

RESOLUTION NO. 2417

A RESOLUTION OF THE WILSONVILLE CITY COUNCIL AUTHORIZING STAFF TO TAKE NECESSARY STEPS TO CREATE MULTIPLE SINGLE-PROPERTY URBAN RENEWAL DISTRICTS TO BE CALLED TAX INCREMENT FINANCE ZONES.

WHEREAS, on December 17, 2012, the Wilsonville City Council approved Resolution No. 2390, attached hereto and incorporated herein as Exhibit A, referring the Ballot Title “Business Incentive Program for Investment and Job Creation by Manufacturers” to the citizens of Wilsonville for an advisory vote in March of 2013; and

WHEREAS, on March 12, 2013, the citizens of Wilsonville voted to approve the Ballot Title with a copy of the certified election results attached hereto and incorporated herein as Exhibit B; and

WHEREAS, on March 20, 2013 the City’s Economic Development Task Force (“Task Force”) completed its recommendations to City Council on economic development incentives and business attributes; and

WHEREAS, on April 15, 2013, City Council approved Resolution No. 2413 adopting the recommendations of the Economic Development Strategy Task Force on business attributes and incentives, attached hereto and incorporated herein as Exhibit C; and

WHEREAS, on April 15, 2013, the City’s Urban Renewal Agency approved URA Resolution No. 230 recommending that the City Council create multiple single-property urban renewal districts referred to as TIF Zones as a tool to provide incentives for economic development and authorizing staff to begin work necessary to create the Tax Increment Finance Zones, attached hereto and incorporated herein as Exhibit D; and

WHEREAS, in conformance with the March 13, 2013 election results where Wilsonville voters supported the creation of TIF Zones, the Task Force recommendations regarding TIF Zones adopted on April 15, 2013, and the recommendation made by the City's Urban Renewal Agency on April 15, 2013 to create said TIF Zones, the City Council authorizes staff to take the steps necessary to create up to six TIF Zones.

NOW, THEREFORE, THE OF WILSONVILLE CITY COUNCIL RESOLVES AS FOLLOWS:

1. The Wilsonville City Council authorizes City staff and its Urban Renewal Agency to take necessary steps to create up to six single-property urban renewal districts referred to as TIF Zones as a tool to provide incentives for economic development, including but not limited to retaining consultants to develop plans, reports and legal descriptions necessary to create the TIF Zones, to conduct necessary public outreach, including contacting the City's other taxing districts and conducting any necessary public meetings, and to develop program documentation including a TIF Zone Application and selection criteria for Council review.
2. This resolution is effective upon adoption.

ADOPTED by the Wilsonville City Council at a regular meeting thereof this 6th day of May, 2013, and filed with the Wilsonville City Recorder this date.

TIM KNAPP, MAYOR

ATTEST:

Sandra C. King, MMC, City Recorder

SUMMARY OF VOTES:

| | |
|----------------------|---------|
| Mayor Knapp | Yes |
| Councilor Goddard | Yes |
| Councilor Starr | Excused |
| Councilor Fitzgerald | Yes |
| Councilor Stephens | Yes |

Attachments:

- Exhibit A Council Resolution No. 2390
- Exhibit B Certified Election Results
- Exhibit C Council Resolution No. 2413
- Exhibit D URA Resolution No. 230

TIF Zone Creation Schedule

| | |
|---------------------|---|
| 5/6/13 | Resolution to Council authorizing staff to take steps necessary to create TIF Zones. |
| 5/10/13 | Consultant starts work on drafting plans |
| 6/17/13 | Take draft plans and reports to Council (This date may be later depending on input from the selected consultant) |
| 6/18/13 | Mail letters to Taxing Districts with draft plans and reports Post information to website Mail Planning Commission Notice |
| 6/18/2013-7/30/2013 | Presentations to Taxing Districts |
| 6/24/2013 | Open Public meeting |
| 7/10/2013 | Planning Commission Meeting |
| 7/12/2013 | Draft super notice for City ordinance (also for newspaper and other publications) |
| 7/23/2013 | Documents to Council and Agency for 8/5/13 meeting (ordinance, staff report, plan & reports) |
| 8/5/2013 | Agency Meeting City Council Hearing |
| 8/19/2013 | City Council Second Reading |
| 8/20/2013 | Adopted Ordinance forwarded to URA Notice in newspaper of Adoption (no later than 4 days after adoption of ordinance) |
| 9/23/2013 | Adopted Ordinance and Plan recorded in recording office of the County, sent to Assessor (30 days after adoption) |

RESOLUTION NO. 2390

A RESOLUTION OF THE CITY OF WILSONVILLE AUTHORIZING A BALLOT TITLE FOR THE MARCH 2013 ELECTION ENTITLED “BUSINESS INCENTIVE PROGRAM FOR INVESTMENT AND JOB CREATION BY MANUFACTURERS”

WHEREAS, the National Citizen Survey™ of the community of Wilsonville conducted in 2012 found that 69 percent of respondents support providing financial incentives to attract new businesses and 76 percent of respondents support providing financial incentives to help expand existing businesses; and

WHEREAS, the City of Wilsonville convened an Economic Development Advisory Committee in 2012 to develop an Economic Development Strategy; and

WHEREAS, in August of 2012, City Council adopted the resulting Economic Development Strategy with the intent of subsequently forming an Economic Development Task Force (Task Force) to examine the use of incentives for business recruitment and retention purposes; and

WHEREAS, this Task Force was convened on November 8, 2012 to discuss and make recommendations to City Council on the use of economic incentives; and

WHEREAS, the proposed mechanism for this incentive is property tax rebates through the use of Urban Renewal by creating up to 6 single-property urban renewal districts to be called Tax Increment Financing Zones (Zone); and

WHEREAS, the intent of the proposed Tax Increment Financing Zone program is to incentivize the private-sector to convert lower-value, vacant and/or underutilized industrial buildings into higher-value manufacturing sites that provide buildings with higher assessed valuation and a larger employment base at a higher wage level; and

WHEREAS, the ultimate objective is to encourage existing or new manufacturers to bring economic benefits to the community in terms of new family-wage jobs, increased tax revenues and increased economic vitality through direct, indirect and induced generation of wealth; and

WHEREAS, if a qualifying investment does not occur within a Zone during the first five years of the adoption of the program, the Zone will be automatically closed; and

WHEREAS, if a qualified investment is made within a Zone, that Zone could have a ten-year term, at which point the Zone would be closed ten years after the first rebate; and

WHEREAS, given the five years to make an investment in a Zone and the potential ten year life of a Zone, the program could have a maximum life of 15 years; and

WHEREAS, each Zone would share at least 25 percent of increased tax increment with other taxing districts and rebate the balance of incrementally paid taxes back to the participating company; and

WHEREAS, if a participating company does not perform by making a qualifying investment, creating a minimum number of sustained new jobs, meeting other qualifying criteria as may be determined and approved by the City Council and the Urban Renewal Agency Board to carry out the program, no rebate will be issued; and

WHEREAS, participating companies, whether tenants or owners occupying any of the proposed Tax Increment Financing Zones, would be eligible to receive a property tax rebate of up to 75 percent of increased property tax increment paid each year, for up to five years, provided that the company meet specific criteria and thereafter, a new five-year rebate period could begin with any new capital investment and job creation, meeting Zone criteria, thereby potentially providing up to a total 10-year rebate; and

WHEREAS City Council has directed that no new Urban Renewal/Tax Increment Financing Zone be established without first obtaining an advisory vote of the citizens; and

WHEREAS, the proposed Ballot Title will allow Wilsonville citizens the opportunity to advise the City Council on whether there is public support to use Urban Renewal in the form of a Tax Increment Financing Zone program to create single-property urban renewal districts as an economic development incentive; and

WHEREAS, on December 13, 2012, a majority of the Task Force quorum voted in support of recommending to City Council the conditional use of financial incentives for businesses investing at least \$25 million in qualifying capital improvements and/or qualifying equipment and creating 75 or more new full-time jobs paying at least 125 percent of the average Clackamas County wage, with two additional years available if the new jobs pay at least 150 percent of average County wage.

NOW, THEREFORE, THE CITY OF WILSONVILLE RESOLVES AS FOLLOWS:

1. The City Council authorizes the ballot title “Business Incentive Program for Investment and Job Creation by Manufacturers,” a copy of which is marked Exhibit A, attached hereto, and incorporated by reference as if fully set forth herein, to be placed on the ballot for the March 2013 election in order to determine if there is public support for using urban renewal as a tool to provide incentives as described above and more particularly set forth in the Ballot Title.
2. This resolution is effective upon adoption.

ADOPTED by the City Council of the City of Wilsonville at a regular meeting thereof this 17th day of December, 2012, and filed with the Wilsonville City Recorder this date.

TIM KNAPP, MAYOR

ATTEST:

Sandra C. King, MMC, City Recorder

SUMMARY OF VOTES:

| | |
|----------------------|---------|
| Mayor Knapp | Yes |
| Councilor Nunez | Yes |
| Councilor Goddard | Excused |
| Councilor Starr | Yes |
| Councilor Fitzgerald | Yes |

Attachment:
Exhibit A – Ballot Title

REFERRED: CITY OF WILSONVILLE MEASURE _____

CAPTION (**Ten**-word maximum):

Business Incentive Program for Investment and Job Creation by Manufacturers. (10 words)

QUESTION (**Twenty**-word maximum):

Shall urban renewal district zones be created to stimulate converting targeted warehouses to manufacturing by partially rebating property tax increment? (20 words)

SUMMARY (**175**-word maximum):

Many cities offer financial incentive programs to attract business investment. Wilsonville proposes adopting an incentive program to target conversion of vacant or underutilized industrial buildings to manufacturing operations and create jobs.

Up to six buildings over 100,000 square feet in size would be established as Tax Increment Financing Zones. Each Zone would rebate to qualifying companies up to 75 percent of increased property tax increment for three years for investment of at least \$25 million in capital improvements and/or qualified equipment, and creation of 75 or more new full-time jobs paying at least 125 percent of the average Clackamas County wage. Two additional years of rebate available if the 75 new jobs pay at least 150 percent of average county wage.

Each Zone would terminate 10 years after first rebate; non-performance by company would require repayment. If no qualifying investment occurs within five years of creating Zone, it would terminate.

Other taxing districts including schools and fire district would receive 25 percent of increased property tax increment. (167 words)

RESOLUTION NO. 2413

A RESOLUTION OF THE WILSONVILLE CITY COUNCIL, ADOPTING THE RECOMMENDATIONS OF THE ECONOMIC DEVELOPMENT STRATEGY TASK FORCE ON BUSINESS ATTRIBUTES AND INCENTIVES

WHEREAS, while the City of Wilsonville has had a successful history of recruiting and retaining businesses that support the community in a variety of ways and add to the overall quality of life, it is recognized that Wilsonville must compete with other communities for desirable business development and investment; and

WHEREAS, the City Manager appointed an Economic Development Advisory Committee (EDAC) to work with the staff and consultants in preparing an Economic Development Strategy; and

WHEREAS, the City Council, having accepted the recommendations of the Economic Development Advisory Committee, in August of 2012 adopted an Economic Development Strategy to guide the City's efforts to continue to improve the local economy; and

WHEREAS, the City Council, upon adopting the Economic Development Strategy, concurred with the staff recommendation that a separate task force be appointed with the following two charges from the Economic Development Strategy:

- Action 1.1, describe business attributes and impacts that are supportive of Wilsonville's economic and community development goals. Create a task force to consider, make recommendations, and deliver a report to City officials and staff on the desired community impacts of businesses, without singling out the specific types of businesses that the City should try to attract to Wilsonville; and
- Action 6.2, develop criteria to guide the use of incentives to attract or retain businesses. Create a task force that will recommend criteria for the use of incentives to attract or retain businesses. The criteria should describe (1) where incentives would be used, (2) what businesses would qualify for incentives and under what conditions, (3) what types of incentives would be available to businesses, (4) the funding sources to support the incentives, and (5) expectations of businesses given incentives.

WHEREAS, the Task Force was empaneled and met seven times over the course of five months and ultimately crafted a set of recommendations to the City Council contained in a document titled "Recommendations of the Task Force on Incentive for Economic Development"; and

WHEREAS, all meetings of Task Force were open to the public, and did, in fact, receive regular attendance by members of the public, some of whom participated in Task Force discussions; and

WHEREAS, the staff recommends that the City Council approve this Resolution to adopt the Recommendations of the Task Force and to set into action their implementation.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF WILSONVILLE RESOLVES AS FOLLOWS:

1. Based on the above recitals, which are incorporated herein, the City Council does hereby adopt the Recommendations of the Economic Development Strategy Task Force on Business Attributes and Incentives, March 2013, marked Exhibit A.
2. The City Council thanks and commends the members of the Task Force for their work on the Economic Development recommendations.
3. The City Manager is hereby directed to report regularly to the City Council on the implementation of the Task Force recommendations.
4. This Resolution is effective upon adoption.

ADOPTED by the Wilsonville City Council at a regular meeting on April 15, 2013, and filed with the Wilsonville City Recorder this date.

TIM KNAPP, MAYOR

ATTEST:

Sandra C. King, City Recorder, MMC

SUMMARY OF VOTES:

Mayor Knapp - Yes
Council President Starr - Yes
Councilor Goddard – Yes
Councilor Fitzgerald – Yes
Councilor Stevens – Yes

THE URBAN RENEWAL AGENCY OF THE CITY OF WILSONVILLE

URA RESOLUTION NO. 230

A RESOLUTION OF THE URBAN RENEWAL AGENCY OF THE CITY OF WILSONVILLE RECOMMENDING THAT THE CITY COUNCIL CREATE MULTIPLE SINGLE-PROPERTY URBAN RENEWAL DISTRICTS TO BE CALLED TAX INCREMENT FINANCE ZONES AND AUTHORIZING STAFF TO BEGIN WORK NECESSARY TO CREATE THE TAX INCREMENT FINANCE ZONES.

WHEREAS, on December 17, 2012, the Wilsonville City Council approved Resolution No. 2390, attached hereto and incorporated herein as Exhibit A, referring the Ballot Title “Business Incentive Program for Investment and Job Creation by Manufacturers” to the citizens of Wilsonville for an advisory vote in March of 2013; and

WHEREAS, on March 12, 2013, the citizens of Wilsonville voted to approve the Ballot Title; and

WHEREAS, a copy of the certified election results are attached hereto and incorporated herein as Exhibit B; and

WHEREAS, on March 20, 2013 the City’s Economic Development Task Force (“Task Force”) completed its recommendations to City Council on economic development incentives and business attributes; and

WHEREAS, the Task Force recommends the creation of Tax Increment Finance Zones (“TIF Zones”) as described in the Task Force report attached hereto and incorporated herein as Exhibit C and in materials that went to the voters for the March 12, 2013 election; and

WHEREAS, in conformance with the Task Force recommendations regarding TIF Zones and the results of the March 12, 2013 election, the Urban Renewal Agency recommends that the City Council create multiple single-property urban renewal districts referred to as TIF Zones and authorizes staff to begin work necessary to create the TIF Zones.

NOW, THEREFORE, THE URBAN RENEWAL AGENCY OF THE CITY OF WILSONVILLE RESOLVES AS FOLLOWS:

1. Based on the above recitals incorporated herein, the Urban Renewal Agency of the City of Wilsonville recommends that the City Council create multiple single-property urban renewal districts referred to as TIF Zones as a tool to provide incentives for economic development
2. The Urban Renewal Agency of the City of Wilsonville authorizes staff to begin work necessary to create the TIF Zones, including but not limited to retaining consultants to develop plans, reports and legal descriptions necessary to create the TIF Zones and to conduct necessary public outreach, including contacting the Agency's other taxing districts and conducting any necessary public meetings.
3. This resolution is effective upon adoption.

ADOPTED by the Urban Renewal Agency the City of Wilsonville at a regular meeting thereof this 15th day of April, 2013, and filed with the Wilsonville City Recorder this date.

Tim Knapp, Chair

ATTEST:

Sandra C. King, City Recorder

SUMMARY OF VOTES

Chair Knapp – Yes
Board Member Starr – Yes
Board Member Goddard – Yes
Board Member Fitzgerald – Yes
Board Member Stevens – Yes

Attachments:

Exhibit A Council Resolution No. 2390
Exhibit B Certified Election Results
Exhibit C Task Force Report



City of Wilsonville: Recommendations of the Economic Development Strategy Task Force on Business Attributes and Incentives

**Part 2 of the Economic
Development Strategy**

March 2013

Economic Development Strategy Task Force Members

City Council President Scott Starr, Chair
(ex-officio)

Ron Adams

Vince Alexander (resigned Dec. 2012)

Mychelle Ashlock

Lita Colligan

Catherine Comer (resigned March 2013)

Danielle Cowan

Brenner Daniels

Mike Duyck

Lonnie Gieber

Gale Lasko

Ray Lister

Susan Myers

Craig Olson

Ray Phelps

Dr. Bill Rhoades

Fred Robinson

Dick Spence

Alan Steiger, CPA

Sandra Suran, CPA

Doris Wehler

Boyd Westover

Carol White

Consultants & City Staff

ECONorthwest

Dr. Abe Farkas, Director of Development
Services

Beth Goodman, Senior Planner, Task Force
Assistant

Terry Moore, Planning Director (FAICP),
Task Force Facilitator

City of Wilsonville

Bryan Cosgrove, City Manager

Barbara Jacobson, Assistant City Attorney

Mike Kohlhoff, City Attorney

Economic Development Team:

Stephan Lashbrook, Transit Director

Mark Ottenad, Public/Government
Affairs Director

Kristin Retherford, Urban Renewal
Manager

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Recommendations of the Economic Development Strategy Task Force on Business Attributes and Incentives

Part 2 of the Economic Development Strategy

March 2013

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Recommendations of the Economic Development Strategy Task Force on Business Attributes and Incentives

Part 2 of the Economic Development Strategy

March 2013

Executive Summary

In August 2012, Wilsonville's City Council adopted an *Economic Development Strategy*, which was created with the assistance of an Economic Development Strategy Advisory Committee. The *Strategy* recommended follow-up actions to address whether financial incentives were appropriate to recruit or retain businesses and, if so, what kinds of incentives would be appropriate and under what circumstances.

At the direction of City Council, the City Manager created a 21-member Economic Development Strategy Task Force from a wide cross-section of community volunteers and charged it with discussing issues about potential use of financial incentives for economic development and formulating recommendations to the City Council. Around the same time, a significant employer with a local presence confidentially approached City staff about the available incentives that the City would be willing to provide if that company were to expand and make major new investments in Wilsonville. This company made it clear that Wilsonville would be competing with other communities (with established incentive programs for business recruitment) where the company might choose to relocate.

Task Force process

The Task Force spent its first few meetings focused on the possible incentives for a large employer with a highly-paid workforce and plans to make major capital investments in Wilsonville, and the Task Force quickly established that any incentives should apply broadly and not just to one specific company. As a result, the Task Force supported the ballot measure that was approved by 79% of Wilsonville voters in a special election held on March 12, 2013, supporting the creation of Tax Increment Financing (TIF) Zones at specific industrial sites.

Moving beyond discussion of the specific TIF Zone incentive, the Task Force considered additional "opportunities" where businesses might seek a variety of incentives from the City. After considerable discussion, only four of the ten total opportunities (including the one that led to the ballot measure) were deemed worthy of further consideration at this time. The Task Force concluded that those four opportunities required consideration of both desirable business *attributes* (their presence and amount) and the *criteria* by which the City should decide whether to offer incentives, and in what amounts.

The Task Force agreed upon a set of principles and assumptions that guided its discussions:

- Support the Vision of the adopted *Economic Development Strategy*;
- Focus on the return on investment that the City will receive from incentives;
- Focus on the big picture of policy, not on the details;
- Incentives for small businesses matter, but they are not the focus of this effort;
- Focus on *special* incentives, not on things that are routinely offered;
- Do not focus on a few targeted industries; and
- Avoid long-term financial liabilities for the community.

Task Force recommendations

The Task Force recommends offering specific incentives for four types of opportunities, when businesses had specific business attributes. The Task Force identified the business attributes that businesses should have if they are to be offered incentives. They were: (1) number of new jobs a business might bring, especially those with higher than average wage; (2) development proposals in locations that the community supports for development or redevelopment; (3) efficient use of existing infrastructure (e.g., roads, water or wastewater); return on investment; and likelihood of business success.

Opportunity #1 — Reuse of vacant warehouses.

The Task Force recommends the use of TIF Zones, as approved by the voters.

Opportunity #2 — Large traded-sector headquarters campus.

The Task Force recommends the use of:

- TIF Zones
- Urban Renewal Districts
- Local Improvement Districts
- SDC Financing or Credits

Opportunity #3 — Greenfield industrial development.

The Task Force recommends the use of:

- Master Planning Assistance
- Local Improvement Districts
- TIF Zones
- Urban Renewal Districts
- SDC Financing or Credits

Opportunity #4 — New medium-sized manufacturing.

The Task Force recommends the use of:

- Local Improvement Districts
- SDC Financing or Credits
- Tenant improvement grants or loans

The Task Force called upon the City Council and staff to continue examining appropriate incentives for the retention of small businesses that are critical to the fabric of the community.

Recommendations of the Economic Development Strategy Task Force on Business Attributes and Incentives

Part 2 of the Economic Development Strategy

March 2013

I. BACKGROUND

In February 2012 the City of Wilsonville established an Economic Development Advisory Committee. That Committee met for six months and submitted a proposed *Economic Development Strategy* to the City Council in August 2012. That document described vision and principles for City economic development, and recommended 12 actions that it described in some detail. After review and deliberation, the Council adopted that strategy as City policy.¹

Objectives of the Task Force

All of the actions require additional work for implementation, but the strategy noted two in particular as needing more research and discussion, and recommended a task force be created:

- **Action 1.1, describe business attributes and impacts that are supportive of Wilsonville’s economic and community development goals.** Create a task force to consider, make recommendations, and deliver a report to City officials and staff on the desired community impacts of businesses, without singling out the specific types of businesses that the City should try to attract to Wilsonville.
- **Action 6.2, develop criteria to guide the use of incentives to attract or retain businesses.** Create a task force that will recommend criteria for the use of incentives to attract or retain businesses. The criteria should describe (1) where incentives would be used, (2) what businesses would qualify for incentives and under what conditions, (3) what types of incentives would be available to businesses, (4) the funding sources to support the incentives, and (5) expectations of businesses given incentives.

The two actions are related: desirable business *attributes* (their presence and amount) should logically be some of the *criteria* by which the City decides whether to offer incentives, and in what amounts. To address Actions 1.1 and 6.2, the City formed the *Economic Development Strategy Task Force*. The Task Force met seven times from November 2012 through March 2013. **This document contains recommendations of the Economic Development Strategy Task Force regarding business attributes and City incentives for stimulating economic development.**

¹ See Appendix D for a summary of the Economic Development Strategy.

At the request of the City Council, the first three meetings of the Task Force (November and December 2012) addressed a specific application of incentives (a tax-increment funding zone for specific sites in Wilsonville with vacant or underutilized warehouses) that was of pressing concern to the Council. The recommendations of the Task Force on that issue contributed to a City Council decision in December 2012 to seek direction from Wilsonville voters about the proposed TIF Zones in a citywide ballot on March 12. Voters approved the recommendations.

From January through March 2013 the Task met to consider a broader range of business types, locations, and incentives than the ones on the March ballot. The fundamental question the Task Force addressed was: *Should the City provide special incentives to encourage the location or expansion of certain types of businesses in Wilsonville?*

The Task Force decided that it would not review and revise its recommendations based on the results of the March citizen advisory vote.² The Task Force views its task as advising the City Council on the opinions of Task Force members, most of whom are business owners or managers, or staff at public agencies with a direct experience or a stake in economic development. The Task Force leaves to the City Council the task of weighing the recommendations in this report against information from other sources (including the March ballot measure), and of making decisions on City policy with respect to incentives for economic development.

To assist the City Council in understanding the reasons for the recommendations, **Section II provides a framework of definitions, principles, and assumptions** that the Task Force developed during its deliberations. **Section III summarizes the recommendations.** **Section IV provides supporting material.**

II. FRAMEWORK

This section describes how the Task Force chose to address its task: how it refined the questions it was to answer, its scope of work, and its methods; and the principles and assumptions it used to come to its recommendations.

Context

Should the City provide special incentives to encourage the location or expansion of certain types of businesses in Wilsonville? The Task Force framed its discussion of that question in the context of potential benefits and costs to the City:

- **Benefits:** What would the City be likely to receive if it were to get additional business activity within its city limits? The benefits from additional business activity are highly

² The Task Force gave its directions to staff on the content of its recommendations at its meeting on 28 February, before the March vote.

correlated to the positive attributes of businesses, so this question addresses Action 1.1: describe business attribute supportive of Wilsonville’s economic development goals.

- **Costs:** What would the City be likely to pay to get that additional business activity? The costs to the City are highly correlated with the incentives it offers, so this question addresses Action 6.2: develop criteria to guide the use of incentives.

During its discussion of desirable business *attributes*, the Task Force found that the large number of possible attributes made it difficult to get to specific recommendations, applicable in all situations, about the level of incentives those attributes might merit. The Task Force tried a different tack, looking at important *development problems or opportunities* that increased economic activity, and what incentives would be appropriate to address these problems or opportunities.

The structure and content of the March ballot measure reflects this thinking by the Task Force. The ballot measure addresses (1) a specific economic development *opportunity* (the redevelopment and reuse of large vacant buildings by large users) which, if capitalized on, would presumably provide benefits to the City; (2) a list of (beneficial) *attributes* that a business requesting incentives should have, and some bounds on the levels of those attributes (e.g., number of jobs, average wages); and (3) the type and level (in a range) of *incentives* that the City would be prepared to offer to get the new development and capitalize on the opportunity.

The Task Force found, however, that the number of potential problems, opportunities, business attributes, and incentives made it untenable to specify every combination. It discussed and agreed upon this hierarchy for its recommendations:

- **Opportunities.** Opportunities include the resolution of Problems, so both are addressed here. What kinds of opportunities merit special incentives beyond the standard ones the City already provides?³ This is a “first-cut” criterion. If a business / development proposal is addressing what the City has identified as an opportunity of importance (i.e., one expected to benefit the City and its residents and, hence, potentially worthy of some assistance via incentives), then it moves to the next level of evaluation.
 - **Business attributes.** If a business is addressing an opportunity on the City’s list at some threshold level, it could proceed to the next level: what type and amount of desirable effects for the City (its positive attributes) does it expect to deliver? The Task Force provided a long list of desirable attributes, and made judgments about the ones it thought most important. The Task Force left to City Council and staff, however, the policy and administrative tasks of specifying the combination and level of attributes that would match to a combination and level of incentives.
 - **Incentives.** These are the costs the City must incur to increase the probability that it will have development that will solve problems or capitalize on opportunities that the City identifies as important. All of the incentives provide some benefit (most often a cost reduction) to a business (or to an owner of a business property or a

³ See below for a definition of special and standard incentives.

developer of business space) at some *cost* to some public agency and the tax- or rate-payers that support it. The City should be looking to receive benefits that merit the costs of the incentives, where benefits are “things of value that businesses receiving incentives provide for the City,” and are approximately the same as “business attributes.”

In short, the Task Force considered types of situations and businesses where City incentives to property owners, developers, and businesses might merit consideration.

Regarding incentives, the Task force distinguished between standard incentives and special incentives. *Standard incentives* were also referred to as “existing” incentives or “soft” incentives. A standard incentive means the City already provides it, or could provide it, and should provide it for any business that requests it (e.g., efficient permitting, connections to other business-assistance organizations, provision and maintenance of City infrastructure and services). *Special incentives* were also referred to as “new” incentives or “hard” incentives. They generally require some type of new (special) City budget allocation (at least of staff time, if not direct dollars).

In its discussions the Task Force generally defined hard incentives to include both (1) incentives that are specific to a business and development proposal, and (2) City expenditures made to increase the availability of ample, development-ready land for business development in the future. City staff opined to the Task Force that (1) the original intent of the Economic Development Strategy (Actions 1.1 and 6.2) was to address special incentives for special business opportunities, and (2) an evaluation and potential expansion of standard incentives was something that the City staff would address as part of other actions recommended in the Economic Development Strategy (including, most directly, Actions 6.3 and 6.4).

Principles and assumptions

To focus its efforts, the Task Force had discussions that led to agreement on some assumptions about the scope and principles for its evaluation of incentives. Some have been covered previously, but are repeated here for completeness:

- **Explicitly connect the discussion and decision on incentives to the vision statement in the City’s adopted *Economic Development Strategy* (or a revised vision).**⁴ The Task Force noted the obvious and important connection: the vision is, in one sense, a statement about what benefits the City hopes that incentives will deliver. The Task Force acknowledged that the connection of the reason for incentives to the vision could be better, and considered redoing the vision statement, and then tying that statement more directly to (1) business attributes, and (2) principles for thinking about incentives (e.g., use in limited cases, for these types of problems and opportunities). Ultimately, however,

⁴ See Appendix D for a summary of the Strategy’s vision and recommended actions.

the Task Force concluded (1) that revisiting the vision statement was not essential to the discussion and (2) it would take time away from the discussion that is essential.

- **Frame the discussion of incentives in terms of what the City gets and what it has to pay to get it.** This point is discussed in “Context” above. The Task Force wants private-sector development that helps solve problems or helps the City capitalize on opportunities related to economic and physical development. One way to measure the benefits of that help is to look at the attributes of the development and the businesses that will occupy it. The Task Force worked on the assumption that it could find a reasonable correlation between business attributes (especially type, size, and location, but many other attributes as well—e.g., community involvement, integrity) and benefits to the City. The costs to the City are the incentives it has to offer (direct fiscal costs) and other spillover costs of the development.
- **Focus on the big picture for policy, not the details of implementation.** The Task Force strongly supports City use of measurable criteria in all situations where the City is deciding whether to offer incentives at all and, if so, at what level. The Task Force concluded, however that the many combinations of economic development problems and opportunities, business types, business attributes, and potential incentives put the development of measurable criteria for all possible combinations of those factors beyond its reach. The Task Force concluded (1) that a scoring system was not essential at this point, (2) such systems are often developed and administered by staff, and (3) the Task Force should focus on giving policy guidance about appropriate incentives and let staff develop specific procedures consistent with those guidelines.
- **Incentives for smaller, local businesses are important, but are not the focus of this study.** The Task Force focused on big development issues and big development. It noted the importance of smaller and local businesses, and of having excellent City services (“soft” incentives) to support those businesses. It felt that there could be a justification for having additional incentives for such businesses, but left the development of policy and implementation tools to the City Council or to City staff.
- **Focus on *special* incentives that the City can offer.** Incentives should be used in special, limited cases, not in broad applications. *Standard* and *non-City* assistance are not the focus of the Task Force recommendations. Rather, the focus is on *special* assistance offered by the City (not other agencies) to address important (big) problems or opportunities.
- **Do not narrow the scope of incentives to a few “target industries.”** The Task Force focused on business attributes (applicable to any business). Action 1.1 states that the Task Force should address “desired community impacts of businesses [in the context of this document: ‘business attributes’], without singling out the specific types of businesses...”
- **Avoid long-term liabilities.** Task Force members preferred incentives that were funded by foregone revenue to those that incurred a future liability for the City to fund from other sources. For example, tax-increment financing (when it provides its intended economic stimulus) is ultimately funded by “new” property tax revenues: ones that, but for the new development, a city would not have. In contrast, an incentive that would

relieve a business from its obligation to pay certain utility fees into the future would create a future liability that would have to be funded from other sources, or which would shift the financial burden to existing users

III. RECOMMENDATIONS

Introduction

This document explained previously that there are many combinations of problems, opportunities, business attributes, and incentives. The result is not only that there are more possibilities than the Task Force can reasonably be expected to describe and offer recommendations about, but also that there are several different ways the document could organize the recommendations it is making. In the lists that follow, items “above the line” are Task Force recommendations; items “below the line” in gray are lower priorities. Numbers are for ease of reference and do not imply a ranking for implementation.

Overview of recommendations

Opportunities meriting incentives

The Task Force evaluated ten opportunity scenarios (listed below). It concluded that Wilsonville should consider providing incentives for the first three opportunities listed below and, under certain conditions, the fourth. The first opportunity is almost identical to the one that was the subject of the City-wide advisory vote in March 2013.

1. High-tech reuse of vacant warehouse space
2. Large traded-sector headquarters campus
3. Greenfield industrial development
4. New medium-sized manufacturing

5. Town Center redevelopment
6. New manufacturing, small
7. Food manufacturer, expansion
8. Class ‘A’ office
9. Small retail
10. Sole proprietor

Business attributes

The Task Force identified sixteen business attributes. In an internal survey, the Task Force members identified six attributes as most important when evaluating opportunities, but did not prioritize those six because they all are considered to be important.

1. Number of new jobs
 2. Proposing development in areas that Wilsonville wants to develop (or redevelop)
 3. Net fiscal benefit on public return on investment in the incentive
 4. Wages higher than the City's average (or median)
 5. Likelihood of business success
 6. Efficient use of existing infrastructure
-
7. Part of an existing business cluster in Wilsonville
 8. Triple bottom line ('people, planet, profit')
 9. Traded-sector business
 10. Net fiscal benefit from taxes
 11. Business growth potential
 12. Evidence of bringing value to the community from the prior community
 13. Locally grown business
 14. Family-friendly or family-supportive business practices
 15. Environmental stewardship
 16. Diverse types of jobs

Incentives

The Task Force considered many types of incentives. Of the ten incentives that made the first cut, seven were supported by a majority of Task Force members for at least one (often more) of the top four opportunities. Of those seven, the first five were considered to be appropriate for several of the four larger types of opportunities, while the sixth and seventh would generally only be appropriate to assist smaller businesses and could be considered in greater detail at a later date by a subsequent task force. The last three incentives were not supported by a majority of Task Force members for any of those four opportunities.

1. Master planning assistance
2. Local Improvement Districts (LIDs)
3. SDC financing or credits [Task Force discussion clarified that a majority of members were not in favor of a City write-off of SDC's for new development if that meant that either (1) system development was then underfunded, or (2) other development in Wilsonville would have to pay more to cover the difference. Acceptable would be

using TIF revenue to cover the SDC if it could reasonably be expected to be paid back by increased property-tax collections.]

4. Tax Increment Financing (TIF) – Several Task Force members distinguished between TIF zones, such as the program recently supported by Wilsonville voters, and larger Urban Renewal districts. In either case, the Task Force supported having a city-wide advisory vote. In the case of TIF zones, the Task Force recommended that they have specific and narrow scopes and apply to limited locations with a defined duration. Investment of public funds in TIF zones should be based on reasonable expectations for return on investment.
 5. Urban renewal district – The Task Force clarified that its support of urban renewal district creation was limited in scope to specific project funding necessary to make development viable and leverage significant private investment: for example, to bring needed infrastructure to the Coffee Creek Industrial Area to facilitate development, or to assemble small parcels into larger parcels for resale and development. The Task Force also recommended that the City continue to conduct advisory votes prior to establishing new urban renewal districts and that any new district should be of limited duration and have a well-defined project list and scope so that the district is closed down and property-tax revenue returned to the other taxing districts as quickly as possible after planned urban renewal projects are completed and paid for.
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- | | |
|---|---|
| 6. Microenterprise and small business loans | The Task Force found these policies to be potentially desirable for small business, but less pertinent to its main objective of addressing incentives for large employers |
| 7. Tenant improvement grants/loans | |
-
8. Pre-development assistance (low-interest loan/grant)
 9. Property price or lease price buy-down
 10. Reduced city utility rates

Process

Though the Task Force did not address the details of how City staff would implement an incentive program, it did offer some guidance:

- Incentives should be used in special, limited cases, not in broad applications. Those special cases are probably ones where a new development is making a significant contribution to solving specific problems or capitalizing on specific opportunities.
- “Problem or Opportunity Addressed” should be the first cut at evaluating the desirability of providing special incentives to a proposed development or new business. The next section lists four situations (combinations of business type, size, and location where incentives seem most likely to be desirable. Situations that make it through that filter would move on to a more detailed evaluation based on “Business Attributes” to determine whether incentives are merited and, if so, what level.

Recommendations by type of opportunity

Opportunity 1: High-tech reuse of vacant warehouse space

In this opportunity, an international, high-tech company is interested in converting a large, vacant warehouse building into an R&D and manufacturing facility. Because of the extensive improvements required, upgrading the warehouse will require an investment of approximately \$25 million. The facility has the potential to create 75 new jobs that pay above-average wages.

Justification and criteria for consideration of incentives

Converting vacant warehouse space into a large R&D and manufacturing facility has a number of benefits to the City that justify providing incentives. In addition to creating high-wage jobs, the facility uses existing space and infrastructure efficiently. Reusing a vacant warehouse helps revitalize the surrounding area and could attract other businesses to the area.

To receive incentives, the facility would have to meet environmental and labor standards.

Appropriate incentives

The Task Force recommends using TIF Zones to provide property tax abatement incentives in this situation.

On March 12, 2013, Wilsonville citizens voted 79% for to 21% against the use of TIF Zones to provide incentives for manufacturing companies to convert vacant or underutilized industrial buildings.

Opportunity 2: Large traded-sector headquarters campus

In this opportunity, a large traded-sector company seeks to build a headquarters 'campus' facility. The company anticipates between \$25 million to \$75 million of new construction over several years and at least 75 new jobs at occupancy with more jobs to be added in the future. The proposed site for this development may require the construction of water, sewer and road infrastructure.

Justification and criteria for consideration of incentives

Attracting a large traded-sector campus has the potential to foster long-term economic growth, attract smaller companies in related industries, increase incomes in Wilsonville, increase both payroll tax and property-tax revenues, and provide fiscal benefits to the school district. A Task Force member described this scenario as a "perfect opportunity for Wilsonville."

When evaluating whether and what level of incentives to offer, the City should consider the number of jobs created, the specific location under consideration, and the positive business attributes of the company (as listed previously under "Business attributes"). The City should also seek to preserve the unique character of Wilsonville.

Appropriate incentives

Direct financial incentives may be appropriate.

- **Tax-Increment Financing.** TIF zone creation and financing, such as that recently supported by Wilsonville voters, can help fund necessary public infrastructure, support major projects, and encourage private sector investment. This tool is particularly applicable to vacant or under-utilized warehouses and other large buildings.
- **Urban Renewal District.** Geared to larger areas where public investments are expected to leverage significant private investment over time. Areas where this approach might be used include Coffee Creek, Basalt Creek, and Frog Pond.
- **Local Improvement District (LID).** A Local Improvement District may provide a useful incentive for attracting a large headquarters campus.
- **SDC Financing or Credits.** SDC financing may be appropriate in limited conditions or when used in conjunction with other incentives.

Opportunity 3: Greenfield industrial development

In this opportunity, an industrial developer is interested in constructing a very large industrial spec building in the Coffee Creek Industrial Area, but has been unable to reach acceptable terms with the property owners. Significant infrastructure investment is needed to make the Coffee Creek Industrial Area “shovel-ready” for development.

Justification and criteria for consideration of incentives

New industrial development in the Coffee Creek Industrial Area is a regional priority that will benefit the City of Wilsonville through job creation, an increased tax base, and long-term economic growth. Moreover, the area may be slow to develop without public incentives because of the scale of investment required. According to the City’s master concept plan for the Coffee Creek Industrial Area, over \$31 million in on- and off-site infrastructure improvements are needed. In addition, the area mostly consists of small, privately-owned parcels that will need to be aggregated into larger sites. As one Task Force member described the situation, “There are more issues in Coffee Creek than any one developer or business could address.”

Appropriate incentives

The Task Force recommends that the City consider four categories of incentives for potential greenfield industrial development projects:

- **Master Planning Assistance.** Master planning gives the City a guiding role in the development of this strategically important area, helps incentivize major projects and support growth, and is a role already being performed by the City. The City could pay for master planning or through Development Agreements require that the businesses that locate in Coffee Creek reimburse the City for master planning expenses.
- **Local Improvement Districts.** A main advantage of an LID incentive is that it does not typically require financial support from the City.

- **Tax Increment Financing (TIF).** TIF zone creation and financing, such as that recently supported by Wilsonville voters, was intended to apply to existing buildings. However, a similar approach could be taken to facilitate greenfield industrial development in isolated cases where the formation of a larger Urban Renewal district is not feasible.
- **Urban Renewal District.** Due to the large investments in public infrastructure required in this scenario, the formation of one or more Urban Renewal districts may be appropriate. One Task Force member described Urban Renewal as an “excellent resource for providing necessary public infrastructure for greenfield development.”
- **SDC Financing or Credits.** SDC financing or credits can reduce up-front costs for developers at a relatively low cost to the City. This incentive may be useful for attracting desirable businesses. SDC financing would spread the developer’s payment of SDCs out over a period of years, while SDC credits are commonly given when a developer constructs additional system capacity beyond that required for their development. SDC waivers were not recommended by the Task Force due to their effect on SDC rates and shifting the financial burden to others, unless covered by TIF funds where reimbursement will result from development in the area.

Opportunity 4: New medium-sized manufacturing

In this opportunity, a medium-sized manufacturing firm is considering relocating to several locations in the greater Portland area, including in Wilsonville. The company is scouting locations in the 50,000- to 65,000-square-foot range, and has found 10 sites in the greater Portland region that would work. Each site offers something beneficial for the company’s operations; however, three of the sites are located in state-sanctioned Enterprise Zones used by the local jurisdiction that would abate an increase of local property-taxes for a three- to five-year period brought about by the company’s investment.

Justification and criteria for consideration of incentives

For this opportunity, the Task Force did not come to consensus. In the view of Task Force members, incentives may be more suitable if the firm is considering relocating to Coffee Creek or an existing TIF zone. The specific type of manufacturing may be important; incentives may be appropriate if the business is in an emerging sector of the economy.

Appropriate incentives

No incentive was supported by a majority of Task Force members. For many incentives, a large number of Task Force members indicated that they were not sure whether an incentive would be appropriate. The specific business attributes of the business in question will be important in determining support for incentives. The incentives with the least opposition were:

- **Local Improvement District (LID).**
- **SDC Financing or Credits.**
- **Tenant Improvement Grants/Loans.**

Opportunity 5: Retaining and expanding existing businesses

The Task Force focused on big opportunities that would result in large levels of investment and job creation. That said, members recognized that small business retention and growth was identified as a value by the Economic Development Strategy Advisory Committee and by the community at large in the 2012 Community Survey.

The Task Force members felt they could not adequately consider all of the various types of small or existing businesses and what types of incentives may be appropriate, if any, within the allotted timeframe. Members of the Task Force suggested that the City Council and staff may want to further examine the possibility of incentives for small or existing businesses in the future to determine if there are situations when certain types of incentives might be warranted. The Wilsonville Chamber of Commerce, Small Business Development Center, and other organizations have the contacts to identify and the experience to assist small businesses. These organizations should be considered as resources when examining incentive possibilities for small and/or existing business.

Appendix A

Economic Development Strategy Task Force Members

November 2012; updated March 2013



TASK FORCE CHAIR: City Councilor Scott Starr (ex-officio)

Members listed by economic/community sector; sorted alphabetically by last name

PRIVATE SECTOR

Major Employers / Industrial Manufacturers

- **Craig Olson**, Sr. Director/Site Manager, Rockwell Collins Head-Up Guidance Systems
- **Fred Robinson**, General Manager, Kinetics Climax, Inc.
- **Boyd Westover**, Plant Manager, Eaton Corporation, Portland Power Center

Small-Medium Employers / Retail-Service Businesses

- **Mychelle Ashlock**, Operations Manager, Northwest Rugs – Wilsonville
- **Gale Lasko**, General Manager/Partner, Lamb's Market at Wilsonville
- **Sandra Suran**, CPA, Principal, The Suran Group, LLC

Developers/Property Owners & Managers

- **Brenner Daniels**, Investment Advisor, Holland Partner Group
- **Susan Myers**, General Manager, Capital Realty Corp.

NON-PROFIT / RESIDENTIAL SECTOR

Business Association

- **Ray Phelps**, Past President, Wilsonville Chamber of Commerce
- **Doris Wehler**, Past President, Wilsonville Chamber of Commerce

Labor/Unions

- **Ray Lister**, Membership Development Coordinator, International Brotherhood of Electrical Workers (IBEW), Local 48

Residents/City Volunteers

- **Vince Alexander**, Wilsonville Resident (resigned December 2012)
- **Lonnie Gieber**, Committee Member, City of Wilsonville Budget Committee
- **Dick Spence**, Wilsonville Resident
- **Alan Steiger**, CPA, Committee Member, City of Wilsonville Budget Committee
- **Carol White**, Wilsonville Resident

PUBLIC SECTOR

Economic-Development Agencies

- **Catherine Comer**, Business & Economic Development Manager, Clackamas County Economic Development (resigned March 2013)
- **Danielle Cowan**, Executive Director, Clackamas County Tourism & Cultural Affairs

Local-Government Partners

- **Mike Duyck**, Fire Chief, Tualatin Valley Fire & Rescue District (TVFRD)
- **Dr. William Rhoades**, Superintendent, West Linn-Wilsonville School District

Workforce Development

- **Ron Adams**, Chair, Board of Education, Clackamas Community College
- **Lita Colligan**, Associate Vice President for Strategic Partnerships and Government Relations, Oregon Tech (OIT) Wilsonville

Economic Development Strategy Task Force Members' Brief Bios



Listed Alphabetically by Last Name

November 2012; updated March 2013

Ron Adams serves an elected representative since 2003 for Zone Five (West Linn and Wilsonville) and serves as Chair of the Board of Education for Clackamas Community College. Ron's career includes employment with Pacific Northwest Bell, district marketing manager for AT&T and program director of the Oregon Youth Conservation Corps. He has also served as an Oregon state representative and as chair of the undergraduate business program at Marylhurst University. Ron holds a degree in business from PSU and a master's degree in management from Marylhurst University. Ron represents Workforce Development interests on the task force.

Vince Alexander is a 17-year-long resident of Wilsonville. He is a retired Management Analyst, Project Manager and manufacturing Plant Manager. Vince represents Residents/City Volunteers interests on the task force. Vince resigned from the task force in December 2012.

Mychelle Ashlock, a Wilsonville resident, is the Operations Manager for NW Rugs – Wilsonville, one of five locations in Oregon, Nevada and Washington. Mychelle represents Small-Medium Employers / Retail-Service Businesses interests on the task force.

Lita Colligan is Associate Vice President of Strategic Partnerships and Government Relations for Oregon Tech, also known as Oregon Institute of Technology (OIT), the state's leading applied-sciences university. Oregon Tech consolidated its metro-area operations during 2012 into a new urban campus in Wilsonville, where the university offers bachelor's and master's degree programs and has existing partnerships with technology companies. Lita represents Education and Workforce Development interests on the task force.

Catherine Comer is Business & Economic Development Manager for Clackamas County Economic Development division. Formerly, she worked as Director of Economic Development and Urban Renewal Agency for the City of Canby. Catherine represents Economic-Development Agencies interests on the task force. Catherine resigned from the task force in March 2013.

Danielle Cowan, a Wilsonville resident, is Executive Director of Clackamas County Tourism & Cultural Affairs Department. Formerly, she worked as Public and Government Affairs Director for the City of Wilsonville and as the Policy & Communications Director for the Oregon Economic and Community Development Department. She also owned and operated her own small business. Danielle represents Economic-Development Agencies interests on the task force.

Brenner Daniels is Development Director and Investment Advisor for Holland Partner Group, a diversified multi-family residential housing developer based out of Vancouver, WA. Holland Partner Group is composed of five related companies that provide development, construction, redevelopment, acquisitions and management services for multi-family residential investment. Brenner was a member of the Wilsonville Economic Development Advisory Committee and looks forward to continued involvement in the Task Force. Brenner represents Developers/Property Owners & Managers interests on the task force.

Mike Duyck is the Fire Chief of Tualatin Valley Fire & Rescue District (TVFR), a combination agency with greater than 450 career firefighters and support staff and 100 volunteers. Prior to joining

Appendix A

TVFR in 1995, Mike worked for the City of Lake Oswego. Chief Duyck serves as Vice-President of the Western Fire Chiefs Association (WFCA). His 17 years of service with the Fire District includes positions as Deputy Fire Chief, Assistant Chief, and all ranks within emergency services, as well as fleet services, human resources, logistics, and governmental affairs. Chief Duyck became TVF&R's Fire Chief on September 1, 2010. Mike represents Local-Government Partners interests on the task force.

Lonnie Gieber is a Wilsonville resident who serves on the Budget Task force. He has been in the financial services industry for over 25 years. Professionally, he is a Certified Financial Planner and one of the founders of the nonprofit community organization Random Kindness. Lonnie represents Residents/City Volunteers interests on the task force.

Gale Lasko is General Manager and Partner of Lamb's Market at Wilsonville, a 75-employee outlet of the family-owned, Lamb's five-store grocery chain. Lamb's Wilsonville is a full-service grocery store with service deli and scratch bakery. Gale has been a volunteer "meals on wheels" driver for the City of Wilsonville senior/community center for the past 17 years. Gale represents Small-Medium Employers / Retail-Service Businesses interests on the task force.

Ray Lister is a Wilsonville resident who works as Membership Development Coordinator with the International Brotherhood of Electrical Workers (IBEW) Local 48. He has worked as a General Journeyman Electrician in Electrical Construction. Ray represents the interests of Labor/Unions on the task force.

Susan Myers is General Manager for Capital Realty Corp., a locally owned and controlled commercial real-estate development and management firm. Under her supervision, Capital Realty developed and managed for over 10 years the Wilsonville Town Center shopping center and more recently the Wilsonville Town Center office building. Susan represents commercial Developers/Property Owners & Managers interests on the task force.

Craig Olson is Sr. Director and Wilsonville Site Manager for Rockwell Collins Head-up Guidance Systems (HGS™), a major aerospace industry manufacturer with nearly 500 employees in Wilsonville. Rockwell Collins HGS™ designs, develops, manufactures and supports Head-up Displays (HUD) and Helmet-mounted Displays (HMD) for commercial and military applications. Craig represents Major Employers / Industrial Manufacturers interests on the task force.

Ray Phelps is a Past President of the Wilsonville Chamber of Commerce, which represents Wilsonville-area businesses. Ray serves on the Wilsonville Planning Commission and is the Director of Regulatory Affairs for Allied/Republic Waste Services of Clackamas and Washington Counties, based in Wilsonville. He formerly served as Director of the Elections Division of the Oregon Secretary of State's Office and Director of Administration and Chief Financial Officer for Metro regional government. Ray represents the non-profit Business Association interests on the task force.

Dr. William (Bill) Rhoades is Superintendent, West Linn-Wilsonville School District. Previously he worked as assistant superintendent for Office of School Performance in the Hillsboro School District, chief academic officer of Bend-LaPine School District, and administrator in Woodburn School District. Bill represents Local-Government Partners interests on the task force.

Fred Robinson is a Wilsonville resident who is General Manager for Kinetics Climax, Inc., a leading metal-injection molding company that is a subsidiary of Freeport-McMoRan Copper & Gold Inc. Fred, who serves on the Wilsonville Chamber of Commerce board of directors, oversees a highly

skilled workforce composed of 220 full-time employees. Fred represents Major Employers / Industrial Manufacturers interests on the task force.

Dick Spence is a long-time Wilsonville resident who formally worked for Xerox as a Logistics Auditor. He now works part time for the Wilsonville Chamber of Commerce. Dick serves on the Boards of the Wilsonville Library Foundation and Friends of the Library. Dick was honored as the "2011 Wilsonville First Citizen." Dick represents Residents/City Volunteers interests on the task force.

Scott Starr serves as an elected City Councilor on the Wilsonville City Council. Scott is Branch Manager for Guild Mortgage, a leading privately-held mortgage company in the Western United States, and is a past-president of the Wilsonville Chamber of Commerce. Scott represents the public sector and serves in an ex-officio capacity as chair of the task force.

Alan Steiger, CPA, is a Wilsonville resident who serves on the Wilsonville Budget Committee, and formerly served as Chair of the Wilsonville Public Library Board. Prior to retiring, he worked for 26 years as VP/Director of Finance for A-Dec, Inc., and subsequently for two years as CEO with Austin Industries of Newberg. Alan also served on the board of the OSCP (Oregon Society of Certified Public Accountants) Educational Foundation. Alan represents Residents/City Volunteers interests on the task force.

Sandra Suran, CPA, a Wilsonville resident, is the Principal of The Suran Group, LLC, a Wilsonville-based management consultancy specializing in organizational change. Previously, Sandra was a partner with KPMG Peat Marwick and was founding partner of Suran & Company, CPAs. She has served as the State of Oregon Small Business Advocate and on the boards of the Federal Reserve Bank of San Francisco, Oregon Mutual Insurance Company and as chair of the National Association of State Boards of Accountancy. Sandra represents Small-Medium Employers / Retail-Service Businesses interests on the task force.

Doris Wehler is a twice Past President of the Wilsonville Chamber of Commerce. She is co-owner of the Cookies By Design franchise in Beaverton and former operations manager and owner of TeleCheck Oregon. She serves on the West Linn-Wilsonville School District's Long Range Planning Committee. In 2003 she was named "Citizen of the Year" for her volunteer work. Doris represents the non-profit Business Association interests on the task force..

Boyd Westover, a Wilsonville resident, is the Plant Manager of Eaton Corporation's Portland Power Center in Wilsonville, where he oversees 70 full-time employees. Eaton is a global technology-leader in diversified power management solutions. The Portland Power Center provides power distribution and control equipment to the electrical markets. Boyd represents Major Employers / Industrial Manufacturers interests on the task force.

Carol White, a Wilsonville resident, retired after a 35-year-long career as Regional Sales Manager and Global Account Manager for AT&T / Lucent, where her responsibilities over the years included running a \$25 million business for the small business division and managing both Nike and PacifiCorp accounts globally. In retirement she ran a marketing consulting business for writers and small publishers. Carol represents Residents/City Volunteers interests on the task force.

Appendix B: Glossary of Terms

Enterprise Zone – Not currently available in Wilsonville, a program authorized and administered by the State of Oregon and implemented locally that allows local jurisdictions to provide a time-limited reduction in property taxes within a geographically defined area, sometimes just on improvements or new equipment, to encourage private investment in a property. Wilsonville often competes with other communities that have Enterprise Zones when desirable businesses are considering alternative locations for expansion.

Systems Development Charge (SDC) Financing or Credits - SDC financing enables developers to stretch their SDC payment over time, thereby reducing upfront costs. SDC credits allow developers to make necessary improvements to a site in lieu of paying SDCs or to receive reimbursement for construction of additional capacity.

Local Improvement District (LID) – A Local Improvement District (LID) is a method by which a group of property owners can share in the cost of infrastructure improvements. An LID is a geographic area where properties are subjected to a special assessment to finance improvements. Payments are spread out over several years and properties are assessed based on the cost of the project and the proportional benefit received.

Strategic Investment Zone or Program – Not currently available in Wilsonville, a program authorized by state law and implemented locally that exempts a portion of large capital investments from property taxes. Most often used for manufacturing firms and other "traded-sector" businesses. Wilsonville often competes with other communities that have Strategic Investment Zones when desirable businesses are considering alternative locations for expansion.

Tax Increment Financing (TIF) – The funding mechanism used in urban renewal districts to pay for projects. TIF is a public financing method that is used to fund [redevelopment](#), infrastructure, and other community-improvement projects by using future gains in property taxes to pay back debt/financing obtained to fund current improvements. The principle underlying TIF is that completed projects will increase the value of [real estate](#) and generate additional property tax revenue. This increase in tax revenue is referred to as "tax increment." Tax Increment Financing dedicates tax increment within a certain defined district to finance the debt that is incurred to pay for projects within that district.

A Tax Increment Finance Zone (TIF Zone) – as recommended by the Task Force and approved by Wilsonville's voters, is a single-property urban renewal area established to incentivize business investment and job growth. The "debt" is the contractual monetary obligation of the Urban Renewal Agency to rebate a portion of the tax increment when a private business meets the requirements of the TIF Zone. TIF Zones will provide a partial rebate of paid property taxes (tax increment) to qualifying businesses that meet specific criteria, including significant capital

investment in the property (\$25,000,000 plus) and the creation of at least 75 new jobs with wages at least 25% above the Clackamas County average.

Traded Sector – A traded-sector business is one that sells products and services outside of the region or state and brings dollars back to the state.

Urban Renewal - A program authorized under state law and implemented locally that uses property tax revenues (tax increment) to finance upgrades in designated urban renewal areas of a city or county. These areas are called “blighted” by state statute and are typically underdeveloped and not contributing fully to the local economy. Urban renewal projects generally include public facilities, such as roads and sewers, but can include public buildings, parks, land assemblage, and developments that result from public/private partnerships. The premise of urban renewal is that as properties and infrastructure are upgraded, property values increase and contribute more to the local economy through increased property tax revenues which support all of the taxing jurisdictions upon closure of the urban renewal district.

Appendix C: History of the Task Force

Meetings and Documents of the Economic Development Strategy Task Force, November 2012 – March 2013

As an integral component of the City's economic development strategy process, the City formed a focused, limited-duration task force composed of leading community members and business managers who helped guide the process and make a recommendation to the City Council. The task force was composed of public- and private-sector leaders invested in Wilsonville who are opinion-setters and perform multiple roles in the community; see Appendix A in this report. The task force includes representatives of various sizes and types of businesses, developers, higher-education, chamber of commerce, neighborhoods and City volunteer boards and commissions.

The Economic Development Strategy Task Force focused on two sets of key issues unresolved from the first part of the economic development strategy process. The primary issues for consideration focused on business attributes and potential incentives for recruitment or retention/expansion.

The task force met seven times over the course of five months from November 2012 through March 2013, culminating in a set of recommendations to the City Council.

Note: The following list of documents contains embedded hyperlinks to PDF files on the City of Wilsonville website that may be downloaded.

November 8, 2012, Task Force Meeting

[November 8, 2012, Economic Development Strategy Task Force Notes](#)

[November 8, 2012, Economic Development Strategy Task Force Meeting Agenda](#)

[Economic Development Strategy Task Force Working Agreements & Ground Rules \(Charter\), Nov. 2012](#)

[Charge of the Economic Development Strategy Task Force, Nov. 2012](#)

[Economic Development Strategy Task Force Members by Economic/Community Sector, Oct. 2012](#)

[Economic Development Strategy Task Force Members' Brief Bios, Nov. 2012](#)

[Wilsonville Economic Opportunity Analysis \(EOA\) Update \(revised\), July 2012](#)

[Economic Development Strategy Summary, August 2012](#)

[Economic Development Strategy, August 2012](#)

November 28, 2012, Task Force Meeting

[Article - "City Sets Bait For Big Business: Wilsonville's new Economic Development Task Force OKs using financial incentives to attract major corporations," Wilsonville Spokesman, Dec. 4, 2012](#)

[November 28, 2012, Economic Development Strategy Task Force Meeting Notes](#)

[November 28, 2012, Economic Development Strategy Task Force Meeting Agenda](#)

[ECONorthwest Memo for Meeting #2: Business Attributes and Incentives, Nov. 2012](#)

Attachments for Meeting Memo:

- [Existing City of Wilsonville Incentives;](#)
- [Enterprise Zones;](#)
- [Urban Renewal and Tax Increment Financing;](#)
- [Proposed Tax Increment Financing Zones \(TIF Zones\);](#)
- [Community Survey Results Pertaining to Economic Development;](#)
- [Portland Metro's Traded Sector](#)

December 13, 2012, Task Force Meeting

[December 13, 2012, Economic Development Strategy Task Force Meeting Notes](#)

[Full Text of City of Wilsonville Ballot Measure 3-421 for the Special Election on March 12, 2013: "Business Incentive Program for Investment and Job Creation by Manufacturers"](#)

[Resolution 2394, Staff Report and Draft Explanatory Statement for Ballot Measure, Jan. 4, 2013](#)

[Revised - Proposed Tax Increment Financing Zones \(TIF Zones\), Dec. 17, 2012](#)

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[Communications to and from Task Force Members, Dec. 10, 2012:](#)

- [Response to Economic Development Question from Task Force Member Ron Adams](#)
- [Note from Task Force Member Danielle Cowan](#)
- [Response to Economic Development "Weighting" Criteria Suggestion from Task Force Member Carol White](#)
- [Responses to Urban Renewal-Related Questions from Task Force Member Doris Wehler](#)
- [Responses to Request for Email Addresses of Task Force from Task Force Member Lonnie Gieber](#)
- [Responses to Economic Development-Related Questions from Task Force Member Vince Alexander](#)

January 10, 2013, Task Force Meeting

[January 10, 2013, Economic Development Strategy Task Force Meeting Notes](#)

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[ECONorthwest Memo for Meeting #4: Meeting Overview on Business Attributes and Incentives, Jan. 10, 2013](#)

[Appendix A: Business Attributes and Incentives Table](#)

January 31, 2013, Task Force Meeting

[January 31, 2013 Economic Development Strategy Task Force Meeting Notes](#)

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[ECONorthwest Memo for Meeting #5: Information to Frame the Discussion About Potential Use of Incentives, Jan. 28, 2013](#)

[Potential Incentives for Consideration, January 28, 2013](#)

[Scenarios for Consideration, January 28, 2013](#)

February 28, 2013, Task Force Meeting

[February 28, 2013, Economic Development Strategy Task Force Meeting Notes](#)

[February 28, 2013, Economic Development Strategy Task Force Meeting Agenda](#)

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[Memo, re Task Force Survey, Feb. 15, 2013](#)

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[March 20, 2013, Economic Development Strategy Task Force Meeting Notes](#)

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[Summary of Comments by Task Force Members on the Draft Task Force Recommendations to City Council, March 20, 2013](#)

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[April 15, 2013, Meeting Agenda, Staff Report and Resolution](#)

[Recommendations of the Economic Development Strategy Task Force on Business Attributes and Incentives, March 2013](#)

Wilsonville Economic Development Strategy Summary, August 2012



The Process

Why care about economic development?

Anyone following the news can see that governments at all levels are concerned about the health and development of their economies. For most households, jobs and income—the common objectives for local economic development—are quality of life, and things like high-quality, effective government services and environmental quality have indirect effects on business attraction and growth, and thus are important to economic development.

The private sector is the major driver of economic innovation and prosperity, but it relies on local governments for things like roads, other public facilities, and community services. Its success improves if it has local governments as willing and able partners in development.

Why create an economic development strategy?

Actions taken now affect future conditions; thoughtful actions will, on average, lead to more desirable consequences. The City's objective is to get multiple parties and interests to agree on an Economic Development Strategy to guide both (1) City investments and regulations, and (2) private supporting efforts. Agreement on a vision and key actions will make development more efficient and less contentious.

How was the Strategy developed?

With **people** and with **information**. An Economic Development Strategy Advisory Committee of residents, business people, and other stakeholders developed and reviewed comments on the vision, potential actions, and priority actions. It considered input from focus groups, interviews with business leaders, and Economic Summit, and surveys. It considered many reports and opinions to inform its conclusions (see sidebar).

What is special about the Strategy?

Wilsonville's development and fiscal problems are minor relative to those of most cities in Oregon (see sidebar on "factors"). The Advisory Committee believes the City can and should take a long view. Its actions in economic development should be *deliberative* (wait for businesses that fit the plan), *balanced* (economic development and quality of life are both important—the City can have both), *efficient* (the City's first priority should be to provide the land-use plan, infrastructure, and public services that are expected of it) and *fair* (do not make incentives for new business a standard practice—treat all businesses equally).

As the City implements the strategy, decision-makers must consider uncertainty and the need for flexibility in the Strategy. Wilsonville has many of the fundamentals necessary for it to do well economically relative to its regional neighbors. But the City has to make careful decisions that allow it to adapt its choices to changing circumstances.

Technical Basis for Recommended Actions

In thinking about Wilsonville's opportunities and constraints for economic growth over the next one to five years the Advisory Committee considered (1) the City's updated Economic Opportunity Analysis, (2) input from stakeholders in Wilsonville via focus groups, interviews, surveys, and the public Economic Summit (May 2012), and (3) staff and Committee knowledge of the economy in the Portland metropolitan region. The main factors that affect Wilsonville's economy include:

- *Regional/Interstate accessibility*
- *Vacant land base (especially Coffee Creek and Basalt Creek)*
- *Vacant commercial and industrial built space*
- *Existing businesses, including national and international employers*
- *Established and emerging business clusters*
- *New Oregon Tech campus*
- *Similar number of residents and jobs*
- *Tourism*
- *Commuting patterns*
- *High quality housing, but a need for more affordable housing*

Vision Statement

Wilsonville's sustained economic strength is fostered by a spirit of innovation and collaboration. Our residents and businesses wisely invest the time, energy, and money to assure that Wilsonville retains the quality of life we value. We leverage our excellent location, ample land supply, top quality infrastructure and transit system to deliver desired economic benefits.

For more information, contact:
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Appendix D

Actions

The City of Wilsonville will achieve its vision through actions that address *six categories of factors* that influence the expansion and location decisions of businesses:

1. Agreement on amount, type, location and pattern of development

Action 1.1. Describe business attributes and impacts that are supportive of Wilsonville's economic and community development goals. A task force is formed to consider, make recommendations, and deliver a report to City officials and staff on the desired community impacts of businesses, without singling out the specific types of businesses that the City should try to attract to Wilsonville. **(Immediately in Year 1)**

2. Land and buildings

Action 2.1. Promote reuse of vacant buildings, infill development, and redevelopment. City staff members make recommendations to City Council on policies and locations to promote reuse of vacant buildings, infill development on underutilized properties, and redevelopment of underutilized properties or obsolete buildings. **(Years 1- 5)**

Action 2.2. Establish and master plan development districts. The City will establish development districts with buildable land in places with a high priority for development, including developing land use policies to support the desired development forms. **(Years 2 to 5 and beyond)**

3. Transportation and other Infrastructure

Action 3.1. Coordinate capital improvement planning to ensure infrastructure availability on employment land. City staff will continue coordinating capital improvement planning and funding with land use, transportation and other infrastructure planning to ensure that infrastructure is available for employment land, especially areas identified as having a high priority for development. City staff will investigate and recommend a funding plan for the capital improvements. **(Year 1, on-going)**

Action 3.2. Expand the hours of operation for SMART. SMART will expand hours of operation, as funds become available, in order to provide improved access to public transit. This will enable workers to get to and from their jobs and students to get to and from their place of education using public transit. **(Year 1, on-going)**

4. Workforce development

Action 4.1. Connect businesses with organizations involved in workforce training and education. City staff will help businesses make connections with organizations that provide workforce training and education. **(Year 1, on-going)**

Action 4.2. Adopt a policy demonstrating support for Oregon Tech. The City Council will adopt a policy that expresses the City's willingness to collaborate with Oregon Tech to help it succeed in its mission of training and education and also supporting other institutions of higher education. **(Year 1)**

5. Quality of life and public service

Action 5.1. Ensure that regulations support quality of life. City staff will continue to review building and development policies and procedures to (1) ensure that regulations that guide economic development will lead to a better quality of life in a cost-effective manner, and (2) evaluate whether there are actions that the City should take to maintain and enhance the quality of life. **(Year 1, continue in Years 2 to 5)**

6. Business communication and services

Action 6.1. Develop a marketing plan. City staff will work with local partners in economic development to develop a marketing plan, including materials that document Wilsonville's advantages and amenities that are attractive to businesses. **(Year 2)**

Action 6.2. Develop criteria to guide the use of incentives to attract or retain businesses. Create a task force that will recommend criteria for the use of incentives to attract or retain businesses. The criteria should describe (1) where incentives would be used, (2) what businesses would qualify for incentives and under what conditions, (3) what types of incentives would be available to businesses, (4) the funding sources to support the incentives, and (5) expectations of businesses given incentives. **(Year 1, immediately)**

Action 6.3. Develop a program to assist existing businesses. City staff will develop a program to assist existing businesses. The program will include an outreach strategy to assess what assistance businesses want and need from the City and will evaluate the need for an economic development director at the City. **(Year 2)**

Action 6.4. Streamline development code and permitting process. City staff will evaluate opportunities to streamline the development code and permitting process and will also identify changes in processes that can be made without revising the code. **(Years 2 to 5)**

Appendix E

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January 10, 2013

Project #: 21182

TO: Economic Development Strategy Task Force
FROM: Terry Moore and Beth Goodman
SUBJECT: TASK FORCE MEETING #4:
BUSINESS ATTRIBUTES AND INCENTIVES

The City of Wilsonville established the Economic Development Strategy Task Force to address two actions prescribed by the Economic Development Strategy (EDS): (1) Describe business attributes and impacts that are supportive of Wilsonville's economic and community development goals (EDS Action 1.1), and (2) Develop criteria to guide the use of incentives to attract or retain businesses (EDS Action 6.2).

The process for the Task Force had two phases. During the first phase (Nov-Dec 2012) the Task Force made recommendations to the City Council about language for a ballot measure about incentives to encourage re-use of vacant warehouse space. The Task Force met and discussed these issues at three meetings:

1. November 8. The Task Force agreed to adjust its schedule so that it would be able to comment on City Council actions about language for a ballot measure that will ask voters (in March 2013) whether they support the use of a particular incentive (a tax-increment-finance zone) to encourage businesses to make significant expansions and new investment in Wilsonville.
2. November 28. After a discussion of desired business outcomes (i.e., "what the city gets" in return for incentives), a majority of Task Force members said they support the use of some level of incentives for some types of economic development.
3. December 13. The Task Force members reviewed and commented on the draft ballot measure. Their comments went to the City Council for its consideration at its meeting on December 17th.

At that meeting the City Council approved a resolution to authorize a ballot measure for March 2013 entitled "Business Incentive Program for Investment and Job Creation by Manufacturers."

The first phase of the Task Force work is complete; the second phase begins with the January 10th meeting. The focus now shifts from the details of a very specific incentive to a broader discussion of business attributes and incentives.

As part of the first phase, staff provided the Task Force with background information on business attributes and incentives (meeting on November 21). That information directly relevant to the Phase-2 discussion and is included in this memorandum with a few updates (most notably to the process schedule).

The rest of this memorandum has three sections and an appendix:

Section I, Schedule

Section II, Business Attributes

Section III, Business Incentives

Appendix A, Business Attribute and Incentive Tables.

I. SCHEDULE

City staff and consultants propose this schedule:

- **January 10.** Begin broader discussion recommendation about business attributes and incentives.
- **January 31.** The Task Force will continue to discuss broader recommendations about business attributes and incentives. Depending on the progress made at the January 10th meeting, the Task Force may be ready to discuss a draft recommendation about incentives overall.
- **Late February (date to be determined).** If necessary, the Task Force will finalize discussions of the recommendations about incentives.

II. BUSINESS ATTRIBUTES

Table 1 (attached in Appendix A) lists the kinds of attributes that cities typically want their businesses to have. Desired business attributes should be very highly correlated to the purposes of economic development programs (they should be aimed at retaining, attracting, and expanding businesses with the desired attributes) and with levels of incentives (more for businesses that have more of the desired attributes).

We group the business attributes in Table 1 to give our view of a logical way to think about the business attributes:

- **Jobs for Wilsonville residents.** Residents of Wilsonville benefit by being employed by a business in Wilsonville, with high-paying (family wage) and fulfilling jobs. More residents will benefit if there are more jobs and if there is a diversity of jobs, which will probably increase the number of Wilsonville residents that will get those jobs.

The primary reason that workers want these jobs is the income they provide. Thus, for individual residents of Wilsonville, income is a partial double-count of jobs. Moreover, many (in many cases, most) of the new jobs will not be occupied by Wilsonville residents. Why would Wilsonville want to give incentives so that

people outside of Wilsonville can have jobs and income? There are reasons: they follow.

- **Total payroll and expenditures.** Increases in total payroll (income) has a multiplier effect of increasing spending in Wilsonville. Employees that are also residents will shop in Wilsonville stores, but so, to a lesser extent, will non-resident employees. The new business may buy some of its goods and services from other Wilsonville businesses. In short, other Wilsonville businesses may benefit by selling more goods and services.
- **Revenues for local governments.** Local funding for local services provided by municipalities and special districts can come from payroll taxes, income taxes, or property taxes. All of these taxes are sensitive to income. Payroll and income tax vary with changes in income. Property tax is also sensitive to income because households with more income can pay more for properties, which can increase property values. More income also means that households can and may pay more in fees for public facilities and services. Increasing the number of jobs and total payroll stabilizes the City's funding sources (e.g., payroll or property taxes, while the State benefits from increased income taxes). Community businesses are often substantial donors to civic programs as well as public facilities and services.
- **Broader public benefit.** Many of the broader benefits derive from the fact that the community has more revenue: it may be able to provide more and better schools, parks, civic spaces, and social programs. Or, there may be immediate benefits like getting buildings reused, neighborhoods rejuvenated, or brownfields cleaned up. A business may be part of a cluster that a city thinks has promise: it may want to give incentives to early businesses to catalyze future business growth.

In our opinion, the business attributes that dominate in municipal thinking are the ones that suggest jobs or fiscal benefits. Cities care about jobs for residents, but in a metropolitan area like Portland, most of the jobs could easily go to residents in other jurisdictions. Thus, the fiscal / revenue benefits are always near the top of the list when a city considers what it will get for the incentives it offers.

The list of business attributes in Table 1 is organized according to the categories above. The list is based on: (1) information in Wilsonville's existing economic development policies; (2) attributes discussed in the Economic Development Strategy; and (3) our years of experience working with cities in the Northwest and elsewhere. The list of attributes in Table 1 probably covers almost all of the common desirable attributes, but the Task Force may find others worth adding.

The immediate challenge for the Task Force is reviewing the business attributes and discussing whether other attributes should be included in the list or existing attributes should be dropped from the list. In conversations after December 13th, the Task Force will discuss the following about each attribute: its relative importance; how to measure it; and the threshold for offering an incentive.

III. BUSINESS INCENTIVES

Businesses care fundamentally about profitability, which is a function of revenues and costs. Although many for-profit businesses are extremely civic-minded, they are still focused primarily on making a profit for their owners or investors. Since businesses are focused on profits, it should not and probably does not make much difference *how* the incentive is funded; what matters is the expected value of the *amount* of the incentive.

How incentives are funded is important to the public sector. Funding sources for incentives affect who will pay for the incentives. The public sector cares whether funding for incentives is balanced, efficient, and fair.

The public sector can help businesses on either the revenue side or the cost side. Examples of revenue-side incentives: (1) at the state level, trade missions to foreign countries to market a business's product; (2) at the regional level, facilitating import substitution by creating a supply-chain clearing house (which expands a business's local sales; or (3) at the local level (where appropriate) agreeing to purchase needed municipal goods or services from a business.

Revenue-side incentives are rare; cost-side incentives are much more common. Table 2 shows common, direct (most frequently financial), cost-side incentives used to attract or retain businesses. The list is based on: (1) incentives commonly used by cities in the Portland region and (2) incentives commonly used in other cities in other regions of the country. The list probably covers almost all of the common incentives and techniques, but the Task Force may find others worth adding.

Table 2 (attached in Appendix A) distinguishes between an *incentive* (which is defined in the table by *what is offered* to businesses to reduce their costs: e.g., land assembly, training, taxes, or fees) and a *funding source or technique* (which is described in the table as the means by which the local government is going to raise the money that will provide the incentives). The funding sources that typically provide substantial funding for incentives are Urban Renewal and Enterprise Zones (Wilsonville does not qualify for the latter).

APPENDIX A: BUSINESS ATTRIBUTE AND INCENTIVE TABLES

Table 1. Common attributes of businesses that cities want

| Attribute name | What it is | Why cities want it |
|----------------------------|---|--|
| Higher paying jobs | Jobs that pay higher than the regional average; often referred to as "Family-wage jobs" | Higher paying jobs increase the economic welfare of workers and bring more wealth into the community. |
| Job diversity | Adding jobs that are different from jobs at existing businesses, such as jobs that require different skills, education, or training. | Increasing job diversity provides employment opportunities for workers with a wide range of skills and may provide opportunities for workers who were unable to find local employment. |
| Total Payroll | The total amount paid to private sector employees at a business located in Wilsonville. | Higher total payroll brings wealth into the City and results in increased payroll taxes (to support SMART). |
| Property-tax payers | Private businesses that pay taxes based on assessed valuation of property, including real property and equipment. | Cities depend on property taxes to fund services and maintain infrastructure. |
| Business diversity | Encouraging growth of businesses in sectors not presently in the city to create more economic diversity of the city's business portfolio. | Increased economic diversity increases economic resilience, helping the economy perform better in recessions or other economic shocks. |
| Business clusters | <p>Businesses in similar or related industries may locate relatively near each other (in clusters) for the economic advantages of sharing: production inputs (e.g., materials or parts), a common labor pool with specific skills, or customers.</p> <p>Examples of business clusters in Wilsonville include: computer and electronic manufacturing, software engineering, transportation and warehousing, or wholesale distribution.</p> | Business clusters can help attract or grow more businesses in the same cluster. Cities may prefer business clusters with other desirable attributes, such as high paying jobs. |
| Support businesses | Businesses may provide unique support to existing businesses or businesses that may locate in Wilsonville. | Support businesses help other businesses grow within Wilsonville. |

Appendix E

| Attribute name | What it is | Why cities want it |
|--|---|--|
| Locally-grown businesses | Businesses that start in the city or businesses that move to the city when small and grow larger in the city. | Locally grown businesses often have stronger connection to the community, especially if upper management lives in the community. Such businesses may be more inclined to stay in the community as they grow. They may be more likely to make non-business contributions to the community, through philanthropy or engage in supporting efforts to enhance quality of life in the community (e.g., supporting the arts or recreation programs). |
| Traded-sector businesses | <p>Traded-sector businesses produce goods for export, generally out of the state or out of the country.</p> <p>Examples of traded-sector businesses in Wilsonville include most of the City's major employers, including Xerox, Mentor Graphics, Tyco Electronics Medical Products, Rockwell Collins, FLIR Systems, Kinetics Climax Inc, Hartung/Oregon Glass Co., Vision Plastics Inc, S I Shredding Systems, Coherent, and Crimson Trace Corp.</p> | Traded sector-businesses often have higher paying jobs. They bring wealth into the community and state by selling their product out of the state. |
| Re-use of buildings | <p>When a business needs additional space, it may locate in a new building or in an existing building.</p> <p>Wilsonville's notable vacancies are in Town Center and several large vacant or underutilized industrial properties including:</p> <p>9805 Boeckman Road: "I-5 Logistics Center, fka Joes HQ/DC" – 300,000 SF</p> <p>25600 SW Parkway Center Drive: "Parkway Corporate Center, fka Hollywood Video DC" – 176,634 SF</p> <p>29899 SW Boones Ferry Road, Wilsonville: "Wilsonville Distribution Center" – 200,425 SF</p> <p>26755 SW 95th Ave., Class B Industrial/Warehouse – 165,810 SF</p> <p>27255 SW 95th Ave., Wilsonville: "fka Nike DC" – 501,000 SF</p> | <p>Having excessive or persistent vacancies in built space may make an area less attractive to other businesses or customers at existing businesses. When businesses locate in existing built space, they may make the surrounding area more attractive to other businesses through improvements they make to the building or through bringing more employees and customers into the area.</p> <p>Making use of existing buildings also increases the efficiency of public infrastructure investments, given that that infrastructure is already in place.</p> |
| Commitment to workforce development | Some businesses are committed to hiring workers who lack necessary training or skills but show potential for growth. The business will help develop the skills the business needs, through on-the-job training, skills or technical training, or formal education at a college or university. | One of the most important economic inputs is a pool of trained, skilled workers. Cities with a larger and/or more skilled workers are more attractive to other businesses that may locate in the city. |

Appendix E

| Attribute name | What it is | Why cities want it |
|-------------------------------------|--|---|
| Family supportive businesses | These businesses have policies or provide services that support workers with families, such as flexible working schedules or providing day care services. | Such businesses tend to attract employees who value a supportive work environment. As with workforce training programs, these things can benefit the community beyond the business. |
| Environmental stewards | Businesses may take a holistic perspective to environmental stewardship, such as offering transit passes to employees, occupying green buildings, or making a commitment to using less resources (e.g. recycling). | These businesses will be attracted to cities with high environmental quality and are more likely to work with the community to maintain and improve the environmental quality |
| Triple bottom line | Businesses value and invest in the community's economic, environmental, and social well being. | These businesses will be attracted to cities with high quality of life and are more likely to work with the community to maintain and improve quality of life |

Appendix E

Table 2. Common direct incentives to attract or retain businesses

| Incentive name | What it is and how it works | Fund sources/ fund impacted | Who is using it (examples) | Potential benefits | Potential drawbacks |
|---|--|--|---|---|--|
| Property or other tax abatements and credits | | | | | |
| Property Tax Abatements (Enterprise Zone, State of Oregon) | A time-limited reduction in property taxes, sometimes just on improvements or new equipment, to encourage private investment in a property. | Local taxing jurisdictions' general funds—cities, school districts, counties, etc. | Several tax abatements are authorized in State Statutes; many communities across the State use them. Some of the programs below are examples. | <ul style="list-style-type: none"> Increases the financial feasibility of property improvements. Often more politically acceptable than other funding sources; it does not require a budget allocation. | <ul style="list-style-type: none"> Reduces general fund revenues for all overlapping taxing districts. If the site is in an urban renewal area, the abatement will reduce tax increment revenues (for increases in property value) to the urban renewal area. Can require ongoing monitoring to ensure compliance and accountability. |
| Electronic Commerce Zone (State of Oregon) | Qualifying businesses in the zone receive a credit against the business's annual state income or corporate excise tax liability based on 25% of the investment cost made in capital assets used in electronic-commerce operations. | State general fund (via income tax), and local general fund (via property taxes) | Hillsboro, Portland | <ul style="list-style-type: none"> Reduces the costs of operating a business, which increases the business' financial viability | <ul style="list-style-type: none"> Limited to supporting just electronic commerce (transactions via the internet or an internet-based computer platform) |
| Strategic Investment Program (State of Oregon) | Exempts a portion of large capital investments from property taxes, Most often used for manufacturing firms and other "traded-sector" businesses. | Local taxing jurisdictions' general funds—cities, school districts, counties, etc. | Gresham, Clackamas County (currently, there are 3 SIZs in the State of Oregon) | <ul style="list-style-type: none"> Targeted specifically to support traded-sector firms Can be very beneficial for businesses, depending on the investment size, in terms of net present value | <ul style="list-style-type: none"> Revisitation clause is necessary to ensure that the program is functioning for the jurisdiction and the business. Reduces general fund revenues for all overlapping taxing districts. |

Appendix E

| Incentive name | What it is and how it works | Fund sources/ fund impacted | Who is using it (examples) | Potential benefits | Potential drawbacks |
|--|---|--|--|---|--|
| Vertical Housing Development Zone (State of Oregon) | Subsidizes "mixed-use" projects to encourage dense development or redevelopment by providing a partial property tax exemption on increased property value for qualified developments. | Local taxing jurisdictions' general funds—cities, school districts, counties, etc. | Gresham, Portland, Hillsboro, Springfield, Beaverton, Grants Pass, others | <ul style="list-style-type: none"> Targeted tool to support mixed-use development in places with locational advantages | <ul style="list-style-type: none"> Reduces general fund revenues for all overlapping taxing districts. |
| Affordable Housing Tax Credit (State of Oregon) | Provides a state income tax credit for affordable housing equity investments that help reduce the financing costs for multi family rental units.. Applications must demonstrate a 20 year term that the benefit of the tax credit will be entirely passed on to reduce rents for the tenants. | Investments are made by institutional investors or high net worth individuals. State general fund is impacted. | Oregon Affordable Housing Tax Credit Program (OAHTC), many communities across Oregon | <ul style="list-style-type: none"> Targeted tool to support multi-family rentals or mixed-use development in places with locational advantages | <ul style="list-style-type: none"> Reduces general fund revenues for all overlapping taxing districts if property tax abatement is sought by affordable housing providers and approved by local jurisdictions. |
| Low interest grants/loans | | | | | |
| CDBG Grants and Loans | Community Development Block Grants provide communities with resources to address a wide range of community development needs, including affordable housing and service provision, targeted to benefit low- and moderate-income persons. HUD Section 108 is one mechanism that increases the capacity of block grants to assist with economic development projects.. | Federal HUD funds | CDBG funds are awarded by formula to qualified cities and counties throughout Oregon | <ul style="list-style-type: none"> Funds are fairly flexible in application Program has been run since 1974, and is seen as being fairly reliably | <ul style="list-style-type: none"> Competitive process to secure loans/grants for individual projects Administration and projects must meet federal guidelines Amount of federal funding for CDBG has been diminishing over the past few years CDBG program is run through Clackamas County and is not in the control of the City. |

Appendix E

| Incentive name | What it is and how it works | Fund sources/ fund impacted | Who is using it (examples) | Potential benefits | Potential drawbacks |
|---|---|--|---|---|---|
| EB-5 | Investment dollars for new commercial enterprises that will benefit the US economy and create at least 10 full-time jobs for every \$500,000 invested by foreigners seeking US citizenship. | Foreign investors | Distributed on a project-by-project basis through regional centers. EB5 is relatively new to Oregon and to date, few Oregon projects have been financed with EB-5 investments | <ul style="list-style-type: none"> Relatively low-cost source of capital for appropriate projects | <ul style="list-style-type: none"> Must fall in an EB-5 eligible “targeted employment area” Must meet job generation requirements |
| Industrial Development Bonds (State of Oregon) | Tax-exempt bonds issued by the state of Oregon that provide long-term financing for land, buildings and equipment for manufacturers. | Bonds are purchased by institutional investors | | <ul style="list-style-type: none"> Affordable interest rates and tax-exempt status assist in lowering capital expenses. Generally provide the greatest benefit to the borrower for bonds of \$5 million or more. The Oregon Express Bond program is available for loans between \$500,000 and \$5 million. Can pay for up to 100% of project’s development costs | <ul style="list-style-type: none"> Requires State backing |
| Reduces business operation or capital costs | | | | | |
| Business License Fee Reduction | A reduction in or waiver of business license fees | General Fund | Gresham, others | <ul style="list-style-type: none"> Reduces costs for business | <ul style="list-style-type: none"> Relatively small incentive that may not greatly affect a business’ bottom line |

Appendix E

| Incentive name | What it is and how it works | Fund sources/ fund impacted | Who is using it (examples) | Potential benefits | Potential drawbacks |
|--|---|--|-------------------------------|--|--|
| Tenant Improvement Grants/Loans | Assist property owners and new business owners with tenant improvements to the interiors of commercial spaces. Used for office and industrial assistance in addition to retail. | Urban Renewal and CDBG loans or grants, tax exempt revenue bonds | Gresham, Portland, others | <ul style="list-style-type: none"> Reduces costs of tenant improvements | <ul style="list-style-type: none"> Often tied to job goals In some cases prevailing wage would apply |
| Workforce Assistance Programs | Specially designed workforce training programs that cities, community colleges and workforce training entities help to jointly provide to businesses to train existing and potential employees. | Varies | Beaverton, Gresham, Portland | <ul style="list-style-type: none"> Reduces difficulty of recruiting and cost of training staff Creates opportunities to partner with community colleges and other educational institutions Creates lasting benefits for individuals | <ul style="list-style-type: none"> No clearly-delineated source of funds May require re-tooling of existing programs to ensure that the training programs are targeted to local industry needs |
| Working Capital or Equipment Assistance Loans | An injection of capital for operation or growth. A working capital loan is used clear up accounts payable, wages, etc., while an equipment loan is used to assist with acquisition of long-term assets. | Small Business Administration | Portland, others | <ul style="list-style-type: none"> Reduces operating costs for businesses, and increases financial viability | <ul style="list-style-type: none"> Requires careful underwriting and program administration to reduce public sector risk |
| Microenterprise and Small Business Loans | Direct loans to help start-ups, micro-enterprises and small businesses expand or become established. | Urban Renewal, CDBG | Beaverton, Newberg, Portland | <ul style="list-style-type: none"> Targeted to support small businesses and start-ups Can be tailored to support local economic development strategies | <ul style="list-style-type: none"> Requires careful underwriting and program administration to reduce public sector risk |
| International Trade Zone/ Global Tech Assist. | Allows businesses to obtain discounts from the U.S. government — including delayed, reduced or eliminated duty payments — if they ship products in and out of the zone. | | Portland | <ul style="list-style-type: none"> Reduces costs for businesses that export or distribute goods in other countries. | <ul style="list-style-type: none"> Requires complying with federal rules guiding activities in a Foreign Trade Zone. |

Appendix E

| Incentive name | What it is and how it works | Fund sources/ fund impacted | Who is using it (examples) | Potential benefits | Potential drawbacks |
|---|--|--|---|--|---|
| Business Incubator | Provides office space and common services (e.g., telecommunications, receptionist, copiers or printers, etc.) to small start-up businesses. | | Portland | <ul style="list-style-type: none"> Helps reduce costs for small start-up business, encouraging growth of local businesses. | <ul style="list-style-type: none"> Starting a business incubator requires a substantial amount of coordination and funding. |
| Reduces development costs | | | | | |
| Land Assembly | Assistance with the process of combining parcels together into one developable site. Sometimes takes the shape of technical assistance or expedited process. Other times, the public sector acquires the parcels, combines them, and sells to private party. | Urban Renewal, CDBG | Portland; Hillsboro; Gresham | <ul style="list-style-type: none"> Can help overcome development feasibility challenges by creating more viable redevelopment sites. In some cases, assembling the land increases its value on the open market for UR Agencies looking to re-sell | <ul style="list-style-type: none"> Public agencies sometimes pay high appraised value for land because they often want to achieve multiple goals – this can impact costs of future public and private acquisitions |
| Property Price Buy-down | A public agency may chose to sell a property to qualifying developers at a price lower than fair market value to induce development. | Urban Renewal, CDBG | Commonly used tool across the state, especially in larger cities (Portland, Gresham, Hillsboro) | <ul style="list-style-type: none"> Increases development feasibility by reducing development costs Gives the public sector leverage to achieve its goals for the development via development agreement process with developer | <ul style="list-style-type: none"> Requires careful underwriting and program administration to reduce public sector risk and ensure program compliance |
| Reduced Building Permit/Planning Fees or SDC buy down / waiver | Reduce various development fees as an incentive to induce qualifying types of development or building features (e.g. stormwater improvements through the Commercial Stormwater Fee Reduction). | General Fund or SDC fund, respectively | Commonly used tool, often in conjunction with development agreements or other development negotiation processes | <ul style="list-style-type: none"> Increases development feasibility by reducing soft costs for developers. Fee cost structures are within City control and can be easier to manipulate than other components of the development cost structure. | <ul style="list-style-type: none"> Reduces revenues to provide permitting and compliance services If SDCs are reduced for some developments, that revenue burden will be shifted to others. |

Appendix E

| Incentive name | What it is and how it works | Fund sources/ fund impacted | Who is using it (examples) | Potential benefits | Potential drawbacks |
|--|--|--|--|--|---|
| Pre-development Assistance | Grants or low interest loans for evaluation of site constraints and opportunities, development feasibility, conceptual planning, etc. to reduce pre-development costs | Urban Renewal, CDBG | Portland, Hillsboro, others | <ul style="list-style-type: none"> Reduces what are often risky pre- development costs for developments that fulfill community goals. Enables developers and communities to explore wider range of project possibilities | <ul style="list-style-type: none"> Can be perceived as favoring particular developers or property owners. |
| Reduces development costs | | | | | |
| SDC Financing or credits | SDC financing enables developers to stretch their SDC payment over time, thereby reducing upfront costs. Alternately, allows developers to make necessary improvements to the site in lieu of paying SDCs. | SDC fund / general fund. In some cases, there may be no financial impact | Gresham Hillsboro, Portland | <ul style="list-style-type: none"> Reduced up-front costs for developers can enable quicker development timeframe and availability of property to be taxed. | <ul style="list-style-type: none"> Reduces availability of SDC funds over the short term. |
| Expedited / Fast-Tracked Building Permits | Expedite building permits for pre-approved development types or green buildings | Limited costs. | Gresham, Portland, others | <ul style="list-style-type: none"> Can be targeted to a specific development type that is incented. Can save projects time in development process, which produces financial savings | <ul style="list-style-type: none"> May not have a large enough impact on development bottom line to change financial viability of project. |
| Spurs investment in a specific area | | | | | |
| Façade Improvement Grants/Loans | Commonly used as part of the Main Street approach to economic development and in urban renewal plans, these are low or no interest loans, or matching grant funds to improve the façade of a building. | Urban Renewal and CDBG loans or grants, | Beaverton, Gresham, Oregon City, Portland, Sherwood, Astoria, others | <ul style="list-style-type: none"> A relatively low-cost approach to assisting property owners with improvements that creates a stronger environment for retail. | <ul style="list-style-type: none"> Can be perceived as favoring some businesses or business areas over others. |

Appendix E

| Incentive name | What it is and how it works | Fund sources/ fund impacted | Who is using it (examples) | Potential benefits | Potential drawbacks |
|-------------------------|---|--------------------------------|-------------------------------|--|---|
| Sole Source SDCs | Retains SDCs paid by developers within a limited geographic area that directly benefits from new development, rather than being available for use city-wide | SDC funds | Portland, Bend | <ul style="list-style-type: none">• Enables SDC eligible Improvements within smaller areas which can enhance catalytic and redevelopment value of area | <ul style="list-style-type: none">• Reduces resources for SDC-funded projects in a broader geography• Small geographic areas may not have sufficient SDC revenues to support bonds |