



ECONOMIC DEVELOPMENT INCENTIVES REPORT

**THIS REPORT WAS PREPARED WITH FINANCIAL ASSISTANCE FROM A GRANT
PROVIDED BY THE OREGON DEPARTMENT OF LAND CONSERVATION AND
DEVELOPMENT.**

PROJECT MEMORANDUM

TO: CCRD STEERING COMMITTEE

FROM: John Andersen, Consulting Planner

DATE: April 18, 2007

TOPIC: ECONOMIC DEVELOPMENT INCENTIVES FOR THE CCRD

Introduction

The purpose of this project memorandum is to discuss the use of potential incentives that may be used in the recruitment of new businesses to the Columbia-Cascade River District (CCRD).

Economic Development Incentives generally fall in two categories; those that are viewed as direct and those considered indirect. For the most part the difference between the two categories is whether there are financial considerations to be obtained by the businesses recruited. It has become common practice for economic development agencies to offer a variety of incentives in order to attract either the type of businesses believed to be more desirable, or to speed the arrival of new business.

Most agencies have found mixed results in the use of incentives, although their use has become so common that it is standard practice, particularly for larger businesses, to ask what programs are available as part of their evaluation of various alternative locations. In an age where every fiscal quarter must earn a profit and all decisions are subject to reconsideration by boards of directors, having even the relatively small financial amounts that are involved with public agency incentives can play a role in the decisions reached.

Increasingly, incentives have been used by rural locations as a means to draw the attention of businesses to their more remote locations, and in more urban locations to attract a particular sector of industry. An example would be the City of Gresham's use of grants, tax and fee deferrals and other enticements to induce manufacturing businesses to locate in their urban renewal area. Because manufacturing is seen as more likely to produce higher densities of employment, with higher salaries and improved property tax benefits, Gresham considers some financial expenditure in the form of incentives as a reasonable method to improve the community's long-term financial and social conditions.

In the CCRD incentives may or may not be practical tools for the CCRD partners. Certainly the decisions to use incentives is a local decision that must be based on a clear understanding of the benefits and risks that exist in their use, not only generally but in the case of a specific industry that may be considering locating in the District.

Direct Incentives

As mentioned previously, direct incentives involve the use of financial considerations in the recruitment of a particular industry to locate locally. The following listing provides a general explanation of the major types of direct incentives commonly used in Oregon, as well as some observations about when they might most benefit the partner that uses them.

Fee Waivers and/or Deferrals-

Municipalities have the ability to waive, reduce or defer to a later date land use, building, system development charges and other fees associated with permits for construction in their jurisdiction. This authority can be exercised by the governing body, as in Fairview, or staff, as in Gresham, but must be done in a manner consistent with an adopted set of standards. Normally, those standards identify the amount of waiver or deferral and under what conditions that exception may be granted. Often these reductions are reflective of the community's interest in a particular type of industry or a desire to indicate an overall positive character in their approach to business.

Property Tax Waivers or Deferrals-

Multnomah County administers a Strategic Investment Program based upon the rules created by the Oregon Legislature. This program allows local taxing entities to reduce or waive property taxes for large businesses or areas where it can be demonstrated that the long-term benefit to the community justifies that tax reduction. In the East County area such waivers were offered to Fujitsu and LSI-Logic to induce them to locate in Gresham. Neither business is currently in East County, although both manufacturing plants constructed by them continue to provide local jobs.

Enterprise Zones-

Since the Oregon Legislature authorized Enterprise Zones there has been a steady increase in their use. Many communities have testified to the benefits they have received by using enterprise zones to recruit new businesses. Once state standards have been met the Legislature can create the zone and the local jurisdiction can offer businesses property tax exemptions, fee waivers, regulatory flexibility, enhanced services, access to lease or buy public land, and special credits or exceptions regarding dependent care or capital purchases. Often it is easier to expand an existing zone than to create a new area requiring legislative action, which is a possibility given the existence of Gresham's current zone. Certain standards (such as poverty, location and size) must be met when creating or expanding an enterprise zone, but it is likely that properly prepared this tool could be expanded to the cities near Gresham. It is even possible to have expansions where the lands are not contiguous. This can be a

powerful tool for attracting new business and has a demonstrated history of success in Oregon and elsewhere.

Urban Renewal Zones-

The Cities of Gresham and Troutdale have existing urban renewal zones. These areas provide the city an opportunity to take the tax revenue from increased property tax value generated by the improving conditions and new businesses within the designated area and to focus that money on improvements within the renewal district. This has the benefit of aiding streets, sewers and other public facilities that would otherwise lack sufficient funding to be improved, which then results in expanded local private investment in the area. This tool has been widely used throughout the United States and is often credited with providing the money that has brought many blighted areas into an attractive and positive condition. Gresham currently uses money provided by urban renewal to offer grants to new, or expanding existing, businesses in their renewal area that provide employment at salary rates of \$15/hour or better.

Loans and Grants-

There was a time when many communities offered loans or grants to businesses locating within their area, but the changing character of public finances and the increased adaptability of business has made such activities more rare. The state of Oregon continues to provide lower-cost loans for public improvements where there is likely to be a demonstrable economic improvement for the community. Some local options continue to exist such as the Gresham Business Grant (urban renewal) program described above.

Capital Facility Construction-

While outright grants or even loans are less common, it is not unusual for cities to invest in public facilities in particular areas as a means of attracting investment. Municipalities often install streets, water and sewer lines or other public infrastructure to make particular development areas ready for easy occupancy by new businesses or to retain existing businesses that might otherwise move away. In some instances cities will pay for needed public improvements in advance, with the developer or business then contracting to repay the public expenditure as jobs and taxes are also brought to the area. Another tool commonly used is to form Local Improvement Districts or to otherwise publicly bond for civic improvements thus obtaining lower interest rates and reducing costs. All of these tools can have a useful effect on the costs for a business that exists or wants to be within the city, and therefore helps to keep or recruit jobs and taxable value locally.

Indirect Incentives

Often businesses may be attracted by indirect incentives that have little or no financial cost to the community. This may be because some businesses either have little to gain from the various direct incentives or they do not wish to enter into the agreements usually required for such direct financial benefits. However, it is often to the benefit of

businesses to have expedited access to local officials or the assurance of assistance in cases where permits are required, particularly if lengthy delays might occur that could effect the business' productivity and related ability to employ local workers.

Expedited Direct Access-

Often beneficial to establishing a positive working relationship and conducive to improved trust between the city administration and a new or existing business is to provide for quick access to top city officials. Having a meeting early in the recruitment process with the Mayor, City Administrator and/or Community Development Director, along with a promise (usually including direct dial numbers and cell phone access) to be available on short notice should there be problems or issues that the business may need addressed can help to build commitment on the business side. This can also serve as an "early warning system" should the business later consider moving or job reductions. Having direct access can serve to build the kind of trust that helps when there are difficulties with permits, taxes/fees or regulations later in the businesses locating or operating activities. Gresham's Rapid Response Team is a method to get immediate attention from staff for those projects which need quick "turn-around."

Permit Processing Assistance-

Because of the complexity of permitting systems they can often require lengths of time and types of expertise not available to businesses. An example would be a microchip wafer plant that would need to be in operation in as short a time a possible to maximize their return from a new chip. Because they cannot afford an 18-24 month permitting and construction period, it is possible for city's to create a process where land use, environmental and building permit review can be overlapping and where extra staff is brought in to assure a prompt review and faster building occupancy. This usually means frequent meetings for the city staff with the business and their planning/engineering team. Often these expedited processes are sufficiently important to businesses that they will pay the cost of the extra staff or overtime required. This kind of responsiveness to business concerns can do much to build positive relationships between the regulators and those regulated.

Business Advocacy (Ombudsman)-

Many businesses appreciate having available local officials that will serve as advocates with governmental agencies. Having the assurance that their city will help them understand the requirements and procedures involved with compliance to an unanticipated environmental or other regulation can help the business feel that they are a valued part of the community, while not reducing their duty to comply with pertinent regulations. This can include making regional or statewide connections for grants, programs, etc.

Issue Studies-

There are times when issues or concerns may emerge that affect the operations or efficiency of a particular business or group of businesses in some area. Governmental agencies can conduct the necessary research to identify, clarify and determine solutions, thereby saving businesses time and expense. Examples might be problems

with transit service, water quality or security. Assistance in problem solving can be an important benefit and a real attraction for both new and existing businesses.

Conclusion

The Columbia-Cascade River District is an area inherently attractive to development. It is likely that direct incentives could play a useful part in attracting the types of development most desired by the partners, such as manufacturing and high tech businesses. However, it is unlikely that those more substantial incentives would be needed to make potential businesses aware of the area or simply to bring business to the area. Normal real estate and economic development activities are likely to be sufficient to attract new businesses to the CCRD. However, given the market conditions reported in this study's Economic Opportunities Analysis those businesses are likely to be distribution uses. Incentives could broaden the types of businesses attracted to the area.

Enterprise zones are a very useful incentive, and properly used can be a powerful local incentive. Having this option available for all partners to use when desired would be prudent.

It is to the communities' benefit to consider use of the indirect incentives for both building and maintaining a positive working relationship with businesses existing and being recruited to the area.

Each partner should consider which incentive or package of incentives works to their best advantage. Certainly the implementation of a particular incentive for a certain business must be a decision made by the community on a case-by-case basis and using pre-established standards for that decision.