



MARION COUNTY BOARD OF COMMISSIONERS

**Board Session Agenda Review Form**

Meeting date: March 6th, 2024

Department: Community Services

Title: Rural Industrial Property Tax Exemption Program Reestablishment

Management Update/Work Session Date: February 20, 2024 Audio/Visual aids

Time Required: 10 minutes Contact: Kelli Weese Phone: 503-589-3277

**Requested Action:**  
Consider approval of an ordinance authorizing property tax exemptions for rural industrial property pursuant to chapter 112, Oregon Laws 2016 (Senate Bill 1565); Chapter 575, Oregon Laws 2019 (House Bill 2053); and Chapter 398, Oregon Laws 2023 (House Bill 2080), and delaring an emergency.

**Issue, Description & Background:**  
The Rural Industrial Property Tax Exemption Program provides an opportunity for companies to forgo property taxes should they meet conditions based on the valuation of the property improvements and number of additional full-time jobs added. The program was authorized in 2016 through Senate Bill 1565. It was then adopted by Marion County via Ordinance and codified into the Marion County Code section 3.35.20. The original statute had a sunset date of January 2, 2024, which was incorporated into Marion County Code. In 2023, the legislature extended the sunset date to January 2, 2020. Since Marion County established a sunset date of January 2, 2024 within its original code, if the County wishes to continue the program it will need to establish the code provisions via adoption of a new ordinance.

**Financial Impacts:**  
The program serves as an opportunity to abate any new property taxes for three years for qualifying businesses. The program does not reduce current tax revenues.

**Impacts to Department & External Agencies:**  
Implementation of the Rural Industrial Property Tax Exemption Program is completed in partnership with the Strategic Economic Development Corporation (SEDCOR), who provides business retention & expansion services, and the Marion County Tax Assessor's Office.

**List of attachments:**  
Ordinance authorizing property tax exemptions and declaring an emergency.

**Presenter:**  
Kelli Weese, Economic Development Program Manager; Erik Anderson & Kip Morris, SEDCOR

**Department Head Signature:**

BEFORE THE BOARD OF COMMISSIONERS  
FOR MARION COUNTY, OREGON

An ordinance authorizing property tax )  
exemptions for rural industrial )  
property pursuant to chapter 112, )  
Oregon Laws 2016 (Senate Bill 1565 )  
(2016)); chapter 575, Oregon Laws )  
2019 (House Bill 2053 (2019)); and )  
chapter 398, Oregon Laws 2023 )  
(House Bill 2080 (2023)), and )  
declaring an emergency. )

ORDINANCE NO. \_\_\_\_\_

THE MARION COUNTY BOARD OF COMMISSIONERS ORDAINS AS FOLLOWS:

SECTION 1. PURPOSE

The purpose of this ordinance is to create a process for the consideration of applications for exemption of qualifying rural industrial property pursuant to chapter 112, Oregon Laws 2016 (Senate Bill 1565 (2016) (codified as a note following ORS 307.340)); chapter 575, Oregon Laws 2019 (House Bill 2053 (2019)); and chapter 398, Oregon Laws 2023 (House Bill 2080 (2023)).

SECTION 2. Definitions

The following definitions shall be used in considering applications for property tax exemptions pursuant to this ordinance:

- A. "Annual average employment of the applicant" means the average employment of the applicant, calculated over the 12 months preceding the date of application.
- B. "Eligible location" means land and improvements that are located in a rural area. "Eligible location" includes a location that has not formerly been used for industrial purposes.
- C. "Eligible property" means improvements classified as industrial under rules established by the Oregon Department of Revenue ("DOR")

pursuant to ORS 308.215 (1)(a)(C), and associated personal property whether appraised by the county or by the DOR, that:

1. Are newly constructed or installed at an eligible location; and
2. Have a cost of initial investment to the purchaser of at least \$1 million and not more than \$25 million.

D. "Employment of the applicant" means the number of employees working for the applicant a majority of their time in eligible operations at a location for which the applicant has submitted an application under this section.

E. "First-source hiring agreement" means an agreement between an applicant and a publicly funded job training provider whereby the provider refers qualified candidates to the firm for new jobs and job openings in the firm.

F. "Qualified property" means eligible property for which an application has been approved.

G. "Rural area" means an area located in unincorporated territory that is located entirely outside of the urban growth boundaries of any and all cities with populations of 40,000 or more, as the urban growth boundaries are acknowledged on the date on which an applicant submits an application for eligible property.

### SECTION 3. GRANT AND SCOPE OF AUTHORITY

A. The Marion County Board of Commissioners may adopt a resolution granting a property tax exemption for eligible property located within the unincorporated areas of Marion County.

B. The terms of the exemption must conform to the provisions of this ordinance.

C. Qualified property must be:

1. Owned or leased by the applicant filing the application.
2. Used through the final year of exemption for the purpose, and at the location, identified in the application.

D. The exemption:

1. May be granted to eligible property only if the first assessment year to which the application relates is the first assessment year that begins after the eligible property was first placed in service; and
2. Shall be granted only for qualified property that was first placed in service after the resolution was adopted.

E. The exemption shall be equal to 100 percent of the real market value of the qualified property for the next three consecutive property tax years following the tax year in which an exemption is granted. If an application is filed for the current property tax year pursuant to section 4C below and the application is granted, the exemption shall be for the current plus the next two consecutive property tax years.

F. An exemption does not become effective unless the rates of taxation of the taxing districts whose governing bodies agree to grant the exemption, when combined with the rate of taxation of the county, equal 75 percent or more of the total combined rate of taxation on the qualified property.

1. Upon the taking effect of an exemption, the exemption shall apply to all property tax levies of all taxing districts in which qualified property is located.
2. The decisions of the taxing districts under this subsection may not be changed but are not binding with respect to a resolution

adopted pursuant to section 3G or a new resolution adopted pursuant to section 3A.

3. All qualified property shall be granted exemption on the same terms provided in the resolution adopted or amended by the county and in effect on the date the application is submitted.
- G. The county may adopt at any time a resolution amending the terms of an exemption previously granted, subject to approval of the taxing districts under section 3F, or terminating the exemption. However, qualified property that has been granted an exemption shall continue to receive the exemption under the terms in effect at the time the exemption was first granted.
- H. Qualified property granted an exemption is not eligible for any other property tax exemption or special assessment. Otherwise eligible property that has received another property tax exemption or special assessment is not eligible for this exemption. However, this subsection does not apply to the exemption granted under ORS 307.330.

#### SECTION 4. APPLICATION

- A. The board hereby delegates to the Assessor the responsibility for processing applications pursuant to this ordinance.
- B. The Assessor shall prescribe exemption application forms and the information required to be included in the application.
  1. If eligible property is located in a city and county, each of which has adopted an ordinance or resolution under chapter 112, Oregon Laws 2016 (Senate Bill 1565 (2016)), the applicant shall elect the exemption the applicant wishes to receive for the

eligible property by submitting the application to the city or county, as applicable.

2. If the initial cost of investment of the eligible property exceeds \$25 million, the applicant shall specify in the application the items of eligible property having a total cost of initial investment of \$25 million for which the exemption is sought.
3. An application must be accompanied by an application fee fixed by the board by order in an amount determined to compensate the county for the actual costs of processing the application.

C. An application must be submitted for review to the county on or before March 1 preceding the property tax year to which the application relates. However, an application may be filed under this section for the current property tax year:

1. On or before December 31 of the property tax year, if the application is accompanied by a late filing fee of the greater of \$200 or one-tenth of one percent of the real market value as of the most recent assessment date of the eligible property to which the application relates.
2. On or before April 1 of the property tax year, if the application is accompanied by a late filing fee of \$200 and the applicant demonstrates good and sufficient cause, as defined in ORS 307.162, for failing to file a timely application or is a first-time filer, as defined in ORS 307.162.
3. A late filing fee collected under this subsection must be deposited in the general fund of the county.

4. An application may be filed as provided in this subsection notwithstanding that there are no grounds for hardship as required for late filing under ORS 307.475.
  5. If the ownership of all property included in the application for a prior year remains unchanged, a new application is not required.
- D. Upon receipt of an application the Assessor shall determine as soon as practicable:
1. Whether the property to which the application relates is eligible property located within the unincorporated area of the county;
  2. The cost of initial investment of the eligible property to the purchaser; and
  3. The date on which the eligible property was first placed in service.
- E. If any determination made pursuant to section 4D renders the property ineligible for the exemption, the application shall be rejected.
- F. An application for exemption may not be approved unless the applicant and the board have agreed to, and the applicant has complied with, the conditions of this subsection.
1. The following standards apply to the imposition of conditions under this ordinance:
    - a. The Assessor may propose conditions to the board. The board may direct the Assessor to communicate the proposed conditions to the applicant as proposed or modify conditions proposed by the Assessor. In addition, the board may establish other reasonable conditions related to economic development, including,

but not limited to, greater employment requirements than those required by subsection 4F(1)(d)(ii).

- b. The Assessor shall communicate the proposed conditions to the applicant after the assessor has discussed proposed conditions with the board. The Assessor shall communicate any feedback from the applicant to the board, until a set of conditions have been agreed upon by the applicant and the board.
- c. All conditions must be satisfied within 90 days of the date of the board's resolution granting an exemption unless a greater period is granted in the resolution.
- d. Each resolution granting a property tax exemption under this ordinance shall contain the following terms as conditions:
  - i. The applicant must agree to enter into a first-source hiring agreement with the board for the period of the exemption.
  - ii. As of a date certain agreed upon by the applicant and the governing body of the county, but in no event later than the end of the first property tax year for which the exemption is granted, the employment of the applicant may not be less than the greater of:
    - a. One hundred ten percent of the annual average employment of the applicant; or



- b. The annual average employment of the applicant plus one employee.
- iii. The applicant or another firm under common control may not close or permanently curtail operations in another part of the state that is more than 30 miles from the eligible location. This subsection applies to the transfer of any of the applicant's operations to an eligible location from another part of the state, if the closure or permanent curtailment in the other part of the state decreased the applicant's employment in the other part of the state.
- iv. The applicant or another firm under common control may not close or permanently curtail operations in another part of the state that is 30 miles or less from the eligible location unless the employment of the applicant at the eligible location and at the other locations from which employees were transferred has been increased to not less than 110 percent of the annual average employment of the firm at the eligible location and the other locations from which the employees were transferred.
- v. The applicant must agree to the procedures for monitoring and verifying compliance with the conditions as set forth in section 5 below. The board may impose as a condition the applicant's

consent to annual inspections of either the subject property or specific documentation in order to substantiate applicant's compliance with any conditions.

- e. The board may make the conditions required by section 4F(1)(d) more stringent, but cannot make them less stringent.
2. The conditions established under this subsection may be modified at the request of the applicant at any time before the beginning of the first property tax year for which the exemption is granted.
  3. The conditions established under this subsection shall be set forth in the resolution adopted under section 4G and shall remain in effect throughout the period for which the exemption is granted.
- G. If the property is eligible for exemption under section 4D, the application meets the requirements of this ordinance, and the board and the applicant have agreed to conditions under section 4F, the Assessor shall present a resolution to the board:
1. Approving the application;
  2. Stating the conditions; and
  3. Notifying the Assessor and, if the qualified property is state-appraised industrial property, the DOR of the approval and including with the notification such information as is necessary for the Assessor and the DOR to perform their respective duties with respect to the qualified property.

- G. Provided all other requirements of ORS 305.275 are met, the cost of initial investment of the qualified property as determined under this section may be appealed pursuant to ORS 305.275 even if, for purposes of ORS 305.275(1)(a), the board makes the determination of the cost. The rejection of an application on any basis other than the cost of initial investment may not be appealed.
- H. For each property tax year that qualified property is granted exemption, the Assessor:
  - 1. Shall enter on the assessment and tax roll the notation "potential additional tax liability"; and
  - 2. May impose and collect a fee in an amount determined by the Assessor to compensate the Assessor for the actual costs of administering the exemption for the qualified property.

SECTION 5. PROCEDURES FOR MONITORING AND VERIFYING COMPLIANCE

- A. By April 1 of each tax year subject to exemption, the applicant shall provide a written report to the Assessor detailing how the applicant has remained in compliance with all the conditions during the previous tax year. The applicant shall attach all documentation necessary to the report in order to substantiate compliance with all conditions.
- B. The Assessor shall review the report for compliance with all the conditions during the previous tax year. The Assessor may request additional documentation from the applicant in order to verify compliance with all the conditions.
- C. At any point while the property is subject to exemption, the Assessor may request an inspection of the subject property or any documents which would substantiate compliance with any conditions imposed upon the grant of exemption.

- D. Upon the Assessor's conclusion that the applicant has failed to comply with any conditions at any point while the property is subject to exemption, the Assessor shall comply with the disqualification process in section 6 below.

SECTION 6. DISQUALIFICATION

- A. The Assessor shall immediately disqualify the property for this exemption, and the disqualified property shall be assessed and taxed in the same manner as other property is assessed and taxed, if, in any year through the final assessment year of the exemption:
  - 1. The qualified property is not used for the purpose, or at the location, identified in the application; or
  - 2. The applicant fails to comply with the conditions established and agreed to in the resolution.
- B. Upon disqualification, additional taxes shall be assessed against the property for the first property tax year following the disqualification in an amount equal to the difference between the taxes assessed against the property and the taxes that would have been assessed against the property without the exemption, for the number of years that the exemption was granted.

SECTION 7. SUNSET

Sections 1 to 6 of this ordinance are repealed on January 2, 2030. However, newly constructed or installed industrial improvements that are granted exemption shall continue to receive the exemption under the provisions of the resolution granting the exemption.

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SECTION 8. REPORTING TO DOR

If the county has granted an exemption under this ordinance, then as soon as practicable after December 1 of each year, the county shall submit the following information from the current property tax year to the DOR:

- A. The kind and value of the qualified property;
- B. The name of the owner or lessee that submitted an approved application;
- C. The real market value of the qualified property;
- D. The amount of ad valorem property taxes that were not imposed on the property because of the exemption;
- E. The number of years and the percentage of real market value for which the exemption was granted; and
- F. A copy of the employment and other conditions established for the property.

SECTION 9. SEVERABILITY

Should any section or portion of this ordinance be held unlawful or unenforceable by any court of competent jurisdiction, that decision shall apply only to the specific section, or portion thereof, directly specified in the decision. All other sections or portions of this ordinance shall remain in full force and effect.

SECTION 10. DECLARATION OF EMERGENCY

This ordinance being necessary for the preservation of the health, safety, and

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welfare of the community, an emergency is declared to exist and this ordinance will take effect immediately upon passage.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_.

MARION COUNTY BOARD OF COMMISSIONERS

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Recording Secretary