



Date: February 27, 2019

To: Joint Committee on Ways & Means Subcommittee on Transportation and Economic Development

From: Nick Batz, Business Oregon

RE: Follow up to Day Two questions

CDBG Slide (#64) Correction

On their own the numbers on slide #64 were correct, just mislabeled. The sub-bullets add up to 20 projects for \$15.8m and are for the current biennium. The \$10.2m referred to projects in FY2017-18. Slide #64 has been corrected and reposted to OLIS with the following:

- Current 2017-19 biennium: 20 projects for **\$15.8M**
 - **\$3.7m** to 3 community facilities
 - **\$1.9m** to 1 water system projects
 - **\$6.8m** to 6 wastewater projects
 - **\$3.2m** to 8 housing rehab projects
 - **\$15,250** to 2 microenterprise assistance projects

Tsunami Inundation Zones

Community Development Block Grants, both Brownfield funding programs, and Business Oregon incentives (including Enterprise Zones) can be used within the tsunami inundation zone.

Enterprise Zone Businesses and Property Longevity

Most enterprise zone exemptions are only for three years, with a fair number covering five consecutive years, for an average of 4.1 years on average based on property value. Only a relative handful of notable rural facilities are receiving exemptions of 10 or 15 years in length. Enforcement is a team effort involving local assessors and sponsoring governments, as well as state agencies, including technical assistance of Business Oregon, and it is not uncommon for businesses to be disqualified and back taxes collected. The hiring requirements are relatively simple, and there is high confidence that companies are complying with the law.

Business operations will not continue indefinitely for one reason or another, but most enterprise zone businesses were already in the zone, and the exception is those that are not still in existence a long time after using the enterprise zone. Regardless, the taxable property will by and large remain to be taxed, even if by another owner, for years if not decades until demolished or removed, which would happen



sooner for less durable personal property. The questions become when and how much of that property might have been there to be taxed in any case.

Existing property, whether previously exempt or not, cannot receive another exemption, but some enterprise zone businesses do again qualify even at the same location, sometimes repeatedly with ever increasing employment, receiving further exemptions on new investments.

Strategic Investment Program Community Service Fee

Although local SIP agreements may contain additional requirements including arrangements for other types of side payments, the SIP statutes require an annual community service fee over the 15 years while there is a SIP exemption. The community service fee is non-negotiable, and its distribution is subject to agreement among the county and various local taxing districts. For future projects, the fee equals 25 percent of that year's property tax savings up to \$2.5 million. In a strategic investment zone, older maximums of \$500,000 in rural areas and \$2 million for urban would still apply.

Solar Incentive Program

The 2016 Legislature created the Solar Development Incentive (SDI) to encourage the development of solar energy projects in Oregon by providing a cash incentive per kilowatt-hour (kWh) of electricity generated to owners of photovoltaic (PV) energy systems with a nameplate capacity of between 2 and 10 megawatts-alternating current output capacity (MWac). Qualified projects enrolled in the program could receive a monthly payment of \$0.005 per kWh of electricity generated, for a period of five years. This was a one-time enrollment incentive program that closed on January 2, 2017, per Oregon Law Chapter 63, Section 1 (2)(e)(B).