



June 2008

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Background Brief on ...

Economic and Community Development

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As one of the fastest growing economies in the country, Oregon is poised to capitalize on developments in new technologies, alternative energy production, and its favorable west coast manufacturing location to increase the state's competitiveness in the global economy.

Oregon Economic and Community Development Department

State economic development efforts are carried out by and coordinated through the Oregon Economic and Community Development Department (**OECD**). With affiliated state boards and commissions, the OECD cooperates with a wide variety of regional and local economic development agencies to further the state's business interests. The agency currently consists of three divisions:

- **Business and Trade Development** - focusing on attracting companies to either relocate, expand, or be established in this state and assisting Oregon-based companies with entering the international marketplace or expanding their current level of exports
- **Innovation and Economic Strategies Division** – fostering "Oregon's innovation and global competitiveness by leveraging its economic opportunities"
- **Community Development Division** - helping ports and communities meet infrastructure goals such as public works projects, cleaning brownfields (real estate whose expansion or redevelopment is complicated by actual or perceived environmental contamination), and other activities that help build towards business growth

In May 2008, Governor Kulongoski issued Executive Order 08-11 that directs the OECD to separate the agency's function of community development from its business development functions. The executive order follows recommendations from the Oregon Economic and Community Development Commission, whose findings and recommendations were the result of six months of evaluation of not only the agency, but of challenges facing Oregon such as competition from other states and countries, population growth, infrastructure needs, and revenue forecasts. The commission found that while the Business and Trade Development and Innovation and Economic Strategies divisions had integrated goals of attracting, growing, and retaining business, the Community Development

Division had different objectives, project goals, and customers. While both functions of business development and community development are equally important, the commission determined that separating the functions would provide additional clarity and accountability to each of the agency's primary functions.

The executive order directs the OECD Director to work with the commission and seek and consider input from stakeholders and legislators regarding the design and implementation of the agency reorganization. Legislation must be enacted for the division to become permanent.

Examples of Business and Community Development Incentive Programs

Enterprise zones - The purpose of enterprise zones is to help attract private business investment and to help resident businesses to reinvest and grow in communities facing economic challenges. Sponsored by local or tribal governments, an enterprise zone typically serves as a focal point for local development efforts and incentives. In exchange for locating or expanding into an enterprise zone, eligible businesses receive total exemption from the property taxes normally assessed on new plant and equipment for at least three years (but up to five years) in the standard program.

If approved by the local city/cities and county/counties that sponsor the enterprise zone, a business can receive an "extended abatement" for a total exemption period of four or five consecutive years. The Long-Term Enterprise Zone Facilities Tax Credit is available to subchapter C corporations that own a facility exempt from property tax due to location in a rural enterprise zone after meeting certain criteria, such as being located in a county satisfying chronic economic statistics at the time of approval by the local zone sponsor. The tax credit is available for a period of at least 5 but not more than 15 consecutive tax years.

Oregon Investment Advantage - The Oregon Investment Advantage is a ten-year taxable income exemption for a certified business in an

eligible location. In a number of locations, it can be combined with enterprise zone incentives. The facility site, at the time a preliminary certification is made, must be inside a county that presently or during one of the past 2 years was qualified in terms of annual unemployment or per capita income, based on the most recently available statistics as applied to the year running from July 1 through June 30; and is located on land zoned for industrial uses or located inside the urban growth boundary (**UGB**) of a city with a population of 15,000 or less. There are no restrictions in size of the investment or the firm or what type of business activities can qualify for the exemption, but they must meet all criteria such as not operating another facility anywhere in Oregon that is the same, not competing with existing businesses in the local area where the facility is located, and resulting in the hiring of five or more new full-time, year-round employees.

Strategic Investment Program - The Strategic Investment Program (**SIP**) was created by the 1993 Legislative Assembly to increase Oregon's ability to attract and retain capital-intensive industry and jobs, particularly in the high-technology industry. The program exempts the project's real market value over \$25 million in rural areas from property taxes or \$100 million in urban areas (defined as being inside the UGB of a metropolitan area or a city with a population over 30,000), and the threshold value increases 3 percent per year during the 15 year exemption period. The business must in return pay a community service fee equal to 25 percent of the exemption, up to a yearly maximum of \$2 million in urban areas or \$500,000 in rural areas.

The SIP is available statewide for a project by any traded-sector business, including manufacturing. The project must either receive local approval through an agreement with a local or tribal government or be located in a pre-established Strategic Investment Zone.

Rural Renewable Energy Development (RRED) Zones - Rural Renewable Energy Development Zones are an exemption from property taxes on wind farms, biofuel production, and other

eligible projects in a designated county. Exemption is exactly the same as the standard, three to five-year exemption in an enterprise zone except for the limitation of initial market value amount that may benefit from the exemption, up to a total maximum that is established with the designation of that particular zone. An eligible zone project must meet qualifications for the standard enterprise zone exemption and must involve the generation of electricity from a "renewable energy resource" or the manufacture, storage or distribution of biodiesel, ethanol or similar fuels made from applicable inputs.

Currently, there are RRED Zones in Union, Harney, Wasco, Sherman, and Malheur counties.

Construction-in-Progress - The Construction-in-Progress property tax exemption is for commercial, non-utility facilities while under construction and not in use on January 1st of the assessment year for up to two years. It is generally valid for any manufacturing project located in any part of the state, including any machinery or equipment located in the unoccupied facility on January 1st. The exemption also applies to all qualified property being constructed or installed as part of any authorized enterprise zone project.

Property Tax Exemption for Food Processors - Senate Bill 479 (2005) established a property tax exemption for food processors' qualified real property machinery and equipment (provided it was purchased up to two years prior to being placed in service). A food processor is defined as a person engaged in the business of freezing, canning, dehydrating, concentrating, preserving, processing, or repacking for human consumption raw or fresh fruit, vegetables, nuts, legumes or seafood in any procedure that occurs prior to the point of first sale by the processor.

Tax Credits and Incentives – The OECD, the Employment Department, and the Department of Revenue offer a number of tax credits for employers. Examples include tax credits for providing dependent care assistance to employees, tax credits for qualified research

activities, installing pollution-reducing technologies or processes, investing in energy conservation, recycling, renewable resources and less-polluting transportation fuels, and hiring certain target group members with barriers to employment.

In addition, the Oregon Film and Video Office provides a number of incentives for film and video productions such as a rebate for Oregon-based goods and services and cash payments for production personnel.

Loans and Grants - There are a number of financial resources available for economic development projects. The Brownfields Redevelopment Fund is a direct loan and grant program to conduct environmental actions on brownfields to make formerly used industrial and commercial lands viable for reuse. Other examples include the Entrepreneurial Development Loan Fund that offers initial direct loans for newer businesses to become established in Oregon; and Industrial Development Revenue Bonds that are tax-exempt and issued by the state on behalf of qualified businesses for long-term financing for land, buildings, and equipment at interest terms generally below the prime rate.

Other resources include the Oregon Capital Access program that helps lenders increase small businesses access to commercial loans, and the Oregon Business Retention Service, a program that provides consulting services and other assistance (through an interest-free loan) to Oregon companies facing difficult changes such as a financial or organizational distress.

Online Resources

OregonProspector - Oregonprospector.com is the state's official website for site selection consultants and businesses interested in relocating or expanding a business in Oregon, and includes a comprehensive database of available sites and buildings by city, county, type of property and size.

Oregon4biz - Oregon4biz.com provides a

complete overview of economic incentives and programs for businesses to locate or expand in Oregon.

Brand Oregon - The primary goal of [Brand Oregon](#) is to unify state marketing and communications efforts and establish one “brand” that works for varied industries to sell more Oregon products and create more business opportunities. Brand Oregon is staffed by the OECD in cooperation with the Department of Agriculture, Travel Oregon, and other state agencies as needed.

Staff and Agency Contacts

[Oregon Economic & Community Development Department](#)
503-986-0123

[Oregon Employment Department - Incentives for Employers](#)
800-237-3710

[Oregon Department of Revenue - List of Tax Credits for Businesses](#)

[Oregon Department of Agriculture Food Safety Division](#)
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