



A place where families and businesses thrive.

CITY RECORDER USE ONLY:

AGENDA ITEM #: _____

MEETING DATE: 08.28.2023

FINAL ACTION: RESO 2023-41

CITY COUNCIL STAFF REPORT

TO: City Council

FROM: Jesse VanderZanden, City Manager

PROJECT TEAM: Miles Glowacki, Economic Development Coordinator

MEETING DATE: August 28, 2023

SUBJECT TITLE: Resolution 2023-41 amending the application fee for the Forest Grove Enterprise Zone

ACTION REQUESTED:

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Ordinance	Order	X	Resolution		Motion	Informational

X all that apply

ISSUE STATEMENT:

The Economic Development Commission (EDC) is recommending that the application fee for the Three-Year Enterprise Zone be raised from its current flat rate of \$200 to a fee of .1% of project cost with a cap of \$50,000 to submit an application.

BACKGROUND:

The City of Forest Grove utilizes the State of Oregon's Enterprise Zone program to incentivize new business investments by abating the local property tax for three or five years. The City Council first approved the program for 10 years in 2006 and extended the program another 10 years in 2016. Unless extended by Council, the Enterprise Zone will expire June 30, 2026.

Local Enterprise Zones are subject to the approval of the State of Oregon Economic and Community Development Department. The Department approved the City's last two applications and the city complies with Oregon Revised Statute (ORS) Chapter 285C by appointing a local Enterprise Zone manager and preparing a list or map of lands and buildings in the Enterprise Zone.

The city is a zone sponsor and administers the Enterprise Zone program within the city. All of Forest Grove's industrial land lies within the boundaries of the Enterprise Zone. The Economic Development Commission reviewed the fee schedule and voted at its July 2023 meeting to recommend City Council change the application fee for the Enterprise Zone.

Beyond the application and application fee, industries requesting tax abatement through the Enterprise Zone program must;

- Be located within the boundaries of the zone
- Invest at least \$50,000 in real property or heavy/affixed machinery
- Create at least 10% in the job count for expansion of an existing business. The jobs must remain in place for the duration of the tax exemption period.
- First source hiring agreement
- Attain a Minimum Average Wage Level of:
 - 3-Year Program: 150% of minimum wage
 - 5-year Program: 100% of Washington County average household income

APPLICATION FEE CHANGE JUSTIFICATION:

- Cost recovery: The application process for Enterprise Zones often involves administrative costs, such as reviewing applications, conducting assessments, and issuing permits. The current fee does not capture the true costs of administration.
- Revenue generation: One primary reason for increasing the application fee is to generate additional revenue for the city. By raising the fee, the city can collect more funds from businesses seeking to establish themselves within the Enterprise Zone. This extra income can be utilized for various purposes such as infrastructure development, public services, or economic development initiatives.
- Quality control: A higher application fee can be used as a mechanism to attract more established and financially stable businesses to the Enterprise Zone. By setting a higher fee, the city may aim to discourage less financially secure entities from applying, thereby increasing the overall quality of businesses within the zone.
- Alignment with neighboring jurisdictions. Tigard, Beaverton, Hillsboro and Lake Oswego all impose the recommended fee schedule.

FISCAL IMPACT:

Budget positive. Specific amount is unknown at this time and contingent upon the number and types of projects that may come into the city.

STAFF RECOMMENDATION:

Approve the attached resolution.

ATTACHMENT(s):

- Resolution
- PowerPoint