

Oregon Business Development Department to re-designate the Salem Enterprise Zone and electronic commerce zone.

SUMMARY:

The Salem Enterprise Zone expires in July 2020. Salem Enterprise Zone boundary comprises around seven square miles throughout the city where there is an industrial zone designation (Attachment 4). The most recent beneficiaries include Don Pancho, Chang Tuh Corporation, Cabinet Door, and West Salem Machinery, with an anticipated combined total of \$15 million in new investment and 100 new jobs.

FACTS AND FINDINGS:

A virtual public meeting for affected taxing districts was held on May 12, 2020, and no concerns were raised. On May 16, 2020, Urban Development staff also presented at the Marion County Extension and 4-H Service District and Marion County Board of Commissioners joint meeting on the re-designation process and beneficiary businesses. Clarifications were made on the property that qualifies for temporary tax abatement, and the group was supportive of the program.

The Strategic Economic Development Corporation (SEDCOR) is designated as the manager of Salem Enterprise Zone. They share the information on incentives with area businesses as they interact with them regularly and aid them through the application process. SEDCOR has noted that most businesses, local expansions and new businesses interested in a Salem location, are familiar with the Salem Enterprise Zone and pursue it because it has been consistent, predictable, and helps to offset improvement costs. They encourage Council to approve the re-designation (Attachment 5). Reports from SEDCOR on enterprise zone activity will be communicated to City Council through quarterly economic development staff reports.

Businesses located in an enterprise zone that meet operational qualifications may apply for property tax relief on new buildings and equipment. Land, existing buildings and existing equipment remain taxable; the benefit only applies to new investments. To qualify, existing businesses must increase employment by ten percent and invest over \$50,000.

The standard benefit period is three-years. Applications for the extended benefit of four to five years must be approved by City Council. To qualify for the extended benefit, firms must agree to compensate new employees at least 150 percent of the county average annual wage of \$67,134 for Marion County and \$54,423 for Polk County (2019, Oregon Employment Department). The most recent extended benefit approved by Council was in 2018 to Pacific Cast Technologies/ATI Cast Products located in West Salem. They installed \$5.6 million in new equipment and added ten jobs.

Resolution No. 2020-28 includes an application fee of \$0.001 of the investment in qualified property up to a maximum of \$50,000 paid to the City to be used for business development and data analysis resources. There is also a community service fee for businesses seeking the extended property tax abatement benefit at a rate of 25 percent of the abated taxes per year over the benefit period. Council will determine how to use these funds to aid with job creation, workforce training, and

economic development as they consider the approval of extended benefits on an individual basis. These rates are similar to other Oregon communities.

The electronic commerce zone follows the same boundary as Salem Enterprise Zone. The state limits the number of electronic commerce zones to fifteen. Salem is among these communities that may extend the property tax abatement benefit to firms that conduct most of their transactions online.

BACKGROUND:

Salem is one of 164 jurisdictions that participate in the Oregon enterprise zone program. The Salem Enterprise Zone has been available to industrial traded sector businesses for over thirty years. An enterprise zone designation lasts ten-years. The City may apply to the Oregon Business Development Department (Business Oregon) for re-designation. The Salem Enterprise Zone has been re-designated in 1987, 1998, and 2009. Council approved changes to the boundary in 2018.

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Attachments:

1. Resolution No. 2020-28
2. Exhibit A - Salem E Zone Legal Description
3. Exhibit B - Salem E Zone Map
4. Enterprise Zone Flyer
5. SEDCOR Letter of Support