



TO: Cities, Ports and Counties, and other interested parties  
FROM: Business, Innovation & Trade Development Division (Karen Wilde Goddin, Managing Director)  
RE: Call for Applicants, Oregon Enterprise Zone Designations

Business Oregon is pleased to announce the opening of an application process to designate Oregon Enterprise Zones to replace those that terminate effective July 1, 2010, by operation of law, for which the current local zone sponsors may reapply.

In an enterprise zone, qualified businesses may be exempted from the local property tax liability on new capital investments for at least three years and up to five years. Longer-term tax abatement periods also are available in most rural designations. Experience has shown that businesses participating in this program are successful and valuable members of the community.

**Please note:** The standard, three-year tax exemption on new property is generally automatic and **not** discretionary—*i.e.*, it is an as-of-right benefit for eligible business firms that increase employment. Cities, ports or counties that are averse to at least three years of property tax abatement to qualified firms, should **not** apply for designation of an enterprise zone.

To obtain further information on applying for an enterprise zone designation, please contact Business Oregon (Oregon Business Development Department) at 503-986-0123 (f: 503-581-5115 [www.oregon4biz.com](http://www.oregon4biz.com)) and ask for the business incentives coordinator.

You will need to complete at least four pages of an application form, adopt a resolution(s), actively consult with local taxing districts, and provide a map and description of the proposed enterprise zone and its industrial land base, and send those documents to this office by **April 2, 2010**, as evidenced by a postmark or commercial delivery receipt. Direct personal deliveries are due no later than 5:00 p.m. on that date (Address: 775 Summer Street NE Suite 200, Salem OR 97301-1280). Business Oregon will contact all qualified applicants shortly after this deadline about the level of competition (if any) for the available zone designations, so that additional responses to competitive criteria may be prepared and submitted accordingly, for receipt at Business Oregon's Salem office by 5 p.m., about 30 days after the initial due date, as specifically announced by Business Oregon.

We look forward to hearing from you.

# Business Oregon

## Application For Enterprise Zone Designation

### Thinking About An Enterprise Zone?

#### *Introductory Points*

Oregon's enterprise zones offer a unique resource to local communities, unmatched by any other business incentive. Besides tax abatement, an enterprise zone lends visibility and focus to local economic development efforts.

Many communities have successfully used enterprise zones since 1986. By forgiving the local property taxes on *new* plant & equipment for at least three years, enterprise zones have led to thousands of new jobs through investments by eligible business operations.

Local jurisdictions also may *extend* the property tax exemption up to *five* consecutive years for especially high-paying jobs, and if additional local requirements are met by the business firm.

This incentive for new private investment and employment may be critical for healthy employment growth and business diversification in many areas.

But an enterprise zone is neither a prerequisite nor a cure-all for development. Some areas have greater need or are better able to exploit an enterprise zone in comparison to other localities, and a commitment to actively promote the zone is crucial.

Finally, an enterprise zone does *not* alter land use zoning, although it should be recognized in local comprehensive land use plans. The enterprise zone's primary influence would be on long-term "industrial" and some forms of "commercial" development, in contrast to the general growth of urbanized areas.

#### *A Broad, Versatile Resource*

Oregon presently contains 59 enterprise zones throughout the state, in all types of communities, big and small, metropolitan and rural.

Business Oregon can offer information about individual zones, jobs and exempted property taxes/values. (Such data do not distinguish jobs that might have arisen anyway, nor do they account for indirect and induced job creation.) Be sure to visit—[www.oregon4biz.com](http://www.oregon4biz.com)

#### *Creating and Running an Enterprise Zone*

The 1995 Legislature extended the overall program to 2009 (lately continued until 2013) and allowed for the designation of enterprise zones to replace or renew those that "sunset." At the latest, each enterprise zone terminates 10–11 years after it is originally designated.

Since 1993, the director of Business Oregon (rather than the Governor) has been charged with designating enterprise zones, subject to a potentially competitive round of applications from cities, ports and/or counties, based on economic need, likelihood of success and other attributes of the proposed enterprise zone.

For a locality to qualify to have an enterprise zone it must meet minimum thresholds of economic need.

Most *rural* enterprise zones encompass entire incorporated/urban-growth areas of one or more cities, and possibly sites outside of urban growth boundaries. In Oregon's largest cities, the zone must remain entirely within the metropolitan urban growth boundary, and typically, the enterprise zone contains only a portion of such a city.

A local zone manager and the county tax assessor administer the property tax abatement programs, with some help in marketing from other entities. These local players largely handle such duties, by advising interested businesses; authorizing them, and exempting qualified property.

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Business Oregon and the Oregon Department of Revenue jointly coordinate the enterprise zone program and assist local players. The Oregon Department of Justice and the Oregon Employment Department have supporting functions.

### *Roles of the Zone Sponsor*

By resolution, the governing bodies of cities, ports and/or counties sponsor an enterprise zone. Port sponsorship is newly instituted as a result of laws passed in 2005.

Although enterprise zones are largely self-functioning units—and the property tax exemption that they offer is generally automatic—sponsorship of an enterprise zone still entails both responsibilities and opportunities for shaping local economic development. The sponsor does or may do the following (if there is more than one city/port/county sponsoring government, they must act *jointly* in all cases):

- Make policy and plans covering marketing, organization and so forth
- Set authorization filing fees, as appropriate
- Help businesses to use zone and with verifying compliance by businesses
- Appoint the local zone manager
- Implement local incentives for authorized business firms (*e.g.*, services, fee reductions, regulatory flexibility)
- Assist in making unused, publicly owned real estate in the zone available to authorized business firms
- Fulfill arrangements worked out with local taxing districts during pre-designation consultations
- Enter into written agreements with and reasonably request additional local requirements of authorized firms, in extending the exemption for four or five years in total or in allowing special long-term rural tax incentives

- Adopt resolutions to waive statutory requirement of a 10 percent employment increase (stipulating alternative employment minimum and potential, other local conditions), for existing businesses that invest \$25 million or more, or that measurably modernize operations and fund workforce training
- Change the boundary of the zone to remove areas or to add new areas or cosponsors, subject to statutory guidelines, by passing resolutions and sending request to Business Oregon
- Elect to terminate the enterprise zone.

In an *urban* enterprise zone, the sponsor may also establish a local policy and standards for additional, worker-related conditions that are consistently imposed with the standard three-year exemption.

### *Hotels, Motels & Destination Resorts*

Typically, only non-retail operations are eligible for enterprise zone exemptions. But in the past, local sponsors of enterprise zones have exercised option to allow qualified property of hotels, motels and resorts to receive standard tax exemption.

Cities/counties seeking designation of an enterprise zone also have a **one-time opportunity** to exercise this same option.

To do so, the resolutions of application by each city/county government sponsor must expressively state that such businesses will be eligible for exemption in the enterprise zone, if designated.

This option may be taken selectively amongst the city and county jurisdictions that would co-sponsor the enterprise zone.

These inter-jurisdictional restrictions should be clarified in the application and associated resolutions, but they—and the basic hotel/resort option—may be revised and finalized by resolution up to six months following the zone's designation.

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The zone sponsor may irreversibly rescind the overall hotel/resort option while the zone exists. In the case of a preexisting enterprise zone that previously exercised this option, it is automatically retained as such with redesignation of the zone, unless the application indicates otherwise.

*The Incentive & Impact of a Zone*

In combination with efforts to upgrade local economic capacity (*e.g.*, infrastructure, industrial sites), an Oregon enterprise zone is meant to induce *additional* private sector investment and jobs by signaling a receptive business climate, as well as a significant, but short-term benefit to a project's cash flow, which in turn would ...

- Encourage homegrown entrepreneurs and firms to start up and grow
- Prompt bigger re/investments than might otherwise occur
- Accelerate investment, expansion and hiring compared to an ordinary rate
- Expand employment—projects are required to add one new, full-time job or increase by 10 percent
- Bolster early success of business projects
- Help needier regions overcome dislocations and deficiencies afflicting the local economic structure
- Attract investment and facilities that would move or locate outside of Oregon/locality, and
- Promote higher levels of employee compensation with 5-year abatement.

Enterprise zone exemptions do not necessarily affect available funds for local public services (depending on statewide equalization of school funding and on how relevant limitations for tax rates and levies affect *new* industrial property in the particular tax code).

Indeed, enterprise zone incentives can help to enlarge the future local tax base, which under the current property tax system would increase future local revenue.

Nevertheless, despite changes in the nature of property tax assessment, an enterprise zone's overall benefits and costs remain largely as they have always been.

In considering an enterprise zone, there are two key questions that local governments should ask:

1. What are the expected local investments that will happen anyway, but that might still receive an exemption? ... And
2. Would these exemptions be adequately offset by additional investments/jobs or other advantages of the zone?