

**CITY OF SCAPPOOSE
CITY COUNCIL WORKSHOP
SEPTEMBER 20, 2010 AT 7:00 P.M.
SCAPPOOSE, OREGON**

Mayor Burge called the Council Workshop to order at 7:00 p.m.

Flag Salute

Attendance:

City Council Members:

Scott Burge	Mayor
Jeff Bernhard	Council President
Donna Gedlich	Councilor
Judie Ingham	Councilor
Larry P. Meres	Councilor
Jeff Erickson	Councilor

Staff:

Jon Hanken	City Manager
Doug Greisen	Police Chief
Susan Reeves	City Recorder

Press:

Josey Bartlett	The Chronicle
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Excused: Councilor Art Heerwagen

Discussion on Enterprise Zone ~ Business Owners

City Manager Hanken thanked everyone for attending tonight. He explained as you recall at the last Council meeting Council talked about wanting to have a discussion related to Enterprise Zones. There were business representatives at the last meeting talking about the need for it. He explained in the staff report he outlined the incentives that are associated with it, the criteria for qualifying projects, the criteria for extended tax abatement and the fact that Enterprise Zones can consist of 12 square miles and there currently is a St. Helens/Columbia City Enterprise Zone and the sponsors of that are Columbia County, Port of St. Helens, Columbia City and the City of St. Helens. He stated one of the things in terms of discussion is an Enterprise Zone is different from a tax increment finance district and we need to keep those separate. The Enterprise Zone strictly is property tax incentive for businesses to expand or relocate in the area based upon a specific set of criteria's.

David Stocker, Columbia County Economic Team, explained Enterprise Zones are really fairly straight forward incentive for encouraging business growth in your community or for attracting new businesses to locate here. He explained it is targeted toward manufacturing businesses, primarily processing businesses and alike. It is really geared towards those categorize of businesses that produce goods and sometimes services that are exported outside of the communities so that wealth comes back into the community enabling you to create jobs here locally. He handed out a fact sheet on Enterprise Zones and opportunity at the Scappoose Airport.

David Stocker explained if he is a business owner, why should he care about Enterprise Zones, well it raises the profile of a particular business location opportunity here in Scappoose or other places that have Enterprise Zones and it puts sites on the map for businesses who are thinking about making capital investments primarily. Enterprise Zones are a property tax exemption. He explained it allows businesses to avoid having to pay for a three year period while you are getting your

business up and running, while you are establishing your investment and getting to a point where that investment can have a stable cash flow returning back into your firm. It helps defray some of the risk that a business might experience during those very precious early years after they make an investment. He went over the qualifications. He explained as a firm you have to invest a minimum of \$50,000.00 in real or personal property improvements, essentially anything that would show up on a property tax role. He explained this helps to mitigate the risk even just a little bit to make an investment somewhat more safe.

David Stocker replied the other reason why you might care about an Enterprise Zone is because there are many, many options for businesses as to where to locate or where to expand their operations. He explained right now there are 59 Enterprise Zones across the State of Oregon and beyond the Enterprise Zones there are other locations which have National competitive advantage in attracting business growth and location position. So an Enterprise Zone as a business owner would elevate the opportunity of Scappoose or other locations that have them. He explained to utilize it, it is fairly straight forward. There is a form that is produced by Business Oregon. He has some examples if anyone is interested in seeing them. He explained when you are passed the point of planning your project and well into your forming process, before you break ground, you submit an application for an Enterprise Zone property tax exemption if you meet the minimum criteria, then you qualify. He stated you fill the form out, you supply those details to a zone manager, in the case of Columbia City/City of St. Helens Enterprise Zone the zone manager is currently the City of St. Helens, administrated by Chad Olsen who is the City Administrator. After the zone manager reviews the form and submits it to the County assessor, who also reviews that form, once it is approved then you thereby receive the property tax exemption. He explained you are able to use up to two years of exemption during the period when you have construction in progress. He explained at the point when you are starting to send product out the door in most cases the assessor will say you have moved beyond the construction in progress phase and you are now in the standard enterprise exemption period, that last for three years by right. He stated although it is a right of businesses that qualify in Enterprise Zones to have that exemption, there is also an additional up to two years of exemption that you may qualify for provided that you fulfill certain criteria. He went over the criteria for extended tax abatement (for a total of four or five years of exemption). He explained if you were to qualify for the additional two years you have to secure the consent of the zone sponsors and the zone manager, so the City would have some say whether or not you wish to allow it. He explained that is how it works from the business perspective.

Councilor Erickson stated his is question are the down fall of this, what are the negatives.

David Stocker replied there are a few negatives from the community standpoint but in his judgment there are many more positives. He stated this is an incentive that deals with the exchange of money. He stated there are a lot of different ways to create economic development but financial incentives are certainly one of those tools and so there is no contingent liability on the part of the City for creating an Enterprise Zone or working with a business in an Enterprise Zone. He stated you don't have to put your capital on the hook but you would potentially forgo the property tax revenues of businesses that take advantage of an Enterprise Zone for a period of three to five years. So that really is the biggest negative. He went over the handout he gave everyone regarding the example of one business here in Columbia County. He explained the Enterprise Zone is intended to be a benefit that you provide the businesses, not the landlords; it is target toward businesses because you want to

see a return in jobs on your investment of forgone property taxes. He explained the down side of forgoing the property taxes is the City still has to provide public service to that business. He stated the one thing that you have going in your favor in use of an Enterprise Zone is that manufacturing industrial businesses are among the lowest users, the cheapest users of public services, residential users by contrast are the biggest users of public services. He stated he feels the City of Scappoose and everybody in this room is probably well aware of that you want to have a vibrant job base, you want to have an employment base, you want to have a base of businesses to bring revenue into your City. He thinks every City in Oregon and across the Country understands that basic equation because it is much for expensive for residents who live here to support all the city services without having businesses to share in that burden. He stated there is a benefit here that has many indirect this is that you are creating jobs for residents who live in Scappoose and the surrounding communities and he thinks that is really the point here of why this program was created in the State of Oregon. He stated in this example the company started with approximately 66 employees and by year four they actually had gotten to 99 employees.

Councilor Ingham asked what year did this business start.

David Stocker replied the business started in 2007.

Councilor Ingham stated so the Year 4 and after are projected figures.

David Stocker replied yes, this is really just an example. He stated from his standpoint there are a lot of different opportunity sites throughout Portland Metro and as his new role of Executive Director of the Columbia County Economic Team it is his job to promote Columbia County and Scappoose and the Scappoose Airport as a great place to do business and this gives him and all of us something to talk about when we are trying to recruit businesses to our community. He stated this levels the playing field with all the other 59 communities who have elected to create Enterprise Zones.

Councilor Gedlich asked how much area would be in Scappoose.

David Stocker replied that would be up to the City of Scappoose and the zone sponsors. He explained 12 square miles is the absolute limits.

Tony Hyde, Columbia County Commissioner, explained how the Enterprise Zone process would work. He explained the Enterprise Zone was set for 20 years because they wanted to have some check points. He explained you can only have an Enterprise Zone for 10 years and then you have to go back because you have to qualify for an Enterprise Zone in being an economically depressed community.

Councilor Meres asked what is area 3 on the map.

Mayor Burge replied it would be Clark Signs, OS Systems, that area.

David Stocker replied this map is a discussion starter. He stated the analysis is you could probably bring all of your property zoned for industrial and manufacturing uses into the Enterprise Zone without breaking that 12 square mile limit.

Mayor Burge asked David Stocker is the tax break that is shown on the example is just the City's or all the taxes school, fire, the County?

City Manager Hanken explained that is just the taxes for City of Scappoose.

David Stocker replied that is his error and he misunderstood; it would a tax break on all the taxing districts.

Mayor Burge stated there was a really good article that compared Madras Enterprise Zone to Redmond's Enterprise Zone and his comfort level would be make sure if we go this way that we are more like Redmond's Enterprise Zone because they seemed to have done it right, where as Madras didn't advertise. He doesn't want to do something and not see something happen because of the lack of marketing.

Lisa Smith asked what percentage of the current property taxes comes from industrial bases.

City Manager Hanken replied he can't give her that percentage. Scappoose's' manufacturing base is relatively small since we are primarily a residential community.

Dennie Houle, State of Oregon Business Oregon, stated her question is really one of new investments, not existing investments. He stated if this passed it would have no effect on all the existing businesses that are located at the airport. He stated if a current business decided to make a half million dollar investment the property tax abetment would be on the 3 years for the additional half million dollars. Only new investments are covered in the Enterprise Zone. He thinks an Enterprise Zone in Scappoose would probably be used a lot by the existing business because it is a very competitive world out there. He said it is not unusually for businesses to get offers about moving their business to other locations. This is a way to be leveler in the State of Oregon in competing with the highly attractive locations throughout the State. He stated it doesn't work if the company isn't investing and growing but it is for retaining the new growth and the new business that the business creates.

Tony Hyde replied there are repercussions for not meeting the requirements.

Paula Miranda, Port of St. Helens, explained they do have tenants at the airport trying to grow. She explained as far as new comers, they are in a competitive world out there. She stated when you are dealing with places that have other incentives it is very difficult. She stated in the marketing world this does make a big difference.

Councilor Gedlich asked Paula Miranda if she could give an example of some of the types of industries that have been inquiring.

Paula Miranda replied the bottle recycling is one of the businesses that have inquired.

David Stocker explained this is really geared towards projects of all shapes and sizes, not just large businesses.

Tony Hyde gave an example of a couple of programs; Wauna has since built the \$450,000,000 paper machine #5 that we talked about, they have since built another machine #6 and they didn't even ask for an Enterprise Zone because they understood that the Enterprise Zone did not them get the benefit that a SIP will give them.

Councilor Meres asked if a business goes out of business and the bank takes the property back then whoever posses the building would immediately have to start paying the current tax break.

David Stocker replied that is correct. He explained if someone wants to buy that structure and start a new business but they are not making improvements they would not qualify for the Enterprise Zone, it is really for new investments.

Mike Sheehan stated he noticed from the State data that we also qualify for the long term Enterprise Zone, if you look there it goes for 15 years. He asked are you saying this is only, and will not change; this is only for the short term Enterprise Zone.

Tony Hyde replied he is not sure what Mr. Sheehan is referring to, they don't have a long term Enterprise Zone currently in the County.

Mike Sheehan stated the second question was if somebody had qualified they have one employee, they come in they build a building, they have one employee does the 49,000 example does that apply to all subsequent employees or only to the first employee.

Tony Hyde replied what ever employees you have committed to as part of your initial qualifications.

Council President Bernhard asked if there is a current list of the companies that have successfully applied for the Enterprise Zones in Columbia County.

Tony Hyde replied he is sure they could provide that for Council.

David Stocker replied Pacific Stainless is right now the sole beneficiary in the Columbia City/City of St. Helens Enterprise Zone.

Council President Bernhard stated he would be curious to see what other companies look like in other Enterprise Zones within our areas. He stated the reason why he is going down this road is he doesn't want to see is a company just thrown up against the wall that says we build "X" that in all reality they really don't build that and they have two employees and they are just really trying to get away from the tax break and that is what his fear would be.

Tony Hyde replied they wouldn't qualify in the first place.

David Stocker replied there are checks and balances.

Len Waggoner replied his response to Mike Sheehan regarding the long term Enterprise Zone, in the sense of practicality the long term Enterprise Zone provides a couple of things, it last 15 years, instead of 3 to 5 and it allows the applicant to get a credit of like 62.5% of their State excise tax. He stated if we are going to play this game in the sense of being competitive 3 years of property tax relief is not going to solve anybodies problems. He suggested a 15 year tax break.

Tony Hyde replied he wouldn't support a 15 year tax break. He stated we need to get our property taxes back on the role as rapidly as possible.

David Stocker replied the long term of the Enterprise Zone incentive is available but the thresholds for qualifying for that program is pretty high. He stated the bar is pretty high to get the 62.5 % corporate income tax abatement because you have to be a long term Enterprise Zone and you have to get the Governors signature.

Glen Gordon, Sherpa Aircraft, explained he is one of the manufactures at the airport. He explained there is more operations around that airport then pumping fuel. He stated there are a tremendous number of manufactures around that airport and he knows four that will make products that will go international. He stated they themselves are on the threshold of after 20 plus years of developing a product that will go all over the world. He explained he has been out at the airport for about 13 years and he doesn't want to move out of Oregon. He explained they get wined and dined constantly from people all over to come to their City. He explained if you can do this zone, if it helps ten people that are supporting the aircraft industry that they can share with you would be shocked how we trade off at the airport. He stated if this encourages anybody to come here then why not do it. He would ask Council to serious consider anything they can do to help them out there.

Councilor Ingham asked about a time line, if Council were to give the go ahead then what is the process.

David Stocker replied he has an example schedule for Councils consideration that he handed out to them.

Councilor Gedlich asked who monitors the time line for these applications.

David Stocker replied the zone manager is the person who is the coach for the application. The assessor will monitor how long.

Tony Hyde replied they have annual reports that are required.

David Stocker replied he thinks this process could be wrapped by the beginning of next year.

Lisa Smith replied there is something that she needs to understand what happened in Rainier when all this stuff was in the newspaper.

Tony Hyde gave a brief explanation of what happened in Rainier with the Urban Renewal District.

Mitch Neilson asked if there are any examples State Wide that there has actually been a positive return on investments to the sponsoring group.

David Stocker replied there are bountiful of examples. He explained the fact sheet that he handed out explains there are over 3.1 billion of taxable value on Oregon's Property tax rolls available for taxation today from prior Enterprise Zone benefiting companies.

Council President Bernhard stated he came to this meeting with an open mind. He did some research himself trying to educate himself before the meeting and he wanted to hear if anyone else has anything negative to say about an Enterprise Zone. He would appreciate their points of view.

Jeff Yarbor explained he has been selling real estate for 23 years and he has brought a lot of businesses out here and he stated the very first thing people ask him is what are the incentives out here. He stated if we don't have the incentives in place and the other areas have them, that is where they will go. He feels an Enterprise Zone would be great.

Mayor Burge stated he did some research also. He stated the two things he noticed that seemed to be the major down falls were poor design of the Enterprise Zones and not advertising it. He talked about marketing Scappoose. He stated if it is not marketed continuously it is just there and not doing anything.

Tony Hyde explained you can not incentives' a company to move from their location to your location if they are within a 35 mile limit.

David Stocker replied to Mayor Burge about his comment on the need to market, you are looking at four people, Paula, Dennie, Tony and himself, who are out there every day marketing.

Scott Parker, Scappoose Sand & Gravel, stated there is a number of local business owners that are trying to market also.

Councilor Gedlich asked Dennie Houle if he is working with Gary Fish from LCDC, is he involved in all of this.

Dennie Houle, Business Oregon replied he has no input into this, except it would not make any sense to have an Enterprise Zone designation on property that would not be able to develop. He doesn't think anything is proposed on the map that we see that would cause aches from Gary Fish because it is all with either in the City, in the Urban Growth Boundary or in the proposed addition to the Urban Growth Boundary.

Lisa Smith replied not to disagree but she doesn't think all the property shown on here is in the Urban Growth Boundary or in the expanded one, but it doesn't make any difference at this point because that map is for talking purposes but her question is when you get down to seriously talking purposes about properties being incorporated in this she would ask them to please consider other properties not zoned industrial. She stated it doesn't have to be zoned commercial it is the use that you are interested in.

Paula Miranda replied if we would intend like to expand into those areas it would take longer to change the zoning that it would take to expand the Enterprise Zone.

Lisa Smith replied you don't have to change the zone, it is the use.

David Stocker handed out a list of the uses that are allowed to qualify for an Enterprise Zone.

Councilor Gedlich explained she went on line and found and read the same information that Lisa Smith is referring to. She explained they listed it can be retail but it can be so many other things and that was the purpose of the Enterprise Zone. It wasn't just for industrial purposes or manufacturing. She stated they listed lots of businesses and as long as it wasn't retail you qualified. She asked is that different in Oregon?

David Stocker replied there is a list of businesses that are allowed, retail isn't one of them so that is correct. He explained this isn't a land use tool; this is a business incentive tool so it is not necessarily directly connected to zoning. However you do want to be strategic about which lands you bring in because you do have a budget for how much is allowed in total. He stated there are a few uses of which you might see in a more of a commercial environment like software publishing, you are not making physical widgets, you are making software widgets. He stated the core intent of it is to incentives manufacturing and processing type businesses.

Lisa Smith stated maybe Council should be provided with the Chartering document so they can see exactly what they are buying into.

David Stocker replied he can supply all those materials to City Manager Hanken.

Mayor Burge stated his opinion is when we are looking at properties is trying to make it as equal as possible. He stated if we are looking at doing industrial properties he doesn't want to exclude any of the industrial properties. He stated if we are able to it seems most fair to give everyone one within the area that has that type of zone the property.

Council President Bernhard would like to move forward. He explained five years ago he is not sure he would be interested in this but with the way the economy is he feels as long as this is marketed this going to be a benefit to City.

Councilor Gedlich she thanked everyone for coming tonight and providing information and she is looking forward to getting more information.

Mike Dennis, Oregon Aero stated this is a modest thing. He stated Oregon is a very attractive place to live and people want to come here and they don't need much incentive to do it and this frankly isn't much. He explained he gets an offer from other States about every month. He stated this is a very modest offer; it's not a big deal. He stated there is competition in the State and there are offers.

Councilor Ingham asked how is this paid for?

City Manager Hanken replied it would come out of the general fund and he is not anticipating much expense.

Councilor Erickson explained he would like to move forward on this.

Councilor Meres replied he is for it.

Mayor Burge stated the only way to retain businesses that are currently here and try to expand them and expand with new businesses is to be some where close on a competitive level.

Tony Hyde stated this is an example of how aggressive this new County wide team is.

Announcements

Mayor Burge went over the calendar.

Adjournment

Mayor Burge adjourned the workshop at 8:55 p.m.

Scott Burge, Mayor

Attest: _____
Susan M Reeves, CMC, City Recorder