

Superintendent Lopes-Serrao and Members of the Parkrose School Board,

We want to bring to your attention new legislation passed by the Oregon Legislature in their 2023 session relating to the State's Enterprise Zone Program. This new legislation (HB 2009) requires qualifying companies using the Enterprise Zone program for an extended abatement period (4- or 5-year abatement) to pay a School Support Fee to their local school district. This letter provides some background on the Enterprise Zone Program and details the steps School Districts are required to take in order to collect the School Support Fee under HB 2009.

Enterprise Zone Program

Oregon's Enterprise Zone program is an economic development incentive that allows qualifying companies engaged in manufacturing, processing, or distribution of goods to automatically receive a 3-year abatement on such investments. In addition, a qualifying company may also apply to extend the standard period of abatement by one or two additional years (the "Extended Abatement Period"). To qualify for the program, companies must meet several state and local criteria related to job creation and retention, minimum wages and benefits and, in some zones, community engagement and workforce development activities. The tax abatement applies only to property taxes that would be assessed against new investments, and it does not reduce the existing tax base.

The Enterprise Zone boundaries are determined based on areas that meet the state income/poverty standards and are located in or near low-income areas to bolster job creation and investment in these areas. There are more than 70 Enterprise Zones across the state, and nearly every medium/large city in Oregon has a zone. In terms of local impact, the Enterprise Zone Program has 30 active projects in Portland, nearly a third of which are small businesses. Between 2015 and 2021, Enterprise Zone projects in Portland created more than 3600 jobs while generating nearly \$1 billion in local economic investment. Nearly half of the businesses currently engaged in Public Benefits Agreements through the Enterprise Zone Tax Abatement program reported taking action on building partnerships with local schools in 2023.

New Legislation – HB 2009

With the passage of HB 2009, in addition to existing fees, companies that are authorized for an Extended Abatement Period must now pay an additional "School Support Fee" to the affected school taxing district in an amount between 15-30% of total abated taxes on new investments (not just the taxes forgone by the school district) in the final one or two years of a four- or five-year abatement period. The amount of the School Support Fee is required to be agreed upon in advance by both the Enterprise Zone manager and each effected School District. The School Support Fee is required to be invoiced by each school district based on information provided to the district by the enterprise zone manager. In terms of timing, the soonest that a School Support Fee could be invoiced is 2027.

We defer to the School District about what the applicable percentage rate should be, and we want to point out two issues for your consideration as you make this determination. First, under Section 48(8) of HB 2009, the School Support Fee is "*considered moneys received in lieu of property taxes for purposes of ORS 327.011(1)(g)*". It is our understanding that this means that the school support fee paid to your School District under HB 2009 will offset money the District currently receives from the State School Fund. In other words, the School Support Fee will likely not result in any net increase in operating revenue to your District. Second, under Section 48(4), the District is responsible for making refunds to business firms in the event of any overpayments of the School Support Fee as well as any interest or penalty imposed on that fee. As a result, we recommend setting the fee as low as possible to reduce the risk to the District if an overpayment was made (i.e. based on a reassessment of the value of the exempted property).

Next Steps & Process

For Enterprise Zone sponsors to authorize any new Extended Abatement Periods to qualifying firms for investments made in your School District's territory, you will need to establish a School Support Fee amount of between 15-30% that

will be charged to the firm during the fourth and/or fifth year of their abatement. As noted above, while we are recommending a fee of 15 percent, we will defer to you on what School Support Fee should be for your District.

In addition, to minimize the burden on your School District related to the administration of the School Support Fee process, you may elect to enter into an intergovernmental agreement with your Enterprise Zone Sponsors to manage invoicing on behalf of your District, at no cost to the District. Please let us know if you would like to pursue that option as well.

Final Thoughts

As managers of the Gresham, Portland, and Columbia Cascade enterprise zones, we believe this program is integral to the work that we do every day to recruit and retain traded sector companies creating family wage jobs in east Multnomah County. Companies using the enterprise zone program often partner closely with the school districts through participation in career fairs, presentations to classrooms and other activities to engage with east Multnomah County students to expose them to family wage careers located in their communities. Without adoption of the school support fee, firms will be limited to a three-year tax abatement, and our communities will be at a competitive disadvantage with peer cities for attracting new investment through business participation in our enterprise zones. We are committed to working closely with your District's to implement this new required fee in a manner to minimize disruption to existing administrative processes. We would be happy to schedule a meeting to answer any questions you may have.

Thank you very much for your consideration, and we look forward to our continued partnership.

Erika Fitzgerald, Interim Economic Development Manager
City of Gresham

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Erich Mueller, Columbia Cascade Enterprise Zone Co-Manager
City of Troutdale

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