AGENDA REQUEST & STAFF REPORT

For Board Business Meeting of February 17, 2016

DATE: 1/26/16

FROM: Jon Stark  REDI/EDCO  541-923-5223

TITLE OF AGENDA ITEM:
Consideration of Board Signature of Enterprise Zone Extended Abatement Agreement between PCC Schlosser (Redmond) and the Zone sponsors, City of Redmond, City of Sisters and Deschutes County.

PUBLIC HEARING ON THIS DATE? No

BACKGROUND AND POLICY IMPLICATIONS:

This is the consideration of the approval of a five-year Extended Enterprise Zone Abatement Agreement for PCC Structural (dba PCC Schlosser). PCC Schlosser currently employs approximately 325 people, and they have committed to adding 33 new employees to that workforce with this expansion project. Capital investment for this expansion project is estimated to be $2,600,000.

Extended E-Zone abatements are a local agreement of the enterprise zone sponsor(s) to extend the property tax abatement of a qualifying enterprise zone project for either one or two years more than the standard three-year abatement. To qualify the applicant must be adding jobs which are 150% of the county’s median wage. Extended abatements need to be approved by the sponsor(s) of the Enterprise Zone. It is the prerogative of the sponsor agency whether or not the approval is made by the governing body or administratively. The Greater Redmond Area Enterprise Zone (E-Zone) has three co-sponsors: the City of Redmond; Deschutes County; and the City of Sisters. The City of Redmond’s policy is that the Redmond City Council approves all extended enterprise zone agreements. This agreement was approved by the Redmond City Council on January 26th, 2016 and the City of Sisters is scheduled to hear the request later this month.

All employment lands in the City of Redmond are part of the (E-Zone). This program allows qualifying businesses and investments to receive 100% abatement of property taxes associated with the assessed value of new qualifying capital improvements. Companies continue to pay taxes on the value of the land and any capital investments that are not qualifying for the Enterprise Zone program. Depending upon the nature of the State program being used E-Zone abatements can range from three (3) years; to five (5) years (known as the Extended program), to as many as (fifteen) 15 years (known as the Super program). The duration of the abatement is connected to the number of jobs created and wage level.
The three year abatement does not have an average wage requirement; however the Extended and Super programs require wages that are certified at 150% of Deschutes County average annual compensation. The Deschutes County average annual compensation (as relevant to 2016 approvals prior to 11/2016) is $39,099 per year - 150 percent of that is $58,649. Compensation under the criteria includes not only salary, but overtime, medical and retirement benefits as well. Additionally, the City of Redmond waives or reduces, depending upon specific set criteria, land-use, building and permitting fees.

PCC Schlosser is a manufacturer of titanium investment castings – with applications in jet aircraft engines, airframes, military armament, medical prosthesis, and many other industrial markets. PCC Schlosser is one of Redmond’s most successful manufacturing companies, continually expanding their capital investment and workforce in Redmond. Dating back to 1990, PCC Schlosser has participated in five Enterprise Zone programs. Since, companies can only apply for the Enterprise Zone Abatement during times of growth and expansion, PCC Schlosser’s past history of Enterprise Zone Abatement applications is indicative of the steady growth that the company has enjoyed in Redmond. Now, as PCC Schlosser, the company is undertaking their sixth expansion in Redmond and again applying to use the E-Zone abatement for a five-year term.

The company’s average annual compensation for its new employees will be greater than 150 percent of the Deschutes County average annual compensation, qualifying it for the E-Zone Zone Extended Abatement program 2015-2019, two additional years to the three-year abatement program. These wages have been certified by REDI, the Community Development Director and the City Manager

FISCAL IMPLICATIONS:
Extends three (3) year abatement period to five (5) years.

RECOMMENDATION & ACTION REQUESTED:
"I move to approve signature of the Extended Abatement Agreement between Deschutes County and PCC Schlosser"

ATTENDANCE:
Jon Stark, Sr. Manager, Redmond Economic Development, Inc., Enterprise Zone Manager

DISTRIBUTION OF DOCUMENTS:
Original documents (3) need to be signed by each zone sponsor and the applying company. Once completed original documents will be distributed to Deschutes County, the City of Redmond and the applying company, by the Zone Manager. An electronic copy will also be provided to the City of Sisters.

1/12/16
Addresses Council Goal:
4. ECONOMIC DEVELOPMENT: Develop and maintain an environment that promotes and supports a strong, healthy and diverse economic base.

A. Help existing businesses within the City grow and thrive.

Report in Brief:
This is the consideration of the approval of a five-year Extended Enterprise Zone Abatement Agreement for PCC Structurals dba PCC Schlosser (PCC Schlosser). PCC Schlosser currently employs approximately 325 people, and they have committed to adding 33 new employees to that workforce with this expansion project. Capital investment for this expansion project is estimated to be $2,600,000.

Background:
Extended E-Zone abatements are a local agreement of the enterprise zone sponsor(s) to extend the property tax abatement of a qualifying enterprise zone project for either one or two years more than the standard three-year abatement. To qualify the applicant must be adding jobs which are 150% of the county’s median wage.

Extended abatements need to be approved by the sponsor(s) of the Enterprise Zone. It is the prerogative of the sponsor agency whether or not the approval is made by the governing body or administratively. The Greater Redmond Area Enterprise Zone (E-Zone) has three co-sponsors: the City of Redmond; Deschutes County; and the City of Sisters. The City of Redmond's policy is that the Redmond City Council approves all extended enterprise zone agreements.

All employment lands in the City of Redmond are part of the (E-Zone). This program allows qualifying businesses and investments to receive 100% abatement of property taxes associated with the assessed value of new qualifying capital improvements. Companies continue to pay taxes on the value of the land and any capital investments that are not qualifying for the Enterprise Zone program. Depending upon the nature of the State program being used E-Zone abatements can range from three (3) years; to five (5) years (known as the Extended program), to as many as (fifteen) 15 years (known as the Super program). The duration of the abatement is connected to the number of jobs created and wage level. The three year abatement does not have an average wage requirement; however the
Extended and Super programs require wages that are certified at 150% of Deschutes County average annual compensation.

The Deschutes County average annual compensation (as relevant to 2016 approvals prior to 11/2016) is $39,099 per year - 150 percent of that is $58,649. Compensation under the criteria includes not only salary, but overtime, medical and retirement benefits as well.

Additionally, the City of Redmond waives or reduces, depending upon specific set criteria, land-use, building and permitting fees.

**Discussion:**

PCC Schlosser is a manufacturer of titanium investment castings – with applications in jet aircraft engines, airframes, military armament, medical prosthesis, and many other industrial markets. PCC Schlosser is one of Redmond’s most successful manufacturing companies, continually expanding their capital investment and workforce in Redmond. Dating back to 1990. PCC Schlosser has participated in five Enterprise Zone programs. Since, companies can only apply for the Enterprise Zone Abatement during times of growth and expansion, PCC Schlosser’s past history of Enterprise Zone Abatement applications is indicative of the steady growth that the company has enjoyed in Redmond.

Schlosser Casting Company first applied for an Enterprise Zone Abatement in 1990. In 1997, after PCC Structural acquired the business, PCC Structural applied for a second Enterprise Zone Abatement in 1998 when the company expanded. Three more subsequent expansions occurred in 2005, 2008, and 2014. Now, as PCC Schlosser, the company is undertaking their sixth expansion in Redmond and again applying to use the E-Zone abatement for a five-year term.

The company’s average annual compensation for its new employees will be greater than 150 percent of the Deschutes County average annual compensation, qualifying it for the E-Zone Zone Extended Abatement program 2015-2019, two additional years to the three-year abatement program. These wages have been certified by REDI, the Community Development Director and the City Manager.

**Fiscal Impact:**

This action will extend the property tax abatement from three years to five years.

**Alternative Courses of Action:**

1. Approve the Agreement for Oregon Enterprise Zone Extended Abatement for PCC Structural dba PCC Schlosser.

2. Do not approve the Agreement for Oregon Enterprise Zone Extended Abatement for PCC Structural dba PCC Schlosser in which the firm would still be eligible for the “Standard” abatement of three (3) years.

**Recommendation/Suggested Motion:**

“I move to approve the Agreement for Oregon Enterprise Zone Extended Abatement for PCC Structural dba PCC Schlosser.”

Jon Stark,
Redmond Economic Development, Inc.
Greater Redmond Area Enterprise Zone Extended Abatement

WRITTEN AGREEMENT WITH THE GREATER REDMOND AREA ENTERPRISE ZONE SPONSORS TO EXTEND PROPERTY TAX EXEMPTION TO FIVE (5) CONSECUTIVE YEARS IN TOTAL FOR CAPITAL INVESTMENT BY PCC STRUCTURALS DBA PCC SCHLOSSER

The sponsors of the Greater Redmond Area Enterprise Zone comprising the governing bodies of [the City of Redmond, Sisters and Deschutes County] (hereinafter the “Zone Sponsor”) and PCC Structural dba PCC Schlosser (hereinafter the “Firm”) do hereby enter into an agreement pursuant to ORS 285C.160 for extending the period of time in which the Firm will receive a property tax exemption on its [proposed] investment[s] in qualified property in the Greater Redmond Area Enterprise Zone contingent on certain special requirements.

The Zone Sponsor and the Firm jointly acknowledge: that subject to the Firm’s timely submission of an application for authorization, the satisfaction of applicable requirements under ORS 285C.050 to 285C.250 (the “Statute”), and the Zone Sponsor’s approval thereof, the Firm is eligible for three years of property tax exemption on its qualified property. So long as the Firm elects to continue to receive this property tax exemption and continues to qualify therefor, then this agreement shall have no effect on this three-year exemption. Nothing in this agreement shall be construed as a waiver of the qualification requirements of the Statute. If the Firm loses its qualified status for any reason set forth in the Statute, then this agreement becomes null and void.

The Zone Sponsor extends the Firm’s property tax exemption an additional two (2) years on all property that initially qualifies in the Greater Redmond Area Enterprise Zone after the assessment year beginning on January 1, 2017 and, thus, sets a total period of exemption five (5) consecutive years during which statutory requirements for the standard three-year enterprise zone exemption must also be continuously satisfied.

CONFIRMATION OF STATUTORY PROVISIONS

In order to receive the additional two (2) years of enterprise zone exemption granted herein, the Firm agrees under 285C.160(3)(a)(A) that for each year of the entire exemption period, including the first three years and the additional two years, all of the Firm’s new employees will receive an average rate of compensation equal to or greater than 150 percent of the county average annual wage, as determined at the time the enterprise zone tax exemption is authorized in accordance with the specific definitions and guidelines in Oregon Administrative Rules (OAR), Chapter 123, Division 65 Division 674 (123-674-0600), the “Compensation standard”. Firm will validate meeting the compensation standard by submitting a completed “New Hire Wage Template” to the Zone Manager with the Enterprise Zone Application Authorization.
Only “Affected Employees” are counted. Affected Employees means persons, positions or jobs under ORS 285C.050(13) that satisfy the following criteria: (a) included as “employment of the firm” in accordance with OAR 123-674-0200; and (b) new jobs filled for the first time: (A) after the date of Application under ORS 285C.140(1), even if an individual filling the job is already employed by the eligible business firm in another position that is refilled within the zone; and (B) on or before December 31 at the end of the initial exemption year, and located within the current boundaries of the Greater Redmond Area Enterprise Zone.

Only full-time, year-round and non-temporary employees engaged a majority of their time in the Firm's eligible operations consistent with ORS 285C.135 including but not limited to persons who perform eligible activities as described in OAR 123-674-1100 or 123-674-1200(3) or (4) and OAR 123-674-0200 are counted, regardless of whether such employees are leased, contracted for or otherwise obtained through an external agency or are employed directly by the Firm.

ACCEPTING FOR THE CO-SPONSORS OF THE GREATER REDMOND AREA ENTERPRISE ZONE:

Signature: ___________________________ Date: ______________________
George Endicott, Mayor,
City of Redmond

Signature: ___________________________ Date: ______________________
Alan Unger, Board Chair,
Deschutes County

Signature: ___________________________ Date: ______________________
Chris Frye, Mayor,
City of Sisters