

Senate Bill 879

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 **as introduced**.

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 285B.332,
3 285C.600, 285C.603, 285C.606, 285C.609 and 307.123.

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 ORS 285C.609,
16 **within which the property of eligible projects may be exempt from property taxation under**
17 **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**
27 **shall contain the information required by the department.**

28 (2) **A completed application containing all of the required information shall be considered**
29 **by the Oregon Economic and Community Development Commission for the purposes of de-**

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 **termining whether the project constitutes an eligible project under ORS 285C.606.**

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

3 285C.606. (1) The State of Oregon, acting through the Oregon Economic and Community Development Commission, [may] **shall** determine that real and personal property constituting a project shall receive the tax exemption provided in ORS 307.123 if:

6 (a) The project is an eligible project;

7 (b) The project directly benefits a traded sector industry, as defined in ORS 285B.280; [and]

8 **(c) The project is to be constructed or installed in a strategic investment zone established**
9 **under ORS 285C.609; and**

10 [(c)] **(d)** The total cost of the project equals or exceeds:

11 (A) \$100 million; or

12 (B) \$25 million, if the project is located in a rural area.

13 (2) Notwithstanding subsection (1) of this section, property may not qualify for the tax exemption under ORS 307.123 if the property:

15 (a) Was previously owned or leased by the business firm benefitting from the tax exemption;
16 [or]

17 **(b) Is not newly constructed or newly installed in the strategic investment zone; or**

18 [(b)] **(c)** Was previously exempt under ORS 307.123 for any period of time.

19 (3) The State of Oregon, acting through the State Treasurer, may authorize and issue revenue bonds for an eligible project that qualifies for exemption under ORS 307.123 if the project also is eligible for funding through the issuance of revenue bonds under ORS 285B.320 to 285B.371.

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

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

28 (6) For purposes of determining the assessment and taxation of the eligible project in ORS 307.123 and the calculation of the community services fee in ORS 285C.609 (4)(b), the Oregon Economic and Community Development Commission, when it determines that the project is an eligible project, shall:

32 (a) Describe the real and personal property to be included in the eligible project;

33 (b) Establish the maximum value of the property subject to exemption; or

34 (c) Employ a comparable method to define the eligible project.

35 (7) Property of an eligible project that is currently exempt under ORS 307.123 may remain exempt for any remaining period of exemption allowed under ORS 307.123 upon the property being acquired by a business firm that is different from the business firm that initially benefited from the exemption, if the acquiring firm satisfies all applicable requirements under ORS 285C.600 to 285C.620 and assumes the obligations, conditions, requirements and other terms of the agreement described in ORS 285C.609 (4).

41 **SECTION 5.** ORS 285C.609 is amended to read:

42 285C.609. (1) [A determination under ORS 285C.606 (1) by the Oregon Economic and Community Development Commission that a project shall be exempt from property taxation under ORS 307.123]

44 **In order for the property of an eligible project to be exempt under ORS 307.123, the Oregon Economic and Community Development Commission must establish a strategic investment**
45

1 **zone and establish the boundary of the zone. A strategic investment zone** must be requested
 2 by official action of the governing body of the county taken at a regular or duly called special
 3 meeting thereof by the affirmative vote of a majority of its members. **The request must set forth**
 4 **the proposed boundaries of the zone.**

5 (2) The governing body of any Oregon county shall forward appropriate [*prospective eligible*
 6 *projects*] **actions requesting zone establishment** to the Economic and Community Development
 7 Department for processing. **If the department determines that the proposed zone is likely to**
 8 **achieve the purpose set forth in ORS 285C.603 and other objectives established for the zone**
 9 **by the requesting county or the department, the department shall forward the request to the**
 10 **commission.**

11 (3) For purposes of this section, for [*projects located on a*] federally recognized Oregon Indian
 12 [*reservation*] **reservations**, the governing body of a county shall be considered to be the governing
 13 body of the federally recognized Oregon Indian tribe.

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

16 (a) The county and, if the proposed [*eligible project*] **zone** will be located within a city, the city
 17 have entered into an agreement [*with the business firm, as*] described in this subsection.

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

21 (A) The fee shall be for community services support that relates to the direct impact of [*the el-*
 22 *igible project*] **eligible projects** on public services.

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

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

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

32 (5) The agreement described in subsection (4) of this section may provide for any other re-
 33 quirements related to the [*project*] **proposed zone**.

34 (6)(a) The fee collected under subsection (4)(b) of this section shall be distributed by the county
 35 based on an agreement. The agreement is effective only if:

36 (A) The county and the city, if any, in which the [*eligible project*] **zone** is located have entered
 37 into the agreement; and

38 (B) Local taxing districts listed in ORS 198.010 or 198.180 that constitute at least 75 percent of
 39 the property tax authority of all local taxing districts listed in ORS 198.010 or 198.180 in the code
 40 area in which the [*eligible project*] **zone** is located have entered into the agreement.

41 (b) If an effective agreement is not entered into under paragraph (a) of this subsection within
 42 three months after the date of the determination by the commission [*under ORS 285C.606 (1)*] **to**
 43 **establish a zone**, the commission shall, by official action, establish a formula for distributing the
 44 fee collected under subsection (4)(b) of this section.

45 **SECTION 6.** ORS 285B.332 is amended to read:

1 285B.332. (1) The undertaking of any eligible project must be requested by official action of the
2 governing body of the county taken at a regular or duly called special meeting thereof by the af-
3 firmative vote of a majority of its members.

4 (2) The governing body of any Oregon county is encouraged to forward appropriate prospective
5 eligible projects to the Oregon Economic and Community Development Commission for processing
6 pursuant to ORS 285B.326.

7 (3) For purposes of this section, for projects located on a federally recognized Oregon Indian
8 reservation, the governing body of a county shall be considered to be the governing body of the
9 federally recognized Oregon Indian tribe.

10 (4) If the governing body is requesting the undertaking of an eligible project **that is related to**
11 **a strategic investment zone** under ORS 285C.609, it may impose additional reasonable require-
12 ments on the applicant.

13 **SECTION 7.** ORS 307.123 is amended to read:

14 307.123. (1) Except as provided in subsection (3) of this section, real or personal property that
15 the Oregon Economic and Community Development Commission, acting pursuant to ORS 285C.606,
16 has determined is an eligible project under ORS 285C.600 to 285C.620 shall be subject to assessment
17 and taxation as follows:

18 (a) That portion of the real market value of the eligible project that equals the minimum cost
19 of the project under ORS 285C.606 [(1)(c)] **(1)(d)**, increased annually for growth at the rate of three
20 percent, shall be taxable at the taxable portion's assessed value under ORS 308.146. The taxable
21 portion of real market value, as adjusted, shall be allocated as follows until the entire amount is
22 assigned: first to land, second to buildings, third to real property machinery and equipment and last
23 to personal property.

24 (b) The remainder of the real market value shall be exempt from taxation for a period of 15
25 years from the beginning of the tax year after the earliest of the following dates:

26 (A) The date the property is certified for occupancy or, if no certificate of occupancy is issued,
27 the date the property is used to produce a product for sale; or

28 (B) The expiration of the exemption for commercial facilities under construction under ORS
29 307.330.

30 (2) If the real market value of the property falls below the value determined under subsection
31 (1)(a) of this section, the owner or lessee shall pay taxes only on the assessed value of the property.

32 (3) Notwithstanding subsection (1) of this section, real or personal property that has received
33 an exemption under ORS 285C.175 may not be assessed under this section.

34 (4) The Department of Revenue may adopt rules and prescribe forms that the department de-
35 termines are necessary for administration of this section.

36 (5) The determination by the Oregon Economic and Community Development Commission that
37 a project is an eligible project that may receive a tax exemption under this section shall be con-
38 clusive, so long as the property included in the eligible project is constructed and installed in ac-
39 cordance with the application approved by the commission.

40 (6) Notwithstanding subsection (1) of this section, if the owner or lessee of property exempt
41 under this section fails to pay the fee required under ORS 285C.609 (4)(b) by the end of the tax year
42 in which it is due, the exemption shall be revoked and the property shall be fully taxable for the
43 following tax year and for each subsequent tax year for which the fee remains unpaid. If an unpaid
44 fee is paid after the exemption is revoked, the property shall again be eligible for the exemption
45 provided under this section, beginning with the tax year after the payment is made. Reinstatement

1 of the exemption under this subsection shall not extend the 15-year exemption period provided for
2 in subsection (1)(b) of this section.

3 **SECTION 8.** Section 3 of this 2005 Act and the amendments to ORS 285C.600, 285C.603,
4 285C.606 and 285C.609 by sections 1, 2, 4 and 5 of this 2005 Act apply to strategic investment
5 zones established on or after January 1, 2006, and to projects for which eligible project des-
6 ignation is sought on or after January 1, 2006.

7 **SECTION 9.** Nothing in section 3 of this 2005 Act or the amendments to ORS 285C.600,
8 285C.603, 285C.606 and 285C.609 by sections 1, 2, 4 and 5 of this 2005 Act affects the continued
9 eligibility of a project designated an eligible project under ORS 285C.600 to 285C.620 prior to
10 January 1, 2006, for the property tax exemption provided under ORS 307.123 for a tax year
11 beginning on or after July 1, 2006.

12 **SECTION 10.** ORS 285C.603 and section 3 of this 2005 Act are added to and made a part
13 of ORS 285C.600 to 285C.620.

14 _____