



Eugene City Council

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EUGENE CITY COUNCIL AGENDA

July 3, 2017

10:00 a.m. CITY COUNCIL MEETING
Harris Hall – *Via Conference Call*
125 East 8th Avenue
Eugene, Oregon 97401

Meeting of July 3, 2017;
Her Honor Mayor Lucy Vinis Presiding

Councilors

Alan Zelenka, President
Emily Semple
Claire Syrett
Jennifer Yeh

Mike Clark, Vice President
Greg Evans
Chris Pryor
Betty Taylor

10:00 a.m. CITY COUNCIL MEETING
Harris Hall, 125 East 8th Avenue – *Via Conference Call*

1. ACTION:
West Eugene E-Commerce Zone Designation

City Council President: *I move to adopt Resolution 5203, a resolution requesting that the West Eugene Zone be designated for electronic commerce.*

Call for vote.

The Eugene City Council welcomes your interest in these agenda items. This meeting location is wheelchair-accessible. For the hearing impaired, an interpreter can be provided with 48 hours' notice prior to the meeting. Spanish-language interpretation will also be provided with 48 hours' notice. To arrange for these services, contact the receptionist at 541-682-5010. City Council meetings are telecast live on Metro Television, Comcast channel 21, and rebroadcast later in the week.

El consejo de la Ciudad de Eugene agradece su interés en estos asuntos de la agenda. El lugar de la reunión tiene acceso para sillas de ruedas. Se puede proveer a un intérprete para las personas con discapacidad auditiva si avisa con 48 horas de anticipación. También se puede proveer interpretación para español si avisa con 48 horas de anticipación. Para reservar estos servicios llame al 541-682-5010. Las reuniones del consejo de la ciudad se transmiten en vivo por Metro Television, Canal 21 de Comcast y son retransmitidas durante la semana.

For more information, contact the Council Coordinator at 541-682-5010,
or visit us online at ***www.eugene-or.gov***.

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Action: West Eugene E-Commerce Zone Designation

Meeting Date: July 3, 2017

Department: Planning and Development Department

www.eugene-or.gov

Agenda Item Number: 1

Staff Contact: Amanda D'Souza

Contact Telephone Number: 541-682-5540

ISSUE STATEMENT

City Council is asked to consider a resolution authorizing the designation of an Electronic Commerce (E-Commerce) Zone as an overlay to the West Eugene Enterprise Zone (WEEZ). Council discussed the designation at the June 26 work session and tentatively agreed to approval of the resolution.

This meeting will take place via conference call. Councilors will phone-in at 10:00am on July 3 and officially vote on the resolution. The webcast will be available for streaming (audio-only) on the City's website: <https://www.eugene-or.gov/3360/Webcasts-and-Meeting-Materials>.

BACKGROUND

E-Commerce Zone

The E-Commerce Zone overlay applies to all of an existing enterprise zone boundary when designated. E-commerce businesses engage predominantly in transactions via the internet or an internet-based platform. These transactions can include taking orders, closing sales, making purchases, providing customer service, or undertaking other activities that serve the business's overall purpose. Qualifying businesses may receive a state income tax credit against the business's annual state income or corporate excise tax liability.

The state income tax credit that is available to qualified e-commerce businesses equals 25 percent of the investment cost made in capital assets used in e-commerce operations inside the enterprise zone. The annual maximum credit amount is \$2 million per year. Unused tax credit amounts may be carried forward for use over the next five years. The credit is claimed directly on corporate or individual tax returns. To be eligible for the credit, companies must be in compliance with the enterprise zone eligibility criteria (see Attachment B). No tax credits were awarded during the WEEZ's previous E-Commerce Zone designation.

State law (ORS 285C.095) limits the number of E-Commerce Zones to 15. Since there are 69 designated enterprise zones in the state, the E-Commerce Zone designation is highly-competitive. The City and County successfully applied for an E-Commerce Zone in 2012, but the Zone expired when the WEEZ expired last year and the City's re-application was unsuccessful. This year, there are two E-Commerce Zones available. Due to the limited number of overlays available, the state

has outlined several tie breakers, the first of which awards the designation to the enterprise zone with an earlier date of resolution adoption. In order to be competitive for a designation this year, Council will need to pass a resolution as early as possible after July 1. Today's Council vote puts the WEEZ in the best competitive position for the designation.

Enterprise Zone

The Oregon Enterprise Zone program is a State program established by the legislature in 1985 for the primary purposes of job creation, encouraging new investment, diversification, and competitiveness. The program offers a three-year property tax exemption for new buildings, renovation and expansion of buildings, and equipment investments made by qualified businesses located within a designated area defined by the zone sponsor. The exemption is designed to encourage new investment via a short-term property tax exemption, with the long-term goal of job creation and increased tax revenue for taxing districts after the exemption period. A qualified business is a (non-retail) manufacturing, processing, call-center, headquarters, distribution, or warehousing business that will increase its base employment by at least 10%. The short-term property tax exemption is limited to new, authorized investments that a qualified business makes in the WEEZ.

The WEEZ is jointly sponsored by the City of Eugene and Lane County, both of whom voted to re-designate the WEEZ in 2016 for an additional 10 years. The WEEZ boundary includes approximately 7.53 square miles in West Eugene. The boundary includes most of the industrial-zoned property in West Eugene. See Attachment B for more information on the WEEZ.

Next Steps

If Council passes the proposed resolution today, Lane County, the WEEZ co-sponsor, will consider a similar resolution later in July. This delayed County action would not have an impact on the timeliness of our request.

RELATED CITY POLICIES

The Enterprise Zone and E-Commerce designations encourage economic development activity targeted in the core area that supports adopted planning and policy goals and objectives.

Envision Eugene Pillars

Provide ample economic opportunities for all community members

1(a). Plan for an employment growth rate of 1.4 percent. This growth rate translates into an increase of 35,800 jobs over 20 years.

1(c). Work with property owners of current vacant or developed industrial lands, especially those larger than 25 acres, to reduce the financial and regulatory obstacles to development, with a goal of making these sites ready for development.

Regional Prosperity Economic Development Plan

By 2020, create 20,000 net new jobs in the chosen economic opportunity areas; reduce the local unemployment rate to, or below the state average; and increase the average wage to or above the

state average.

o *Strengthen Key Industries*

- Identify strategies to address unique and logistical needs of existing and emerging industries
- Develop associations or networks among targeted cluster businesses for innovative networking, information-sharing and provide opportunities for business growth
- Pursue opportunities to expand and recruit businesses, ideas, and entrepreneurs into our region
- Enhance our existing business and community

COUNCIL OPTIONS

- 1) Approve the E-Commerce resolution directing the City Manager to designate the West Eugene Enterprise Zone as an E-Commerce Zone
- 2) Decide not to approve the E-Commerce resolution

CITY MANAGER'S RECOMMENDATION

The City Manager recommends approval of the resolution supporting designation of an E-Commerce Zone in the WEEZ.

SUGGESTED MOTION

Move to adopt Resolution 5203, a resolution requesting that the West Eugene Zone be designated for electronic commerce.

ATTACHMENTS

Attachment A – Resolution No. 5203

Attachment B – West Eugene Enterprise Zone Overview

FOR MORE INFORMATION

Staff Contact: Amanda D'Souza

Telephone: 541-682-5540

Staff E-Mail: Amanda.m.dsouza@ci.eugene.or.us

RESOLUTION NO. 5203

**A RESOLUTION OF EUGENE REQUESTING THAT THE WEST
EUGENE ENTERPRISE ZONE BE DESIGNATED FOR ELECTRONIC
COMMERCE.**

The City Council of the City of Eugene finds that:

- A.** The City of Eugene and Lane County are co-sponsors of the West Eugene Enterprise Zone previously authorized and approved by the State of Oregon.
- B.** The West Eugene Enterprise Zone is a successful economic development tool for the City of Eugene, contributing to the establishment and expansion of diverse businesses and the creation of family wage jobs.
- C.** The City of Eugene has established itself as a community that can support businesses engaged in electronic commerce, particularly in west Eugene.
- D.** The Eugene City Council finds that such designation will provide additional incentives for qualified business firms to engage in electronic commerce within the boundaries of the West Eugene Enterprise Zone.

NOW, THEREFORE,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EUGENE, a
Municipal Corporation of the State of Oregon, as follows:**

Section 1. The City of Eugene requests the State of Oregon Business Development Department to designate the West Eugene Enterprise Zone as an Electronic Commerce Zone.

Section 2. The City Manager or his designee is authorized to submit this resolution, together with a similar resolution from the Lane County Board of Commissioners, as part of the application for the Electronic Commerce designation for the West Eugene Enterprise Zone.

Section 3. This Resolution is effective immediately upon its passage by the City Council.

The foregoing Resolution adopted the ____ day of July, 2017.

City Recorder

West Eugene Enterprise Zone Overview

Program Summary

Description: By offering a short-term tax exemption, the purpose of the enterprise zone program is to encourage new business investment, job creation, higher incomes for local residents, and greater diversity of economic activity. Enterprise zones induce eligible businesses of all sizes to make additional investments that will improve employment opportunities and spur economic growth. Eligible business that make authorized investments within an enterprise zone will be exempted for 3 to 5 years from local assessment of property taxes on the value added to the business and property located within the enterprise zone. Enterprise zone property is also exempt for up to two years while it is being constructed or installed.

Business Firm Eligibility: Prior to commencing construction or installation of equipment or machinery, an eligible business firm must submit an application to the zone sponsor who then determines eligibility and authorizes the investment for purposes of the program. Eligible firms include manufacturers, processors, shippers, and other operations that serve other organizations, as well as headquarters and call centers. Otherwise, retail, construction, financial, and certain other activities are explicitly ineligible.

Qualified Property: Investments that result in a new building, modification or addition to a building, or new machinery or equipment qualify for exemption. Land, previously used property, and minor personal property items do not qualify.

Requirements: In exchange for the tax exemption and to continue to be eligible, authorized businesses must meet the following requirements:

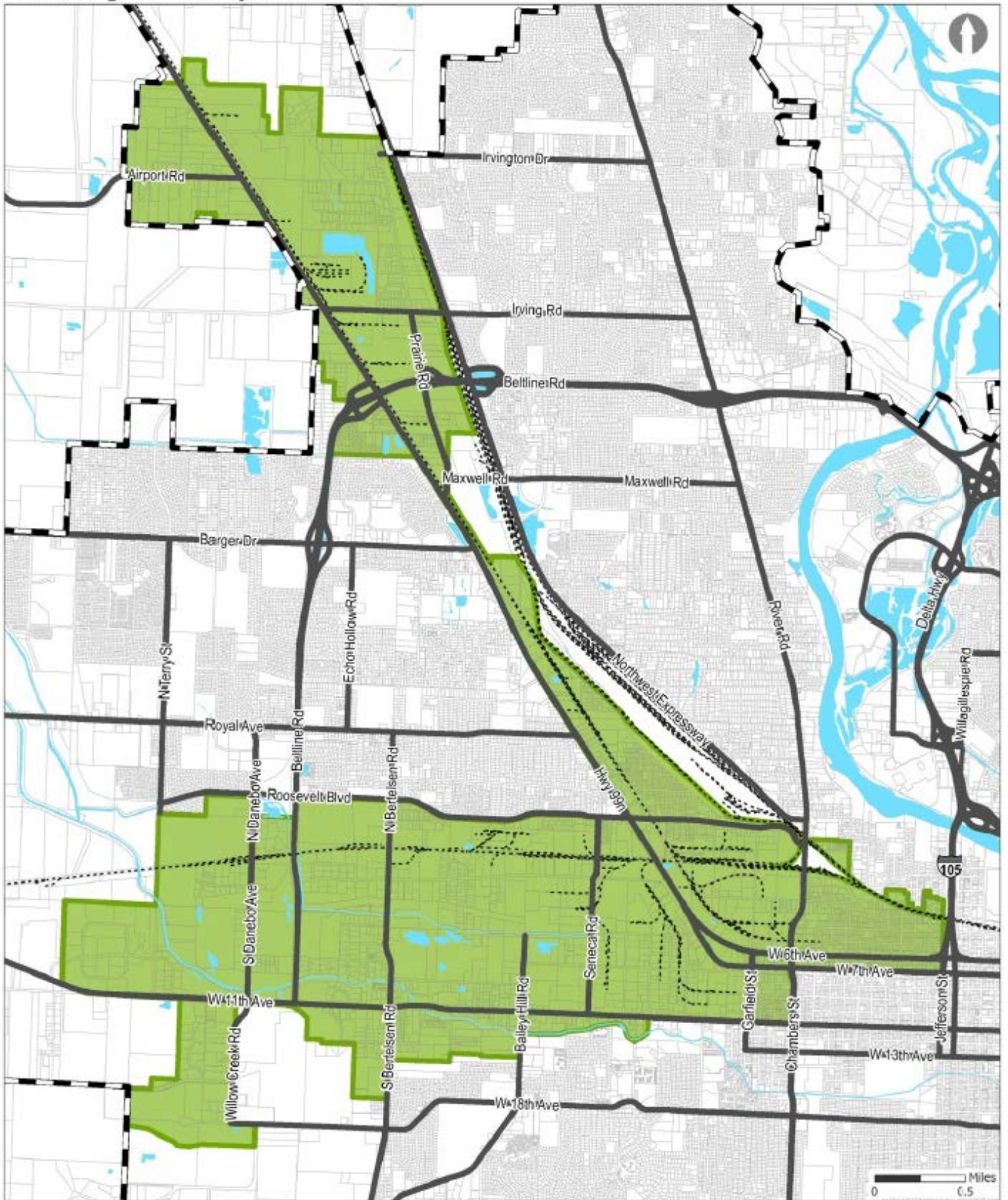
3-year enterprise zone exemption

- Increase full-time, permanent employment of the firm inside the enterprise zone by the greater of one new job or 10 percent (except for special case local sponsor waivers);
- No concurrent job losses more than 30 miles from the zone;
- Maintain employment levels during exemption period;
- Enter into first source hiring agreement with local job training providers; and
- Satisfy local additional conditions.

4- or 5-year enterprise zone exemption

- All requirements for 3-year exemption;
- “Compensation” of new workers at 150% of county average wage;
- Local approval by written agreement with the local zone sponsor; and
- Additional requirements that the local zone sponsor may reasonably request.

West Eugene Enterprise Zone



-  Eugene UGB
-  West Eugene Enterprise Zone
-  Railroads

City of Eugene
Planning and Development
October 15, 2012



Caution: This map is based on imprecise source data, subject to change, and for general reference only.

2005-2016 Program Metrics

Approved Investments Currently in Progress or Completed

Number of participating businesses: 24

Number of approved investments: 30

Number of investments by local companies: 28

Estimated value of investments at application: \$848 million

Estimated value of investments at application, excluding Hynix: \$135 million

Average investment per business*: \$5.9 million

Jobs

Total jobs projected at application*: 263

Total jobs created (based on final or most recent exemption claim)*: 551

Exemptions

Total tax exemptions granted 2005-2016*: \$4.8 million

Average annual total tax exemptions*: \$398,000

Average exemption per job created*: \$8,665

Upcoming

Pending applications: 4

Pending proposed investments: \$61 million

Pending projected job creation: 225 jobs

*excludes Hynix