



To: Board of Commissioners

From: Judith Ure, Management Analyst

Date: May 4, 2016

Subject: Economic Development Loan Program

The Board of Commissioners has recently indicated a desire to review and possibly update the Deschutes County Economic Development Loan Program. The program was created by resolution in 2010 (see accompanying document) and that document does not address some issues that have arisen as the program has evolved over time, including:

Family Wage Job: Since 2013, loan agreements have defined “family wage” as “a position with a starting salary that is equal to or greater than the average pay of all covered employment and wages for Deschutes County as reported in the Oregon Labor Market Information System (OLMIS)” – currently approximately \$36,000 per year.

Multiple Loans: At least two loans have been approved for companies that had received and fulfilled the conditions of an earlier loan.

Benefits: Loans for jobs that pay less than a family wage have sometimes been approved, particularly when the associated benefit package was generous.

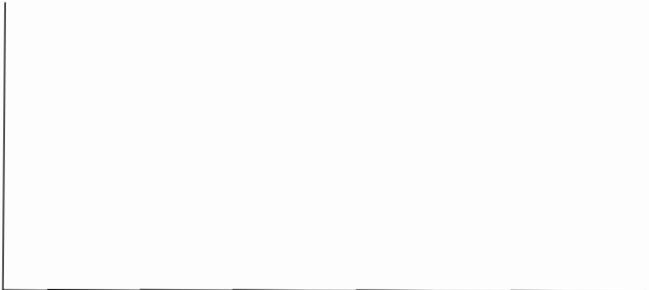
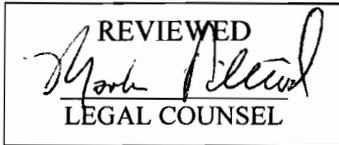
Loan Basis: Loans are considered based on an amount of \$2,000 per job created. The Board has occasionally approved loans based on \$1,000 per job, particularly when the pay is lower than family wage as defined above.

Loan Limits: Loans are generally limited to \$50,000. EDCO recently raised the question of possibly increasing that limit when circumstances warrant it.

Geographic Distribution: EDCO has expanded economic development efforts in La Pine and Sisters. The majority of loans have been made within the cities of Bend and Redmond with one loan made in Sisters and none in La Pine to date.

Leveraging: Loan recipients are not currently required to demonstrate that economic development funds will be used to leverage other funds.

These topics and any others related to the County’s Economic Development Loan Program that the Board wishes to consider are scheduled for discussion during the May 11, 2016 work session. Please let me know if you have questions or would like to receive additional information in advance of that meeting.



For Recording Stamp Only

BEFORE THE BOARD OF COUNTY COMMISSIONERS OF DESCHUTES COUNTY, OREGON

A Resolution Establishing Fund 105 as the Economic Development Fund * RESOLUTION NO. 2010-038

WHEREAS, Deschutes County faces historically high levels of unemployment and economic distress; and

WHEREAS, business recruitment and retention, and in particular job creation, are high-level priorities for the Deschutes County Board of Commissioners ("Board"); and

WHEREAS, Deschutes County budgets certain monies in Fund 105, which has historically been known as the "Business Loan Fund;" and

WHEREAS, the Board wishes to repurpose those funds in Fund 105 and use them for the above-stated priority of job creation;

NOW, THEREFORE, THE BOARD OF COUNTY COMMISSIONERS OF DESCHUTES COUNTY HEREBY RESOLVES AS FOLLOWS:

- 1. Fund 105 shall henceforth be known as the Economic Development Fund.
2. Monies currently in Fund 105 and other monies that may be transferred to Fund 105 at the sole discretion of the Deschutes County Budget Committee and the Board shall be used only for the purposes described in Exhibit A, attached hereto and incorporated herein.

DATED this 18th day of May, 2010.

DENNIS R. LUKE, Chair

ALAN UNGER, Vice Chair

TAMMY BANEY, Commissioner

ATTEST: Bonnie Baker Recording Secretary

EXHIBIT A

Fund 105, to be known as the Economic Development Fund, shall be used for the exclusive purpose of job-creating business recruitment, retention and expansion, using the following criteria and procedures. Fund disbursements may take the form of low-interest loans, forgivable loans or grants, however, all disbursements shall be tied directly to the creation or retention of jobs in Deschutes County. Fund 105 shall not be used for investment purposes or to cover the start-up costs of a new business venture.

Criteria

1. For purposes of this resolution, “relocation” means the move of an existing business from outside of Deschutes County into Deschutes County.
2. Business “retention” means the keeping of a business in Deschutes County that has verifiable, bona fide plans to move outside of Deschutes County and to take jobs that are currently provided by that business in Deschutes County to one or more areas outside of the County.
3. Business “expansion” means the verifiable, bona fide plans of an existing business in Deschutes County to expand its operation in such a way that the result is the creation of regular, full-time jobs that did not exist prior to the expansion.
4. For purposes of Fund 105, relocation or retention expenses include a business’ costs of moving equipment, furnishings and personal business property to or within Deschutes County, but shall not include the costs of moving the personal household goods of any employee or potential employee to or within Deschutes County. Relocation expenses may also include: 1. short-term rent relief in a business’ new location; and 2. the costs associated with the recruitment of new staff, including, but not limited to, advertising or travel allowances.
5. For purposes of Fund 105, expansion expenses include a business’ costs of building or leasing new space necessary to provide for newly created jobs, the lease or purchase of new equipment or personal business property necessary to accommodate newly created jobs, and/or the costs associated with recruitment or training of new staff.
6. The Board of Commissioners may, in its sole discretion, approve other uses of Fund 105 if they are consistent with the uses listed above.

Procedure

1. Deschutes County contracts with Economic Development for Central Oregon (EDCO) for economic development strategic planning, counsel and support. EDCO is engaged directly in the recruitment of new traded-sector businesses to the County.

2. All requests for disbursements from the Economic Development fund shall be made by Deschutes County pursuant to a written request to the County by EDCO. All such requests shall conform to the criteria above.
3. EDCO shall determine whether a disbursement from Fund 105 will be structured as a low-interest loan, a forgivable loan or a grant. In all cases, disbursements from the fund shall be tied directly to the creation of jobs. For forgivable loans, all agreements between EDCO/County and the recipient business shall include a “clawback” provision requiring the repayment of some or the entire loan for the failure to create an agreed-upon number of jobs by an agreed-upon date.
4. A forgivable loan shall generally not exceed an amount equivalent to \$2,000 per newly created job. Deschutes County reserves the right to waive this limit in its sole discretion after considering EDCO’s recommendation.
5. EDCO shall be responsible for tracking the number of jobs created pursuant to a loan, forgivable loan or grant and for reporting to Deschutes County not less than semi-annually on the performance of loan and grant recipients.
6. Interest rates on low-interest loans shall be determined by Deschutes County in consultation with EDCO. Loan administration and collection shall be the responsibility of Deschutes County, which reserves the right to subcontract such responsibility to a third party.