

**CITY OF MILWAUKIE
CITY COUNCIL MEETING
JUNE 1, 2010**

CALL TO ORDER

Mayor Ferguson called the 2079th meeting of the Milwaukie City Council to order at 7:03 p.m. in the City Hall Council Chambers.

Present: Mayor Jeremy Ferguson, Council President Greg Chaimov and Councilors Deborah Barnes and Susan Stone

Excused: Councilor Joe Loomis

Staff present: City Manager Pro Tem Pat DuVal, City Attorney Bill Monahan, Senior Planner Susan Shanks, Engineering Director Gary Parkin, Community Development and Public Works Director Kenny Asher, Operations Director Paul Shirey, and Community Services Director JoAnn Herrigel.

PLEDGE OF ALLEGIANCE

PROCLAMATIONS, COMMENDATION, SPECIAL REPORTS AND AWARDS

A. Sunnybrook Extension Update

Dan Johnson, Clackamas County, and staff from the County Engineering Division provided an update on the Sunnybrook Extension project. The County had participated in meaningful discussions with many interested parties about the Harmony corridor. They were looking for creative, cost effective ways to deal with traffic issues, minimize environmental impacts, reduce neighborhood impacts, have terminated the draft environmental impact statement (DEIS) process in favor of a more simple neighborhood process, and coordinated with the Harmony Road Community Campus to balance the needs of the community. To do this an engineering design contract with OTAK was approved last week. He reviewed the key elements of the contract and the 30% "pause clause" to provide for a community comment period for consideration by the Clackamas County Board of Commissioners (BCC). To help reduce costs earlier work would be prioritized including the tree impact assessment as the road had been moved outside the study area and watershed considerations. The BCC would be updated and potentially give additional direction on those topics. Mr. Johnson addressed public outreach efforts. The 30% point will likely be reached in December and results reported.

Mayor Ferguson asked that updates be provided to the City Council when available.

Mr. Johnson replied that would be done, and Engineering Director Parkin would be included on engineering updates.

Councilor Barnes stated this had been a sore subject for many parties in the City of Milwaukie including neighborhood associations, CPOs, and the Tsunami Crew. All had said "no." She did not feel finding out a contract had already been awarded to OTAK was public outreach. The BCC was not interested in hearing comments from the City. With the Oregon Institute of Technology (OIT) gone, there was no reason for this. She and others would tie themselves to trees when the bulldozers came in because Milwaukie and others had already said "no" many times. The Commissioners could fight with her and others while they were attached to the trees.

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Councilor Stone agreed with Councilor Barnes. This City Council voted to oppose this project, and this presentation disturbed her. She did not feel the County was being transparent, and people did not trust government. The people had spoken, and she was frustrated as this City Council voted not to support this project.

Mr. Johnson would reiterate all the comments, and the intent was to get clarity on all the issues at hand and honestly answer questions.

Mayor Ferguson reiterated the community wanted to be involved in the process and have its opinions heard at the County level.

CONSENT AGENDA

It was moved by Councilor Chaimov and seconded by Councilor Barnes to approve the consent agenda as presented.

- A. **Resolution 42-2010**: A Resolution of the City Council of the City of Milwaukie, Oregon, Authorizing the Mayor to Execute on Behalf of the City of Milwaukie an Intergovernmental Agreement among the Tri-County Metropolitan Transportation District of Oregon, the City of Portland, and the City of Milwaukie for Transit Police Services;
- B. **Resolution 43-2010**: A Resolution of the City Council of the City of Milwaukie, Oregon Reappointing Mary Weaver to the Public Safety Advisory Committee as the Hector Campbell Neighborhood District Association Representative;
- C. **Resolution 44-2010**: A Resolution of the City Council of the City of Milwaukie, Oregon, Reappointing Ray Bryan to the Public Safety Advisory Committee as the Historic Milwaukie Neighborhood District Association Representative;
- D. **Resolution 45-2010**: A Resolution of the City Council of the City of Milwaukie, Oregon, Appointing Mark Gamba to the Planning Commission;
- E. **Resolution 46-2010**: A Resolution of the City Council of the City of Milwaukie, Oregon, Approving the Award of Contract for the Construction of 43rd Avenue (King Road to Rockwood Street) Water System Improvements;
- F. **Resolution 47-2010**: A Resolution of the City Council of the City of Milwaukie, Oregon, Approving the Award of Contract for the Construction of the 2010 Wastewater Capital Maintenance Project;
- G. **Resolution 48-2010**: A Resolution of the City Council of the City of Milwaukie, Oregon, Authorizing the City Manager to Execute Two Contracts with NW Controls Company for the Purchase and Installation of Two-30-Ton HVAC Systems at the Public Safety Building (PSB) for \$120,000 and the Replacement of Dampers in Variable Air Volume (VAV) Ceiling Units for \$90,000;
- H. The City Council Minutes of the February 2, 2010 Work Session; and
- I. An OLCC Application for Pizano's Pizza, 10843 SE Oak Street for Additional Privilege

Motion passed with the following vote: Councilors Barnes, Chaimov, and Stone and Mayor Ferguson voting "aye." [4:0]

AUDIENCE PARTICIPATION

Willie Miller, AFSCME Local 350 President, stated the unit was in the middle of bargaining with the City and was aware of current financial situation. He and the membership were greatly concerned that there was a proposal to add an assistant city

manager position when significant cuts were proposed to the current contract. He hoped it was not the City Council's intent to balance the budget on the City workers alone.

PUBLIC HEARING

None scheduled.

OTHER BUSINESS

A. Expedited Annexation in Northeast Sewer Extension Project Area

Ms. Shanks provided the staff report and indicated the site on a map and aerial. The property was currently zoned R-7 and was the first annexation in the NE Sewer Extension Project Area. The property owner requested the annexation in order to begin construction of a single-family residence and to connect to sewer service as soon as it was available. The proposal met all requirements, and there were no objections from any of the parties. The City was still in talks with Clackamas River Water about the provision of water service in this area in the future. The proposed action would annex the property into the City and withdraw it from two special districts, street lighting and enhanced law enforcement.

Councilor Stone asked how law enforcement would respond logistically when parts of that area were annexed and others were not.

Ms. Shanks responded LOCOM would determine the appropriate responder, and there were existing interagency agreements.

It was moved by Councilor Barnes and seconded by Councilor Stone for the first and second readings by title only and adoption of the ordinance annexing a tract of land identified as 5840 SE Morris Street into the City limits and withdrawing the tract from the Clackamas County Service District for Enhanced Law Enforcement and Clackamas County Service District #5 for street lights. Motion passed with the following vote: Councilors Barnes, Chaimov, and Stone and Mayor Ferguson voting 'aye.' [4:0]

City Attorney Monahan read the ordinance two times by title only.

Ms. DuVal polled the City Council: Councilors Barnes, Chaimov, and Stone and Mayor Ferguson voting 'aye.' [4:0]

ORDINANCE NO. 2016:

AN ORDINANCE OF THE CITY OF MILWAUKIE ANNEXING A TRACT OF LAND IDENTIFIED AS 5840 SE MORRIS STREET INTO THE CITY LIMITS OF THE CITY OF MILWAUKIE AND WITHDRAWING THE TRACT FROM THE TERRITORY OF CLACKAMAS COUNTY SERVICE DISTRICT FOR ENHANCED LAW ENFORCEMENT AND CLACKAMAS COUNTY SERVICE DISTRICT NO. 5 FOR STREET LIGHTS. (FILE #A-10-01)

B. Lake Road Multimodal Project Easement and Real Property Acquisition through Eminent Domain if Necessary

Mr. Parkin provided the staff report seeking approval of eminent domain authority by resolution. He reviewed the history of prior actions and discussions. The project was in the property acquisition phase, and this step provided incentive to people to reach acceptance of property offers through negotiations. This step should end about November 2010, and he highlighted other project timelines.

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Councilor Stone hoped the City would not have to implement eminent domain as she had never liked that process. She commented on the reduced project scope and signalization at Oatfield. She was under the impression construction costs were down, and this was a good window of opportunity.

Mr. Parkin explained there were more stormwater issues than anticipated. New estimates may reveal lower construction costs that benefit this project.

Councilor Stone understood the posted speed would remain 30 mph, and she was concerned about increased traffic.

Mr. Parkin said the neighborhood had similar concerns, and elements may be added to the design once the pavement line was determined.

Councilor Stone would want to be more proactive with traffic calming. She thought it would be more cost effective to install speed bumps at the time of construction and increase longevity if installed with the asphalt.

Mr. Parkin said typically speed bumps were done later, and curb returns would be done now. The neighborhood was anticipating rumble strips which were inexpensive and could be installed any time.

Councilor Stone thought rumble strips were too noisy.

It was moved by Councilor Chaimov and seconded by Councilor Barnes to adopt the resolution declaring the public necessity for the construction of the Lake Road Multimodal Project and need to acquire real property and easements therefore. Motion passed with the following vote: Councilors Barnes, Chaimov, and Stone and Mayor Ferguson voting 'aye.' [4:0]

RESOLUTION NO. 49-2010:

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILWAUKIE, OREGON, DECLARING THE PUBLIC NECESSITY FOR THE CONSTRUCTION OF THE LAKE ROAD MULTIMODAL PROJECT AND NEED TO ACQUIRE REAL PROPERTY AND EASEMENTS THEREFORE.

C. City Manager Profile Start

Mayor Ferguson discussed the draft City Manger profile reviewed during executive session.

It was moved by Councilor Chaimov and seconded by Councilor Stone to adopt the city manager profile. Motion passed with the following vote: Councilors Barnes, Chaimov, and Stone and Mayor Ferguson voting 'aye.' [4:0]

D. Council Reports

The Mayor and Councilors reported on recent meetings they had attended and announced upcoming community events.

ADJOURNMENT

It was moved by Councilor Chaimov and seconded by Councilor Stone to adjourn the meeting. Motion passed with the following vote: Councilors Barnes, Chaimov, and Stone and Mayor Ferguson voting "aye." [4:0]

Mayor Ferguson adjourned the regular session at 7:47 p.m.



Pat DuVal, Recorder

WORK SESSION

AGENDA

WORK SESSION MILWAUKIE CITY COUNCIL JUNE 1, 2010

MILWAUKIE CITY HALL

Second Floor Conference Room
10722 SE Main Street

A light dinner will be served

WORK SESSION – 5:30 p.m.

Discussion Items:

	<u>Time</u>	<u>Topic</u>	<u>Presenter</u>	<u>Page #</u>
1.	5:30 p.m.	Strategic Investment Zone Update	Alex Campbell	1
2.	6:00 p.m.	Executive Session pursuant to ORS 192.660(2)(d) labor negotiator consultations and ORS 192.660(2)(h) consultation with counsel concerning legal rights and duties regarding current litigation or litigation likely to be filed.		
3.	6:45 p.m.	Adjourn		

Information

Executive Session: All discussions are confidential and those present may disclose nothing from the Session. Representatives of the news media are allowed to attend Executive Sessions as provided by ORS 192.660(3) but must not disclose any information discussed. No Executive Session may be held for the purpose of taking any final action or making any final decision. Executive Sessions are closed to the public.

Public Notice

- The Council may vote in work session on non-legislative issues.
- The time listed for each discussion item is approximate. The actual time at which each item is considered may change due to the length of time devoted to the one previous to it.
- The Council requests that all pagers and cell phones be either set on silent mode or turned off during the meeting.
- The City of Milwaukie is committed to providing equal access to information and public meetings per the Americans with Disabilities (ADA). If you need special accommodations, please call 503.786.7502 or email ocr@ci.milwaukie.or.us at least 48 hours prior to the meeting.



To: Mayor and City Council

**Through: Pat DuVal, Interim City Manager
Kenneth Asher, Community Development & Public Works Director**

From: Alex Campbell, Resource & Economic Development Specialist

Subject: Strategic Investment Zone Update – Draft IGA

Date: May 18 for June 1, 2010 Work Session

Action Requested

Provide direction to staff on any additional program elements or requirements for the proposed Clackamas urban Strategic Investment Zone. Provide Council's preference for method of allocation of any future community service fee revenues.

History of Prior Actions and Discussions

February 2010: Work Session on preliminary proposal.

April 2008: Approved Resolution (No. Resolution 30-2008), extending the period of the Milwaukie/North Clackamas Enterprise Zone by ten years.

Background

Strategic Investment Zone Basics

An urban Strategic Investment Zone (SIZ) is a locally-established economic development incentive for projects with extraordinarily large capital investments. The SIZ exempts the value of capital investments over \$100 million from all property taxation for a period of up to 15 years. Only businesses that sell their products or services to national or international markets are eligible; examples include high tech manufacturing and energy generation. A Community Service Fee (CSF) equal to 25% of the abated property taxes, capped at \$2 million per year, is collected.

This kind of tax abatement has been available in Oregon for several decades on a project-by-project basis through the Strategic Investment Program (SIP). The SIP was originally developed to encourage massive capital investments in micro-chip fabrication facilities. Because these plants have large amounts of expensive production equipment that would be taxed as property under Oregon tax law, the normal tax structure is a barrier to this kind of investment in Oregon.

In 2005, the State legislature established the SIZ in order to allow local jurisdictions to essentially pre-approve SIP abatements. SIP abatements are negotiated on a case-by-case basis, and the time required and political nature of the process can reduce the attractiveness of the incentive to a potential investor. The SIZ can overcome that barrier by setting out clear requirements ahead of time and providing a potential investor confidence up-front that the abatement is available. The Gresham/Multnomah SIZ established in 2009 is the only one in the state.

Community Service Fee Distribution

In addition to CSF revenues, one-half of income tax revenues generated by the investment are returned to the local taxing districts to be distributed in the same manner as the CSF. The most common method for distributing these types of revenues (under the Strategic Investment Program, which has been implemented much more frequently) is a *pro rata* distribution among some or all of the applicable taxing districts.¹

However, other structures are possible. For instance, Multnomah County and the City of Gresham recently established an SIZ in Gresham, which called for a future distribution agreement to apportion some revenues to a Community Enhancement Fund, dedicated to “provide coordinated community services support relating to the impacts and needs of projects within the SIZ.” The Fund would be administered by the Zone sponsors: the City of Gresham and Multnomah County.

The primary taxing districts that applicable to the project locale must agree on the CSF distribution method.² In the case of the City of Milwaukie, this means that any agreement must include both the City and the North Clackamas School District, plus either the County or the Fire District. (If an agreement cannot be reached, the matter is referred to a state Commission, which is empowered to set the allocation formula, and is directed to: “Rely primarily on the relative proportions of prevailing property tax rates among affected local taxing districts.”)

¹ Fee distribution is either according to a negotiated agreement between the eligible districts, or as set by the Finance Committee of the Oregon Business Development Commission.

² Specifically, taxing districts accounting for at least 75% of the permanent rate and local option rates applicable in the tax code within which the project is located must concur.

SIZ Proposal

The draft IGA (Attachment 1) lays out the SIZ as proposed. It does not include any “claw-back” provision, but does provide for sanctions and resolution procedures if/when a company goes out of compliance with the requirements. Based, in part, on discussions with Clackamas Fire District No. 1, a wage level requirement has also been included, similar to that used in the Enterprise Zone (i.e., all jobs must pay at least 150% of State of Oregon minimum wage). The statute requires a “hire local” provision (which can be met through “good faith efforts”). In addition, the proposed Clackamas Zone includes the following requirements

- A “First Source Contracting Agreement” to consider using qualified local contractors and suppliers where possible;
- A commitment to work with local workforce training and education providers to meet short and long term workforce needs.
- Companies must meet all local zoning, permitting, building and environmental requirements and pay all associated fees.

The Clackamas County Board of Commissioners will hold a public hearing on June 10, and may take action on the IGA at that time. If the City wishes to request any changes to the IGA, it would be much preferable to make that request at this time. The City can add requirements that would only be applicable to projects in the City.

Concurrence

The County hosted a meeting and invited all of the potentially impacted taxing districts. Two of the smaller school districts (not North Clackamas Schools) and Clackamas County Fire District No. 1 attended. CCFD No. 1 also provided a written response to the proposal, described below with a staff response that was jointly developed by County and City staff.

1. CCFD No. 1 position: Fire district service levels would be degraded if a SIZ investment is made.
Staff response: Because the first \$100 million in value is taxed at normal rates, and CSF and other revenues would be available, the fire district would have funds to address any new service demands. Estimates of new revenues for the fire district under four possible investment scenarios ranged from \$60,000 to \$300,000 per year.
2. CCFD No. 1 position: Tax abatements only shift economic activity within the region.
Staff response: Historically, large capital investments do not show this pattern. Companies that have used the Strategic Investment Program (the precursor to

the SIZ) have made significant investments in new equipment and building expansions on existing sites or are new to Oregon. Furthermore, rejecting this proposal would not change the fundamental competitive landscape; it is in Clackamas County's interest to attract new investment. This specific proposal – the Strategic Investment Zone -- impacts a very small subset of industrial recruitments and would bring Clackamas County closer to a level playing field with the taxing environment in other states with which Oregon competes for these major investments.

3. CCFD No. 1 position: City and County should waive Systems Development Charges, permit fees, and building fees before considering any tax abatements. Staff response: First, these fees and charges are relatively minor in comparison to the overall \$100+ million investment size and unlikely to sway a business location decision on their own merits. Based on Oregon's and the region's business recruitment experience, major business recruitments like this are offered substantial incentives by other states—sometimes including free land and cash incentives in the millions of dollars. Second, these charges and fees support critical basic services. (Clearly, the fire district provides critical basic services as well. However, as described above, if an SIZ project were to materialize, the Fire District would receive substantial new property tax revenues relative to additional service burdens.)
4. CCFD No. 1 request: Zone eligibility should include requirements for employment wage minimums. Staff response: A wage minimum has been added that requires wages consistent with the three year Enterprise Zone program, i.e., a minimum of 150% of the state minimum wage with benefits.
5. CCFD No. 1 request: Establish a limit on the personal property tax abatement. Staff response: The unusual nature of Oregon's property tax structure and the extremely large amounts of personal property in some business operations are the fundamental basis for this program. It is important to note that the abatement is already limited in the sense that the first \$100 million in value is fully taxed at normal rates—and the community service fee captures 25% of abated taxes.
6. CCFD No. 1 position: Community Service Fee distribution should be weighted in favor of those districts that are more heavily reliant on property tax income. Staff response: This would be complicated to determine and potentially controversial with other taxing districts. (For example, while cities have other sources of income for utilities and other business operations, their general funds are also highly dependent on property tax revenues.)

7. CCFD No. 1 request: Please describe potential impacts on Urban Renewal.
Staff response: The value of the new investment—the \$100 million base that is taxed—would accelerate the rate at which the urban renewal agency received increment revenue. Therefore, the district would be terminated and/or some portion of TIF revenues returned to over-lapping districts sooner than absent the investment.
8. CCFD No. 1 position: Fire district's expenses for plan review, inspections, and specialized response should be reimbursed.
Staff response: The SIZ proposal has been adjusted to accelerate receipt of community service fees to reduce any period of time during which the Fire District would not be compensated. In those areas where a community enhancement fund or similar structure is established, the Fire District could request compensation for these costs.
9. CCFD No. 1 request: Please provide annual reporting.
Staff response: This request has been accommodated in the next draft of the Standardized Agreement.

Fiscal Impact

No action requested. The nature and scale of the investments eligible for an SIZ abatement would clearly be a fiscal net-positive for the City.

Work Load Impacts

Completion of SIZ-related agreements would fall within the existing work load of Community Development staff. Work load under an SIZ umbrella is probably significantly less than would be the case if the City was considering an individual SIP.

Alternatives

No action requested. If the City does not choose to participate in a county-wide zone, Milwaukie could establish a local SIZ or consider use of an individualized SIP if a specific proposal arises.

Attachments

1. Draft IGA

**CLACKAMAS COUNTY STRATEGIC INVESTMENT ZONE #1
INTERGOVERNMENTAL AGREEMENT**

BETWEEN

CLACKAMAS COUNTY, OREGON

AND

**THE CITIES OF LAKE OSWEGO, MILWAUKIE, OREGON CITY, HAPPY VALLEY,
SANDY, ESTACADA, CANBY, AND MOLALLA**

This Clackamas County Strategic Investment Zone #1 Intergovernmental Agreement ("Agreement") is by and between Clackamas County, Oregon (the "County") and the Cities of Lake Oswego, Milwaukie, Oregon City, Happy Valley, Sandy, Estacada, Molalla, and Canby (the "Cities").

RECITALS

A. The County and the Cities compete with local, national and foreign jurisdictions to attract investment by capital-intensive industries. Industries requiring capital-intensive investments are desirable to the County and the Cities because such industries invest heavily in developing the skill levels of their employees, pay their employees well, and contribute in other important ways to the economic development of the region.

B. Under Oregon's tax structure, capital-intensive businesses are subject to disproportionately high property taxes when compared to more typical production facilities. This tax burden is a factor in such industries' consideration of location and expansion in Oregon.

C. The Oregon Legislative Assembly chose to establish an economic development instrument known as Strategic Investment Zones ("SIZ") to encourage additional investment and employment within the State by businesses qualified under ORS 285C.505(3) (hereinafter "Business Firm") that make capital-intensive property investments.

D Oregon law at ORS 285C.623 through 285C.639 and rules established by the Oregon Business Development Department and the Oregon Department of Revenue control the establishment and operation of strategic investment zones. The characteristics and benefits of the Clackamas County SIZ include:

(1) SIZ Tax Abatement. Under the process set out in ORS 307.123 (hereinafter "Tax Abatement") Business Firms with a project in the Clackamas County SIZ pay full property taxes on the first \$100 million invested in the urban portion of the SIZ and \$25 million in the rural portion of the SIZ (hereinafter the "Project") (see Exhibit A attached).

Taxes on the value of property in excess of that amount are abated, however, the urban area \$100 million cap and the rural area \$25 million cap increases by three percent (3%) each year. SIZ Tax Abatement is limited in duration and will not exceed 15 years.

(2) Qualification. To qualify for the program, businesses must meet the basic eligibility standards established by the state of Oregon in addition to the Clackamas County SIZ requirements outlined in Exhibit B. The benefits and requirements of a particular SIZ are established at the time the SIZ is created and will not vary thereafter. As a result, contract negotiation and local jurisdiction discretionary review are removed from the project approval process. The standardization inherent in an SIZ lends consistency and predictability to the program. Such consistency and predictability increases the accuracy with which Business Firms can assess the benefits of an SIZ, which, in turn, increases the desirability of investing within an SIZ.

(3) Community Services Fee (CSF). Business Firms receiving SIZ Tax Abatement must pay an annual fee, known as the Community Service Fee, equal to the lesser of twenty-five percent (25%) of abated taxes or \$2 million in the Urban SIZ and \$500,000 in the Rural SIZ. This fee is shared according to the Community Service Fee provisions outlined in Exhibit C attached.

(4) Income Tax Payment. Oregon will distribute fifty percent (50%) of the personal income tax revenue attributable to the Clackamas County SIZ to the required local taxing authorities according to the agreed upon distribution of Community Service Fee payments outlined in Exhibit C.

(5) Regional Employment Incentive. Business Firms receiving SIZ Tax Abatement must enter into a First-Source Hiring Agreement, which promotes gainful work for persons already residing in the proximate city or county of the approved project as outlined in Exhibit D attached.

(6) Reduced Administrative Costs. The SIZ is designed to reduce local jurisdiction administrative costs through standardization of the requirements and procedures for obtaining SIZ Tax Abatement.

E. At various meetings with city councils during May and June 2010, the Cities approved co-sponsorship and operation of the Clackamas County SIZ and the execution of this Agreement.

F. On June 10, 2010, the County approved co-sponsorship and operation of the Clackamas County SIZ #1 and the execution of this Agreement.

G. The parties desire to execute this Agreement in order to co-sponsor the establishment of Clackamas County SIZ by the Oregon Business Development Commission and to provide for its joint-operation by the parties.

WHEREFORE, in consideration of the mutual promises, covenants, and conditions contained herein, and with intent to be legally bound, the County and the Cities hereby agree as follows:

AGREEMENT

1. DECLARATION OF PURPOSE

A. This Agreement addresses and is pursuant to the provisions of ORS Chapter 285C, especially ORS 285C.600 through ORS 285C.639 and OAR 123 at Division 23, especially OAR 123-023-1000 through 123-23-4100, which describe the process for creating and operating an SIZ. The County and the Cities recognize that once established, the SIZ does not expire and may not be terminated.

2. AREA AND BOUNDARIES OF CLACKAMAS COUNTY SIZ.

The Clackamas County SIZ is located wholly within the County. The Clackamas County SIZ is contiguous and is exclusive of land inside of any other SIZ. The boundaries of the Clackamas County SIZ are set forth in the map in Exhibit A.

3. OBJECTIVES OF THE CLACKAMAS COUNTY SIZ.

The objectives of the Clackamas County SIZ include:

- To attract large capital intensive traded sector business to Clackamas County and the co-sponsoring Cities.
- To increase business investment, employment, and economic output in cities and unincorporated Clackamas County.
- To provide a clear and streamlined process for businesses interested in the program.
- To use Community Service Fees to mitigate impacts on infrastructure, services, and other fiscal demands of these large companies.

4. OBLIGATIONS

A. Joint Operation. The County and City are the co-Sponsors of the Clackamas County SIZ and shall jointly operate the zone. To the extent that additional administrative oversight, implementation, procedures, and/or standardized forms and other clear and straightforward materials must be developed pursuant to OAR 123-023-3100(3) (a) through (d) and OAR 123-023-3300(2), Clackamas County shall assume the primary role in providing these services. The Cities shall have full and complete opportunities to participate in the process and approve procedures and documents. Pursuant to OAR 123-023-3200(8) County and the Cities shall provide the documentation of the Clackamas County SIZ program to the Oregon Business Development Department

including copies of additional policies, rules, procedural guidelines, administrative plans, methods of verification and a sample standardized agreement. The County and City shall request designation of the Clackamas County SIZ as soon as practicable after completion of the public hearing required in ORS 285C.623(4).

B. Community Service Fee. Each Business Firm that is to benefit from SIZ Tax Abatement shall pay a Community Services Fee ("CSF") for community services support that relates to the direct impact of the eligible project on public services as set forth in this section.

1. Amount. For each year in which a Business Firm benefits from SIZ Tax Abatement, the Business Firm shall pay to the County a CSF, as provided in ORS 285C.609 (4) (b) (B), in an amount equal to twenty-five percent (25%) of the property taxes that would, but for the tax abatement, be due on the exempt property in each assessment year, but not exceeding \$500,000 in rural portions of the SIZ and \$2 million in urban portions of the SIZ per eligible project in any year.

2. Due Date.

a. For the initial year, the CSF shall be paid in installments.

1) The first quarter shall be paid at the time the application for a building permit is made.

2) The second quarter shall be paid within thirty days of the issuance of the Certificate of Occupancy.

3) The remaining half of the payment of the CSF for the initial year shall be paid no later than the November 15th immediately following the date the Certificate of Occupancy was issued.

b. For each year thereafter during the life of the abatement, on or about Nov. 15, the County shall provide each Business Firm that receives Tax Abatement in the Clackamas County SIZ with a statement describing CSF calculations and the amount due. Each Business Firm receiving such statement shall pay the amount due within 30 days thereafter.

3. The CSF payment shall be made to Clackamas County and sent to:

Strategic Investment Zone Coordinator
Clackamas County Business and Economic Development
150 Beaver Creek Road
Oregon City, OR 97045

3. Adjustments. If the assessed value of the Business Firm is adjusted after November 15 of any tax year in such a manner that property taxes due from the Business Firm are reduced, and the reduction reduces the CSF for that year, the County shall pay the amount of the reduction to the Business Firm, together with interest at the rate established by law for tax refunds and delinquencies (ORS 311.505(2)) from the date of payment of the CSF. If the County does not pay the amount by November 10 of the following year, the Business Firm may withhold the unpaid amount, plus interest as provided in this section, from subsequent CSF payments due from the Business Firm. If the remaining CSF payments due from the Business Firm are less than the amount owed by the County to the Business Firm under this section, the County shall pay the amount due to the Business Firm not later than December 15 of the year following the year in which the reduction occurs. An appeal of the assessed value does not defer the CSF payment obligation set forth above. Any adjustments based on the outcome of the appeal shall be in accord with this paragraph.

4. Late Payment of CSF. Failure to make payment in full of any fee by the due date shall result in interest being charged on the past due balance at the rate established by law for delinquencies (ORS 311.505(2)) and the additional payment of such penalty or penalties as the Clackamas County Standardized Agreement set out in Section 4-C may set out.

5. Nonpayment of CSF. If the Business Firm fails to pay the CSF by the end of the tax year in which it is due, the tax exemption shall be revoked and the property shall be fully taxable for the following tax year for which the fee remains unpaid.

C. Clackamas County SIZ Standardized Agreement. A Business Firm seeking SIZ Tax Abatement under ORS 307.123 in the Clackamas County SIZ shall execute the Clackamas County SIZ Standardized Agreement (“Standardized Agreement”) attached as Exhibit E

D. Clackamas County SIZ Standardized First-Source Hiring Agreement and First Source Contracting Agreement. In order to encourage hiring of persons living in Clackamas County, and businesses located in Clackamas County, a Business Firm seeking SIZ Tax Abatement under ORS 307.123 in the Clackamas County SIZ shall execute the Clackamas County SIZ Standardized First-Source Hiring Agreement and First Source Contracting Agreement attached as Exhibit D.

E. Distribution of Payments. The distribution of all payments by a Business Firm and by the state to the County, the City, and other local taxing authorities shall be determined as outlined in Exhibit C.

F. Urban Renewal. In the event the Project is located in whole or in part within the boundaries of an urban renewal district, the applicable urban renewal agency shall consult and confer with the affected taxing districts in the manner provided in ORS

457.085(5) and 457.437. In its review of the effect of the Project on the urban renewal plan and in its dialogue with the affected taxing districts the urban renewal agency shall note its options under ORS 457.455 and the effect of the Project, if any, on maximum indebtedness and the possible application of ORS 457.470 and its provisions as to the concurrence of the tax districts.

5. MISCELLANEOUS TERMS

A. Governing Law. This Agreement shall be governed by the law of the State of Oregon. Any actions or suits commenced in connection with this Agreement shall be in Circuit Court of Clackamas County or Federal District Court for Oregon.

B. Complete Agreement. This Agreement and its attached exhibits are the complete and exclusive statement of the Agreement between the parties relevant to the purpose described above and supersedes all prior agreements or proposals, oral or written, and all other communication between the parties relating to the subject matter of this Agreement. No modifications of the Agreement will be binding on any party except as a written addendum signed by authorized agents of each party. All rights and remedies of each party shall be cumulative and may be exercised successively or concurrently. The foregoing is without limitation to or waiver of any other rights or remedies of either party according to law.

The balance of this page has been intentionally left blank.

C. Counterparts. This Agreement may be signed in counterparts. When every party has signed a counterpart all parties shall be bound by this Agreement.

CLACKAMAS COUNTY

CITY OF LAKE OSWEGO

Lynn Peterson
Chair

Jack D. Hoffman
Mayor

Date: _____

Date: _____

Mary Raethke
Recording Secretary

Recorder

Reviewed for legal sufficiency
and form:

Reviewed for legal sufficiency
and form:

Counsel

Counsel

CITY OF MILWAUKIE

CITY OF OREGON CITY

Jeremy Ferguson
Mayor

Alice Norris
Mayor

Date: _____

Date: _____

Recorder

Recorder

Reviewed for legal sufficiency
and form:

Reviewed for legal sufficiency
and form:

Counsel

Counsel

CITY OF HAPPY VALLEY

CITY OF SANDY

Rob Wheeler
Mayor

Linda Malone
Mayor

Date: _____

Date: _____

Recorder

Recorder

Reviewed for legal sufficiency
and form:

Reviewed for legal sufficiency
and form:

Counsel

Counsel

CITY OF ESTACADA

CITY OF CANBY

Becky Arnold
Mayor

Melody Thompson
Mayor

Date: _____

Date: _____

Recorder

Recorder

Reviewed for legal sufficiency
and form:

Reviewed for legal sufficiency
and form:

Counsel

Counsel

CITY OF MOLALLA

Mike Clarke
Mayor

Date: _____

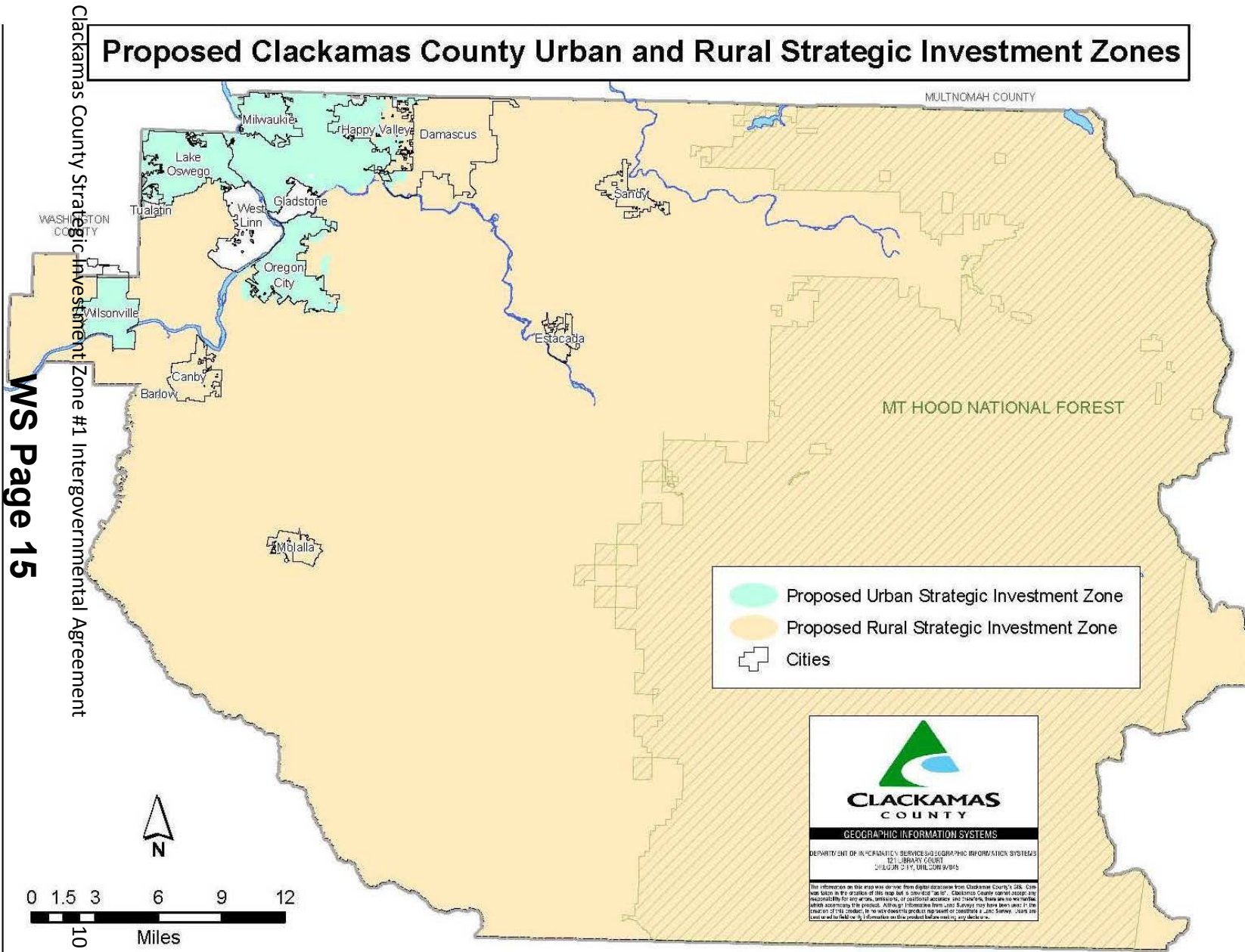
INSERT NAME
Recorder

Reviewed for legal sufficiency
and form:

Counsel

EXHIBIT A – Map of Proposed Strategic Investment Zone

Proposed Clackamas County Urban and Rural Strategic Investment Zones



WS Page 15

Clackamas County Strategic Investment Zone #1 Intergovernmental Agreement

CLACKAMAS COUNTY
GEOGRAPHIC INFORMATION SYSTEMS
DEPARTMENT OF ECONOMIC DEVELOPMENT | GEOGRAPHIC INFORMATION SYSTEMS
121 LIBRARY COURT
CLATSOP COUNTY, OREGON 97143

The information on this map was derived from digital data from Clackamas County's GIS. Data was taken as the product of this map but is provided "as is". Clackamas County cannot accept any responsibility for any errors, omissions, or outdated information, and therefore, users are to use the data at their own risk. All other information from third parties has been used in the production of this product. We are not responsible for any errors or omissions in this product. Users are advised to verify the information on this product before using any decisions.

EXHIBIT B – Requirements of Companies

Eligible Companies must meet the following local requirements in addition to any Oregon requirements of the SIZ program.

- Companies must meet all local zoning, permitting, building, and environmental requirements and pay all associated fees.
- Companies must sign a first source hiring agreement that cements their commitment to make a good faith effort to hire Clackamas County and City residents before considering applicants from outside the County. A copy of the proposed first source hiring agreement will be part of the Intergovernmental Agreement signed by the Company, County and affected City before SIZ Tax Abatements are granted.
- Companies must sign a first source contracting agreement committing them to consider qualified local or county contractors first for SIZ related investments including construction, ongoing operations and professional services. Where possible, the company will consider using local suppliers and service providers before firms outside Clackamas County. A copy of the proposed first source contracting agreement will be part of the Intergovernmental Agreement signed by the Company, County and affected City before SIZ Tax Abatements are granted.
- Companies must execute, and at all times remain in good standing, under the Standardized Agreement set out as Exhibit E. Companies who fail to meet their obligations under the law and the provisions of this Agreement shall be subject to penalties and sanctions as set out in the Standardized Agreement at Section 6-J.
- Companies must work in partnership with County workforce training providers and education institutions early in the process and throughout the 15 year abatement period to ensure that county residents have the opportunity to receive education and training to be eligible for jobs created by the SIZ investment. Partnership opportunities could include working with school districts, Clackamas Community College, Marylhurst University, or the Oregon Institute of Technology to tailor degree or certification programs, assisting with curriculum development, developing internships, providing instruction assistance, mentoring opportunities, consideration of financial or equipment donations for training purposes, and maintaining any

current company policies regarding initial employment, promotion of education and tuition reimbursement.

- Provide yearly reports to the County and the State of Oregon after January 1 and before April 1 as outlined in OAR 123-023-4000 and 123-023-4100.
- In unincorporated Clackamas County, and all other communities which also choose, Companies shall pay no less than 150%, plus benefits, of the State minimum wage.

EXHIBIT C: Community Service Fee and Income Tax Revenue Share Distribution

Clackamas County will collect Community Service Fees of 25% of abated taxes, income tax payments of 50% of personal income tax paid by employees of the company, and any other future revenue sources associated with the SIZ annually and distribute funds based on the distribution approach below.

Option A: Address Business Impacts and Community Priorities

For the Cities of ?, and ?:

Revenues associated with the SIZ program will be allocated first to mitigate direct impacts of the development on the community that are needed over and above systems development charges collected. Once those needs are addressed, additional revenues will be used to fund high priority projects or programs of the community as determined by the City Council for projects within City limits and by the Board of County Commissioners for projects in unincorporated Clackamas County. The County and City will make decisions regarding SIZ investment priorities jointly and discuss decisions every 2 years to assess and maximize the impacts of SIZ investments for the community.

Option B: Create a Community Enhancement Fund.

For the Cities of ?, and ? and unincorporated Clackamas County revenue associated with the SIZ program will be distributed into separate funds established for each community, or unincorporated Clackamas County, that is impacted by Projects. The funds will be managed by Clackamas County as to projects within its jurisdiction, or according to the direction given by Community Enhancement Fund members of impacted cities. Members include one representative each from the City, the County, all affected taxing districts, and any other representative the City and County jointly agree to appoint. The Committee will first seek consensus; in the event consensus is not reached, decisions shall be made on the basis of a vote demonstrating a majority of the members in attendance.

The Committee will meet within two weeks of receiving a complete application, discuss potential business impacts on the community, determine allocation of the funds and document funding allocations in writing, and they will revisit enhancement fund decisions two years after the initial decisions were made to make any needed adjustments. The purpose of the fund is to provide for coordinated community services support relating to the impacts and needs of project within the Clackamas County SIZ.

Option C: Support Local Taxing Districts

For cities of Molalla, ?, and ?...:

Revenues associated with the SIZ program will be allocated on a pro rata share to all affected taxing districts to partially compensate them for lost property tax revenue on SIZ investments over \$25 million in rural areas and \$100 million in urban areas. Taxing districts are encouraged to meet soon after a business application has been submitted and periodically thereafter to discuss the potential of pooling resources to invest in projects of mutual interest that have a bigger impact on the community.

In unincorporated Clackamas County, and other jurisdictions that so choose, an affected taxing district may apply for a reimbursement of its direct costs associated with the review and inspection of the proposed development or specific investment needed to accommodate specialized response.

Dispute resolution: In the event the County, the City, and other affected taxing districts do not agree as to the allocation of revenues, the matter shall be submitted to mediation before a mediator is mutually acceptable to all parties. Such mediation shall take place within 60 days of a party's request for mediation in a neutral location mutually acceptable to all parties. Each party shall be responsible for paying its own costs and expenses (including legal fees, if necessary) for the mediation and share equally the expenses of the mediator.

The mediator shall issue his or her decision within 10 days of the mediation. In the event that the mediation is unsuccessful, the Oregon Business Development Commission shall determine the formula for distribution of the fee according to ORS 285C.609(6)(b).

EXHIBIT D – First Source Hiring and Contracting Agreements



CLACKAMAS COUNTY STRATEGIC INVESTMENT ZONE FIRST SOURCE HIRING AGREEMENT

This First Source Agreement for referral of qualified job applicants is entered into between THE OREGON EMPLOYMENT DEPARTMENT, hereinafter referred to as the "CONTACT AGENCY," which coordinates job referrals for and represents the following other publicly funded job training providers for the geographic area covered in the Interagency Agreement under OAR 123-070-12100, hereinafter referred to as "PROVIDERS," and the following Business Firm located in this geographic area, hereinafter referred to as the "EMPLOYER."

The EMPLOYER is or will be receiving benefits from the Clackamas County Strategic Investment Zone program. Under this First Source Agreement, the EMPLOYER will use the CONTACT AGENCY as its first source for external referral of Qualified Applicants for all job openings of the EMPLOYER at the following location(s):

INSERT LOCATION OF SIZ PROJECT HERE

Such that the EMPLOYER agrees to the following:

- To effectively notify the CONTACT AGENCY of all job openings no later than when notification is received by any other job referral source external to the EMPLOYER or any public announcement for the job opening, throughout the term of this agreement;
- That each such notice to the CONTACT AGENCY shall include job qualifications and a deadline for referrals;
- To ensure that the CONTACT AGENCY and the PROVIDERS will have sufficient lead time (minimum lead time is ___ business days) before the job application close date, except in temporary or emergency situations); and sufficient information to make meaningful referrals for jobs that will be filled by the EMPLOYER;
- That all job information may be shared with all PROVIDERS for which referrals

are coordinated by the CONTACT AGENCY; and

- That all job openings shall be listed in the public labor exchange system, (iMatchSkills JOB SELECTION SYSTEM) of the Oregon Employment Department, insofar as a local office of that State Agency is a PROVIDER.

The CONTACT AGENCY agrees to the following:

- That to the extent that Qualified Applicants are available among the relevant PROVIDERS, to refer those individuals to the EMPLOYER for job openings; and
- To facilitate and implement the listing of all job openings in the “public labor exchange system,” in cooperation with other PROVIDERS (though, not necessarily to the exclusion of other referral methods.)

The EMPLOYER agrees to:

- Fully consider for employment any Qualified Applicant referred by the CONTACT AGENCY by the referral deadline;
- Notify the CONTACT AGENCY when a Qualified Applicant is hired by the EMPLOYER; and
- Provide after-the-fact information to the CONTACT AGENCY about applicable overall hiring and job vacancies in a prescribed manner or as requested by the CONTACT AGENCY, in accordance with OAR 123-070-1900(1) to (3).
- Comply with all relevant laws regarding employment of Qualified Applicants of this State and the Federal government, including but not limited to not discriminating on the basis of race, color, religion, ancestry, national origin, political affiliation, sex, age, marital status, sexual orientation, physical or mental disability, or any other reason prohibited by law.

The EMPLOYER will make all final decisions on hiring new employees. After the EMPLOYER has hired the employees, the EMPLOYER assumes full responsibility for them as employees.

All persons hired under this Agreement are subject to the EMPLOYER’s regular personnel policies and procedures and have no special or additional rights arising from this Agreement.

If the terms of this Agreement conflict with the provisions of a collective bargaining agreement to which the EMPLOYER is a party, the bargaining agreement shall prevail.

Both the CONTACT AGENCY and EMPLOYER agree to attempt to resolve all areas of misunderstanding, disagreement or dissatisfaction with each other as soon as they

arise. If the parties are unable to resolve the issue, either may:

Initiate a meeting between the EMPLOYER and either the CONTACT AGENCY or all of the PROVIDERS; or

Request assistance from the Oregon Business Development Department.

This agreement shall take effect on the date of the last signature by the contracting parties below, and shall be in full force and effect until DECEMBER 31 OF THE FIFTEENTH YEAR OF THE STRATEGIC INVESTMENT ZONE or until the end of the term, period or periods as described in OAR 123-070-1600.

APPROVED

CONTACT AGENCY

EMPLOYER

Name
Title
Address

Name
Title
Address

Phone

Phone

Unemployment Insurance Account #

Signature and Date

Signature and Date



**CLACKAMAS COUNTY STRATEGIC INVESTMENT ZONE
FIRST SOURCE CONTRACTING AGREEMENT**

This First Source Agreement for referral of qualified contractors is entered into between Clackamas County, hereinafter referred to as the “CONTACT AGENCY,” which coordinates contractor referrals, hereinafter referred to as “PROVIDERS,” and the following Business Firm located in this geographic area, hereinafter referred to as the “EMPLOYER.” (INSERT NAME OF SIZ PROJECT HERE).

The EMPLOYER is or will be receiving benefits from the Clackamas County Strategic Investment Zone program. Under this First Source Agreement, the EMPLOYER will use the CONTACT AGENCY as its first source for external referral of qualified contractors for all local construction, operations, training, and suppliers of the EMPLOYER:

Such that the EMPLOYER agrees to the following:

- To effectively notify the CONTACT AGENCY of all contracting opportunities with the company no later than when notification is received by any other referral source external to the EMPLOYER or any public announcement for the contracting opportunity, throughout the term of this agreement;
- That each such notice to the CONTACT AGENCY shall include contractor qualifications and a deadline for referrals;
- To ensure that the CONTACT AGENCY and the PROVIDERS will have sufficient lead time (minimum lead time is ___ business days) before the contractor bid closing date, except in temporary or emergency situations); and information to make meaningful referrals for contracting opportunities that will be filled by the EMPLOYER;
- That all contracting information may be shared with all PROVIDERS for which referrals are coordinated by the CONTACT AGENCY; and

The CONTACT AGENCY agrees to the following:

- That to the extent that Qualified Contractors are available among the relevant PROVIDERS, to refer those firms to the EMPLOYER for contracting opportunities; and

The EMPLOYER agrees to:

- Fully consider for employment any Qualified Contractor referred by the CONTACT AGENCY by the referral deadline;
- Notify the CONTACT AGENCY when a Qualified Contractor is retained by the EMPLOYER; and
- Provide after-the-fact information to the CONTACT AGENCY about applicable overall contracting arrangements annually to include name of contractor, amount of contract, jobs created, and other economic indicators on request.

Comply with all relevant laws regarding contracting for goods and services of this State and the Federal government, including but not limited to not discriminating on the basis of race, color, religion, ancestry, national origin, political affiliation, sex, age, marital status, sexual orientation, physical or mental disability, or any other reason prohibited by law.

The EMPLOYER will make all final decisions on contracting arrangements.

The CONTACT AGENCY, the EMPLOYER and the Contractor agree to attempt to resolve all areas of misunderstanding, disagreement or dissatisfaction with each other as soon as they arise.

This agreement shall take effect on the date of the last signature by the contracting parties below, and shall be in full force and effect until DECEMBER 31 of the last year of the fifteen year exemption period or early closure or relocation of the business.

APPROVED

CONTACT AGENCY

EMPLOYER

Name
Title
Address

Name
Title
Address

Phone

Phone

Third Distribution Draft

Signature and Date

Signature and Date

**EXHIBIT E – CLACKAMAS COUNTY STRATEGIC ENTERPRISE ZONE
STANDARDIZED AGREEMENT**

INCLUDED AS A DISTINCT DOCUMENT