

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

Tuesday, July 10, 2007

1. PLEDGE OF ALLEGIANCE, ROLL CALL, AGENDA UPDATE

Mayor Thalhofer called the meeting to order at 7:02pm.

PRESENT: Mayor Thalhofer, Councilor Kight, Councilor Canfield, Councilor Kyle, Councilor Daoust, Councilor Thomas (7:10pm), and Councilor Ripma (7:21pm).

ABSENT: None.

STAFF: John Anderson, City Administrator; Rich Faith, Community Development Director; Sarah Skroch, Office Support Specialist; and Paul Elsner, Interim City Attorney.

GUESTS: See Attached.

2. PUBLIC COMMENT: Please restrict comments to non-agenda items at this time.

None.

3. PUBLIC HEARING / DRAFT RESOLUTION: A resolution authorizing application to the State of Oregon Community and Economic Development for establishment of an Enterprise Zone. *(Projects approved within an Enterprise Zone may qualify for a 100% property tax abatement on new construction, remodeling/additions, and equipment for 3 years, with the ability to extend the abatement for an additional 1 to 2 years – total abatement period would be no more than 5 years.)*

Mayor Thalhofer read the resolution title and opened the public hearing at 7:05pm.

John Anderson, City Administrator, stated the purpose of this meeting is to hold a public hearing to gather input on the proposed draft resolution authorizing application to establish an enterprise zone. The Council has held two work sessions on this topic (June 12 and June 26). During those work sessions Council explored how enterprise zones work and what policies and criteria you can apply to them. At the end of the June 26th work session Council directed staff to prepare a draft resolution to give you something specific to focus on in your consideration of a potential enterprise zone. The attached draft resolution provides one set

of policy options. Those options are primarily the options that the City of Gresham had selected, and are provided strictly as a guide. Gresham, Troutdale, Fairview and Wood Village have been working together on the Columbia-Cascade River District, which is the area north of I-84, to improve the cities ability to market that area. One of the things that has come out of those studies is a desire to seek uniformity. With the assistance of Joe Gall, City Administrator for the City of Fairview, we also investigated some of the policy options that other cities in the Metro area have in their enterprise zones, which are shown in Exhibit A. One of the things that the City will have to do is determine which areas might be included in a Troutdale and Fairview enterprise zone. We have attached a map that illustrates the industrial zoned property in the two cities. Exhibit C, which was prepared by Oregon Economic Community Development Department (OECDD) staff, illustrates that Troutdale and Fairview could meet the state criteria for enterprise zone eligibility based on census tract analysis. In addition to looking at the general value of having an enterprise zone for our industrial property, we have also been presented an application by FedEx to potentially build their new facility in Troutdale. In my staff report I have outlined the timeline we would need to follow if we were to attempt to meet FedEx's timeline.

Councilor Kight stated zones 1, 4 and 5 totals 704 acres. We don't know the total financial impact of identifying the 569 acres of the Reynolds site in the enterprise zone, let alone the other areas. How many acres is the FedEx development going to be?

John Anderson replied 75 to 76 acres.

Councilor Kight stated so that would be approximately less than 1/5 of this area.

John Anderson stated of the 500 to 600 acres that the Port is acquiring, there is only about 300 acres that are developable and some of that is in Fairview. So the net developable area in Troutdale is something slightly less than 300 acres in this area.

Councilor Kight asked so how many acres are we talking about in Troutdale that are developable?

John Anderson replied possibly 250.

Councilor Kight stated so about 1/3 of that is going to be taken up by FedEx. If we have light industries in that Port of Portland property, what are we looking at potentially if there are other developments like FedEx?

John Anderson replied if they are similar than it could be triple the amount of \$4 million for three years or \$6.6 for five years. You have the ability to craft the criteria that you put in place so they may or may not meet the criteria.

Councilor Kight asked has there been any discussion with FedEx and the Port of Portland regarding the transportation impact on that piece of property and how they are going to mitigate it?

John Anderson replied through the planning process and the site and design review process, both the Port and FedEx will be required to do a traffic analysis.

Councilor Kight stated I am thinking specifically about south Frontage Road, which is the main exit off of I-84, has there been any discussion about how we are going to mitigate traffic problems as a result of having this distribution center?

John Anderson replied that would come out of the traffic analysis done for the site and design review process.

Mayor Thalhoffer stated I would like to limit our discussions this evening to the enterprise zone only.

Councilor Kyle asked Jim Laubenthal, where are you at with the purchase of the Reynolds property?

Jim Laubenthal, Port of Portland, replied Reynolds Metals, EPA and DEQ are working on finalizing this and we expect closing to occur around September.

Councilor Kyle stated my concern is with the map in Exhibit D which shows that the taxes are still being levied against Alcoa, so this property is still on our tax rolls even though it is not coming into the City of Troutdale the property is still generating tax revenue from Alcoa.

Jim Laubenthal replied yes, although I would clarify that with the consent of Reynolds Metals, the property was annexed which you approved and it was finalized and approved by the state. In theory, it is now in the City of Troutdale.

Councilor Kyle stated right now it is generating tax revenue from Alcoa and the City will recognize some revenue from that. I have received numerous calls from people asking me why the Port pay taxes. Can you explain that?

Jim Laubenthal replied in the statutes it is a public agency created by the state and municipalities don't pay property taxes.

Councilor Kyle asked once the transaction is finalized from Alcoa to the Port, then you will not be paying property tax on this until a business is located there, is that correct?

Jim Laubenthal replied yes.

Councilor Kyle asked where are we at with the annexation of this property?

John Anderson replied we have completed our formal process.

Paul Elsner, Interim City Attorney, stated I am fairly positive that you have to have the property annexed by March 15th in order for the City to start receiving the taxes. Annexation occurs as of the date when it is registered with state, and that has been done.

Rich Faith replied the annexation occurred after March 15th.

Paul Elsner stated so you will probably receive a prorata share as of the date of the annexation.

Councilor Kyle asked do you lease property to businesses?

Jim Laubenthal replied we typically do both, sell and lease.

Joe Mollusky stated it would be a mix.

Councilor Kyle asked when you generate a business there, how is that business taxed? Do they pay taxes on the land or on the building?

Jim Laubenthal replied it would be just like any other privately owned situation where they have an interest in the land whether they own it or lease it, plus you have the improvements that they put on the land and they have to pay taxes for all of those.

Councilor Kyle asked how do you see the Port benefiting from an enterprise zone?

Joe Mollusky replied when companies are making decisions about where to locate their business, they pencil out all of their costs including taxes. An enterprise zone will affect their assessment and it would be favorable to a company making an investment that meets the enterprise zone criteria versus an alternate location that does not have that benefit.

Councilor Kyle asked is that for property that is purchased only?

Joe Mollusky replied that is for either leased property or property that is purchased.

Councilor Kyle asked so if a company is coming in to lease a piece of Port property, they could get the tax abatement even though they are leasing the property?

Joe Mollusky replied correct.

Councilor Ripma stated we learned of the request for an enterprise zone on June 12th. When did you learn of the request for the enterprise zone or tax abatement?

Joe Mollusky replied we have been in negotiation with FedEx for some time and topic of incentives did not come up until around April. Probably around the end of April we contacted the City and the State to discuss this request. As part of the material for the work session we asked their consultant, RyanCo to give you a formal request which was the May email that

was included in your packet that detailed their request for incentives for siting this regional facility here in Troutdale.

Councilor Ripma asked is there any reason why the City and the Council was not informed about that request back in April?

Joe Mollusky replied this is a complex issue. To come to you with information required some coordination both with the Port, City and State to see what incentives were available and to outline what the issues were with each of those options. The summary that was originally provided by FedEx was labeled confidential, so we did go back and ask FedEx if we could share that with the City.

Councilor Ripma stated we are being given one month to consider this complex issue. How long has the property that is being considered for the enterprise zone been on the market?

Joe Mollusky replied it isn't officially on the market because we are still in the process of acquiring the property.

Councilor Ripma asked did FedEx contact you before April about the possible purchase?

Joe Mollusky replied we talked to FedEx about a site in Portland over a year ago.

Councilor Ripma asked when did they express possible interest in this site?

Joe Mollusky replied we raised the opportunity to them that this site could be available and they were interested.

Councilor Ripma stated the purpose of an enterprise zone, as I understand it, is to attract businesses. I realize that it will make it easier for the Port to sell it if folks don't have to pay taxes on the property for a couple of years. What evidence do you have that this property could not be marketed successfully without an enterprise zone?

Joe Mollusky replied it very well could. The risk is that we have a named company, one that has exposure and a significant project/investment that would attract attention regionally and nationally if they locate here; they could pick another community to set up shop in.

Councilor Ripma asked are there any other businesses interested in the property?

Joe Mollusky replied yes.

Councilor Ripma asked are you talking to them about an enterprise zone?

Joe Mollusky replied no.

Councilor Ripma stated we were told at the June 12th meeting that FedEx needed an answer by the end of June. The staff has outlined a very aggressive schedule for us to follow for getting this in place in order for FedEx to break ground by September 29th. Did you communicate with FedEx about the enterprise zone?

Joe Mollusky replied they are aware of the status of your work sessions. They have been tracking this internally on their own as well as requesting status reports from us.

Councilor Ripma asked can you share with us what you have reported to them?

Joe Mollusky replied that the enterprise zone is being considered by the City Council. That you have had two work sessions to discuss it and you will vote on it tonight.

Councilor Ripma asked they didn't get their decision by the end of June and they were willing to live with that?

Joe Mollusky replied as a result of that they have delayed their submittal of the site package until this issue is resolved.

Councilor Canfield asked did you tell us what date the Port will actually have the title to the property?

Joe Mollusky replied we are expecting that it will be the end of the September or October.

Councilor Canfield asked until that time this land still belongs to Reynolds, correct?

Joe Mollusky replied yes.

Councilor Canfield asked how is it possible for FedEx to purchase land from the Port of Portland and start construction when the Port won't have title to the property until September or October?

Joe Mollusky replied their purchase is contingent on the closing of our acquisition. It is also contingent on completing the subdivision process which will create the legal lot that we will then be able to sell to FedEx.

Councilor Canfield asked is the Port authorized to discuss FedEx's position regarding whether or not the Council approves this tax abatement?

Joe Mollusky replied I am not authorized to speak for FedEx.

Councilor Canfield stated so what you are telling us about FedEx's position is your opinion and not theirs.

Joe Mollusky replied it is my opinion based on our relationship and our negotiations with FedEx.

Councilor Canfield stated I wonder why the City is being rushed when there are so many other contingencies that will probably push this past September or October. Why are we being rushed to make a decision?

Joe Mollusky replied just the schedule to establish an enterprise zone will take until September or later.

Councilor Kight asked does the Port own other properties within an enterprise zone?

Jim Laubenthal replied yes, Rivergate.

Councilor Kight asked is that property fully developed?

Joe Mollusky replied the northeast Portland enterprise zone covers this property and it is close to being fully developed, probably 90% developed.

Councilor Kight asked what do you think was the mitigating reason for identifying that as an enterprise zone? Is it a difficult property to get to as far as transportation, etc.?

Joe Mollusky replied I wasn't around when they established it, so I don't know.

Councilor Kight asked are you familiar with your property there?

Joe Mollusky replied yes.

Councilor Kight asked how about the transportation, do you have easy access to the freeway?

Joe Mollusky replied we have good access to Marine Drive to I-5.

Jim Laubenthal stated for awhile Rivergate was not moving very well. There were phases to the development but it has been an active industrial park for 20 plus years. At the time that the enterprise zone was formed it had been experiencing a downturn and there wasn't as much activity there. In the 90's, with a healthy economy, they're starting to have a lot of activity there.

Councilor Kight asked what is the distance from that parcel to a major interstate?

Jim Laubenthal replied about 4 miles or less.

Councilor Kight stated so they used the enterprise zone as a trigger during bad economic times in order to market that property. Would that be a correct assumption?

Joe Mollusky replied I think so.

Councilor Kight stated you mentioned that you have had multiple inquiries on the Alcoa site. Can you tell us in generic terms the type of industry that has made inquiries without divulging the specific industries?

Joe Mollusky replied we have had manufactures, developers for multi-tenant units, and distribution.

Councilor Kight stated even though you don't own the property you are receiving inquiries. How do they find out about this particular parcel?

Joe Mollusky replied we have gone through a public process as far as our acquisition of the property, annexation and the subdivision.

Councilor Kight asked were you actively advertising and marketing this property even though you don't have the title yet?

Joe Mollusky replied no.

Councilor Kight asked does the Port own other large parcels like this in East County?

Joe Mollusky replied the last large parcel we have was a 130 acre parcel in Rivergate and we just executed a development agreement for that parcel.

Councilor Kight asked do you have another large parcel that is next to a major interstate like I-84?

Joe Mollusky replied no.

Councilor Kight asked would you say that this is a unique piece of industrial/commercial property in E. Multnomah County?

Joe Mollusky replied yes, just based on the size.

Councilor Kight asked would you say that out of all of the E. Multnomah County inventory, as far as industrial/commercial land, is this one of the largest parcels?

Joe Mollusky replied yes.

Councilor Kight stated so you have had multiple inquires on the property. You are not actively marketing the property by advertising and yet you have a large developer, i.e. FedEx, wanting to build here. Can one of you speak to the efficacy of having an enterprise zone when you have such a select piece of real estate that you are not actively marketing that is

next to a major interstate and you have already had multiple inquiries on. What would be the reason that you would tag this choice piece of real estate for an enterprise zone?

Joe Mollusky replied we are optimistic about what Troutdale has to offer. However, it is at the eastern end of the market and it is not a mature market. It is certainly pushing out this way and that is what creates our optimism. Not knowing what the key decision criteria is for a particular business, we would like to have as many tools as are available to attract businesses, especially those that are going to make a large investment and create the number of jobs that FedEx will.

Councilor Kight asked don't you usually tag a piece of property for an enterprise zone when you have a slow economy or a piece of property that is 45 miles from a major interstate? Are there other markers for identifying a piece of property for an enterprise zone, a tax giveaway? Why would you identify this particular piece of property for an enterprise zone?

Joe Mollusky replied I can't speak to that question.

Councilor Daoust asked when the state completes the awarding of a new round of enterprise zones this year, there is a statement here that makes it sound like they will award only four enterprise zones, is that correct?

John Anderson replied that is my understanding. Art Fish is here and could probably answer that.

Art Fish, State of Oregon, stated there are four zones available that have not been designated. If you are interested in applying for an enterprise zone my director has indicated that we will open a round to designate one zone.

Councilor Daoust stated with an enterprise zone the tax abatement is in effect for three years, but then in years four and five we have the option of having a community service fee.

Art Fish replied that is one approach. The three years is more or less automatic. In an urban zone you could set up some criteria that would restrict access to it or you could even require that they pay some sort of fee in association with the three years as an urban zone. You could have other requirements in addition to that for the more discretionary four or five years.

Councilor Daoust asked is the City of Troutdale the only taxing district that can implement a community service fee?

Art Fish replied the sponsor is the one that does that. The sponsor of this zone would be just the Cities of Fairview and Troutdale and you would have to figure out how you wanted your standards to read. You could co-sponsor with the Port or the County, but you don't need to involve the County if you stay within the city limits. The Port has generally just consented to zones and hasn't wanted to co-sponsor them.

Councilor Daoust stated we have a financial analysis and we keep throwing this number around that there is a \$4 million tax abatement. That includes all taxing districts over a 3 year period.

John Anderson stated that is based on the FedEx proposal.

Art Fish stated it would be all taxing districts which includes the schools and the Port of Portland and a few others.

Councilor Daoust stated the abatement that the City of Troutdale would have is only \$338,000 per year and over the three years is \$1 million, not \$4 million. We previously discussed that there would be fees associated with FedEx coming here that was in the range of \$1 million.

John Anderson stated the estimated building permit/plan review fees were just under \$1 million and the estimated system development charges were just over \$1 million.

Councilor Daoust stated so the City of Troutdale would be losing \$1 million over the three years but we would recoup \$1 million in fees, is that accurate?

John Anderson replied I don't know that I would use the term recoup. System development charges are based on 5-year plans that are designed to build capacity for more than one specific industry. If I recall correctly, the system development charge for storm water is around \$600,000 and that is designed to match the public works 5-year plan and is dedicated to system improvements.

Councilor Daoust stated I didn't mean recoup in relation to FedEx, but the money would be coming into the city.

John Anderson replied correct.

Councilor Daoust stated I am just trying to put this into prospective. We keep throwing this \$4 million tax abatement as a loss to the City and it is not. It is a \$1 million tax abatement over a three year period, but we will be receiving system development charges and fees.

Councilor Ripma stated but we get those anyway.

Councilor Daoust stated only if the development happens. I have a question on the other taxing districts. Part of the resolution states that we will hold a public meeting for other taxing districts, and then it says follow-up arrangements as agreed to with these consultations will be completed with the other affected districts within six months of the proposed enterprise zone's designation. How does that fit into this tight timeline that we have if we have six months to work things out with them?

Art Fish replied the statutes require that when an area is applying for an enterprise zone that you have to send notice to all of the affected districts and the applicant would hold a public meeting with those districts to hear their concerns. You need to hold those meetings at least a week before you adopt your resolution to authorize the application for a zone. Our general guideline is that if there is anything that needs to be finalized, as far as what you are going to do to keep them informed or to work with them, that those be in place six months after the designation. Similar to the hotel issue, you can change your mind on that within the first six months. So within the first six months after designation of a zone there are a number of things by rule or statute that have to be finalized that don't have to be finalized when you submit the application.

Councilor Kight asked are you aware of the study that Portland State University did about enterprise zones?

Art Fish replied yes.

Councilor Kight stated they were somewhat negative about it. The legislature saw this, what was their response?

Art Fish replied it is hard to say. The study had some inaccuracies. They understand that the Special Districts Association is opposed to enterprise zones and that is not new. As far as anything concrete out of the study, I don't believe it had much influence because there are just some flat out incorrect elements in there. It distorts a lot of things and is very misleading. I provided to John Anderson several pages of comments on their summary points to explain what it says and what the value is of what is being said and also what is incorrect. I urge you to consider those comments.

Councilor Kight stated I haven't seen them.

John Anderson replied I just received them by email today from Mr. Fish.

Councilor Kight stated Mr. Anderson, that is why this process needs to slow down. There is a lot of detail and this is very complex. You have information that Mr. Fish provided to you that hasn't yet been shared with the Council. If we create the enterprise zone are we committed to five years, or can we just do one year?

Art Fish replied the minimum length of the tax abatement is three years.

Councilor Kight asked do most of the enterprise zones adhere to the three years or do they gravitate to the five years?

Art Fish replied most exemptions across the state are just three year exemptions. 15% of the exemptions are five years and there are no four year exemptions right now.

Councilor Kight stated several taxing districts are affected by this, mainly the schools. Using FedEx as an example, where you have anywhere between 700 and 1,000 employees and you have growth in your community, how does the community backfill to the school districts for the increased growth with the loss of income for the first three to five years?

Art Fish replied with this particular investment I assume that a lot of the people that will be working there are people that are currently living in the Portland area and they won't necessarily be adding kids to the school. As far as school funds go, those are somewhat covered by the state through the per pupil equalization formulas. Schools do not take as much of a direct hit from any loss of property tax.

Councilor Kight asked can you describe for us the type of real estate for industrial and commercial property that would be a candidate for an enterprise zone.

Art Fish replied just about anything that can hold eligible businesses. An enterprise zone is based on a community that can show some level of economic need and has a desire to stimulate and otherwise improve the opportunity and chances for employment and development, including the increase to the long-term property tax base that comes along with attracting greater investment than you might otherwise see. Once a community is interested in an enterprise zone, then my advice is to include all of the land in it that businesses might use.

Councilor Kight asked was Nike built with an enterprise zone?

Art Fish replied no.

Councilor Kight asked how many of the microchip plants out in Hillsboro and Forest Grove were built with an enterprise zone?

Art Fish replied none of them. But they did use a strategic investment program.

Councilor Kight asked would you say that the bulk of the development in the Hillsboro and Forest Grove area was built without enterprise zones?

Art Fish replied obviously that is the case in Forest Grove because that is a new zone. Hillsboro didn't use the enterprise zone for Intel and they brought a lot of companies with them.

Councilor Kight stated Intel, one of the largest employers in the State of Oregon came in without an enterprise zone.

Art Fish stated they came in but they wouldn't be the size they are today without the strategic investment program, which provides a much better benefit than an enterprise zone.

Councilor Kight stated but that wasn't a tax loss.

John Anderson replied yes it was.

Art Fish stated the strategic investment program, which really isn't applicable to the FedEx situation in an urban area, is a situation where the exemption is not one hundred percent, it begins after a certain amount is still assessed. In the case of an urban area that is the first \$100 million.

Councilor Ripma stated the timeline in our packet identifies the state announcing a new round on July 19th or sooner. Is that a flexible date?

Art Fish replied yes. We are responding to your presumed interest. Right now we are waiting to hear that you want to begin.

Councilor Ripma stated the resolution in the packet sets out all of the required criteria that the businesses need to meet. Are you familiar with the resolution that is in our packet?

Art Fish replied I haven't actually seen it. This pre-application deliberation is commendable but it is kind of unique for a community to pass a resolution prior to there even being an application round.

Councilor Ripma stated so we don't need to pass a resolution that includes all of this criteria right now?

Art Fish replied all we need for a discretionary mini round like this is to know that there is a high degree of interest so that we can assume that we will get at least one application in.

Councilor Ripma stated didn't we express that at the last work session.

John Anderson stated what the council asked for after the two work sessions was something concrete to look at. We took the Gresham zone as a sample and highlighted the areas where you have discretionary decision and provided you a matrix that showed an example of what other cities have done. You can use that as a menu to pick and choose from. After this meeting the first step is to authorize the Mayor to send a letter to the state to start a round. That preserves the timeline we are working towards. The timeline also shows when the two councils will act on the resolution which will have inserted into it the criteria or policies you want.

Councilor Thomas stated I seem to recall that during our discussions that enterprise zones didn't go into affect until 1990.

Art Fish replied the original legislative bill was in 1985 and there were originally 30 zones designated in the late 80's.

Councilor Thomas stated you mentioned that land is not exempt.

Art Fish replied essentially land or any existing value or existing property that has been used in the zone before can not be exempt, it is only what is newly put into use in the zone that is subject to the exemption.

Councilor Thomas asked and this is only for 10 years, right?

Art Fish replied the exemption is only for 3-5 years, but the zone lasts for 10 years.

Councilor Thomas stated if the enterprise zone went into affect October 1st, if the policy is not in place doesn't it just default to the standards in place by the state?

Art Fish replied if a company applies in an urban zone, they are only subject to the policy or non-policy in place at that time.

Councilor Thomas asked when we submit our application, does it need to have a defined map of the property?

Art Fish replied absolutely. A fundamental requirement for an enterprise zone application is a map and legal description of the boundary of the zone.

Councilor Thomas stated with an enterprise zone we are going to lose some property tax revenue, but if it creates a substantial amount of well-paying jobs wouldn't we make up a fair amount of that with the income tax?

Art Fish replied with more income tax we all sort of gain, but most of it goes back to the schools. The increased income from the employees would be a factor, but that is a tricky calculation.

Councilor Thomas asked with enterprise zones, how does that allow us to compete for business?

Art Fish replied it really makes a big difference. Oregon has its pros and cons just like every other place, and Troutdale would have its own as well as any given site would. There are all of these other issues from labor and land, which are big drivers for companies. After those big issues, then you get to things like taxes and incentives, which definitely come into play. An enterprise zone with the standard exemption of three to five years is a pretty modest offering to make but it makes a pretty big difference. The main hit you get in Oregon is the property tax if you have considerable capital exposure.

Mayor Thalhoffer stated it appears that FedEx will ultimately have 900 to 1,000 employees here and that about half of those or more would be new employees. Those 500 new employees are going to add value to the area, don't you think?

Art Fish replied yes. Actually that is a lot more people than I had thought. To the extent that it puts pressure on the local residential markets because there are more people that want to live out here to be near those jobs, that will raise property values. Obviously you are capped at 3% and I imagine your residential property values are hitting that max anyway, but there might be more development. The commercial properties will then become more valuable. There could be a lot of benefits just on the property tax revenue not to mention the general economic activity.

Mayor Thalhofer asked from your experience with enterprise zones, have you found that a successful Fortune 500 company that locates in an enterprise zone might tend to attract other businesses?

Art Fish replied we kind of see that in Portland and in some of the other areas. I don't really have any direct experience but it is a pretty fair bet that there are going to be some add-ons, but whether they locate right here in Troutdale, I don't know.

Councilor Canfield stated there are no guarantees even if there is an enterprise zone, whether that will be the final factor in a business locating here, is that correct?

Art Fish replied there are no guarantees.

Councilor Canfield asked has your department done any studies or do you have any numbers that you can provide us with to show how many companies or what percentage of companies located to an area in Oregon that had an enterprise zone, where that was the deciding factor for them to locate there?

Art Fish replied no we don't have that information.

Councilor Daoust stated when the Tax Supervising and Conservation Commission looked at our Troutdale enterprise zone, they made a statement that tax abatement would be offset by an increase in jobs within the city. Could you explain that?

Art Fish replied I saw that in the packets and I think what he is saying is that if you have more jobs and more people out here your economy is going to grow, but I don't know how that necessarily cycles back directly to property taxes. He may be speaking more in terms of your general economic well-being.

Councilor Kight asked if FedEx was to be completed in January 2009, when would they start paying property taxes on their improvements?

Art Fish replied they would get an exemption in 2008 and 2009 for construction probably, so with a five year exemption 2015 would be the first year that the taxes would come onto the rolls and with a three year exemption 2013 would be the first year that the taxes would come onto the rolls.

Mayor Thalhoffer called for a 10-minute break at 9:02pm and reconvened at 9:10pm.

John Andersen, Chair of the Columbia-Cascade River District Steering Committee, stated over the course of the last year and a half we have studied the issue of economic development in this part of the region. We have had considerable discussion over the issue of economic development incentives. One of the things that is pointed out in that report is the value of enterprise zones. I am not here tonight to talk about a specific use such as FedEx, but I did want to come and say that the use of enterprise zones has been demonstrated throughout the State of Oregon as a valuable economic development tool. There is no question that an enterprise zone, as one of the tools in your tool kit for attracting development, would be an important element for you to consider. It is a reality that East Multnomah County has not gone forward as rapidly with economic development as many of us have desired. Largely that has been because we have not been as competitive in this particular market as areas on the west side and to some extent the south side (Portland). As a result we have not had the kind of employment base and tax base to generate the revenue for services that we have desired to have in this area. If we are going to be competitive, if we are going to be able to provide the kinds of jobs that need to be provided in this area for the people in this area, and to provide the kind of valuable future for this community, we need to have tools like the enterprise zone to make that happen. I believe that this is one of the tools that would be valuable for the community to adopt.

Councilor Kight asked how do you see this particular piece of property as marginal and in need of having an enterprise zone?

John Andersen stated not getting into the specifics of the particular application that you have, I don't see the property as necessarily marginal. If the property was marginal we probably wouldn't be in the position to talk about development there at all. What we are looking at is relative competitiveness and enterprise zones help that competitiveness. They help to bring in the kind of businesses that the community wants to have. I think that is the real value of being able to set criteria, which then determines the kinds of businesses that are going to qualify for the enterprise zone benefits as well as sets some standards for what it is you are trying to achieve and as a result not only do you get better quality development but you also have the opportunity to attract development that otherwise might pass you by.

Councilor Kight stated in this case we are not generating the idea of doing an enterprise zone; we never even entertained the idea of doing an enterprise zone. In this particular case it is the industry driving it.

John Andersen stated it appears that it is important to the industry. What I heard tonight is that FedEx actually put off going ahead with their application to hear the outcome of this decision. That makes it sound to me that this is an important factor in their determination as to whether to go forward or not. I don't suggest that that in any way makes the property marginal, but what it does is it probably affects or influences the decision of the developer.

Councilor Kight stated wouldn't you also say that if they are holding off on making their decision, they in fact may still go forward without the enterprise zone altogether. In other words, if they are willing to forestall the development based on the outcome of this council, and they are looking at two other properties, it would appear from your comment we are in the first place position and that in fact whether we have the enterprise zone or not may not be a deal breaker.

John Andersen stated the problem is we are speculating on what they are thinking. It is really hard to say what their decision will be. If they are going to delay their application because they want to find out whether this occurs or not, that implies that it is important to them. I think Troutdale would be in a great position to be number one, but it might mean that you would drop to number two if the decision didn't go the way the developer wanted it. The question for tonight is whether to have this tool in your tool kit or not.

Mayor Thalhoffer read a memo from Fairview City Administrator Joseph Gall and Fairview Mayor Mike Weatherby (*Attachment 1*).

Mayor Thalhoffer read a letter from Bruce Thompson into the record (*Attachment 2*).

Mayor Thalhoffer read a letter from Charlie Allcock of PGE (*Attachment 3*).

Travis Stovall, EMEA, read a letter from EMEA into the record (*Attachment 4*).

Councilor Thomas asked how would you see this benefiting EMEA?

Travis Stovall replied I see this enterprise zone as benefiting the region. Businesses cross city lines and we see the benefit throughout all communities in regards to the enterprise zone. The ability to bring responsible economic development to the region benefits the whole area.

Councilor Kight stated what is really before us this evening is a specific piece of real estate, the former Reynolds Metals site. In your opinion, how does this particular property fulfill the candidacy to meet the criteria for an enterprise zone?

Travis Stovall stated there are many unknowns. Our consulting firm, The Stovall Group, tries to help develop an organization. We try to mitigate the risks overall and weigh the costs of what it is going to cost to get started and what it will cost to get a customer to their front door. If we weigh those costs and mitigate those risks, we look at all of the opportunities. I am not going to get too much into the concept of FedEx, but here is a company that has come to the area and they have asked for something to develop a piece of property. As I look in the area around that specific property, I am a little disappointed at the level of development in the area, even at the airport. You have a huge asset in the Troutdale Airport. It is encouraging to see a company wanting to develop and be the catalyst for growing. I can't speak specifically about the candidacy of that specific site, but I would say that an enterprise zone enhances the marketability of what you have there.

Matt Wand stated this is an opportunity for the City of Troutdale to show what we are made of. We have shown it in the past when we passed the Riverfront Renewal project. We have shown it for our history and this is another opportunity. I would like to talk a little bit about the disadvantages from my prospective, as a resident of Troutdale, to being a bedroom community. When you have the old model where business goes on downtown and people live in the bedroom communities and they commute into town back and forth, you have the problems that we have seen in our community here, traffic and parents being away from children for longer periods of time than are necessary. This is perhaps the best opportunity that we have seen, certainly in the last decade, to make a substantial improvement in that particular problem. The area that we are looking at has been basically derelict and doing absolutely nothing for the better part of the decade. First and foremost is the family friendly type of proposal. An enterprise zone would help you to develop that area more quickly and that will benefit families. I would also like to point out that any other development that might come without an enterprise zone would be distinctly outside of the control of this City Council, by control I mean in terms of offering a carrot. With the enterprise zone law the way that it is written by the legislature it is very beneficial to us because we can help to direct and guide the type of development that we prefer and we will do that with the incentive of a three year tax abatement. We can choose to prefer clean businesses and clean manufacturers. That is particularly important to me because the aluminum plant devastated several farmers in the area and it has left some environmental issues. One of the reasons why this property remained on the market for the better part of this decade is because the environmental issues are unknown. That is the type of thing that makes it a less than desirable development property. Yes it is a great location, but when you don't know what the environmental damage is from the aluminum plant, your interest in assuming that liability is less than zero because it goes on forever. Once you are the title owner of a piece of property under a superfund law, you are liable for all of the damages from the past pollution. That is what makes it marginal. We can also discourage the types of industries that will not lead to the types of jobs that we would like to see, such as warehousing. What makes it a great location for a distribution facility also makes it a great location for a warehouse that would hire 5 to 10 people over thousands of square feet. That is not what we want either. Lastly, the enterprise zone would help to spur development in this sense. Right now it is considered a somewhat desirable piece of property because of its size. When you have a very large facility go in there, lets assume that we don't pass the enterprise zone and FedEx goes in anyway. All of a sudden what remains of that piece of property is smaller. The enterprise zone will help the spin-off businesses that we hope will go in there. We have heard a lot about a \$3 million or \$1.5 million giveaway and who really needs this and who doesn't. Only in government speak, as I like to think of it, would people talk about giving something away that they don't have in the first place. These are tax revenues that we are not getting; we are not giving anything away. We are not writing anyone a check, unlike some of our past decisions where we have spent hundreds of thousands of dollars promoting our values, such as the case in the Sedona Park neighborhood where we actually had to budget that money and pay someone. This is an instance where we are not writing a check to "bribe" anyone; we are giving them a deferment or an abatement for a period of time. That will not harm our budget. We have heard some disadvantages and myths that I would like to address directly. First of all there was a letter to the editor suggesting that this would be a tax increase on our

local residents. That is not true. Our taxes are already at the maximum level allowed by state law and they have been for quite some time. The notion that passing an enterprise zone will cause my personal taxes to increase is simply not true. Enterprise zones do not increase taxes on any residents. Regarding the traffic concerns, those are dealt with at the planning process not at the level of whether or not to establish an enterprise zone. Secondly, whether or not we establish an enterprise zone there will be traffic concerns whenever the area develops. The fiscal impacts are that we have no revenue now and after it develops and the abatement period ends we will have a lot of revenue. The primary funding for the schools is on a per pupil basis from the state. Lastly, I think that the City of Troutdale has always been, in my view, a place where we don't do a minimum. This is a good site that has some problems; it's not perfect. An enterprise zone makes it a great site. When we were talking about whether or not to buy three or four police cars during the budget process, all of us said that Troutdale is an exemplary place, we are not going to have police cars that are falling apart because we have deferred the maintenance. This is another example where Troutdale ought to show that the minimum is not enough. It is not good enough to sit back and hope that we get businesses in this area that will be conducive to the types of things that we want to have in our community. This is our opportunity to once again be a leader and to show the business community that we want to be partners with them in an appropriate way so that they will know that Troutdale is a business friendly place.

Max Maydew stated I agree with a lot of what Matt Wand said. I do think that the Port really needs to get on the freeway interchange, especially 238th, as a result of the development of the Reynolds site. I don't consider economic incentives to be a bribe in any stretch of the imagination. All big companies, when they are talking about a \$100 million investment, are going to ask for economic incentives. If we believe that FedEx is a good company to have here, then you should offer the tax incentive, I think that is good policy. The reason you do things like that is if you can get one business in there others will follow and you build momentum in a community. We will be seen as a business favorable community. It has so many benefits other places. I heard discussion that they are asking for other things. My recommendation to you is that you do the minimum of 3 years and no more and don't make any concessions on any system development charges or anything else. I think this is a good deal and I hope you vote for it.

Pat Smith stated I feel that we have a lot to offer any company that comes here. We have the land for industrial development. We have I-84/Marine Drive access, rail, airport, and river. All I have heard on this is the pros. I am sure there are a lot of cons for an enterprise zone. First of all FedEx approached the Port of Portland and the State and they have talked for over a year. All of a sudden they contact the City and on June 12 the Council had a work session. The work session was not televised but I happened to be here. You had a person here from the state explaining the enterprise zone. Then you set up a second work session and you had the Port of Portland here telling you about their aspects. You had two work sessions and then you had staff draft this resolution to authorize an application to establish an enterprise zone. I feel that you are pushing this. I realize everything is on a timeline but why are we on a timeline for something that is so drastic when it comes to money. This is a tax issue. I think that we should have more public input. The Port of Portland stated their

facts but they don't pay taxes and yet they are not willing to make any concessions other than a reasonable price for the land, which they will not lose on. They talk about enterprise zones in Hillsboro, Beaverton and Portland, but they have large tax bases, we are just a small town. I think we need every tax dollar we can get. We have been putting off our maintenance. What I really don't understand is I thought that the Council was the one that hired the City Administrator to run the city, but for some reason the Council was the last to find out and when we did find out it was the 12th of June when it came to Council in a work session, not an executive meeting. We should have known three to six months ago that they wanted us to make all of these concessions. This is a very important decision. I know I am not stating all of this in order; I am not an attorney like Mr. Wand. I feel that Mr. Wand has a client that is interested in this. We need to hear the other side of the story.

Matt Wand stated I am a local attorney but I am not here representing a client. I am speaking as a citizen and a resident.

Councilor Ripma stated at the work session you stated that you had a client that was interested in locating in the enterprise zone, is that not correct?

Matt Wand replied at the work session, feel free to check the tape, what I said was that I had a client who was local and they happen to be in the business of shipping product and it seemed to me that they were exactly the type of company that might be interested in moving into this area. I did not tell you, and I did not represent to this Council, that I was representing them or that they were even interested in moving there at this time. I said that they are the type of small local business that could potentially benefit from something like this, which is dramatically different than being paid to come in here and advocate on behalf of somebody or lobby on behalf of somebody.

Councilor Ripma stated I never understood that you were being paid to advocate, but you did mention that you had a client.

Matt Wand stated I was using that as one example.

Greg Handy stated I know that there are some citizens in town that are a little bit disgruntled because of the way this enterprise zone is happening, not necessarily because of the enterprise zone itself but the timing issue. I don't believe that there is anything that you could have done about it. You did not create the enterprise zone process, you are simply responding to it. Unfortunately, they did not give you very much time to do that. The enterprise zone may be something for you to think about but you should think about what the criteria is, what the philosophy is, what you would consider as an appropriate use of the enterprise zone and you should apply for it if you think it is appropriate. You shouldn't have a gun held to your head and be forced to make a decision. I have confidence that the Port of Portland, with its resources and its marketing talents, will work with FedEx and they will make the deal happen with or without the enterprise zone. I think you have more questions right now than you have answers and you certainly have a short timeframe. There are some other issues on the development that should be dealt with such as the traffic impact issues. In

short, I would recommend that you allow the Port of Portland to go ahead with their deal with FedEx if you find it appropriate for the site and then continue to investigate an appropriate use for an enterprise zone, but don't do it under pressure.

Joe Mollusky, Port of Portland, stated I wanted to touch on a few points related to the development of the Troutdale Reynolds Industrial Park and the proposed enterprise zone. The Port has been working for 4 years to acquire the former Reynolds Metal property from Alcoa. Our due diligence has taken into account that this is a superfund site that has existing wetlands and significant easements associated with the power generation and distribution facilities that run across the site. The Port applied and received approval for annexation of 569 acres into the City of Troutdale in March. We have submitted a subdivision plan for the Phase 1 development. As part of the subdivision package, we have submitted impact information on streets, drainage and natural resources. We have also provided a traffic study on the development of Phase 1, including specific information for FedEx. The Port will be responsible for a number of traffic improvements as part of the Phase 1 development including land improvements on Sundial Road, a new street with utilities connecting the former Reynolds property to Sundial Road, a traffic signal at Sundial and Marine Drive intersection and a contribution to the 223rd and Sandy Blvd. intersection. Subsequent phases of the development will be conducted and we will conduct updated traffic studies and assess needed improvements in consultation with City staff. I have done business recruitment, especially for large national companies, and it is typical for these companies to request incentives during their site selection process. Incentives can be in the form of property tax breaks, permit and fee waivers, public capital investment grants or any combination of the above. Based on the limited resources Oregon has to offer, the enterprise zone can be an effective tool for economic development to create jobs. Troutdale and Fairview have many positive attributes including large available industrial parcels and good transportation access, but we still must compete in the regional market. Troutdale and Fairview can create an identity as a desirable place to locate and conduct business. The proposed enterprise zone increases Troutdale and Fairview's chances to create a vibrant industrial park and to become an asset for the community. Although the enterprise zone is being proposed as a result of potential development of a regional distribution facility by FedEx Ground, this proposal is not just about one business. The proposed Troutdale/Fairview enterprise zone is approximately 1,400 acres. The potential FedEx site is only 77 acres or about 5% of the proposed enterprise zone. Also in the proposed enterprise zone are many existing businesses, the former Pig Farm property and the Troutdale Airport. The proposed enterprise zone may help to revitalize the airport. The potential opportunities at the Troutdale Reynolds Industrial Park are evidenced by FedEx's potential investment of over \$100 million and a state-of-the-art regional facility that will generate over 900 jobs. FedEx Ground has delayed submittal of this site and design review package until you have made a decision on the enterprise zone. I can not speak for FedEx, but obviously this is an important issue for them. These opportunities do not come around very often. I ask you to consider both the short and long term benefits of an enterprise zone to Troutdale and Fairview. With regard to the enterprise zone criteria I have two points for you to consider. Keep it as simple as possible. The more criteria you build into the enterprise zone adds administrative costs and complexity of managing the zone. For a job quality requirement we recommend setting a target of 150% of minimum

wage with a three year tax exemption used by most communities. Extended fourth and fifth year tax exemptions could be achieved at a target of 200% of the Oregon minimum wage. In summary, the Port supports the proposed enterprise zone in Troutdale and Fairview. It will provide a better recruitment tool for both the Troutdale Reynolds Industrial Park and the Troutdale Airport. The Port looks forward to working with the Cities of Troutdale and Fairview to make the most of this opportunity.

Mayor Thalhoffer closed the public hearing at 10:05pm.

MOTION: Councilor Kight moved that we do not establish the Port of Portland property as an enterprise zone. Seconded by Councilor Ripma.

Councilor Kight stated we have heard a lot of testimony tonight. I have yet to be convinced of the efficacy of having an enterprise zone, specific to this piece of property. I could see where enterprise zones would work for property that was in fact marginal, that were difficult to get to, have been on the market for a very long time, or there was a down turn in the economy and you are trying to generate jobs for your community. But, by the Port of Portland's own testimony, number one they don't hold title to the property so they are not even the property owners at this time. Number two, there is already quite a bit of interest as they indicated by their testimony. There has been multiple inquires for this particular property. Here we have FedEx that is chopping at the bit to develop this property; in fact they are delaying to hear what our decision is on establishing an enterprise zone. Frankly, I don't think a case has been made by anyone, either at our work sessions or tonight, that FedEx will not locate here without the enterprise zone. If you look at the other costs that FedEx has, which includes all taxes, it is only 8.6% of their total budget for their operation. The majority of their costs, 37%, involves labor so the tax portion of it is a very small piece. When you are talking about a \$100 million facility, a tax giveaway of \$4 million to \$6 million is a drop in the bucket for this size of a corporation. I feel because of the location of the Port of Portland property, the airport, the rail, access to PDX, I think the Troutdale property is head and shoulders above property in Ridgefield and Vancouver. If we are competing with those two cities, I heard testimony at a work session that they do not have enterprise zones in Washington. They may have other tax incentives. We don't have a level playing field if we establish an enterprise zone for Troutdale. We need to go slow. This is a very complex issue. There are good reasons for having an enterprise zone and not so good reasons. There is going to be a major impact on the community, it is not just the FedEx property, it is the entire parcel. You are talking \$12 to \$16 million just on the Port of Portland property alone. For that reason, I think the Council needs to slow down and deliberate on this issue. We need to get as much input as we possibly can from the other taxing authorities. Other people are going to be negatively affected by not collecting the taxes, namely the schools.

Councilor Ripma stated I favor Bruce Thompson's position. I don't think we should do enterprise zones, at least at this time. However, I am going to be a realist and recognize that perhaps the Greg Handy position of looking at it a little more closely or

Pat Smith's position of at least having more public input in this process. Anything we can do to consider this more fully. I favor the motion, should it not pass I do have a short statement to make.

Councilor Thomas stated the question for us tonight is do we want to request that a hearing is set up so that we can even go into the process to start an enterprise zone. We have to establish an enterprise zone and set out the criteria, and I think a lot of these questions will be addressed. I think the unfortunate thing is it got out that we were going to do this, that it was already passed. My understanding was that when we said go forward was to go forward and see what it takes and see how it goes. Based on that, I can't support the motion. I think what we are doing is starting to look at the criteria and we have a couple of months to actually put everything together that says what the enterprise zone consists of. I think there are some valuable pieces there. It really may help to bring business into Troutdale. We have all campaigned on economic development. How do we bring business with family-wage jobs into Troutdale? This will get us started.

Mayor Thalsofer stated I oppose the motion. None of us are really in the business of siting companies and knowing what it takes to get them into our city. When someone displays an interest in your area usually you have to work fast, you don't have months to ponder whether or not you want that business or whether you want to do an enterprise zone or whatever. You have to act fast. FedEx is a big company. They have asked, we haven't bribed them and they aren't bribing us, they have just asked for a tax incentive. There is nothing wrong with that. In their mind it shows that if we do this for them, not only does it help their bottom line to come here, but it shows that we care about them. You might say in a corporate world the touchy feely stuff doesn't count, but I am not so sure that is true. I think a big corporation likes to know if they are going to be accepted into the community with open arms or are they going to have to fight every inch of the way with the local government. I think that is one of the things that we are talking about here. They did delay their process. Some of you are saying that they are going to come here anyway. Well, what if you are wrong. I am not willing to take that chance. This is a Fortune 500 company that has one of the best track records of any company by way of how they treat their employees. In 2006 they were rated 60th of the top 100 companies that people like to work for. The idea that they will come anyway or that this is just pittance they don't need this. How can we sit here and tell anybody what they need or don't need, what they want or don't want, and what is critical for them to make a decision to come here. If they think this is important, then all bet it is important to them. I am going to vote for the enterprise zone.

Councilor Canfield stated I am against this motion which basically dismisses having an enterprise zone. I have my concerns about the way this brought before the Council but this is not the forum to discuss that. To dismiss this would not be in the best interest of Troutdale.

Councilor Kyle stated I am going to speak about how this came before us because I read in the paper about enterprise zones. I have a memo from John Andersen dated April 9, 2007. I can not remember the date, but it was long before we knew about FedEx, that I asked for a work session on enterprise zones. Councilor Thomas backed that request up. I am not being pressured by FedEx to make a decision on an enterprise zone. I am not going to support this motion. I am going to support an enterprise zone, but frankly the criteria that was presented tonight needs a lot of work.

Councilor Daoust stated I am not going to support this motion either. I don't feel pressured either. I don't think I am feeling rushed either, in fact I would like to stick to the timeline that is presented in the staff report, I don't see anything wrong with that. We have topics presented to this council the night of the meeting. I do not feel rushed at all on trying to decide on an enterprise zone. I would like us to stick to this timeline to accommodate FedEx. I think it is going to be an important move for the city.

VOTE: Councilor Kight – Yes; Councilor Ripma – Yes; Councilor Thomas – No; Mayor Thalhofer – No; Councilor Canfield – No; Councilor Kyle – No; Councilor Daoust – No.

Motion Failed 2 - 5.

MOTION: Councilor Kyle moved that the Council proceed with an enterprise zone application authorizing a new state enterprise zone authorization round with the criteria to be established after appropriate discussion and deliberation by Council. Seconded by Councilor Thomas.

Councilor Kyle stated someone made the statement that you can't spend what you don't have and I agree with that. I think that the criteria needs a lot of work and I don't want to just rubber stamp the criteria used by Gresham.

Councilor Daoust asked for clarification, does the motion include partnership with Fairview?

Councilor Kyle replied I don't think we have a commitment from them.

Councilor Daoust stated I mean from our prospective, does the motion include a desire to partner with Fairview.

Councilor Kyle stated it could be but since we don't have a commitment I wasn't sure I should add that.

Paul Elsner, Interim City Attorney, stated you may want to amend your motion to direct the Mayor and or City Administrator to apply, consistent with state law, for establishment of an enterprise zone.

Councilor Thomas stated that implies that you are sending a letter to request the beginning of a round.

Paul Elsner replied that is correct, that is all we are doing.

Mayor Thalhoffer asked does it matter whether or not we are going to do this jointly with Fairview?

Paul Elsner replied you can say that it is consistent with the staff recommendation of Option A, which was to apply with Fairview. That of course would be conditional pending their decision to join.

Councilor Daoust stated that was something that we were going to decide on tonight.

Councilor Thomas stated I was under the assumption that we were going with Option A.

MOTION WITHDRAWN: Councilor Kyle moved to withdraw her motion. Seconded by Councilor Thomas.

MOTION: Councilor Kyle moved to direct the Mayor and or City Administrator to apply, consistent with state law, for establishment of an enterprise zone consistent with Option A presented by Staff. Seconded by Councilor Thomas. (Option A reads: Council may decide to proceed with an enterprise zone application in partnership with Fairview, authorize the Mayor to request a new State enterprise zone authorization round and direct staff to begin work on the final language for a Troutdale/Fairview resolution authorizing application to establish an enterprise zone.)

Councilor Kight stated we haven't had any discussion at all about forming a joint enterprise zone with Fairview other than during this motion. It seems like that process is moving along without any discussion or input and I am concerned about that.

Mayor Thalhoffer stated we discussed that at the work session.

Councilor Kight stated I am talking about tonight.

Mayor Thalhoffer stated this is not new to us.

Councilor Daoust stated no its not. The Mayor read the letter from Fairview.

Councilor Ripma stated we have talked about this.

Councilor Kight stated I have already spoken against this so I won't take up any further time. They have already made up their mind and they have also dropped in the idea of

including Fairview, which happened with zero conversation. I am going to vote against this.

Councilor Ripma stated I am glad we are having this public hearing. Things have been moving very fast. We didn't know about FedEx when apparently the City did six months ago or more. We didn't know about RyanCo's request until about two months after the City staff was informed, according to the Port. The issue that was raised in the memo referred to by Councilor Kyle, was enterprise zones in general and consideration of that, which I think deserves to be talked about. That was not FedEx and this short timeframe that we have been given to consider it. We were told that June 23rd was the deadline, then June 30th and on July 10th they are still waiting. One of my main concerns is that we are being stampeded into this. However, I do know that the Council is favoring this. There are two concerns that cause me to question the wisdom of these, which are the cost to the taxpayers and fairness to the taxpayers of Troutdale. We have heard about how there is going to be economic benefits from the development and no one is questioning that. There is going to be revenues that flow into the City once things are built and taxable, no one is arguing that, at least I am not. You can't deny that eventually the businesses that move in will pay taxes, that is not the point. It is the cost of the abatement that we give them at the beginning, it costs our citizens. I was very disappointed to hear an argument that it doesn't have any affect on our taxpayers. Even Mr. Fish acknowledged that these types of developments have costs, in fact if too much development occurs the City can be strapped with additional costs. If the business who comes in under an enterprise zone does not pay for police, fire and all of the other city services the rest of us have to pick it up or there is a reduction in those services. I am not saying that it isn't sometimes justified, but we are talking about \$1 million in three years of taxes that we are giving away. It is characterized that it is not ours to begin with, but our citizens are going to have to pay for the services that those \$1 million would be used for. I think we should make sure that it is a wise investment. It is not an annuity because an annuity pays you back. The \$1 million that we lose is not paid back over the next 30 years, it doesn't work like that. That can be a good investment, I don't question the motives we just see this differently. But when I go around the city and talk to people, most people are more concerned about the fact that we are full up with houses almost yet more are being built and we seem to be in a rush to fill up the industrial area and just growth, growth. We are not the kind of area in a desperate financial position that these enterprise zones are designed for where there isn't going to be growth. The idea that maybe this one company might not come here, but there will be development down there and just out of fairness it should be a company that is willing to pay taxes. Lets listen to Bruce Thompson and consider this carefully. Can anyone deny if it weren't for FedEx we would be taking this up along the lines of the memo referred to by Councilor Kyle, in a considered way and have public hearings. But to consider, what ends up to be a multi-million dollar tax break on a one month timeframe with two work sessions and one public hearing after the fact that we have already announced our decision to the press. FedEx keeps extending their deadline, lets be smart about this and consider it very carefully. I think we ought to have more public input. I was

disappointed that this kind of issue can't go to a public vote, that is shocking because it deserves to be voted on. This could cost the city much more in the way of cost of services and lost revenue than anything else we have done. I recommend that we voluntarily initiate a vote. I don't recommend that we go forward with this, however, if we do I am okay with joining Fairview. If we do decide to go forward then at least lets consider the criteria carefully.

Mayor Thalhoffer stated this property has all kinds of problems from environmental to power line problems. It is not the perfect piece of property. It is in a nice location. If we could afford to build a park there that would be wonderful, but we can't afford to do that so we need to make something productive out of that site and that is what we are doing here. When Reynolds Metals was operating there were all kinds of problems such as environmental and traffic issues, they were not too badly thought of. We are use to having a big plant at that site and we are use to having different problems down there due to the size of the plant and the trucks going in and out. What is so different about this where we have another industrial use that is going in which will have some problems but we can probably get use to those like we got use to the problems at Reynolds because those were green problems, money. It was money that was circulating through the community. There were people that were working at Reynolds who bought their homes in Troutdale and they were buying food and goods at the stores in Troutdale. It brought prosperity to East County. But now we have another employer that will be employing approximately 1,000 folks. We have no tax revenue there now and we haven't had for years. We might get another intermodal rail facility offer which we didn't want and we fought it off. I am willing to vote on this. We have had several months that we have known about FedEx and we were asked to keep quiet about it at the time. We didn't know about the tax incentive request until the first part of June. I think it is an opportunity for us.

Councilor Canfield stated I think there is only one thing that everyone has agreed on tonight and that is even with an enterprise zone there is absolutely no guarantee that any new companies or any new development will come, it is not a sure thing. One way or another, with or without an enterprise zone, the Port can complete its purchase of the property and own that property for years and nothing may go in there. In the mean time when that happens the City of Troutdale will get zero tax dollars. Schools will get zero tax dollars. I have had my doubts on this the last couple of weeks going back and forth. We have heard from PGE and they said this is a viable economic tool. The State of Oregon says it is a viable economic tool. I am not so sure that an enterprise zone is a viable economic tool except for one thing and that is the enterprise zone criteria that we can place upon the property. What does that mean? If you look up and down Airport Way what you see are warehouse ghost towns. Warehouses are filling up 10,000, 20,000 and 30,000 square feet with maybe three or four jobs. With enterprise zone criteria at least Troutdale would have some control over what types of development would go into the enterprise zone. Warehouse jobs don't pay that well. Hillsboro's enterprise zone has a job quality criteria that requires that the wages must be 150% of the Oregon Minimum wage to receive the tax abatement. To me that is a

good deal. Gresham included criteria that requires a minimum investment of \$1 million or for construction projects a minimum of \$75 per square foot. This is the only benefit that I see to establishing an enterprise zone. There is no evidence in my mind that it brings jobs in or that it is a deciding factor for businesses to locate there. What I believe is that with an enterprise zone we have the ability to place this criteria and avoid having warehouse ghost towns with minimal jobs that are at minimum wage. That is the only reason I am favoring this motion.

Councilor Daoust stated I favor the motion. I think we heard some good testimony tonight. We have heard from a couple of people that have actually sited businesses, May Maydew being one of them. They said that this is an important criteria for businesses. Max said we need to be a good partner and I agree with him. I think we need to show that the City of Troutdale is a good partner with any company coming in. Matt Wand gave some excellent testimony that showed we are not going to be increasing anybodies property taxes because we have an abatement with FedEx or anyone else. If the budget committee wants to decide that we need an extra police officer to patrol the crime that is happening around FedEx, which I seriously doubt will happen, then the budget committee can decide to add an officer to increase services that we would provide to FedEx, but that does not increase our property taxes. More than 55 other city councils have agreed that enterprise zones are a good thing and I am glad that a majority of this council is willing to go that way also.

VOTE: Councilor Kight – No; Councilor Ripma – No; Councilor Thomas – Yes; Mayor Thalhofer – Yes; Councilor Canfield – Yes; Councilor Kyle – Yes; Councilor Daoust – Yes.

Motion Passed 5 - 2.

4. STAFF COMMUNICATIONS

None.

5. COUNCIL COMMUNICATIONS

Councilor Kyle invited everyone to bring their lawn chair to downtown Troutdale to listen to some good bluegrass music and eat some good food.

Councilor Daoust stated I provided you with a brochure for the Salmon for the Sandy Project fundraiser. I think it would be a good thing for the City of Troutdale to join in on this fundraiser. The money goes to the Sandy River Basin Watershed Council to do restoration work on the Sandy River. They have had 33 fish designed by local artists. The City could be a sponsor for \$2,500. The Salmon get auctioned off in October in a public gala event at the Portland Art Museum.

Paul Elsner stated when I saw this email I was somewhat concerned whether the city was going to own this or not. If we were going to own it you would need to look at your purchasing rules. The other thing that you always should keep in mind is you have to attach a municipal purpose to the expenditure of money. I am not familiar with the criteria that the city may have already established in terms of making donations. A lot of cities have established criteria by which they make donations to private charitable groups that they believe perform good work for their community at large. You can do that if you have established that criteria. If you don't have the criteria then you open yourself up when other people come before you to ask for other donations. You also have to be careful about the concern that is evident in ORS 294.100 which deals with budgeted funds and the legitimate municipal purpose. I am just putting this out as a cautionary word.

Councilor Kight stated that doesn't preclude the Councilors from making their own private donations.

Paul Elsner replied that is correct, that is just for municipal funds.

6. ADJOURNMENT:

MOTION: Councilor Ripma moved to adjourn. Seconded by Councilor Canfield. Motion passed unanimously.

Meeting adjourned at 10:55pm.

Paul Thalhofer, Mayor

Dated: Approved December 11, 2007

ATTEST:

Debbie Stickney, City Recorder