

**CANBY CITY COUNCIL  
WORK SESSION MINUTES  
March 4, 2020**

**PRESIDING:** Mayor Brian Hodson

**COUNCIL PRESENT:** Trygve Berge, Tim Dale, Traci Hensley, Greg Parker Councilor Spoon and Shawn Varwig.

**STAFF PRESENT:** Amanda Zeiber, Interim City Administrator; Joseph Lindsay, City Attorney; Melissa Bisset, City Recorder; Jamie Stickel, Economic Development Director

**OTHERS PRESENT:** Lynn Longfellow, Clackamas County Appraisal Manager and Cindy Moore, Clackamas County Economic Development Coordinator

**CALL TO ORDER:** Mayor Hodson called the Work Session to order at 6:00 p.m.

Jamie Stickel, Economic Development Director, gave some background on the Strategic Investment Zone and explained Columbia Distributing's application. Business Oregon had Strategic Investment Zones that were established in order to streamline the process for businesses applying for a strategic investment program. Clackamas County's Strategic Investment Zone was approved in 2010. This provided an incentive for projects \$25 million or greater to pay full property taxes on the first \$25 million, which for Columbia Distributing would mean \$371,000, but the taxes in excess of the \$25 million would be abated for 15 years. Businesses would pay a Community Service Fee of 25% of the abated taxes or \$500,000 per year, whichever was less. The Fee for Columbia Distributing would be approximately \$92,000 for the first year and that would continue every year for 15 years. Columbia Distributing submitted their application to Business Oregon on July 2, 2019. The tax abatement would include activities that occurred after July 2. There was an email from Business Oregon indicating that the State, County, and Columbia Distributing had sorted out the issue of when the construction work began and its relation to the application date. The County Commission voted on February 25 to move the standardized agreement forward and the final reading was on their consent agenda for March 5. It would be coming before Council by resolution on March 18. If approved, the agreement would go to Business Oregon on April 10. The special taxing districts would work together to determine a distribution plan for the Community Service Fee.

Councilor Spoon asked if the City could elect to take some money off of the top to address any expenses related to the business before the remainder was distributed. Lynn Longfellow, Clackamas County Appraisal Manager, said it could be negotiated. She explained that 75% of the taxing districts had to decide on how the funds could be distributed. If they could not make a decision, the State would make it. Cindy Moore, Clackamas County Economic Development Coordinator, clarified that rule was in State Statute.

Ms. Longfellow distributed a sheet that listed the real market values and taxable values of the property with no exemption, the taxable portion, and the abated tax portion as well as how the Community Service Fee could be distributed by the taxing districts. The assessed value would

grow by 3% annually as long as the maximum assessed value was well above real market value. If real market value should tank and the assessed value did not grow, that would be the only time it would remain flat. They had spoken with the Department of Justice and they thought they found a path forward in approving the exemption. All of the site improvements were allowed. The construction of the building happened 21 days prior to the application submittal date. Construction began on the slab prior to the submittal and they would exclude that portion from the eligible project and the rest of the building would be eligible. She did not know what the real market value of the slab was, but it would be taxable. They would be looking at the best approach to determine the value, which might be the cost approach. The Oregon Department of Revenue would be valuing the property as required by State Statute.

There was discussion regarding the cost vs. value approach.

Councilor Parker asked how the local area would benefit from the First Source Contract Agreement. Ms. Moore stated the public would be noticed when any work opportunities were available, either for jobs with the company or contracting for future needs.

Councilor Parker asked if the City was getting what they were promised in giving up the taxes. The building was already built and money had already been spent and less than 10% of the contractors were in Clackamas County. He thought one of the major benefits of this program to local communities was not being realized.

Ms. Longfellow said the First Source Contracting Agreement was part of the application approval process and moving forward upon approval those contracting opportunities would be allowed.

Councilor Parker stated this application did not follow the rule of doing these things first before the building was constructed, and it was difficult to explain to his constituents.

Ms. Moore stated that all of the businesses were being treated the same when it came to this program. All of the parties moved forward in good faith in trying to make sure that they administered the program the way it was intended. This was the first application for Clackamas County and the City, and there was some navigation to get to where they were today.

Councilor Parker asked what would happen if another application was submitted, would they apply before construction?

Ms. Moore said yes, they would. Lessons had been learned through this process and there was now a template that would be expedited for any future applications.

Councilor Spoon asked what they would do if another company applied after construction was done.

Ms. Longfellow stated they would make sure to tell all companies they needed to apply before construction. All statutes had been complied with and no laws had been broken in this case. In the assessor's office all businesses were treated equally and they followed state statute.



Councilor Parker expressed concern with not getting all of the things promised. It put the City in a weak position.

Ms. Longfellow thought Columbia Distributing's future expansion would qualify for the abatement, which was not included in the current numbers. The contracting agreement would be in place for any new construction. The abatement would not start over for any new construction but only if it was done in the 15 years. That would also mean the Community Service Fee would go up.

Councilor Parker clarified the City would not be deciding alone how the Community Service Fee would be distributed. Ms. Longfellow explained 75% of the taxing districts must agree, which could be the City, County, and Fire District.

Councilor Spoon said there was an email from January 23 that referred to a state statute regarding the definition of existing property. She thought the application was in violation of that statute. Ms. Longfellow said that the DOJ determined that it was not in violation and County counsel was okay with the opinion of the DOJ. Business Oregon would be reviewing the application on April 10.

Ms. Moore said Business Oregon would not entertain the application unless there was a standardized agreement with both the County and the City. There were 90 days for negotiations on the Community Service Fee after it was approved by Business Oregon.

Councilor Dale expressed his displeasure with the process and how not all the parties who would be suffering loss were at the table.

Councilor Spoon asked if at the March 18 Council meeting the IGA on how the Fee would be distributed and the application could be done separately.

Mr. Lindsay said in 2010 the Council agreed that if the zone was created they would not stand in the way of an eligible entity and that the standardized agreement would be signed. Council could decide in the future if they would like to no longer entertain that.

Councilor Parker would like to have the discussion as he did not think they needed to give tax breaks for businesses to come to the City.

Ms. Stickel said there were lessons learned about having conversations that needed to happen differently or earlier in the process.

Councilor Spoon thought cities could add additional requirements to the program.

Discussion ensued regarding what program elements could be changed.

Councilor Parker asked if this was approved, was this setting a precedence. Mr. Lindsay thought they could still enforce that the application needed to be approved before construction.

Councilor Spoon said it cost agencies money for businesses to come in and they made assumptions about the tax revenue that would be brought in, but the business did not apply until

after construction. It put the City in the position where they were making expense decisions based on numbers that were not true.

Mr. Lindsay said there was a meeting in September 2018 where this was discussed and everyone was excited about it. The process had not been put in place properly and there were 11 months where they were acting in good faith. They were provided information about this program in February 2018.

Councilor Spoon thought the applicant was responsible for their own due diligence.

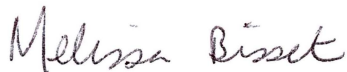
Ms. Moore explained the First Source Contracting and Hiring agreements that would be put in place. The standardized agreement was what was going to be decided upon by the Council, and then it would move forward to Business Oregon.

Councilor Berge stated that as time went by the City would be reaping a lot of benefits, especially after the 15 years. If they didn't want this originally, they as a City should have said no back then. He did not think they should say no in the eleventh hour. This was going to benefit the City in the long run and it would not be right to pull it at the last minute.


Ms. Moore stated regarding the timing, Business Oregon would review the application at their April 10 meeting, and their next meeting was not until July 17. If this did not move forward, there would be some tax implications.

Ms. Longfellow explained how the exemption was granted at the assessor's office at the beginning of the tax year, which was July 1. If Business Oregon did not approve the application by July 1, the company would not get the exemption.

Mayor Hodson adjourned the Work Session at 6:57 p.m.



Melissa Bisset  
City Recorder



Brian Hodson  
Mayor