

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

Tuesday, June 26, 2007

1. Roll Call

Mayor Thalhofer called the meeting to order at 7:40pm.

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; and Debbie Stickney, City Recorder.

GUESTS: See Attached.

2. Discussion: A discussion about the potential use of industrial development incentives such as enterprise zone and other available incentive programs.

John Anderson, City Administrator, stated the purpose of the work session tonight is to continue our conversation from June 12th at which time the Council had requested some additional information. We have provided that in our staff report. Attachments 1 and 2 list the advantages and disadvantages of an enterprise zone. Attachment 3 is a copy of an email correspondence from FedEx with their request for financial assistance. We have also provided a sample estimate of the potential FedEx tax abatement. The one included in the packet was using the City of Gresham's formula for computing tax abatement benefits. There is an additional sample that we have put at your place this evening from the Executive Director of Tax Supervising and Conservation Commission (TSCC), and you can see that the numbers are a little different because they have different methodologies. Attachment 5 is a timeline from Art Fish from the State of Oregon. In the staff report we are recommending that the Council review the specific questions that were included in the June 12 staff report (Exhibit A) starting with the first question, are the cities of Troutdale and Fairview interested in creating their own enterprise zone to assist in marketing their industrial lands. Staff is looking for some guidance from the Council as to whether you are interested in going forward, and if so do you want to partner with the City of Fairview or request that the City of Gresham expand their boundaries to incorporate Troutdale and Fairview.

Councilor Daoust asked if we went with a 3 year enterprise zone exemption period we would be foregoing about \$4 million in taxes?

John Anderson replied yes, according to this estimate.

Councilor Daoust stated and they would be building an \$86 million facility.

John Anderson replied that is correct. When you add land and a few other incidentals it will be slightly over \$100 million.

Councilor Daoust asked where does it tell me how much taxes we will be collecting on this \$100 million facility when we do start collection taxes?

John Anderson replied the amount would basically be the same amount that is being abated. So over a four year period that would be \$4 million that would be portioned out to the various taxing jurisdictions. The City roughly gets 27-30% of that.

Council Daoust stated I noticed in the Gresham example the amount of the tax abatement reduced every year, this looks like it increases every year.

John Anderson replied that is correct. That is some of the difference in the methodologies. Looking at the Gresham chart (Attachment 4) one of the things that they do is in years 4 and 5 they only offer an abatement of 75%. Also in years 4 and 5 they introduce a community service fee of 25% that goes directly to the city. They also have another assumption that the large investment in equipment and machinery depreciates relatively fast and that the building values are fixed, it doesn't increase much, so that contributes to the decline.

Councilor Kight asked Mr. Laubenthal (of the Port of Portland) have you always operated under the premise of having the property in an enterprise zone?

Jim Laubenthal replied no we haven't.

Councilor Kight stated and the property developed without having the enterprise zone available.

Jim Laubenthal replied yes.

Councilor Kight asked why are you entertaining the idea of having an enterprise zone for this particular company?

Joe Mollusky, Real Estate Marketing Manager for the Port of Portland, stated I have worked with FedEx for some time now in their pursuit of finding a site to establish a regional distribution center. As far as the development in Troutdale in the industrial park, the ideal way to make that grow and be a thriving industrial park is to have a known anchor or significant anchor tenant that will put a name on the Troutdale Reynolds Industrial Park. FedEx Ground would be an ideal partner. They have name recognition; they are a professional company. I have been involved with some of the recruitment efforts that have gone on at the state level and this is a typical request from a firm of this size that is making a

\$100 million investment and that is why we support some form of assistance for a company like FedEx that brings the investment and the jobs associated with their facility.

Councilor Kight stated FedEx has a facility already on Swan Island. Is that particular facility part of an enterprise zone?

Joe Mollusky replied not to my knowledge.

Councilor Kight stated I know that FedEx is looking at two other sites. Would it be accurate to say that FedEx would also consider looking at Troutdale with or without the enterprise zone? In other words this wouldn't necessarily be a deal killer.

Joe Mollusky replied that is unknown.

Councilor Ripma stated John Anderson identified Attachment 3 in our packet as the request from FedEx for assistance. It is an email from Mr. Girod to you, is that when you first heard that they were seeking assistance?

Joe Mollusky replied first formal request, yes.

Councilor Ripma stated we didn't hear about this until June 12th. I am wondering why didn't that get communicated, it is a huge impact.

John Anderson stated as soon as we found out that they wanted an incentive we scheduled the work session.

Councilor Ripma stated we are being given a very short timeline to answer. I don't understand why it took so long for us to learn about this.

John Anderson stated I can't remember the exact date that Joe forwarded that to me, but once I received it we started putting information together and scheduling a date to bring it to the Council.

Councilor Ripma stated since the June 12 meeting I have talked to Mr. Laubenthal, the League of Oregon Cities, and the City of Albany trying to gather some information because what we received on June 12th was a one-sided presentation. I am concerned about this based on the impact that Councilor Daoust identified, the \$4 million in taxes. I understand that the Port would be one of the entities that would suffer from the abatement, have you analyzed this for your organization?

Jim Laubenthal replied we haven't looked at the specific amount. I think the Port is formally called out in the statute to comment on enterprise zones, and we have never objected to one in the Metro area.

Councilor Ripma asked is the Port favorable to doing this?

Jim Laubenthal replied yes.

Councilor Ripma asked the FedEx facility is 78 acres, does that represent the entire property that the Port intends to develop in our industrial area that would be included in this enterprise zone?

Jim Laubenthal replied you get to decide the size of the area for the enterprise zone. When we were preparing for this John asked us what would we be willing to include and my comment back was as much of the property as you would like.

Councilor Ripma asked how much land is going to be marketed for industrial development?

Jim Laubenthal replied 300 to 350 acres, of which a portion is in Fairview.

Councilor Ripma stated conservatively, if we saw the rest of the industrial area developed at this level the total tax abatement would at least be double, probably more, the amounts on the analysis just for FedEx. I talked to Dick Ebert, the Economic Development Director at the City of Albany regarding their enterprise zone. It was an 8 or 10 year zone and they applied for renewal of the zone. How many years does the enterprise zone last? I heard Mr. Fish talk about 10 years.

John Anderson stated I heard 10 years as well.

Councilor Ripma asked can you renew?

John Anderson replied I can't answer that. I would need to obtain that information for Council for the next meeting.

Councilor Ripma stated Albany attracted a PepsiCo plant, \$256 million, and under the program that they worked out with the state it is a 15 year tax abatement period. That wasn't mentioned at the last meeting, do you know anything about that?

John Anderson replied no. What I have heard is that it is a 3 year abatement and if the local jurisdiction elects to they can add an additional 2 years.

Councilor Ripma stated PepsiCo announced in May that they are not starting construction after all, they have put it off for a year. In the mean time the city invested in sewer and water extensions, and a railroad overpass. They have an urban renewal district that is paying for a portion of this and PepsiCo is committed but the City has laid out several millions in infrastructure improvements. Is there any guarantee that FedEx is going to come through? My concern is that we are rushing into this not knowing about possible trouble down the road. Is this a possible concern?

Joe Mollusky stated we have been working with FedEx for some time now to find a location. They have done a considerable amount of work both with the city and on-site. We have every reason to believe that they are real and that they will site a facility in the northwest.

Councilor Ripma stated on May 11th they sent you an email and we heard about it a few weeks later and suddenly they have to have an answer instantly. Does that sound logical to you? You have been talking to them for a year and they haven't brought it up before now.

Joe Mollusky replied they have only recently really focused on Troutdale.

Councilor Ripma stated the Port would like Troutdale to do this because I guess the Port can't initiate this, it would have to be Troutdale. Would it be possible for the Port to reimburse the City of Troutdale for the tax we lose? Sort of a win-win where we don't lose but you get your tax incentive, because we can't afford it.

Joe Mollusky replied we have not considered that.

Councilor Thomas stated the major issue here is not really FedEx, it is whether we want to have an enterprise zone and whether we want to do it jointly with Fairview. How has having an enterprise zone helped you solicit businesses in other places?

Joe Mollusky replied it is significant. When folks are looking at sites, the incentives can be something that tips your site to have them take a harder look at. On the flip side, if you don't have anything to offer people are offended by that and it can work against you. It is really different in every case. FedEx has made a professional request and we see it as an opportunity that we should pursue.

Mayor Thalhoffer asked how much tax revenue is the Alcoa site generating for Troutdale now?

Jim Laubenthal replied I think there is an amount in the range of \$20,000 a year and Troutdale's portion is maybe 25% of that.

Mayor Thalhoffer stated how much will FedEx generate for the City of Troutdale after the 3 or 5 year abatement?

Jim Laubenthal replied in the range of \$1.5 million.

John Anderson stated if you look at the 3 year period it is a \$4 million abatement, if Troutdale receives 25% of that it would be \$1 million.

Mayor Thalhoffer stated FedEx will bring a lot of jobs to the area.

Jim Laubenthal stated there are projections for the new facility of about 800 jobs initially, which will grow close to 1,000.

Mayor Thalhoffer stated it will increase the employment in our area.

Councilor Canfield asked as you develop the Reynolds site, which is 275 to 300 acres, is the Port planning to sell off portions of the land for each development or are you going to hold on to the land?

Joe Mollusky replied we are willing to sell the property.

Councilor Canfield stated in Oregon or Washington are there any other properties in the range of 275 to 300 acres that are available?

Joe Mollusky replied in the Portland Metropolitan area there are very few properties that size, which gives Troutdale significant advantage in recruiting larger companies. Beyond the Portland Metropolitan area there certainly are properties in southwest Washington. Going further north to Tacoma and Seattle they are very challenged as far as large parcels. Going south down I-5 there are properties available, but maybe not as close to the metropolitan area as Troutdale. We really feel that the Troutdale site is well positioned to attract businesses.

Councilor Canfield asked do you have any idea as to how many of these other sites have such great access to a freeway and rail?

Joe Mollusky replied every site has advantages and disadvantages. Along the I-5 corridor, Albany, Lebanon and Woodburn have property available and they have freeway access but they do not have rail, so that gives us a unique opportunity due to the fact that we do have rail.

Councilor Canfield asked if we do this enterprise zone, it will affect the county, school district, and Mt. Hood Community College, that is a lot of people. In the TSCC report generally the only value that is eligible for the enterprise zone exemption is building, machinery and equipment. Basically, as far as real property, it would mean the difference of whether the Port owned the land or whether you turned it over to a private property owner as far as the tax exemption, is that correct?

Joe Mollusky replied that is correct.

Councilor Canfield stated I did a goggle search for FedEx and enterprise zones and FedEx and property tax abatement and I came across a couple of lines that seem to be common with FedEx and basically they don't want to pay property taxes.

Joe Mollusky stated FedEx is not alone in that position of looking at taxes as part of their bottom line.

Councilor Canfield stated on the other hand, even if we create an enterprise zone it is kind of like rolling the dice, we have no idea whether it will actually attract businesses or not. Has that been your experience?

Joe Mollusky replied that is correct.

Councilor Canfield stated I have some concerns about the speed with which this is being carried through also. We did only find out about this a couple of weeks ago. I have some concerns about being pressured into a decision like this. I don't think we have done due diligence. There is a lot more information that we need before we can make a decision.

Councilor Kyle asked what is the latest date that we have until to respond to FedEx?

Joe Mollusky replied they wanted a response by the end of this month.

Jim Laubenthal stated they are interested in breaking ground in September or October. It will take about two years to complete the project. If you look at how long it will take to create an enterprise zone, the time is fairly soon to make that decision to accommodate FedEx's schedule.

Councilor Kyle asked how does Fairview Council feel about this? Are they interested in this?

Joe Gall, Fairview City Administrator, replied Fairview Council is very interested in this. They see it as an incentive. The fact that Gresham has it, Hillsboro has it and other communities have it, they look at it in terms of leveling the playing field. We feel that if you decide to do this we want to go along with you because we think we could help you and we could both benefit. The Port property straddles both communities and it would be nice to have the same kind of incentives in both communities and to compete against Gresham.

Councilor Kyle asked does FedEx want to buy the land?

Joe Mollusky replied yes they do.

Councilor Kyle asked typically in residential real estate if we have a piece of vacant land it goes on the tax rolls, and then when the building is constructed and they receive their certificate of occupancy, that is when it goes on the tax rolls. With commercial property is it the same? If they purchase the land it would be taxed, but does the actual tax abatement start after the completion of the building?

Jim Laubenthal replied I am not sure about that.

Councilor Kyle asked what infrastructure would the city be responsible for in this enterprise zone?

John Anderson replied at the present time I believe that the Port is planning to pay for all subdivision improvements for this industrial park. Where the cities may contribute is in system development charges at a pro-rata share. I would imagine there would be some of that but I don't have that computation. We have looked at very preliminary numbers for the system development charges at slightly over \$1 million. About \$600,000 of that has to do with the storm water system development charge which is based on impervious area. There is a possibility that the storm water wouldn't go into the City's storm sewer pipe, it might go

into the Sandy Drainage District waterways, in which case they may not be required to pay that system development charge.

Councilor Kyle stated regarding system development charges, we set this up with our rules with what we want to give up and what we don't. If we just wanted to do a tax abatement for 3 or 5 years, we wouldn't have to throw anything else in would we?

John Anderson replied we don't have to throw anything else in. We did get an email from FedEx when they figured out what our building permit fees were going to be and they were asking for some relief there. The building permits total just under \$1 million.

Councilor Daoust stated one of the things we have to consider is the size of the enterprise zone. From the Port's prospective, what is your opinion of including all of the Port of Portland property in the enterprise zone versus just the property that FedEx will be located on?

Joe Mollusky replied we think it would be a valuable tool for the entire site.

Councilor Daoust stated I like the idea of an enterprise zone and I don't have a problem making a decision in the amount of time we have been given. You are not giving me much to go on here when you say things like: the Troutdale site is well positioned to attract developers already; Troutdale has a natural advantage with our property; other developers are already interested. You are not giving me much to support my point of view that we really need an enterprise zone here. If this site is so attractive as it is, which is what you are basically telling us, I need something more.

John Anderson stated I think we can zero in on some information that we provided at the June 12th meeting which was provided specifically to get at one of those issues. If you go to Exhibit A, which is the staff report from June 12th, if you look at Attachment 1 from that staff report, Economic Development Incentives for the CCRD. There are five pages that talk about various incentives. On page 5 under conclusion in the later portion of the first paragraph it reads, "However, it is unlikely that those more substantial incentives would be needed to make potential businesses aware of the area or simply to bring business to the area. Normal real estate and economic development activities are likely to be sufficient to attract new businesses to the CCRD. However, given the market conditions reported in this study's Economic Opportunities Analysis those businesses are likely to be distribution uses. Incentives could broaden the types of businesses attracted to the area." If you take a look at what has been happening in the industrial zones in the CCRD through Gresham, Fairview, Wood Village and Troutdale, the trend has been towards trucking and distribution centers. Most of those generally don't have as much capital investment as this proposed building will have. It is not a choice of not having business or having business, the enterprise zone in that study said if you want to upgrade the type of business you can attract you may need an incentive like this.

Councilor Daoust stated I do favor an enterprise zone. I think it is a very valuable tool. It can be used by existing businesses also. I think that the enterprise zone should be more than

just the FedEx facility, maybe the entire Port property. I am flexible on how big the zone should be.

Councilor Kight asked how does creating an enterprise zone automatically guarantee that we will attract the upscale businesses, the kind that puts more money into capital investment?

Joe Mollusky replied there is no guarantee. The City of Gresham's zone included a minimum investment level for companies to qualify.

Councilor Ripma stated we are having this work session to consider something really monumental. When we built the sewer plant, we bought a sewer plant. When we did the urban renewal we are seeing ourselves investing and selling land that we own. Here we are talking about spending, conservatively, \$1 million of taxpayers' money and we don't even know if we are getting anything. This is colored, I am sure, by the FedEx facility. As a tool, theoretically, if we were going to be attracting businesses that wouldn't otherwise locate here, of course it is useful as a tool and I would favor it. But everything that I have heard about FedEx and their desire to locate here seems to favor them wanting to locate in Troutdale for reasons far more important than this tax abatement. I got a sense from John that they might be back asking for a waiver of the \$1 million building permit fees. I want FedEx to come to Troutdale, but I think it is highly suspicious that they waited until the last second to ask for this incentive. We have had no public hearings. I don't think we have done our due diligence. We have just heard the pros and not the cons of doing this. The fact is FedEx is not looking at the city next door with large parcels of land that could easily accommodate a 78-acre facility and has enterprise zones. FedEx wants to locate in Troutdale because we have other advantages that are more important to them. Considering in the abstract that enterprise zones are a good idea, this is not the time. We are being pushed into this by one company.

Councilor Daoust stated I am looking at the concept of an enterprise zone. The only reason we are dealing with it right now is because of FedEx. I am not doing this just for FedEx; I am looking at the whole Port of Portland property and the concept of an enterprise zone there. We are being pushed because of FedEx which causes us to discuss this right now which I don't have a problem with.

Councilor Thomas stated I agree with Councilor Daoust that using this for the Port property is a valuable tool. We need to take a look at it. The issue here is how do you define an enterprise zone and based on what I am hearing you can set it up so that not everyone will qualify and there are other things you can do to abate some of those things so that you are not necessarily giving them full rides. I don't think that the discussion tonight is really taking that into account. You can talk about the FedEx project and traffic and the jobs, but I remember the discussion about the Intermodal Rail facility and we were concerned about 1,000 trucks. We are going to be looking at basically the same thing with FedEx, the difference is it creates a lot more jobs. We can discuss building the roads. If we do that it will cost a lot more than the taxes we would be giving up.

Mayor Thalhoffer stated I favor the enterprise zone. I think we need to be competitive and in order to be competitive we need to have an enterprise zone. I think that FedEx is one of the

best opportunities that this city has had in a long time. They are going to employ 1,000 people and create wealth for this area.

Councilor Canfield stated lets forget about FedEx for a minute, they might come here and they might not. What we have at the Reynolds site is we have a good location, we have 300 acres of land, and it is close to the airport, freeway and rail. Right now we are losing to the west side because they have tools like enterprise zones to attract businesses. They also have great sites but they also have the tools like enterprises zones. An enterprise zone would give us another tool which would increase our chance of attracting some good family wage businesses.

Councilor Kyle stated even if we don't consider FedEx and we focus on the whole site, I want more for the Reynolds site than warehouses. If another tool will get us something besides warehouses, than I will support a tool.

Council discussed whether they needed another work session to further discuss enterprise zones before they hold a public hearing to consider the resolution.

The consensus of the Council was to hold a public hearing on July 10th and to have staff provide information on the criteria used by other enterprise zones in the Metro area.

Matt Wand spoke to the Council in favor of creating an enterprise zone.

Pat Smith voiced concerns that the Council has already made a decision about creating an enterprise zone without hearing from the public.

Dick Goldie spoke to the Council in opposition of the enterprise zone and giving a tax break to a company who is doing well. If the Council decides to go forward with an enterprise zone, he would suggest that we require them to hire employees from Troutdale first.

13. Adjourn:

Meeting adjourned at 9:50pm.

Paul Thalhofer, Mayor

Dated: Approved December 11, 2007

ATTEST:

Debbie Stickney, City Recorder