



ECONOMIC DEVELOPMENT

BACKGROUND BRIEF

LPRO: Legislative Policy and Research Office

The Oregon Business Development Department, more commonly known as “Business Oregon,” is the state’s economic development agency. The Department focuses on supporting the retention and expansion of existing Oregon businesses within traded sectors (industry sectors with global competition). Business Oregon also carries out strategies to create a dynamic startup and entrepreneurial environment in which new business can form. The agency recruits companies from outside the state as well, to fill supply chain gaps and grow existing industry clusters.

Business Oregon also operates infrastructure financing programs through its infrastructure division, with a separate board that oversees these infrastructure investments, the Infrastructure Finance Authority Board. These infrastructure programs are available to local municipalities for water systems, wastewater systems, port development, some roads, and other infrastructure needs that serve as either a precursor for business development or to meet other community needs.

The agency is composed of six divisions: Business Development, Infrastructure Development, Innovation &

Entrepreneurship, Economic Strategies & Policy, Arts & Culture (the Oregon Arts Commission and Oregon Cultural Trust are within the agency), and Operations (Accounting, IT, HR, etc.). It includes approximately 130 employees across the state.

The *Business Development Division* delivers core programs to retain, expand and recruit business in Oregon, with several teams performing each function. It houses a team of business development officers, located throughout the state, to work with regional partners to assist with local business retention and expansion projects. The recruitment team markets Oregon as an ideal business location and creates new business opportunities. The finance team operates as loan officers, working with businesses and private banks to deliver direct loans and loan guarantee programs. The

global trade team works with small businesses to get them exporting goods to increase revenues, pursues foreign direct investment in Oregon, and manages state trade missions. This division also manages business incentive programs.

The *Infrastructure Development Division* manages infrastructure financing, ports, and industrial land programs. It has regional

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coordinators throughout the state, as the front line for access to its programs. The lands team conducts brownfields development and industrial site certification. The ports team partners with ports to enhance their services and infrastructure. Finally, a team of technical specialists operates the financing and contracting associated with each program.

The *Innovation & Entrepreneurship Division* is a small division that manages the Oregon Innovation Plan and its investments, the Oregon Growth Board, and a handful of projects working with partners to create a strong entrepreneurial ecosystem across the state.

The *Economic Strategies & Policy Division* is the research arm of the agency, performing economic analysis, gathering industry data, producing economic reports and other analysis for both agency and public use in making economic development decisions. This group also handles some unique projects such as the Pacific Northwest Manufacturing Partnership and Food Processing Roadmap, among others.

The *Arts & Culture Division* is predicated on the idea that strong arts and culture leads to strong communities. The [Oregon Arts Commission](#) and [Oregon Cultural Trust](#) manage many programs that support local artists, arts programs and arts curriculum.

Business Oregon coordinates with other state agencies to carry out the Department's mission of creating, retaining, expanding, and attracting businesses to the state. The Department is overseen by the [Oregon Business Development Commission](#). Additional boards, councils and commissions are also associated with the Department's programs, such as the [Oregon Infrastructure Authority Board](#), [Oregon Innovation Council](#), [Oregon Broadband Advisory](#)

[Council](#), and the [Oregon Growth Board](#) (A full list is available at <http://www.oregon4biz.com/About-Us/commission.php>).

UNIQUE STRATEGIC INITIATIVES

The [Oregon Innovation Council \(Oregon InC\)](#), launched in 2006, funds individual initiatives with the potential to build or enhance industry clusters around new or emerging technology. Particularly in specific areas where Oregon holds unique, national advantages. In recent biennia, those areas have included nanotechnology, clean tech and green building, bioscience, wave energy, electric vehicles, unmanned aerial systems and digital storytelling. Oregon InC also funds 11 "shared labs" on university campuses with unique equipment and research and development support available to any company or organization at competitive rates.

The [Pacific Northwest Manufacturing Partnership \(PNMP\)](#) is an alliance of urban and rural communities tasked with deepening integration of Willamette Valley, Columbia River Gorge and Portland-Vancouver metropolitan economies. The Partnership was formed in response to a federal initiative, the Investing in Manufacturing Communities Partnership (IMCP), which aims to accelerate the resurgence of manufacturing in the United States and create a competitive climate for job creation and private investment. In 2014, 12 qualified U.S. communities with winning strategies received the designation of "Manufacturing Community" that gives them elevated consideration for \$1.3 billion in federal dollars and assistance from 13 cabinet departments and agencies.

[Trade and Logistics Initiative](#). Oregon exporters and importers face increased challenges moving goods to and from global



markets with the departure of ocean container service at the Port of Portland. Business Oregon, along with the departments of Agriculture and Transportation and the Port of Portland, partnered to identify interim shipping options to help Oregon small- and medium-sized businesses stay competitive in the global marketplace. Extensive outreach with hundreds of Oregon businesses produced a series of interim freight logistics solutions, some of which have been adopted by the state legislature.

EXAMPLES OF AVAILABLE TAX INCENTIVE PROGRAMS

[Enterprise Zones](#) - Enterprise zones, which have existed in Oregon since 1984, exempt businesses from local property taxes on new investments for a specified amount of time, which varies among the different zone programs. The purpose of enterprise zones is to help attract private business investment and to help resident businesses to reinvest and grow in communities facing economic challenges. Sponsored and administered by local or tribal governments (either through a city, county, tribe, or port), an enterprise zone typically serves as a focal point for local development efforts and incentives. Recent legislation ([House Bill 2643, 2015](#)) removed the limit on the number of zones allowed in the state. There are currently 70 [enterprise zones in Oregon](#), with the majority of zones qualifying as rural zones that can offer extended benefits.

Under the [standard enterprise zone program](#), if an eligible business locates or expands within an enterprise zone, it receives total exemption from the property taxes normally assessed on new plant and equipment for three years. Eligibility is based on whether the project is expected to: increase full-time,

permanent employment within the enterprise zone by the greater of either one new job or 10 percent; maintain this employment level or generally have zero concurrent job losses outside the enterprise zone's boundary inside Oregon; and enter into a first-source hiring agreement with local job training providers. The project must also satisfy additional local conditions if applicable. The tax abatement can be extended to a maximum of five years if the project meets additional criteria, including: new workers' compensation is at least 150 percent of the county's average wage; a written agreement with the local zone sponsor; and satisfying any additional requirements requested by the local zone sponsor.

The [Long-Term Enterprise Zone](#) program, available in most rural enterprise zones, offers a property tax abatement of 7-15 years, compared to standard three to five years. Any type of business activity is eligible, but these incentives depend on local approval and minimum levels for investment size, job creation and employee compensation. Total investment costs need to be greater than one percent (or 0.5 percent if more than 10 miles from Interstate 5) of a county's total real market value by the end of the year when operations begin. This base amount varies from \$1 to \$25 million, depending on the location. Within three or five years of commencing operations, the business must hire a minimum number of new, full-time employees. By the fifth year after commencing operations, average annual compensation (including benefits) for all workers at the facility must be at least 150 percent of the county average annual wage.

Several enterprise zones are designated as [electronic commerce \(e-commerce\)](#) zones, defined as engaging predominately in transactions via the internet or an internet-



based computer platform. The most significant feature of the this type of zone is that qualifying businesses¹ may receive a credit against the business's annual state income or corporate excise tax liability of 25 percent of the investment cost made in capital assets used in e-commerce operations, up to \$2 million per year. Unused tax credit amounts can be carried forward over the next five years; the business must make its investment and initial claim no later than the income tax year beginning during 2017.

The nine federally-recognized Indian tribes in Oregon can each have a single [tribal reservation enterprise zone](#) of up to twelve square miles in its tribal lands throughout Oregon, as well as enter into intergovernmental agreements with local governments to create and cosponsor any number of contiguous reservation partnership zones anywhere in Oregon. For both types of zones, the qualifications are the same as allowed in any rural enterprise zone, as well as a special tax credit against state income tax liability.

The [Strategic Investment Program](#) (SIP) offers a 15-year property tax exemption on a portion of large capital investments. The program was created in the 1990s to induce large, capital-intensive facilities to locate and grow anywhere in Oregon. SIP projects must serve a traded sector industry, defined as selling goods or services into markets for which national or international competition exists. The project's cost must exceed the taxable portion. In urban areas, the taxable portion of a project's market value must be at least \$100 million, while in rural areas it starts at \$25 million. Property in excess of this portion is exempt from taxes. A community service fee is

¹ Investment must be made either after the enterprise zone application has been approved or any time during the three to five year period of the standard enterprise zone exemption.

paid each year to local public service providers, the company still pays property tax on land, and additional local requirements may apply.

Companies setting up operations in an eligible county can be certified at least eight times to annually deduct taxable income related to those operations through the [Oregon Investment Advantage](#) program, potentially eliminating any state business income tax liability for that period, which begins at least 24 months after the commencement of new operations. Generally, eligibility requirements include: not operating an identical type of facility anywhere in Oregon; not competing with existing businesses in the local area where the facility is located; and hiring five or more new full-time, year-round employees that receive annual compensation of at least 150 percent of local income or 100 percent if employees receive health insurance coverage equal to or better than local city, port, or county employees. Qualified companies can be certified at least eight times to annually deduct or subtract taxable income related to those operations which begins at least 24 months after the commencement of new operations.

The Oregon Low Income Community Jobs Initiative, otherwise known as the [Oregon New Market Tax Credit](#) (NMTC) program, helps finance investments and create jobs in low-income communities by delivering below market rate investment options to Oregon businesses. Community Development Entities² (CDEs) that service Oregon are eligible to apply; in turn, the tax credit is provided to investors who invest in projects

² Has primary mission of serving or providing investment capital for low income individuals and certified as a CDE by the federal Community Development Financial Institutions Fund.



within low income communities. Tax credits are structured to be used for investments over a seven year course, with the total credit not to exceed \$4 million per project.

Additional Tax Credits and Incentives - A number of state agencies, including the [Department of Agriculture](#) and [Employment Department](#) administer a number of tax credits and grants for employers. Examples include tax credits for providing dependent care assistance to employees, tax credits for qualified research activities, installing pollution-reducing technologies or processes, investing in new food processing machinery and equipment, and hiring certain target group members with barriers to employment.

In addition, the Oregon Film and Video Office provides a number of [incentives](#) for film and video productions such as a 20-percent rebate for Oregon-based goods and services and a cash payment of up to 16.2 percent paid to production personnel.

EXAMPLES OF AVAILABLE LOANS AND GRANTS

The Oregon [Business Expansion Program](#) (BEP) is an incentive, in the form of a forgivable loan, to encourage adding high-wage jobs in Oregon. The cash amount is equivalent to the estimated increase in income tax revenue from the new hiring. Companies are eligible if they plan to hire 50 or more full-time-equivalent employees in Oregon and already has at least 150 employees. Annual pay for each of at least the 50 new employees will be 150 percent or higher than the state or county average wage, whichever is less. Retailers are specifically excluded and the company must be traded-sector.

The [Oregon Business Development Fund](#) (OBDF) is a revolving loan fund that provides term

fixed-rate financing for land, buildings, equipment, machinery and permanent working capital. Participants must create or retain jobs and must typically be a traded-sector business in manufacturing, processing or distribution. The program gives preference to projects located in rural and distressed areas and to small businesses with fewer than 100 employees. Loans have maximum amount of \$1,000,000 and a maximum term of 20 years.

The [Entrepreneurial Development Loan Fund](#) (EDLF) provides direct loans to help start-ups, micro-enterprises and small businesses expand or become established in Oregon. This fund fills a niche not provided through traditional lending markets. Loans are a maximum amount of \$75,000, generally a maximum term of five years, and a fixed interest rate of Prime plus two percent annual percentage rate. Participants must have revenues of less than \$500,000 in the previous 12 months and/or be a business owned by a severely disabled person.

The [Oregon Capital Access Program](#) (CAP) helps private lenders (banks and credit unions) make more commercial loans to small businesses and provides capital for start-up or expansion. The program is designed for non-profit and for-profit businesses seeking funds for most business purposes. Lenders build a loan-loss reserve each time they enroll a loan. Contributions to the loan-loss reserve account are matched by CAP.

[Oregon Industrial Development Bonds/Oregon Express Bond Program](#) - Issued bonds are tax-exempt and are issued by the state on behalf of qualified businesses for long-term financing for land, buildings, and equipment at interest terms generally below the prime rate. The bonds are available to manufacturers, processors, and nonprofits and generally provide the greatest benefit to the borrower



for bonds of \$5 million or more. The Oregon Express Bond Program streamlines paperwork to save time for the borrower through the process. Express Bonds are placed with the borrower's bank and may be feasible for financing smaller projects, particularly within the \$500,000 to \$5 million cost range.

[Business Retention Program](#) - Qualified Oregon companies that are facing a period of hardship such as financial or organizational distress can receive consulting services through private sector consultants who are matched based on specific needs and industry requirements. Applicants can receive up to \$30,000 of assistance in conducting feasibility studies, with the applicant required to contribute 25 percent of the study cost in cash; and up to \$15,000 for consulting services. The company must be in Oregon and willing to fully disclose its financial status to the assigned consultant.

The [Oregon Credit Enhancement Fund \(CEF\)](#) is a loan insurance program that lenders can utilize in assisting traded-sector manufacturing, production, processing, and distribution companies in obtaining access to capital. The CEF guarantees loans that provide working capital or fixed-asset loans, typically up to 80 percent of the loan amount up to \$2 million exposure for term loans, up to 75 percent of the loan up to \$1.5 million exposure for operating lines of credit.

All program information can be found here: www.oregon4biz.com/How-We-Can-Help/.

INFRASTRUCTURE FINANCE PROGRAMS

Business Oregon's Infrastructure Finance Division helps Oregon communities improve the quality of life of their citizens. The infrastructure grants, loans and technical assistance provided go towards cleaner and

safer drinking water; compliant wastewater systems; better roads, main streets and utilities; and improved social facilities for communities. Funded projects also serve as a precursor to business development. The infrastructure division's authority is overseen by members of the Governor-appointed [Infrastructure Finance Authority Board](#). Examples of financing programs include:

[Community Development Block Grants](#): Available to non-metropolitan cities and counties for a number of community facilities, public works projects, and housing rehabilitation, funding amounts are based on applicant need, availability of funds, and other restrictions defined in the program's guidelines.

[Port Revolving Loan Fund](#): Loans are provided for the construction and/or improvement of facilities and infrastructure that promote the commercial activities of Oregon's ports, maritime shipping, and aviation. In order to qualify for a loan, the proposed project must be a reasonable risk from both practical and economic standpoints; have all necessary federal, state, and local permits; and the applicant's financial resources are adequate to provide working capital needed to ensure the project's success.

[Special Public Works Fund](#): The Special Public Works Fund (SPWF) provides funds for publicly-owned facilities in Oregon that support economic and community development, such as airport facilities, telecommunications facilities, storm drainage systems, wastewater systems, and water systems. Cities, counties, county service districts, ports, special districts, and airport districts are eligible to apply for the SPWF, which funds loans for development projects and grants for construction projects that create or retain traded-sector jobs.



[Brownfields Redevelopment](#) - A brownfield is a property on which expansion or redevelopment is hindered due to actual or perceived environmental contamination. The Brownfields Program is for individuals, nonprofit organizations, and local governments to assist in financing and conducting environmental actions on brownfields that will make formerly used industrial and commercial lands viable for reuse.

Activities related to brownfields range from site assessment to property cleanup. Business Oregon manages both the Oregon Redevelopment Fund, which is funded by proceeds from state revenue bond sales, and the Oregon Coalition Brownfields Cleanup Fund, which is capitalized through a revolving grant from the United States Environmental Protection Agency (EPA).

Both programs focus primarily on revolving loan programs. Limited grants can be rewarded on a case-by-case basis for publicly owned projects. Business Oregon sets the interest rate and loan repayment terms with consideration with the applicant's ability to repay, credit worthiness, the project's economic benefit, and the use of proceeds as defined in the project.

RECENT LEGISLATION

[Enterprise Zones: House Bill 2643](#) (2015) removes the limit of number of enterprise zones allowed in the state, and removes application process for zone designation, though zone sponsors must still submit details and consult with Business Oregon to determine statutory requirements are met. Also lowers minimum cost requirement of property used in e-commerce zones.

[Credit Enhancement Fund: Senate Bill 1589](#) (2016) changed the eligibility language for the

program, allowing most types of businesses to now be eligible.

[Solar Energy Incentive: House Bill 4037](#) (2016) creates the Solar Incentive Fund which will be a cash incentive for investor-owned utilities to build mid-sized solar energy projects to connect and feed electricity back to the grid.

[Western Juniper Program: House Bill 2997 and 2998](#) (2015) established programs to help businesses engaged in western juniper harvesting, or in the manufacturing of products from western juniper, with technical business assistance, market development and supply chain coordination. Also helps businesses engaged in other wood products to expand into juniper production.

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