

A-Engrossed
Senate Bill 879

Ordered by the Senate April 12
Including Senate Amendments dated April 12

Sponsored by Senator MONNES ANDERSON, Representative MINNIS; Representative LIM

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Modifies strategic investment program. Requires counties to request that Oregon Economic and Community Development Commission establish strategic investment zones. Grants exemption to all newly constructed or newly installed property within zone, if commission determines property is to be used in eligible project.

Applies to strategic investment zones and projects designated as eligible on or after January 1, 2006.

A BILL FOR AN ACT

1
2 Relating to strategic investment zones; creating new provisions; and amending ORS 285C.600,
3 285C.603 and 285C.606.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 285C.600 is amended to read:

6 285C.600. As used in ORS 285C.600 to 285C.620:

7 (1) "Business firm" has the meaning given that term in ORS 285C.050.

8 (2) "Eligible project" means a project that meets criteria established by the Oregon Economic
9 and Community Development Commission to be exempt from property taxation under ORS 307.123.

10 (3) "First-source hiring agreement" has the meaning given that term in ORS 285C.050.

11 (4) "Publicly funded job training provider" has the meaning given that term in ORS 285C.050.

12 (5) "Rural area" means an area located entirely outside of the urban growth boundary of a city
13 with a population of 30,000 or more, as the urban growth boundary is acknowledged on December
14 1, 2002.

15 **(6) "Strategic investment zone" means a geographic area established under section 5 of**
16 **this 2005 Act, within which the property of eligible projects may be exempt from property**
17 **taxation under ORS 307.123.**

18 **SECTION 2.** ORS 285C.603 is amended to read:

19 285C.603. The Legislative Assembly declares that a significant purpose of the strategic invest-
20 ment program established in ORS [*285C.606, 285C.609*] **285C.600 to 285C.620** and 307.123 is to im-
21 prove employment in areas where eligible projects are to be located and urges business firms that
22 will benefit from an eligible project to hire employees from the region in which the eligible project
23 is to be located whenever practicable.

24 **SECTION 3.** (1) **A business firm seeking the exemption under ORS 307.123 for a project**
25 **the firm intends to install or construct within a strategic investment zone shall apply to the**
26 **Economic and Community Development Department. The application shall be in the form and**

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 shall contain the information required by the department.

2 (2) A completed application containing all of the required information shall be considered
3 by the Oregon Economic and Community Development Commission for the purposes of de-
4 termining whether the project constitutes an eligible project under ORS 285C.606.

5 **SECTION 4.** ORS 285C.606 is amended to read:

6 285C.606. (1) The State of Oregon, acting through the Oregon Economic and Community Devel-
7 opment Commission, may determine that real and personal property constituting a project shall re-
8 ceive the tax exemption provided in ORS 307.123 if:

- 9 (a) The project is an eligible project;
10 (b) The project directly benefits a traded sector industry, as defined in ORS 285B.280; and
11 (c) The total cost of the project equals or exceeds:
12 (A) \$100 million; or
13 (B) \$25 million, if the project is located in a rural area.

14 (2) In addition to and not in lieu of the determination described in subsection (1) of this
15 section, the State of Oregon, acting through the Oregon Economic and Community Devel-
16 opment Commission, shall determine that real and personal property constituting a project
17 shall receive the tax exemption provided in ORS 307.123 if:

- 18 (a) The requirements of subsection (1) of this section are met; and
19 (b) The project is to be constructed or installed in a strategic investment zone estab-
20 lished under section 5 of this 2005 Act.

21 [(2)] (3) Notwithstanding subsection (1) or (2) of this section, property may not qualify for the
22 tax exemption under ORS 307.123 if the property:

- 23 (a) Was previously owned or leased by the business firm benefitting from the tax exemption;
24 [or]
25 (b) Was previously exempt under ORS 307.123 for any period of time; or
26 (c) If located in a strategic investment zone, is not newly constructed or newly installed
27 property.

28 [(3)] (4) The State of Oregon, acting through the State Treasurer, may authorize and issue re-
29 venue bonds for an eligible project that qualifies for exemption under ORS 307.123 if the project also
30 is eligible for funding through the issuance of revenue bonds under ORS 285B.320 to 285B.371.

31 [(4)] (5) A business firm that will be benefited by an eligible project shall enter into a first-
32 source hiring agreement with a publicly funded job training provider that will remain in effect until
33 the end of the tax exemption period.

34 [(5)] (6) If an eligible project is leased or subleased to any person, the lessee shall be required
35 to pay property taxes levied upon or with respect to the leased premises only in accordance with
36 ORS 307.123.

37 [(6)] (7) For purposes of determining the assessment and taxation of the eligible project in ORS
38 307.123 and the calculation of the community services fee in ORS 285C.609 (4)(b), the Oregon Eco-
39 nomic and Community Development Commission, when it determines that the project is an eligible
40 project, shall:

- 41 (a) Describe the real and personal property to be included in the eligible project;
42 (b) Establish the maximum value of the property subject to exemption; or
43 (c) Employ a comparable method to define the eligible project.

44 [(7)] (8) Property of an eligible project that is currently exempt under ORS 307.123 may remain
45 exempt for any remaining period of exemption allowed under ORS 307.123 upon the property being

1 acquired by a business firm that is different from the business firm that initially benefited from the
2 exemption, if the acquiring firm satisfies all applicable requirements under ORS 285C.600 to 285C.620
3 and assumes the obligations, conditions, requirements and other terms of the agreement described
4 in ORS 285C.609 (4).

5 **SECTION 5.** (1) A county seeking to ensure that all eligible projects constructed or in-
6 stalled within a particular geographic area within the county receive the tax exemption un-
7 der ORS 307.123 may request designation of the geographic area as a strategic investment
8 zone. The request must be made by official action of the governing body of the county taken
9 at a regular or duly called special meeting of the governing body by the affirmative vote of
10 a majority of members of the governing body. The request must set forth the proposed
11 boundaries of the zone.

12 (2) The governing body of the county shall forward appropriate actions requesting zone
13 establishment to the Economic and Community Development Department for consideration
14 by the Oregon Economic and Community Development Commission. If the commission de-
15 termines that the proposed zone is likely to achieve the purpose set forth in ORS 285C.603
16 and other objectives established for the zone by the requesting county, the department or
17 the commission, the commission shall designate the geographic area a strategic investment
18 zone.

19 (3) Any eligible project described in ORS 285C.606 (2) and newly constructed or installed
20 after the date of zone designation under this section shall qualify for exemption under ORS
21 307.123 if the business firm benefitted by the eligible project complies with the fee agreement
22 described in subsection (4) of this section.

23 (4) The county may not make the request under subsection (1) of this section unless,
24 after a public hearing:

25 (a) The county and, if the proposed zone will be located within a city, the city have en-
26 tered into an agreement described in this subsection.

27 (b) The agreement provides for the payment of a fee by each business firm that is to own
28 or operate an eligible project within the proposed zone, as a condition for the exemption
29 under ORS 307.123. The agreement shall provide for the payment of the fee, as follows:

30 (A) The fee shall be for community services support that relates to the direct impact of
31 the eligible project on public services.

32 (B) The fee shall be in an amount equal to 25 percent of the property taxes that would,
33 but for the exemption, be due on the exempt property in each assessment year, but not ex-
34 ceeding \$2 million per eligible project in any year or, if the eligible project is located in a
35 rural area, \$500,000 per eligible project in any year.

36 (C) The fee shall be paid annually during the tax exemption period by each business firm
37 having an eligible project within the zone, as of a date set forth in the agreement.

38 (c) The agreement provides for the refunding or crediting of overpayments, for interest
39 on late payments or underpayments and for the manner in which the appeal of the assessed
40 value of the property included in the project will affect the fee.

41 (5) The agreement described in subsection (4) of this section may provide for any other
42 requirements that each business firm must comply with in order for the eligible project of
43 the firm to qualify for exemption under ORS 307.123.

44 (6)(a) The fee collected under subsection (4)(b) of this section shall be distributed by the
45 county based on an additional agreement described in this subsection. An agreement de-

1 scribed in this subsection is effective only if:

2 (A) The county and the city, if any, in which the eligible project is located have entered
3 into the agreement; and

4 (B) Local taxing districts listed in ORS 198.010 or 198.180 that constitute at least 75 per-
5 cent of the property tax authority of all local taxing districts listed in ORS 198.010 or 198.180
6 that are in the code area in which the eligible project is located have entered into the
7 agreement.

8 (b) If an additional agreement is not entered into under paragraph (a) of this subsection
9 within three months after the date of the determination by the commission under ORS
10 285C.606 (1), the commission shall, by official action, establish a formula for distributing the
11 fee collected under subsection (4)(b) of this section.

12 SECTION 6. Sections 3 and 5 of this 2005 Act and the amendments to ORS 285C.600,
13 285C.603 and 285C.606 by sections 1, 2 and 4 of this 2005 Act apply to strategic investment
14 zones established on or after January 1, 2006, and to projects for which eligible project des-
15 ignation is sought on or after January 1, 2006.

16 SECTION 7. Nothing in section 3 or 5 of this 2005 Act or the amendments to ORS
17 285C.600, 285C.603 or 285C.606 by sections 1, 2 and 4 of this 2005 Act affects the continued
18 eligibility of a project designated an eligible project under ORS 285C.600 to 285C.620 prior to
19 January 1, 2006, for the property tax exemption provided under ORS 307.123 for a tax year
20 beginning on or after July 1, 2006.

21 SECTION 8. ORS 285C.603 and sections 3 and 5 of this 2005 Act are added to and made a
22 part of ORS 285C.600 to 285C.620.
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