

**MINUTES**  
**Troutdale City Council – Work Session**  
**Troutdale City Hall – Council Chambers**  
**104 SE Kibling Avenue**  
**Troutdale, OR 97060-2099**

**Tuesday, June 12, 2007**

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| <b>1. ROLL CALL</b> |
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Mayor Thalhofer called the meeting to order at 8:50pm.

**PRESENT:** Mayor Thalhofer, Councilor Kight, Councilor Ripma, Councilor Thomas, Councilor Canfield, Councilor Kyle and Councilor Daoust.

**ABSENT:** None.

**STAFF:** John Anderson, City Administrator; Rich Faith, Community Development Director; Kathy Leader, Finance Director; Debbie Stickney, City Recorder.

**GUESTS:** See Attached.

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| <b>2. Discussion:</b> A discussion about Troutdale and Fairview's potential use of industrial development incentives such as enterprise zone and other available incentive programs. |
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John Anderson, City Administrator stated this is a joint work session with the Cities of Troutdale and Fairview. The purpose of the work session is to primarily discuss enterprise zones and determine whether or not they would be appropriate for either of our cities. In the packet we have provided some background information, key questions to consider and the next steps. We have several staff resources here to assist us with this discussion: Joe Gall, City Administrator for the City of Fairview; Janet Young, Economic Development Director from Gresham; Art Fish from Oregon Economic and Community Development Department (OECDD); Sarah Garrison also with OECDD; and Jim Laubenthal representing the Port of Portland.

John Anderson reviewed each of the attachments to the staff report. **Attachment 1** – Economic Development Incentives for the Columbia Cascade River District (CCRD); **Attachment 2** – OECDD notice to Cities, Ports and Counties and other interested parties regarding a call for applicants for Oregon Enterprise Zone Designations, which outlines the various state requirements and the application process; **Attachment 3** – Summary of Gresham's Community & Economic Development Enterprise Zone including a map showing their six zones; **Attachment 4** – Gresham Enterprise Zone Background Report which outlines the background, process, state criteria, specific Gresham criteria and boundaries; **Attachment 5** – Map of Gresham's six existing Enterprise Zones which also shows the

industrial property in Troutdale and Fairview that could be considered for enterprise zones either separately or combined; **Attachment 6** – Process for changing the Boundary of an Oregon Enterprise Zone to include more in the city or add an additional city's property to an enterprise zone and the steps involved.

Councilor Canfield asked what are the pros and cons of having our own enterprise zone versus joining another one?

Art Fish, Business Incentives Coordinator with the State of Oregon, replied the cons of having your own zone are it will take some time. Some of the processes listed out are for our annual process to replace zones every year. A lot of the zones that you see on the map terminate after 10 years. At other times, because there are extra zones out there that have yet to ever be designated, the director can start a round at any time, so we can do a round that may only take a couple of months and might allow for a zone to be designated, but it is still a three month process and there may be more applicants than we have zones available. Effective July 1<sup>st</sup> there will only be four zones available under the law. If a mini round was started to designate a few of those and we received more applicants than we have zones available then that makes the process longer. So some of the cons are the uncertainty of starting a round, the time it might take and some of the extra steps involved for the City of Troutdale and/or Fairview to make that application. One of the pros for a boundary change is you can do that at will. If Gresham and Troutdale wish to expand that zone the process is fairly simple. That is doable in four weeks. There are two cons with joining Gresham. One is that you have to work together to get things done and secondly if you joined Gresham you would not be able to allow hotel resorts as an eligible use. Gresham did not take that option and so there is no way for new cities joining that zone to take that option. If you were to join a zone that has it you don't have to have it. For example if Troutdale and Fairview were to apply for an enterprise zone, Fairview could say they want the hotel option but it is excluded in Troutdale. When zones are designated they have to make a decision whether they want hotels as an eligible use.

Mayor Thalhoffer asked do we have to give FedEx an answer in June regarding incentives? Are we in a big rush or can we take some time to pursue applying for our own zone or do we have to go in with Gresham because that is the shortest time period?

Jim Laubenthal, Port of Portland, replied their intent is to try and break ground this fall so that they can be up and operating in two years. My sense is it would be a stretch to create an independent zone, but that it might be doable.

Art Fish stated if they are looking to break ground in the fall then I would think they would need an answer soon about which way you are going to go. They are looking more for a commitment that the areas are going to try and get an enterprise zone. If you wanted to go the Gresham route that is probably the easiest and if Gresham is okay with that then there really shouldn't be any problem with making that happen soon. If you wanted to go the other way it is just a matter of the company understanding that it is going to take a couple of months and there are some uncertainties. If the director wants to start a round we will do that and it should be very doable, I don't expect that a lot of other areas around the state are

looking to compete to get a zone right now. You could very well be the only applicant and it could be done.

Sarah Garrison, OECDD, stated whether it is a boundary change to be included in the Gresham Enterprise Zone or it is a new zone, I think you are going to have to work through a lot of the same issues. You are going to have to figure out what staff is going to be the enterprise zone manager, what fees you are going to charge, and what your criteria is going to be. A lot of that work needs to be done and I think the timing of doing that work is going to be the same whether it is an extension or a new zone. If there are more people applying for a zone than there are zones available, with FedEx coming to your city you will be very competitive if we have to use the competitive criteria because you are talking about a lot of jobs and a lot of investment, so I wouldn't worry about that so much.

Art Fish stated when people ask me what would really help us get a zone, I tell them there is nothing like a business prospect to make us weak in the knees. I should explain however, to qualify in either an expanded Gresham zone or in a new zone, the company still has to increase its employment both in the zone and also relative to where it is coming from. For FedEx total employment both at Swan Island and in the zone will have to be 10% or more than what it is today.

Councilor Ripma stated this is running a little ahead of me at least. I don't recall our Council even discussing the merits of doing an enterprise zone and we are hearing a discussion about whether we should be joining Gresham or setting up our own. There is a lot to discuss about the merits of whether we go forward with this and I am not hearing that tonight and I guess I object to us starting down either path right now. Tax abatement, there is the whole issue of whether the businesses that have been here paying taxes all along should pay more taxes than some new guy coming in just because they are big. I have a fundamental objection to that unless I hear real solid reasons why it would benefit everyone. In this particular area, is it an absolute given that we have to do an enterprise zone? How many places does FedEx have to choose from in order to have a facility like this and what are the merits and demerits of those. I still remember LSI and the County setting up a strategic investment incentive tool and LSI announced right at the end that they were going to build with or without that incentive. Where is LSI? We need to have a fundamental discussion here in Troutdale on whether we want to go forward with this on the basics, not whether it is either joining Gresham or setting one up.

Mayor Thalhoffer stated this was intended to be the beginning of that discussion.

Councilor Ripma stated that is not the way this was introduced or the way that this packet is set up or the way this discussion is going.

John Anderson stated if you refer to page one of the staff memo under key questions, the first question is, "Are the Cities of Troutdale and Fairview interested in creating their own enterprise zone".

Councilor Ripma stated well then sell us on enterprise zones, why should we do it?

Art Fish stated I want to make sure that we touch on how businesses use enterprise zones. I have told you what your choices are for getting an enterprise zone, assuming you want one and that the department can create a round fast enough or that the City of Gresham can accommodate you through an expansion of their zone. You need to understand what an enterprise zone does and if tax exemption is a reasonable thing to do. As much as FedEx may be driving you on this it shouldn't be your only reason. You should be prepared to use the enterprise zone for other things down the road. Existing companies in Troutdale and in Fairview that are in the zone could use it over the years for new investments that qualify in the industrial area. What is it that these enterprise zones do? About 60%-70% of the businesses are usually already in the zone and if they make an investment that increases their jobs by at least 10% and if they are in one of these eligible activities, then that allows them to qualify for an exemption on the property taxes that would otherwise be due on their new improvements and equipment. If you have a company that is going to expand and they end up with a \$1 million investment, or \$1 million more in taxable value, then you are looking at saving about \$15,000 a year on a 1.5% property tax rate. After 3 years the property goes on the tax rolls.

Councilor Ripma stated I thought you mentioned 10 years.

Art Fish replied the enterprise zone goes for 10 years. During that time companies can make investments right up until the end and they would receive this property tax abatement on how much they invest for 3 to 5 years. There are two things I would like to point out. One is, how much benefit a company gets varies tremendously in terms of the investment that they make. FedEx is probably not as capital intensive as some things that we see. Some of these companies have hundreds of millions of dollars and these types of property tax abatements become pretty hard not to see where the company finds it critical to get some relief at the front end to save cash to make an investment justifiable. The other thing is the extension to 5 years. Not all of these in your zone would have to be the basic 3 years, which is automatic under the law subject to statutory or local urban requirements. An enterprise zone exemption of 3 years can be extended up to 5 years. In most parts of the state that takes some very high level of pay for the people that work there but in the Portland Metropolitan area that requirement doesn't apply because the average annual wage rate that is used for that requirement is so very high in Multnomah, Clackamas and Washington Counties. 150%, which is the standard even including benefits would mean that people are being paid on average \$60,000 to \$70,000, so that requirement doesn't apply here and the extension to 5 years is subject only to a local agreement with the zone sponsor to extend it subject to potential additional local requirements. The zone sponsor is the city or the county that sponsored the zone. That is how you get from 3 to 5 years and you can add additional requirements with agreements to do that. I would imagine that FedEx will want to get the extension to 5 years. Not only do they need to hear if you want to have an enterprise zone, but also understand what the agreement is that they might enter into to get the maximum 5 year exemption on their new property, which would still come back on the tax rolls at the end of the 5 years.

Councilor Kight stated there is a plethora of options available. Once you have an enterprise zone does it automatically receive all of the incentives or can the municipality be selective as to what incentives they receive within that enterprise zone?

Art Fish replied the basic benefit of the enterprise zone is just that 3 year exemption on new property. You can put in local incentives, which a lot of areas do. As an urban zone you can also put in additional conditions, so you can in effect restrict who gets it or what fees they pay just to get the 3 year exemption.

Janet Young, Economic Development Director from Gresham, stated when Gresham created an enterprise zone the idea was that we wanted to have an incentive for industrial uses that were of relatively high value and paid high wages. The assumption is that warehouses and some other lower value industrial uses were probably going to come anyway and they saw no reason to provide an incentive for those sorts of companies to come to Gresham so we created additional conditions on the enterprise zone. Attachment 3 in your packet shows the additional conditions established by Gresham, which includes: Minimum assessed value of the improvements of \$75 per square foot, that was specifically designed to not include warehouses, or if it were a warehouse it would have a lot of equipment and it wouldn't be just a big box; Minimum investment of \$1 million, at the state I believe it is only \$50,000; Job quality was important to us, we wanted to make sure that at least 75% of the employees made at least twice the minimum wage; We established a procurement plan as a condition where they have to actively work on increasing the amount of procurement of goods and services that they purchase from the local area. If they don't meet these requirements than they are disqualified and either they don't receive the tax abatement or they have to pay back the taxes.

Mayor Thalhoffer asked if we decide to join with Gresham's enterprise zone, who controls it?

Janet Young replied our Council has not yet discussed this issue. There would need to be a lot of negotiations between the parties if we were to move forward about how decisions get made and what sort of things would need to be spelled out in the IGAs that would need to exist between the cities.

Mike Weatherby, Mayor of Fairview, asked if Troutdale and Fairview were going to create our own zone, when do we start the process?

Art Fish replied you would have to communicate to us that you are really interested for whatever the reason is and we could start a special round by doing a call for applications in early July where the deadline for the applications to be received may be in September. That is a pretty quick turnaround and there would be things that Troutdale and Fairview would need to do to give us an acceptable application.

Councilor Kight asked if we don't form an enterprise zone for FedEx, in your opinion Mr. Laubenthal, is that a deal breaker?

Jim Laubenthal replied I am not sure.

Councilor Kight asked are there any other competing sites that they are looking at?

Jim Laubenthal replied we have been told that there are two sites they are looking at in Washington, Vancouver and Ridgefield.

Councilor Kight asked does Washington also have enterprise zones?

Art Fish replied no, they have a different tax system to begin with. They have some incentives that might be applicable here depending upon where they are located.

Councilor Canfield left the meeting at 10:00pm.

Councilor Kight asked if Gresham doesn't allow hotels/motels then we wouldn't be allowed to include them, so what would be the point of merging with them then?

Mayor Thalsofer stated the way it looks to me is that Troutdale should form our own enterprise zone and then later Fairview could join, or we could do it together.

Councilor Daoust stated McMenamins has never been able to get off the ground with their expansion of a hotel on the north side of Halsey. This would benefit existing businesses.

Joe Gall stated I would want to talk to my Council as to whether they like this idea and want to explore it. I think that if Troutdale wants to move forward, I would suggest to my council that we do it together. We are both small cities and we are at a disincentive with Gresham because they have an incentive for businesses that we can't match currently. If the elected officials from both communities think this is worth doing, I think it makes sense to do it together.

Mayor Thalsofer stated our council needs to decide first whether we want to do an enterprise zone and secondly if we want to do that jointly with Fairview and we probably can't make that decision tonight, but we need to make this decision soon.

Councilor Daoust asked by the application deadline would both Fairview and Troutdale have to decide on the criteria?

Art Fish replied no, you don't even have to decide on the hotel. The one reason you might want to have them in place right when the zone is designated is so that you can apply them to FedEx. You can set your additional conditions as an urban zone anytime or change them anytime while the zone exists, but they only apply to the companies that come after you set the policy.

Council discussed the state requirements to qualify for an enterprise zone and what areas of the cities would be included in the zone.

Mayor Thalhoffer stated we are going to need to schedule another work session to further discuss and to make a decision of whether we want to get involved in an enterprise zone and if so, do we want to do it jointly with Fairview. Fairview Council will need to make those same decisions.

Joe Gall stated we will be discussing this next Wednesday night at our meeting.

Mayor Thalhoffer stated we will hold a work session on the 26<sup>th</sup> following the regular meeting to discuss this further.

**3. Discussion:** A discussion on an updated parks system development charge and capital improvement plan.

This item was set over until July 10, 2007.

**13. Adjourn:**

Meeting adjourned at 10:24pm.

**Paul Thalhoffer, Mayor**

**Dated: Approved 11/27/07**

**ATTEST:**

**Debbie Stickney, City Recorder**