

MINUTES

Lane Economic Committee

Lane Council of Governments – 5th Floor Large Conference Room
859 Willamette, Suite 500 – Eugene

November 16, 2009 – 11:30 A.M.

PRESENT: Rob Scoggin, Chair; Pat Albright, Mike Blommé, DeAnn Cherbas, Chuck Forster, Mike Galvin, Phillip Hudspeth, Jacque Morgan, John Tamulonis, Lynette Wikstrom, *members*; Jay Bozievich, Deb Schmidt, Kari Westlund, *ex officio members*; Lawrence Brice, Mike McKenzie-Bahr, Jack Roberts, Howard Schesser, Robin Scott, Mike Sullivan, *alternate members*.

ABSENT: John Sullivan, Vice Chair; Tim Black, Denny Braud, Bill Fleenor, Greg Rikhoff, Ellen Teninty, *members*; Ric Ingham, Warren Weathers, *alternate members*.

STAFF: Steve Dignam (LCOG).

GUESTS: Donna Greene (Business Oregon), Barry Miller, Leonard Tarantola, Bob Warren (Business Oregon).

1. WELCOME / INTRODUCTIONS / CHANGES TO THE AGENDA

Chairperson Rob Scoggin called the meeting of the Lane Council of Governments (LCOG) Lane Economic Committee (LEC) to order at 11:35 a.m. He noted that a quorum was present at that time. Mr. Scoggin invited those present to introduce themselves.

2. PUBLIC COMMENT

Pat Albright noted that the Lane Community College (LCC) Board of Education recently voted unanimously to support Ballot Measures 66 and 67 in the upcoming January 26 special election. These measures were passed this year by the Oregon Legislature to deal with a significant budget deficit. They will increase the marginal tax rate for affluent Oregonians, raise the corporate minimum tax, and increase the profits tax for C-corporations. Mr. Albright said he has been asked if the LCC Board's action means that it supports these taxes. He said the LCC Board is urging a "Yes" vote on these measures, because, if they fail, LCC will likely lose about \$3 million in state funding. This would have a serious impact on the services LCC provides and on the jobs of people working there at a time when enrollment is up due to the number of unemployed workers returning to school. Mr. Albright noted that a group of 36 economists has jointly agreed that the lack of increased tax revenue, if Ballot Measures 66 and 67 are voted down, would be devastating for the state.

Jay Bozievich, a former member of the LCC Board, pointed out there is no direct connection between Ballot Measures 66 and 67 and any public agency's budget. If the measures are rejected, the Oregon Legislature will determine where budget cuts will occur. It is, thus, not accurate to say at this point that LCC will lose \$3 million or that any other organization will lose a particular amount of funding.

Mr. Albright said he had discussed this matter with a local state senator and had been assured that the Oregon Legislature will almost certainly cut all agency budgets across-the-board by similar percentages, if the ballot measures are voted down. This would mean a \$3 million loss for LCC.

3. COMMENTS FROM THE CHAIR

None.

4. STAFF COMMENTS

None.

5. MINUTES OF 10/19/09 MEETING

Mr. Scoggin referred members to the minutes of the October 19, 2009 LEC meeting.

Mike Blommé moved, seconded by DeeAnn Cherbas, to accept the minutes of the October 19, 2009 LEC meeting as written. The motion was adopted unanimously, 16:0.

6. UPDATE: REGIONAL PROSPERITY SUMMIT

Chuck Forster distributed an agenda and background paper about the Regional Prosperity Summit scheduled for Thursday, November 19. The event is sponsored by Lane County and the cities of Springfield and Eugene and will focus on ways the public and private sectors can work together to plan for future regional prosperity. He mentioned and thanked several members of the LEC who have helped plan or are involved in staffing the event. Mr. Forster briefly mentioned the draft development strategies included in the background paper and said the summit organizers are looking for feedback on them.

Mike Sullivan noted the Chambers of Commerce in both Eugene and Springfield have been actively involved in planning and recruiting for the summit. More than 100 people have already registered to attend. John Tamulonis said it has been at least 20 years since the last such event and he hopes participants will emerge from the summit with some general agreement on directions to pursue. Mr. Sullivan said the summit organizers hope to put forward a final regional development strategy in early 2010.

8. OREGON'S BUSINESS ENERGY TAX CREDIT (BETC) PROGRAM

Donna Greene and Bob Warren from Business Oregon were introduced. They routinely work with companies that are considering investing in Oregon facilities and need to understand the requirements of the state's Business Energy Tax Credit (BETC) program. Ms. Greene provided LEC members with the presentation she gives these companies about one particular BETC program - the renewable energy resource equipment manufacturing facilities tax credit.

The Oregon Department of Energy (ODOE) has offered the BETC program since 1979 in the areas of energy conservation, recycling, renewable energy resources, and less polluting transportation fuels. In 2007, Oregon adopted the goal of generating 25% of its energy needs from renewable sources by 2025. That same year the renewable energy equipment manufacturing facilities tax cre-

dit was established. For qualifying projects, this means a 50% tax credit on the amount of eligible costs up to a limit of \$40 million in eligible costs, which can be taken over the course of five years. The business can choose to take the tax credit itself or pass it on to a partner corporation.

To qualify, these facilities must manufacture equipment or materials that will be used exclusively for renewable energy resource generation or harvesting. The applying businesses must meet certain statutory requirements, involving things such as the number of jobs they will create, their financial viability, their chances for long-term success, etc. Business Oregon is the state's official liaison agency in working with such businesses that are considering locating or expanding here. It conducts a rigorous due diligence review of each applying business, makes a recommendation to ODOE about whether the business should receive the tax credit, and then negotiates and administers a performance agreement with the business, which includes clawback provisions should the business fail to perform as agreed.

Ms. Greene explained the application process step-by-step. The company meets with Business Oregon, describes its project, and applies. ODOE reviews the application for completeness and releases Business Oregon to conduct its due diligence review. This involves Business Oregon working together with the applicant to complete a detailed checklist of information, which is next reviewed by a third-party consultant selected by Business Oregon. Business Oregon then makes its recommendation to ODOE about whether or not the company qualifies for the BETC. If ODOE determines that it does, a preliminary certification is issued pending completion of a negotiated performance agreement. Then the company begins work on its facility. Once the project is completed, ODOE reviews the facility, provides final certification, and issues the tax credit. The company then must decide whether to take to tax credit itself or use the pass-through provision.

Lawrence Brice expressed concern that new rules issued last week by ODOE on how the pass-through tax credit will be calculated, which were developed without any input from outside the agency, will reduce the attractiveness of this program for many companies. Ms. Greene said Business Oregon had not been consulted either and acknowledged these changes could adversely affect the program.

In response to Mr. Scoggin's inquiry, Ms. Greene indicated that Business Oregon is currently working with two renewable energy equipment manufacturers on tax credit applications and that a total of four have been completed. She said Oregon wants to be sure it is attracting strong companies, because it expects a shakeout within the industry in the next few years. Mr. Warren said government incentive programs like these are important to out-of-state corporations and that Oregon's BETC program is certainly competitive with what other states are offering.

Jack Roberts agreed that manufacturers do expect states to provide incentives such as the BETC program, because of the up-front investment involved. He noted that Oregon is actually a small player in this arena compared to some of the Midwestern industrial states that are offering quite significant incentives. Mike McKenzie-Bahr observed that ODOE needs to recognize that this renewable energy resource equipment tax credit is different from the wind energy tax credits that are being criticized in the media as too generous, because this program is actually creating ongoing manufacturing jobs in Oregon and not just developing renewable energy that gets shipped to California. Mr. Roberts agreed and predicted that the Oregon Legislature will address this issue quickly in February. He said that even though the overall BETC program has been a solid one for Oregon, there are some aspects of it that should be reined in. The renewable energy resource equipment tax credit, however, is not one of them.

9. UPDATE: LANE ECONOMIC DEVELOPMENT STANDING COMMITTEE (EDSC)

Mr. McKenzie-Bahr reminded LEC members that Lane County's EDSC, which recommends how the county should spend each year's allotment of Oregon video lottery funds on local economic development, was reorganized this past July. There are now seven members, instead of five, and the committee meets separately from the Board of Commissioners. There are a few holdover members on the new committee, such as Mr. Forster, but most are newly-appointed, so the EDSC has been going through an orientation process. In past years, the EDSC has solicited applicants for the video lottery funds in October, but it has not begun the process yet this year, because there is uncertainty about how much money will be available. Mr. McKenzie-Bahr expects the EDSC will not open the application process until the outcome of the January 26 special election is known. Under its new structure, the EDSC will no longer provide the video lottery grant applications to the LEC for initial screening and recommendation. Mr. McKenzie-Bahr has invited Steve Dignam to meet with the EDSC and explain what the LEC is and how the two groups can work together.

10. UPDATE: LCOG'S BUSINESS LOAN PROGRAM

Mr. Dignam reported increased demand for the various government-funded, small business loan programs he works with. He attributed this to several factors: 1) low interest rates, e.g. 5% fixed for 20 years; 2) a buyer's market for fixed assets; and 3) bankers' interest in reducing their risk. In particular, there is a good deal of activity in these programs in the rural parts of the county. Mr. Dignam feels things are starting to look up in this area.

7. DEBRIEF: BANK PANEL DISCUSSION FROM OCTOBER 19 MEETING

Mr. Scoggin recommended that this item be held over for the next meeting, because there was little time left before adjournment. Mr. Dignam commented that he had enjoyed the bank panel discussion and heard two important messages – that banks are currently making sure their loans are going to strong applicants and that they are feeling incredible pressure from their regulators to make very secure loans. Mr. Dignam noted that this conservative approach makes it difficult for banks to meet the ongoing efforts of the president and Congress to stimulate lending. He is encouraged by recent policy statements from the FDIC to regulators about how they should be evaluating banks, in light of federal efforts to expand lending. DeeAnn Cherbas commented that her bank is evaluating all its loans very carefully for risk. Lynette Wikstrom described the problems realtors are having in getting clients financed for home purchases. Mr. Tamulonis noted that, while some employers are looking to expand, the available stock of industrial buildings is limited. Mr. Dignam said this is not the case at all with office and retail properties. He fully expects to see many more commercial business failures/foreclosures and increasing commercial vacancy rates over the next year.

The next LEC meeting will be January 25, 2010.

The meeting adjourned at 1:00 p.m.

(Recorded by Kurt Willcox)