

A RESOLUTION FOR WAIVING EMPLOYMENT) RESOLUTION NO. 2017-9
REQUIREMENT ON STANDARD TAX)
EXEMPTION, BASED ON RISE IN PRODUCTIVITY)
AND DEDICATED CONTRIBUTIONS TO)
WORKFORCE TRAINING, IN AN OREGON)
ENTERPRISE ZONE)

WHEREAS, the City of Albany, City of Lebanon, City of Millersburg and Linn County are sponsors of the South Santiam Enterprise Zone; and

WHEREAS, the City of Lebanon consents in the matter of granting an Enterprise Zone exemption to Freres Lumber Co. Inc. by waiving a statutory requirement to increase employment by ten percent.

WHEREAS, Freres Lumber Co. Inc. intends to invest an estimated \$ 23.15 million in capital improvements for the new plant in Lyons, Oregon, starting in January 2018; and

WHEREAS, the new plant is located within the South Santiam Enterprise Zone, which is sponsored by Linn County, City of Albany, City of Millersburg, City of Lebanon; and

WHEREAS, Freres Lumber Co. Inc. has applied for authorization in the enterprise zone for the aforementioned investment; and

WHEREAS, under ORS 285C.155, 285C.200(2) and 285C.205 the enterprise zone sponsor may provide by resolution for authorization of an eligible business firm, such that it may qualify for the exemption on qualified property in the zone without increasing zone employment as normally required, if:

- (a) The firm increases measurable (labor/unit) productivity by 10 percent or more,
- (b) Expends or donates workforce-training funds that the firm sets aside in an amount at least equal to 25 percent of tax savings,
- (c) Maintains a minimum number of full-time employees in the zone (as established by the zone sponsor) that is not less than the existing level; and

WHEREAS, Freres Lumber Co. Inc. has 470 full-time employees throughout the South Santiam Enterprise Zone as averaged over the past 12 months.

NOW, THEREFORE, THE CITY OF LEBANON RESOLVES:

Freres Lumber Co. Inc. is hereby authorized to qualify in accordance with ORS 285C.200 for purposes of the exemption on qualified property under ORS 285C.175, provided that:

1. In relationship to the aforementioned investment at the new plant, labor/unit productivity as stipulated in Exhibit A rises to at least 110 percent of the base level, by no later than July 1 of the second year of exemption on the qualified property, and


as an annual average rate for each calendar year during the exemption period thereafter; and

2. As specified in Exhibit B, Freres Lumber Co. Inc. deposits funds equal to 25 percent of the property tax savings resulting from the exemption on qualified property, to be used for workforce training or retraining in association with the above productivity increase, such that surplus funds (after 2 ½ years) are transferred to local publicly funded job training providers; and
3. The number of full-time employees of Freres Lumber Co. Inc. in the South Santiam Enterprise Zone is maintained at or above 470, on average, for each calendar year of the exemption period *{which is not less than 100 percent of the annual average existing level prior to authorization}*; and
4. This resolution does not apply when the requirements of the Investment Waiver, Resolution No. 2017-8 are met. Training Fund deposits can cease and funds already on deposit will be returned to Freres Lumber Co.

The zone sponsor shall maintain as confidential the information provided to it by Freres Lumber Co. Inc. pursuant to this resolution under ORS 285C.145(4).

Passed by the Lebanon City Council and executed by the Mayor on this 12th day of April, 2017 by a vote of 4 yeas and 0 nays.

CITY OF LEBANON, OREGON



Paul R. Aziz, Mayor

Bob Elliott, Council President

ATTESTED BY:



Linda Kaser, City Clerk

EXHIBIT A

Ten-Percent Increase in Productivity

For purposes herein:

BLP = “Base level of productivity”— O_T/L_T for or averaged over the 12 months directly prior to first placing any qualified property in service at new plant Lyons, Oregon

L_T = Number of hours of labor performed by W in producing O_T over the same period (T)

O_T = Output of Freres Lumber at Lyons, Oregon new plant in terms of the cubic feet manufactured per Year (T)

W = Number of persons working in the South Santiam Enterprise Zone and engaged in operations that generate O_T , whether part-time, full-time, temporary, seasonal or permanent (at least year-round).

- ❖ At the time that Freres Lumber files the first exemption claim pursuant to the authorization allowed by the resolution, Freres Lumber shall provide to John Pascone [Local Zone Manager, with the copy of the exemption claim form for the zone sponsor] a statement that includes but is not limited to all of the following:
 - Earliest date on which any qualified property was first placed service
 - **BLP** [zero cubic feet production per labor hour]
 - Data for W , L_T & O_T used to calculate **BLP**.
- ❖ With the next exemption claim — but not later than July 1, 18 months after January 1 of the first assessment year for exemption on any qualified property — Freres Lumber shall provide to the zone sponsor a statement that includes but is not limited to all of the following:
 - Data for W , L_T & O_T
 - Showing that $O_T/L_T \geq 1.1 \cdot \text{BLP}$
 - Affirmation/explanation that the above data corresponds to a regular time period (T), since use and occupancy of the qualified property began, such that if productivity is normally supposed to be measured over a year’s time, then data may be annualized based on at least a 30-day period.
- ❖ At the time that Freres Lumber files an exemption claim after the third assessment year of exemption, and after any such succeeding year (because of an extended tax abatement period or a subsequent exemption under the same authorization), Freres Lumber shall provide to the zone sponsor a statement that includes but is not limited to all of the following:
 - Data for W , L_T & O_T for the assessment year
 - Annual average figures for L_T & O_T
 - Showing (based on annual average figures) that $O_T/L_T \geq 1.1 \cdot \text{BLP}$
- ❖ For purposes of this Exhibit, information or data as provided to the zone sponsor by Freres Lumber shall be evidenced or verified by the following documentation:

Production records and labor hours which correspond to the new product line.

EXHIBIT B

Dedicating 25 Percent of Tax Savings for Workforce Training

For purposes herein:

AV_E = Estimated assessed value of the qualified property subject to exemption for the year, which equals the assessed value from the previous tax statement (or total cost of the investment if newly constructed, modified or installed), as adjusted only in accordance with written instructions from either the county assessor's office or the Department of Revenue

AV_A = Actual assessed value of the qualified property subject exemption based on final tax statement for that year

C = Total actual expenses incurred since authorization by Freres Lumber for training or retraining of persons counted under E, to improve relevant productivity, regardless if for new, ongoing or restored efforts, activities or investments in workforce development by Freres Lumber

E = Annual average number of full-time, year-round employees of Freres Lumber LVP? working in business operations subject to productivity measurement under Exhibit A of the resolution

TR_E = Estimated total tax rate levied on assessed value of qualified property subject to exemption for the year, from the taxpayer's previous tax statement for property at the same location

TR_A = Actual total tax rate levied on assessed value of the qualified property subject exemption based on final tax statement for that year

W = Total amount of withdrawals by and to Freres Lumber after April 1 and before October 1 (2 ½ years later) following one of three initial deposits.

Freres Lumber shall make three deposits to an account as designated below, as follows:

- On or before April 1 of each of the first three assessment years of the exemption on qualified property, Freres Lumber shall initially deposit an amount = $AV_E \cdot TR_E \cdot 0.25$
- Freres Lumber may withdraw funds from the account, but only during the 30-month period following each of the respective April 1 dates
- Such withdrawals may be made only insofar as—
 - $W \leq \$3,500 \cdot E$ —over the same 30-month period, and
 - $C \geq (W_1 + W_2 + W_3)$ — cumulative amount drawn on all three deposits
- Freres Lumber shall seek to reconcile each deposit, so that the final amount = $AV_A \cdot TR_A \cdot 0.25$, as necessary, such that Freres Lumber *either*—
 - Adds money to the account within 18 months of initial deposit, *or*
 - Takes timely action to be reimbursed (within 18 months of initially depositing money) for any overestimation of tax savings.