



Staff Report

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TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Economic Development Quarterly

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Strong and Diverse Economy

ISSUE:

Information report of economic development activities for the third quarter of fiscal year 2019-2020

RECOMMENDATION:

Information only.

SUMMARY:

City Council requested quarterly economic development reports from the Urban Development Department associated with the goal of creating a vibrant economy. This report includes activity from January 1 through March 31, 2020; it also includes activity through April to assist businesses impacted by COVID-19.

FACTS AND FINDINGS:

Economic Indicators

New development and redevelopment projects were active citywide. According to City of Salem (City) permit reports, there were 628 issued during the quarter with a total valuation of \$285,971,091. During the same period last year, there were 478 permits with a valuation of \$73,443,725. Included in the total permits for the quarter were 33 new commercial/industrial permits with a total valuation

of \$159,078,532. During the same period last year, there were 14 commercial/industrial permits with a total valuation of \$13,087,303.

The State of Oregon responded to the threat of COVID-19 on February 28. Governor Brown declared it to be an emergency on March 2 and her executive "Stay Home, Save Lives" order was issued on March 24 which resulted in the closure of some retail businesses where people are in close contact, along with social distancing measures. All City departments are coordinating to help keep the community safe and businesses operating, to the extent possible.

Initial COVID-19 Response - Business Retention (March 1 - April 27)

Downtown businesses and parking structures were affected by the social distancing requirements. Stores that remained open limited the number of people inside and informed customers of the six-foot distance required between shoppers. Some restaurants and cafes closed, and others transitioned to call in or online orders and curb side pick-up. The Urban Development Department worked with the Information Technology Department to create an online map that allows residents to search for businesses offering takeout orders downtown.

Chemeketa and Marion parking structures were closed. The enforcement of the 3-hour parking limit was suspended, and new 15-minute "To Go" on street parking spaces were provided at key locations to support businesses that transitioned to that service. City owned parking meter fees were suspended.

Parking Enforcement officers are providing a presence to aid with social distancing at Wallace Marine Park, Riverfront Park, and Cascade Gateway Park. Real Property Services is working with tenants that were impacted by closure with rent and expense forbearance through June 2020.

From mid-March to end of April, Economic Development Division staff connected with approximately 40 traded businesses to check-in and offer assistance. The group distributed frequent emails containing information and resources to about 50 small, traded sector businesses. Staff also populated targeted business content for the City's social media and COVID-19 business page.

Enterprise Zone Program

As the City considers tools to aid businesses during this critical period, one that has been widely used is the enterprise zone program (Attachment 1). The enterprise zone is one of Oregon's few economic incentives available to help businesses expand and add jobs. It is widely used across the state, sponsored by 163 of Oregon's jurisdictions, including Salem. The Strategic Economic Development Corporation (SEDCOR) administers the enterprise zones for the City. Eligible firms, commonly industrial traded sector businesses, may apply for a temporary 3 to 5-year property tax abatement on new buildings and equipment if they meet the criteria. To qualify, new companies must create at least one new job and invest at least \$50,000. Existing companies must expand employment by at least 10% in the first year and invest at least \$50,000. To qualify for the 5-year incentive companies must pay new employees at least 150 percent of the average annual wage in the corresponding county (Marion County: \$67,134/ Polk County: \$54,423).

From 2007-2019, 24 companies received the Salem enterprise zone benefit of which 60 percent were Oregon companies with Salem ownership or beginnings. According to the SEDCOR quarterly report, there were five enterprise zone applications with projects valued at \$15.6 million and 100 new jobs anticipated. One of these businesses is the Chung Tuh Corporation, a producer of Asian snack and prepared foods with operations in north Salem. This business is able to invest in a new building expansion with the help of the enterprise zone. Chung Tuh Corporation will invest an estimated \$11 million and add 30 new jobs with construction anticipated to start later this year. This addition will allow them to expand their product line and build their business and customer base in Oregon.

Oregon Revised Statute mandates that sponsors apply to the Oregon Business Development Department (Business Oregon) every 11 years to re-designate their enterprise zone program. The City's enterprise zone also has the special designation of the electronic commerce zone that will be included in the re-designation. The process requires a public meeting with the taxing districts. Given the social distance requirements during the pandemic, Business Oregon was supportive of the City's virtual meeting with taxing jurisdictions on May 12. Additional information will be provided in the June 22 staff report when Council will consider the re-designation of the Salem enterprise zone.

Business Retention and Recruitment

The City, SEDCOR, and the Mid-Valley Venture Catalyst also assisted individuals with questions about starting a business. Free, online webinars were offered for area start-ups and established businesses. There were six virtual information sessions held to support area start-up businesses with around 34 participants. Combined, there were 14 individual virtual outreach meetings.

As for recruitment efforts during the quarter, the City and SEDCOR responded to seven requests for information from site selectors or brokers with interest in developing at Mill Creek Corporate Center and the Salem Business Campus.

Urban Renewal Area (URA) Grants

URA grants continue to encourage private investment in development and redevelopment for the benefit of the community.

West Salem Machinery has added another new milling station to produce machinery parts in-house to be used in the manufacturing of their equipment in order to reduce manufacturing costs and gain market competitiveness. A new office building is nearing completion on 3rd Street NW and Truitt Bros has started construction to expand its offices in West Salem. Around \$700,000 in West Salem Urban Renewal Area grant funds have been committed to these projects that are valued at around \$7 million.

In the Riverfront-Downtown URA, during the quarter more than \$1.3 Million of combined Capital Improvement and Strategic Grant funds were committed to 14 projects totaling around \$14 Million. Funds were used to leverage private investment for crime prevention improvements and to support business expansion and recruitment.

Tory Banford
Project Manager

Attachments:

1. City of Salem/SEDCOR Enterprise Zone Flyer