opportunity to establish ongoing arrangements:

- Likely to be agreement to agree and to finalize matters (within six months) after enterprise zone is designated.
- Formal, non-verbal commitments and accords are recommended.

9. SPECIAL ARRANGEMENTS. Examples of future outreach and so forth with one or more local taxing district might include:

- Regularly scheduled (for example, annual) meetings or updates regarding business activity in the zone.
- Ensuring ongoing notification and communication about or by business firms as part of authorization process
- Undertaking or continuing benefit/cost estimations or other studies regarding actual or prospective zone activity
- Ongoing review and enhancement of problem solving through local development regulations
- Incorporating into zone policies or negotiations, as applicable and permissible, additional, reasonable conditions or requirements on a business firm that address direct impacts on particular service provider arising from proposed investment.
- Other collaborative efforts that enhance economic development and community services for the public.

10. SUBMISSIONS TO BUSINESS OREGON. Any written comment from a local taxing district needs to be sent in, even if received after application deadline; with the application must be enclosed:

- Copy of notice
- Copy of mailing list
- Final meeting agenda
- Minutes/notes of public meeting and any other consultative activity/effort
- Any analytical work for districts
- Post-designation plans
- Copy of any memorandum of understanding, agreement, *etc.*

Size and Dimensions

Oregon’s enterprise zones are distinct areas. The boundaries of an enterprise zone do NOT in any way need to conform with jurisdictional borders or with a “terminating” enterprise zone, although these can be used, as convenient means to define the zone.

The priorities in fashioning a zone’s boundaries are to include areas that: (a) best demonstrate local economic need and (b) attract investments in order to generate the desired mix of new jobs.

State statutes establish limits on an enterprise zone’s total area, and on the distances within it, as described in OAR 123–065–0080 and 123–065–0090.

An enterprise zone (NOTE— all distances are straight-line or “as the crow flies”):

- Must be less than or equal to 12.0 square miles in total area;
- Must be no more than 25 miles[†] in length from one end to another for rural zones wholly within counties with 100 or fewer persons/square mile, and 20 miles,[†] if at least partially in such a county—but no more than 12 miles rural zones in more densely populated counties, as well as any urban enterprise zone;
- May include separate areas that are no more than five miles from another such area—or up to 15 miles[†] apart for a rural zone if area is in a county with 100 or fewer persons/square mile, and
- May not overlap another enterprise zone that is not terminating when the proposed zone is to be designated.

Location & “Urban” vs. “Rural”

Geographically, enterprise zones are permitted anywhere in the state. A zone must be either rural or urban, and an urban enterprise zone may not cross the so-called regional or metropolitan urban growth boundary.

“Urban” enterprise zones are located in contiguous urban growth boundaries inside federally determined metropolitan statistical areas (MSAs)—*i.e.*, Bend, Corvallis, Eugene–Springfield, Medford, Portland/METRO and Salem–Keizer. All others—including most of the existing zones—are “rural.”

There is no restriction for the number of urban relative to rural enterprise zones to be designated. The urban/rural distinction matters for certain issues affecting business tax benefits, requirements and locally adopted policies that would apply in the designated zone.

[†] If requested in resolutions, and explained with application, director may waive these upper limitations.

Mandatory Economic Qualifications

ORS 285C.090 requires an area to be designated as an enterprise zone exhibit substantial economic hardship. OAR 123-065-1510, which implements this requirement, provides some latitude and flexibility for demonstrating the economic need of a proposed enterprise zone.

To qualify, the proposed zone must have:

- Unemployment rate of two percentage points or more above the statewide rate, OR
- Income level of 80 percent or less of the equivalent income level for the state, OR
- A proportion of persons or households below the federal poverty level that is at least five percentage points higher than the statewide proportion, OR
- A recent ten-year change in population that is at least 15 percentage points below the state's equivalent population change.

The statutes permit equally severe indicators of economic need to be used instead of what is specified above, such as recent job losses or special designations. An applicant also has the option of presenting alternative measures for review by the director of Business Oregon.

To assist applicants, OAR 123-065-1600 to 123-065-1620 explain data issues. All varieties of formal sources are allowed. Technically, though, 2000 federal census data is often the best possibility.

Applicants may use only the most recently available *annual* figures, but applicants are NOT required to consider recentness in choosing among *different* sources of economic/social data.

OAR 123-065-1620 outlines the situations in which a proposed zone may rely on data for a city, cities, county or an entire metropolitan statistical area. The primary advantage of such data is typically convenience. In all cases, an applicant might utilize zone-specific numbers derived from smaller census statistical units, which for a proposed urban zone may comprise a residential "Target Area" near but not actually inside the proposed zone boundary.

An enterprise zone applicant may employ data for a metropolitan statistical area in lieu of statewide data, as the basis of comparison, if the zone would be located entirely in that metropolitan statistical area, regardless of whether it is an urban or rural zone—SEE "statistical indicators" in the application form. "

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Significant Industrial and Serviced Lands

A crucial determinant of economic development success is the availability of multiple sites that have adequate public services, utilities, infrastructure and other qualities for diverse types of businesses, including being free from environmental and other common regulatory or real-estate impediments.

Therefore, an enterprise zone needs a significant amount of land that is physically accessible, serviceable and unencumbered by constraints, relative to the zone's total area and to the local supply of industrial sites. Suitable land-use zoning and ordinances generally mean "industrial" uses, although "commercial" zoning may also be useful for some eligible businesses.

This is not only a competitive criterion but also a mandatory qualification.

An applicant needs to submit currently acknowledged land-use zoning maps and other information to demonstrate that the proposed enterprise zone contains significant land that can be suitably developed. Voluminous submissions are discouraged; basic title report, copy of executive summaries and visual/brief indicators of land quality will certainly suffice.

Competitive Criteria

In the event that Business Oregon receives more qualified applications than there are enterprise zones to designate, the director of Business Oregon determines which proposed zones to designate. The director's determination is discretionary and final and may be influenced by various considerations.

To inform the director's selection, Business Oregon and/or other parties will evaluate and score applicants based on OAR 123-065-1560 to 123-065-1590, which award points according to both quantitative and (unavoidably) subjective criteria.

Neither the response nor the lack of response to any competitive criterion will generate negative points; in other words, all responses are optional. There is also some redundancy, in that an applicant could receive the maximum of 2,000 points without a superior response to each and every criterion.

Except for number one below (Economic Hardship), responses and information for these competitive criteria might not necessarily be due at the same time as the application deadline, but rather may be submitted about 30 days later and formulated relative to the actual level of competition among proposed enterprise zones for the available designations.

Competitive criteria are divided into four groups:

1. **ECONOMIC HARDSHIP.** These criteria parallel the options for demonstrating mandatory economic need. But even where a particular hardship qualification is not met, points can still be awarded for the corresponding criterion in the event of competitive selection for available enterprise zone designations. An applicant may use different statistical sources/definitions for each criterion. To avoid redundant credit, the total number of points available for the following criteria is 750:

- Median Income
- Unemployment Rate
- Poverty Incidence Rate
- Population Decline
- “Distressed Area” designation(s)
- Other indicators of Economic Need may also be scored

2. **LIKELIHOOD OF SUCCESS.** The following qualitative criteria address issues affecting the proposed enterprise zone’s capacity to induce diverse job-creating investments, and they may be answered in a variety of ways including consolidated attachment(s) to the application:

- Education/Training, Job Placement & Counseling to Attract Businesses and to Enhance Skills/productivity
- Local Economic & Community Development History
- Improvements to public infrastructure
- Local Incentives[‡]
- Marketing Plan
- Strategic Plan, Vision, Partnerships, Assessments & Resources—SEE OAR 123–065–1650
- Industrial sites—
SEE OAR 123–065–1670

3. **IMMEDIATE INVESTMENT PROSPECTS.** These are possible future investments, including expansions by existing businesses. Points are awarded based on estimates of the investments’ cost and of new full-time hires. The maximum number of points for this criterion is 500. Such prospects and the jobs that they entail are important for any round of enterprise zone designations, and applicants should elicit as much early interest as possible by eligible business firms that could make qualifying investments not too long after the proposed zone’s designation.

4. **MISCELLANEOUS.** These criteria cover a number of important objectives. Management and coordination would include plans to appoint the local zone manager. For proposed zones with more than two sponsoring governments a “zone association” comprised of the local governments and other parties may be of great value. Communication with the public and local interest groups is again underscored:

- Management Plan
- Coordination Arrangements
- Public Support & Involvement
- Unique to metropolitan statistical area (urban only)
- Distance to next Zone (rural only)
- Number of city, port and county sponsors.
- Efforts and outcomes related to consultations with local taxing districts

Preexisting Enterprise Zones

The sponsors of enterprise zones that have recently terminated or will terminate at the end of the current designation round are welcome to reapply for a new enterprise zone. If there is sufficient similarity in local governmental sponsorship, special provisions in administrative rule formally recognize continuity between the former zone and the new zone.

In terms of competitive criteria—SEE OAR 123–065–1570, a preexisting enterprise zone garners up to 150 points directly through its job-creation record, which is how it would demonstrate its development history.

Applicants that are preexisting enterprise zones may, however, receive only one-third of the usual points with respect to immediate investment prospects, since in many cases any such prospect can expect to receive an enterprise zone exemption on its qualified property, regardless if the preexisting zone is re-designated. Nevertheless, such preexisting zones should list employment and investment figures for all currently authorized business firms to receive the significant points that might be available.

[‡] For local incentives, any formal proposal by a local government is binding in designated zone. Though a way to earn competitive points, Business Oregon urges careful consideration of the fiscal and other impacts of such proposals.