

A Special Session of the Astoria Common Council was held at the above place at the hour of 9:00 am.

Councilors Present: Nemlowill, Price, Brownson, Jones, and Mayor LaMear.

Councilors Excused: None

Staff Present: City Manager Estes, Public Works Director Harrington. The meeting is recorded and will be transcribed by ABC Transcription Services, Inc.

### ENTERPRISE ZONE AT TONGUE POINT

City Manager Estes introduced guests who had been invited to talk to City Council about enterprise zones, activities planned at Tongue Point, and a proposal to implement an enterprise zone at Tongue Point.

Kevin Leahy, Clatsop Economic Development Resources (CEDR), reviewed the Staff report on enterprise zones, which was included in the agenda packet. He displayed a map on the screen showing the locations of enterprise zones in Oregon and described their objectives, requirements, and benefits. He and Melanie Olson from Business Oregon, Bob Dorn from Hyak Maritime, and Clatsop County Tax Assessor Suzanne Johnson answered questions from the Councilors as follows:

- Extended enterprise zones for rural areas must be approved by the City the zone is located in. They allow tax abatements for seven to 15 years instead of three to five years, but they also have more requirements. Each company within an extended enterprise zone must have their request for an extended tax abatement reviewed and approved by Council.
- If the existing enterprise zone were to be expanded, Clatsop County, the Port of Astoria, and the Cities of Warrenton and Astoria would all have to approve the expansion because they are partners in the original zone. All the taxing districts within the zone's boundaries, including school districts and special districts, would be impacted.
  - Astoria could establish its own enterprise zone instead of participating in Clatsop County's zone. In that case, the City of Astoria and the Port of Astoria would have to approve the zone.
- The City does not receive taxes from properties at Tongue Point until they are leased. Currently, only two properties are taxable. The enterprise zone would not reduce any of the taxes currently being paid, as only new investments were eligible for tax abatements.
- The amount of tax increases the City would realize after the three to five-year period could be estimated once the City knows what investments would be made in the enterprise zone. Taxes would be charged on the real market value of new investments.
  - For example, the current real market value of Hyak Maritime's property at Tongue Point was assessed at \$4.1 million, which would incur about \$75,000 in taxes. An investment of \$12 million to develop that property would result in annual taxes of \$250,000.
  - Mr. Dorn noted that temporary tax abatements would help Hyak get started at Tongue Point and they would have no problem handling the tax load in three to five years.
- Advance Astoria recommended the City focus on the maritime industry as one strategy for increasing economic development.
- City Council, Staff, and guests discussed Astoria's involvement in the existing zone. Mr. Leahy believed that the other jurisdictions saw this proposal to include Tongue Point as an opportunity, so they were likely to approve the request.

Bob Dorn, Hyak Maritime, presented a proposal to include Tongue Point in an enterprise zone. He explained why Hyak Maritime invested in property at Tongue Point, the investments Hyak planned to make on its property at Tongue Point, how these investments would benefit the community and economy, and how an enterprise zone would facilitate Hyak's investments. He and Staff made handouts available with information about Hyak Maritime.

Councilor Price confirmed that companies would have two years from the time their application was approved to implement their investments in the zone. The enterprise zone program sunsets in 2025, giving companies seven years to apply.

Councilor Nemlowill asked how much job growth could occur in this proposed zone expansion. Mr. Dorn estimated about 100 new jobs at Tongue Point. Currently, Hyak's core tenant employed 37 people who averaged \$25 to \$30 per hour. Hyak planned to add more tenants that would employ more shipyard workers and specialists.

City Manager Estes asked for direction from City Council on whether Staff should pursue an enterprise zone at Tongue point.

Mayor LaMear called for public comments.

Frank Spence, Port of Astoria Commissioner, said the Port had been working diligently with Hyak and were happy to sell the property because the Port was losing \$250,000 per year. The proposal that had been presented to City Council was fully endorsed by the Port Commission. None of the taxing districts would lose any tax revenue by being part of an enterprise zone. The Port's main focus was to support the maritime industry and the enterprise zone would be a great opportunity to have the best maritime industry on the West Coast.

Councilors Jones and Brownson expressed their support for Hyak and the enterprise zone, noting the benefits to the community.

Mr. Dunn shared details about the due diligence he did on the property prior to purchasing it. He had confirmed that no remedial environmental action needed to be taken before he could develop the property and he would protect the environmental quality of the property as he moved forward. Ms. Olson added that the Department of Environmental Quality (DEQ) Regional Solutions Team was aware of Hyak's plans for North Tongue Point. The team supported the project and would assist in any way possible.

Councilor Nemlowill also expressed her support for Hyak and enterprise zones. She wanted to explore other potential enterprise zones in the City and explained why she believed they should exclude the resort and hotel industry. Councilor Jones agreed that hotels should be excluded.

Mayor LaMear supported the proposal as well and wanted to know who should be involved in developing this enterprise zone. Mr. Leahy confirmed that the hospital, Columbia River Estuary Task Force (CREST), and the college should be considered partners in this project. Ms. Olson added that other potential partners would depend on the economics of the census tracts proposed for the zone, which should align with the criteria of the zone.

Councilor Price fully supported an enterprise zone on Mr. Dorn's property, joining the existing enterprise zone, and excluding hotels.

City Manager Estes said he, Ms. Olson, and Mr. Leahy would begin analyzing Tongue Point and other potential areas. Mr. Dorn invited City Council and the community to visit his property to see what was going on at Tongue Point.

Mayor LaMear called for a recess at 10:07 am and reconvened the special session at 10:15 am.

## **OPPORTUNITY ZONES**

City Manager Estes explained that this discussion had been added to the agenda because he recently discovered that March 14<sup>th</sup> was the deadline to apply for an Opportunity Zone with Business Oregon. If City Council decided to move forward on this, Staff was prepared to submit the application by the end of the business day.

Melanie Olson, Business Oregon, and Walt Postlewait, Craft3, made handouts available and gave a presentation on Opportunity Zones, noting how they were different and separate from enterprise zones. They explained how the zones operated, described the intended benefits to investors and communities, potential risks

and limitations, and potential funding mechanism. Mr. Postlewait noted that the Internal Revenue Service had not yet written any rules for Opportunity Zones, so there was a lot of speculation about the real impacts these zones would have. He shared hypothetical situations based on current assumptions and data, noting that the intent was to spur long-term investment in low-income census tracts. Astoria's census tracts were displayed on the screen.

Councilor Price said she saw no harm in submitting the application since it was likely the City could decline before any new legislation was implemented.

Councilor Nemlowill did not want to do anything that could potentially accelerate gentrification. She believed unaffordable housing was harmful to economic development and the risks of an Opportunity Zone did not seem to outweigh the benefits. She wanted local investors to invest in Astoria instead of incentivizing outside investments in Astoria.

Councilor Brownson was concerned that the risks and rewards were speculative. He did not want the City to sign up for a program that was not ready. The program would not do much for Astoria and the impacts to the community were likely to be negative.

Mayor LaMear said she opposed the program. Ousting low-income people from their homes would be a huge risk. She did not agree with increasing the wealth gap and did not want to consider a program without any rules.

Councilor Price did not believe there was much of a risk because the City could decline to participate. However, she agreed with Councilor Nemlowill and said this program might be better for other areas. It would not make sense to apply knowing that the City was likely to back out.

Councilor Jones believed the concerns about gentrification were overstated. There was a good chance the program would be a good opportunity and Astoria would be foolish to turn it away. It was sad that the information just came out and Astoria would have to decide now without knowing what the rules would be.

Ms. Olson expected the Governor's Office to request a 30-day extension to the deadline and continue to request public comments. Mr. Postlewait anticipated the rules would be completed over the summer, as it was high on the IRS priority list. He noted that Craft3 has considered areas that might benefit from an Opportunity Zone. There were opportunities at Tongue Point, but those would require capital. Additionally, areas with research hospitals and universities can benefit low income communities as jobs and technologies are developed. He could not estimate the scale of the risk of gentrification and he anticipated this program would attract more business development than real estate development. However, when there is real estate development, there is also a risk for gentrification. He confirmed he would meet with Jim Knight, Port of Astoria, later that day to inform him of the program. He knew that Warrenton was considering the program, but he had not spoken with anyone at the County.

Councilor Nemlowill said the program would be good for Astoria if it would not negatively impact housing. Mr. Postlewait explained that Craft3 had been considering mixed-use developments that have retail, office, work force housing and condominium units in one building. Income from the market rate spaces offset the costs of the work force housing. However, he was unsure if a development like that could be part of an Opportunity Zone because the rules had not yet been written.

Councilor Jones stated that while this program could result in some gentrification, it could also provide additional housing. He would vote to apply for the program.

Mr. Postlewait explained the Opportunity Zone would require equity, not debt, to be invested into a project. However, he had no way of determining how capital markets would respond or identifying the most attractive projects.

Mayor LaMear did not believe the time was right for Astoria to apply for an Opportunity Zone. She was concerned that the rules had not yet been written.


**City Council Action:** Councilor Nemlowill moved to opt out of applying for the Opportunity Zone program; seconded by Councilor Price. Motion passed 4 to 1. Ayes: Mayor LaMear, Councilors Nemlowill, Price, and Brownson. Nays: Councilor Jones.

Mr. Postlewait believed that implementing the program for 10 years was short sighted and that three or five years would be more appropriate. The purpose is to benefit low-income communities by attracting capital, but there are many great transformational projects that do not require capital.

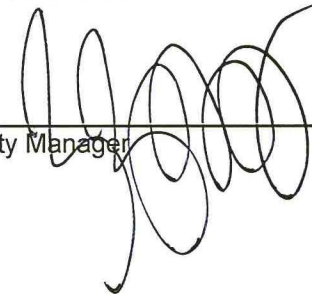
**ADJOURNMENT**

There being no further business, the meeting was adjourned at 11:08 am.

**ATTEST:**

  
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Finance Director

**APPROVED:**

  
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City Manager