

Jordan Cove Energy Project (JCEP)

White Paper – Property Tax

[Blue underlined text in document has hyperlink](#)

The proposed LNG Export Facility, South Dunes Power Plant, and 234-mile Pacific Connector Gas Pipeline commonly referred to as the “[Jordan Cove Energy Project](#)” or “JCEP” is a privately-funded business venture of [Veresen Inc.](#), a diversified energy infrastructure company that owns pipelines and power generation assets throughout North America.

This project is not yet a 'Done-Deal'. It's currently awaiting US Department of Energy approval as an LNG export facility to Non-Free-Trade Countries (like Japan & China). More steps in the approval process remain.

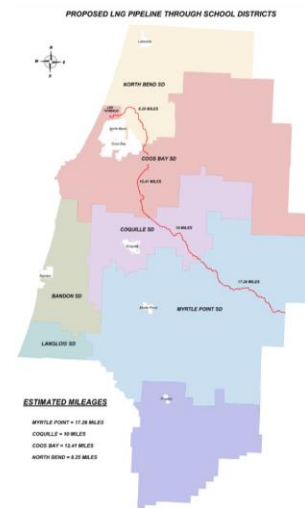
If not approved or if not built, stop reading now. Disregard everything that follows.

If approved for construction, three property tax components will be involved: the [LNG export facility](#), [South Dunes Power Plant](#) on the Coos Bay North Spit, and approximately 230 miles of [pipeline](#) beginning at Malin, OR (near Klamath Falls) and ending at the export facility.

PIPELINE:

As currently planned, about 50 miles of the pipeline will pass through Coos County:

- Approximately 36% will be in the taxing district of the Myrtle Point School District,
- 21% in the taxing district of the Coquille School District,
- 17% in the taxing district of the North Bend School District, and
- 26% in the taxing district of the Coos Bay School District.



The Coos County Assessor will not be involved with the valuation of the Pacific Connector Gas Pipeline. As a ‘Utility’, it will be assessed by the Oregon Department of Revenue. Added value from the planned pipeline within Coos County –yet to be determined– will be apportioned over the company’s entire business value.

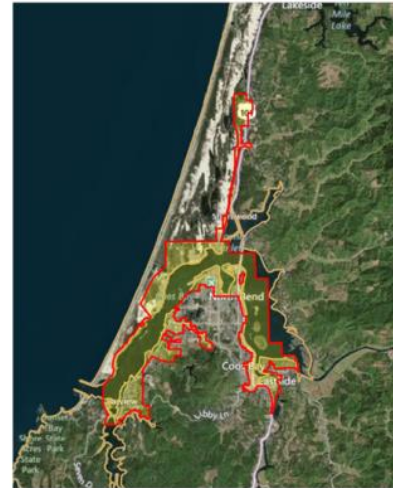
EXPORT FACILITY AND POWER PLANT:

The Assessed Value of the combined Jordan Cove *export facility and South Dunes Power Plant* on the North Spit of Coos Bay is estimated to be about \$4 Billion.

Two governmental land use overlays could impact what will happen with Jordan Cove’s property taxes: an [Enterprise Zone](#), and an [Urban Renewal](#) District. The first affects **how much** (and when) property tax is paid and when it is paid; the second affects **who gets** the property tax dollars.

ENTERPRISE ZONE:

Jordan Cove is located in an **Oregon Rural Enterprise Zone**, an economic development tool used to attract and focus job-creating investment in economically depressed areas of the state. The Bay Area Enterprise Zone (EZ) is sponsored by four local government entities: Coos County, the cities of Coos Bay and North Bend, and the Oregon International Port of Coos Bay. No other taxing districts have authority over the EZ. EZ's offer a property tax exemption on new commercial and industrial investments for varying periods of time.



Bay Area Enterprise Zone

Tax exemption durations vary and may be 3, 5, or 7-to-15 years, plus varying time allowances for construction. With 5-year and longer terms, *special fees* may be requested of the applicant – in this case, Veresen Inc. Three-year-term Enterprise Zones do not provide for such special demands. Veresen has applied for a 15-year Enterprise Zone exemption.

During construction and a defined period after completion, property taxes will be deferred on new above-ground capital improvements. Site improvements below ground WILL be subject to property taxes without deferral, just as would any other non-exempt new construction anywhere else in the county. The Bay Area Enterprise Zone encompasses generally the waterfront commercial and industrial areas of North Bend, Coos Bay, Charleston, and along the rail line to Hauser. At the end of the EZ property tax exemption period, all of the capital improvements built by JCEP will be taxed –as is all other property in Coos County- with revenues flowing into eleven different taxing districts. (Chart on page 7)



Coos County Urban Renewal District

URBAN RENEWAL DISTRICT:

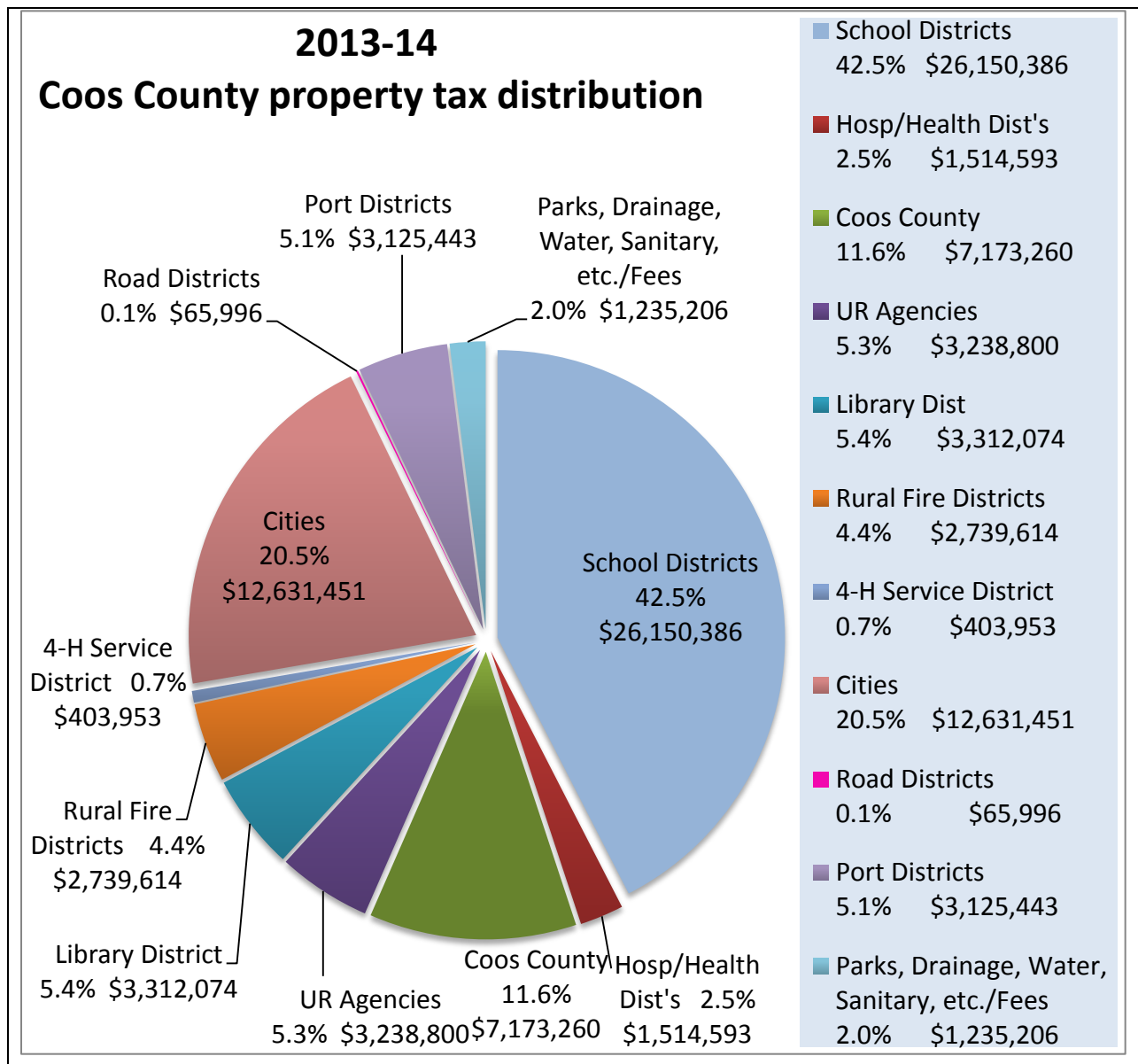
Jordan Cove is also located within the **Coos County Urban Renewal District**; generally, the rural area on the North Spit extending from the north jetty up to Horsfall Lake, including the Lower Bay up to Haynes Inlet. It was approved by local voters in 1985 to cure blight in the area. The four sponsors of the URD are the same as for the Enterprise Zone discussed above: the cities of Coos Bay and North Bend, the Oregon International Port of Coos Bay, and Coos County.

Once established, an Urban Renewal District (URD) redirects some of the property tax revenue from the existing taxing districts to fund improvements within the District, generally limited to infrastructure improvements.

PROPERTY TAX SUMMARY: Current distribution and several *What If's* are shown:

- **First**- Present-day county-wide tax distribution for the most recent TY: 2013-14.
- If new value is added within the North Spit Industrial Area and:
 - What If #1:** no URA or EZ changes are made, or
 - What If #2:** the URA takes no distribution of property taxes, or
 - What If #3:** there was a way to keep the tax dollars within Coos County, or
 - What If #4:** the EZ went away, plus (as in 'What if' #3 above) the URA takes no distribution?

First, a look at how property taxes collected in Coos County are currently distributed: Total property tax revenue and typical distribution to Taxing Districts from all Coos County sources was **\$ 61,590,775**.



A short explanation of Urban Renewal:

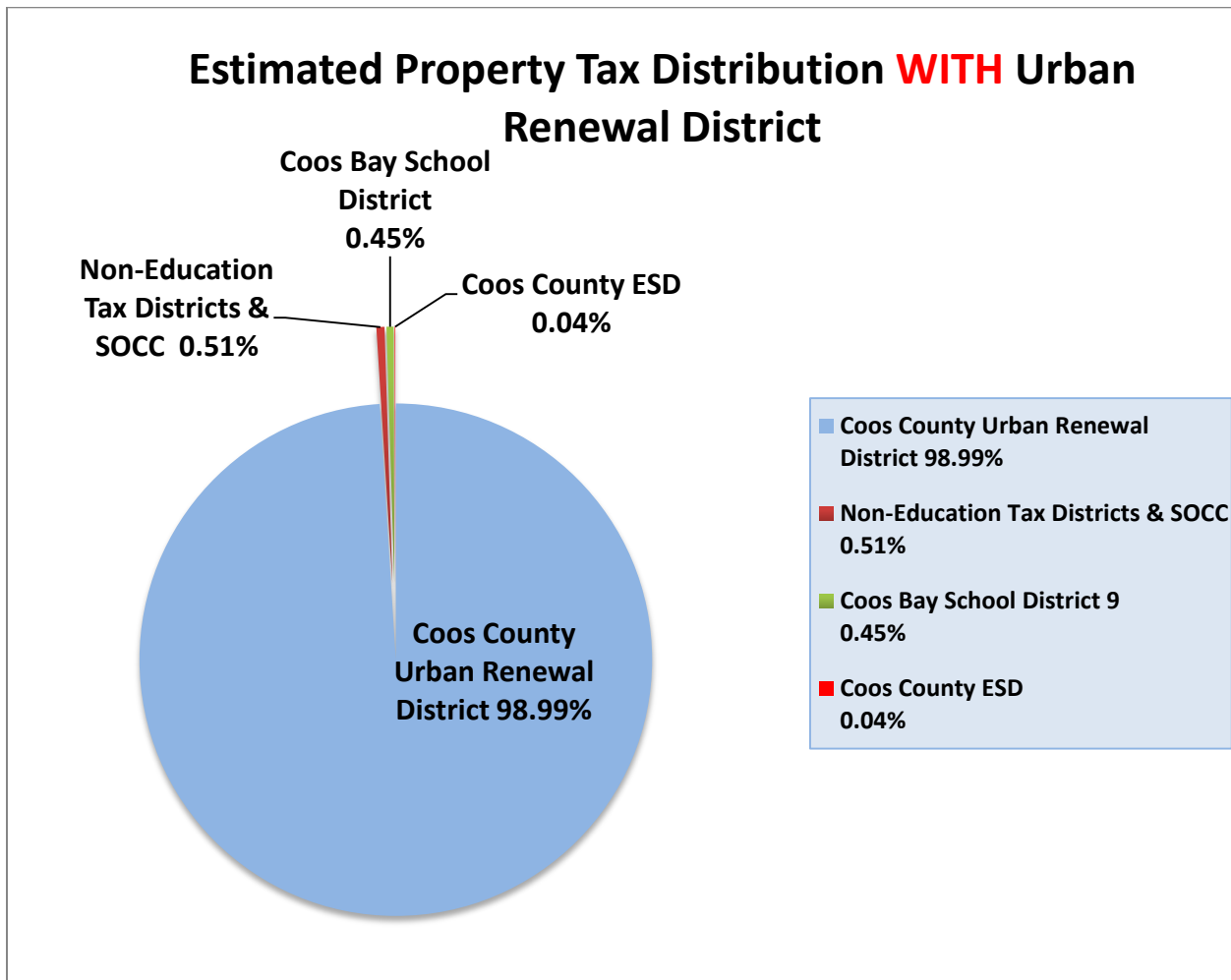
The assessed property value of this particular UR District was “frozen” at \$38 million when it was first established in 1985. Taxing entities within the district will continue to receive tax revenue associated with that frozen Assessed Value.

Tax revenue generated from new construction above the ‘frozen value’ is distributed to the Urban Renewal Agency (URA) to spend on its designated projects. (See chart below) Those projects must be located ONLY within the geographic boundaries of the UR District (URD).

In the most recent tax year (2013-2014), the Coos County URA received about \$132,000 from the EXCESS assessed value within the District, and the Taxing Entities within the District received about \$ 385,000 from the FROZEN assessed value.

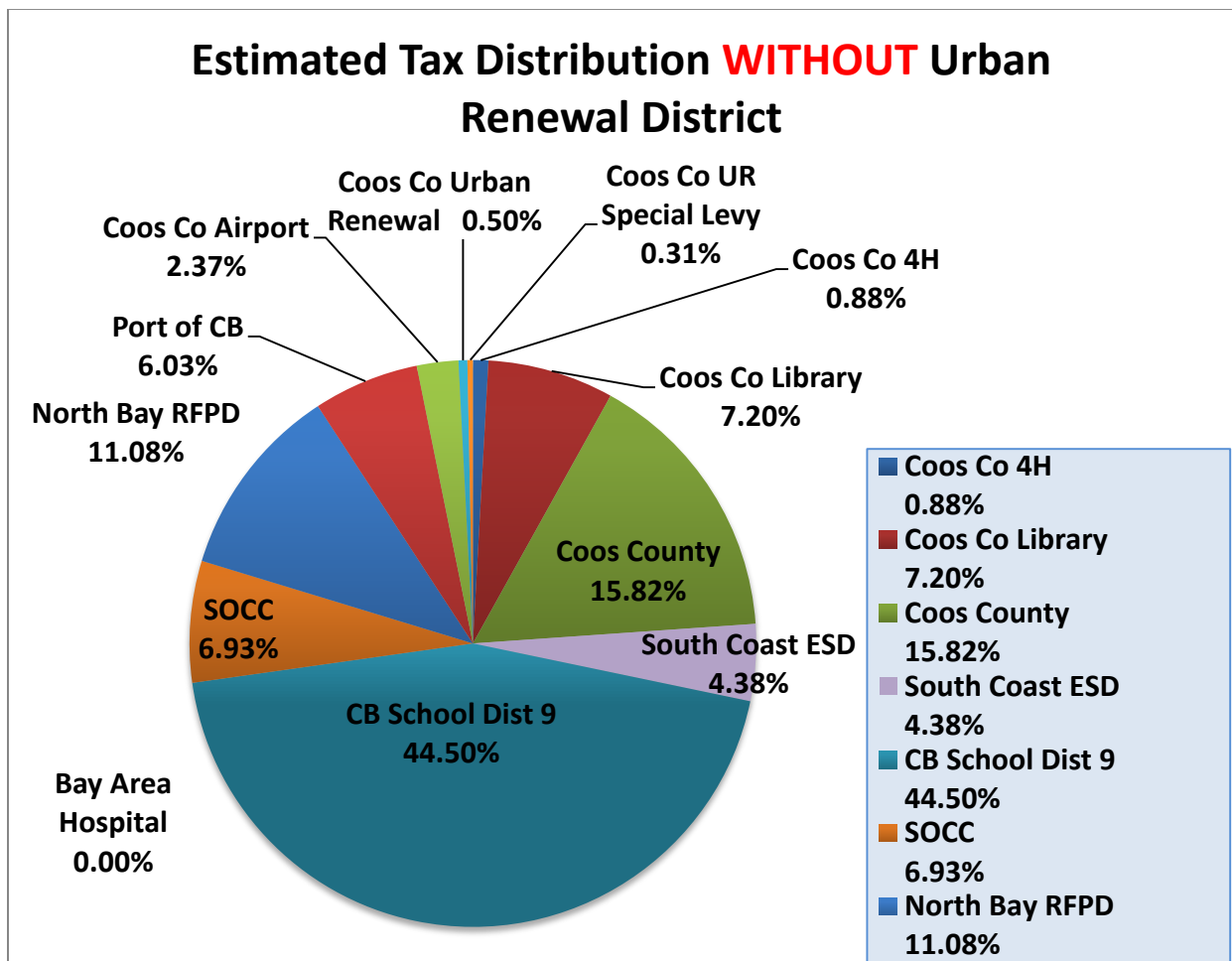
Some “*What If’s*”:

What If #1: When property tax is collected on **ADDED** capital improvements in the Coos County Urban Renewal District, this is how it is distributed. (Currently the “change-nothing” scenario for JCEP):



What if #2: Since the current distribution gives virtually ALL property tax from the added value of JCEP capital improvements (above the frozen value) to the URA, *what if* the URA declined to accept the increased property tax from a large JCEP investment?

Distribution would look like the following chart. The URA now gets zero, and Coos Bay School District gets 44.5%, ESD gets 4.38%, and SOCC gets 6.93%. **No other Coos County school districts receive any distribution.** All the other Taxing Districts that DO get a distribution are shown in the legend and on the graph. Under the Oregon School funding 'Equalization' system, although Coos Bay School District 9, ESD, and SOCC would receive about 56% of the new tax revenue, the state would withhold an equal amount from public school funding. This results in a zero net gain for the community.



What if #3: there was a mechanism to keep that 56% in Coos County?

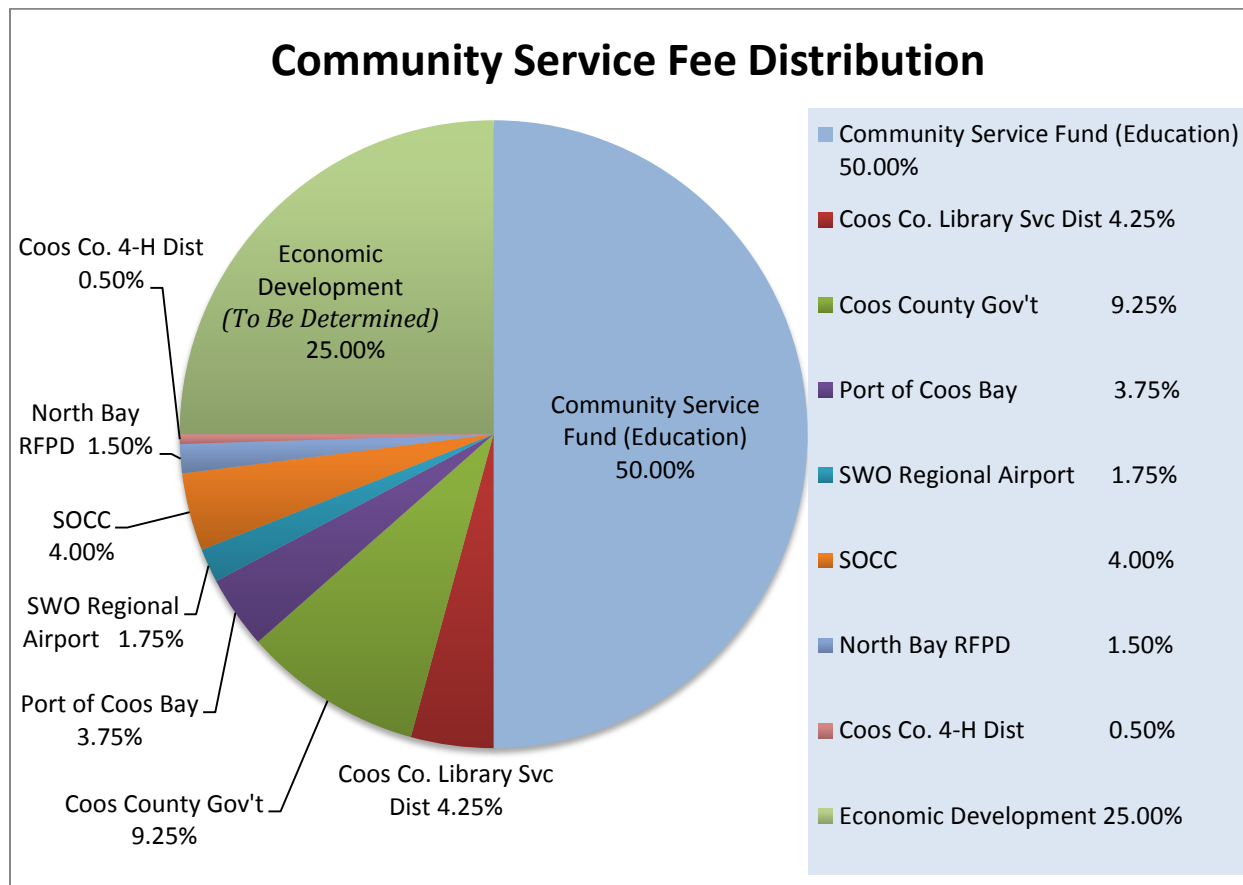
One way is for the EZ sponsors to enter into a voluntary Community Service Fee agreement with Veresen in exchange for granting the EZ exemption.

The proposed **Community Service Fee** is just such a legal alternative option being considered by the four sponsoring agencies of the Bay Area Enterprise Zone. Beginning in 2016 and continuing for the next 19

years, it would provide direct payments by JCEP equivalent to the amount of exempted property taxes (in present value terms) into a managed fund.

Half would be focused on educational investments within Coos County plus the city of Reedsport. **One-fourth** is designated for a partnership between the cities of North Bend, Coos Bay, Coos County, and the Port of Coos Bay for waterfront revitalization and economic development. The remaining **one-fourth** would go to the seven taxing districts who currently receive tax payments from the Coos County Urban Renewal District.

Instead of simply pocketing the exempted property taxes (as is their right under existing Enterprise Zone regulations), JCEP would be required to make annual payments to two local 501c(3) non-profits and to seven local taxing districts as shown below:



If construction is completed as planned, on average, **during each year** of the 19-year period from 2016 through 2035, (approximate numbers):

- **property tax** for the export facility will be somewhere between \$25 Million and \$31 Million annually based on Assessed Value between \$4.7 Billion and \$6 Billion (still unverified depreciation schedule)
- **property tax** for the land will be about \$2 Million annually (Assessed Value about \$37.7 Million).

Assuming the lower of the above, the JCEP Export Facility and Power Plant will generate approximately \$25 Million in Community Service Fees **EACH YEAR** – all of which would stay in our community.

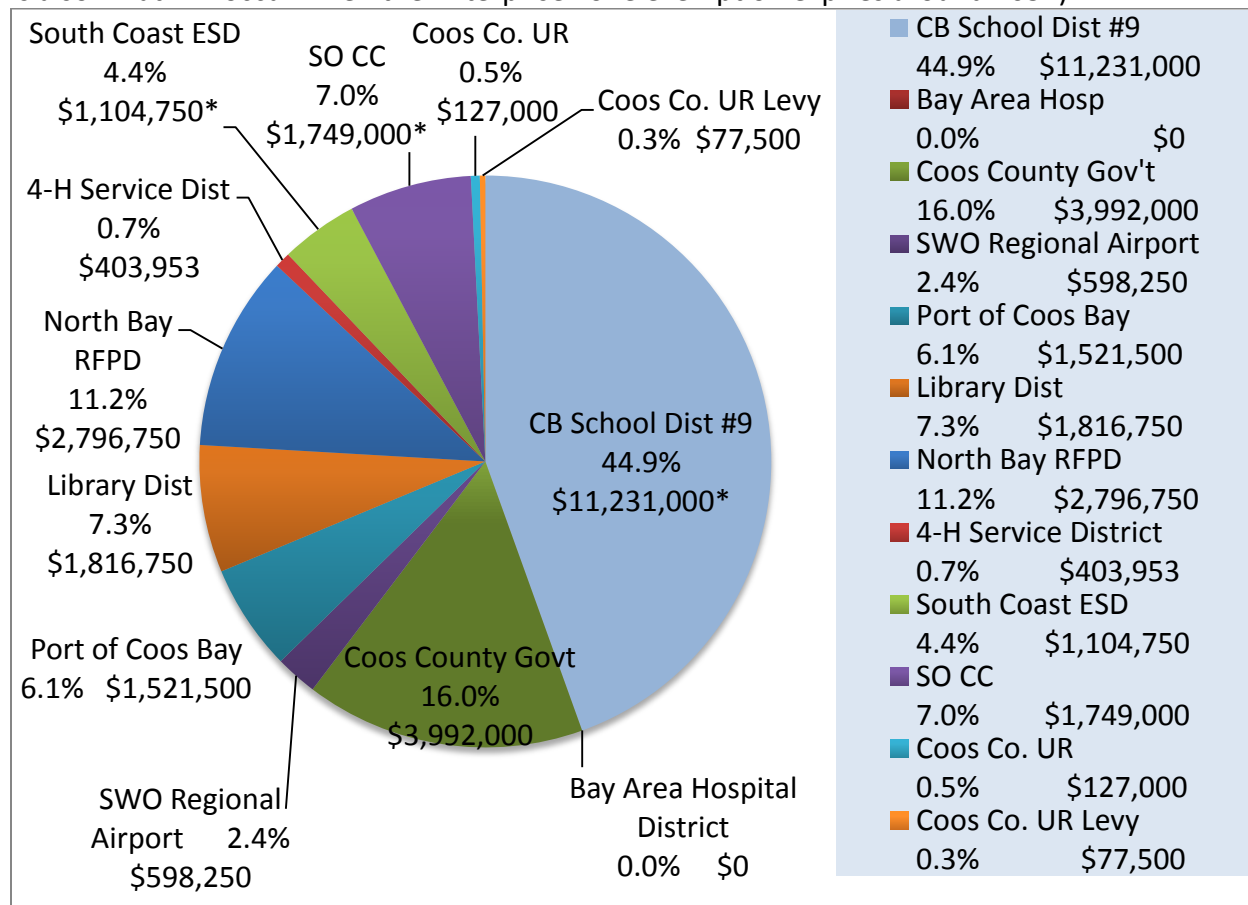
As shown in the preceding chart, the proposed **Economic Development Fund** would receive **\$6,250,000 annually** for further distribution to promote waterfront revitalization and economic development by the cities of Coos Bay, North Bend, County Government, and the OR International Port of Coos Bay.

All projects constructed in concert with these payments made by JCEP would carry normal tax assessments with the revenue flowing into the County's general fund each year. Any of those projects qualifying for EZ exemption programs would also be considered on their own merits for EZ participation.



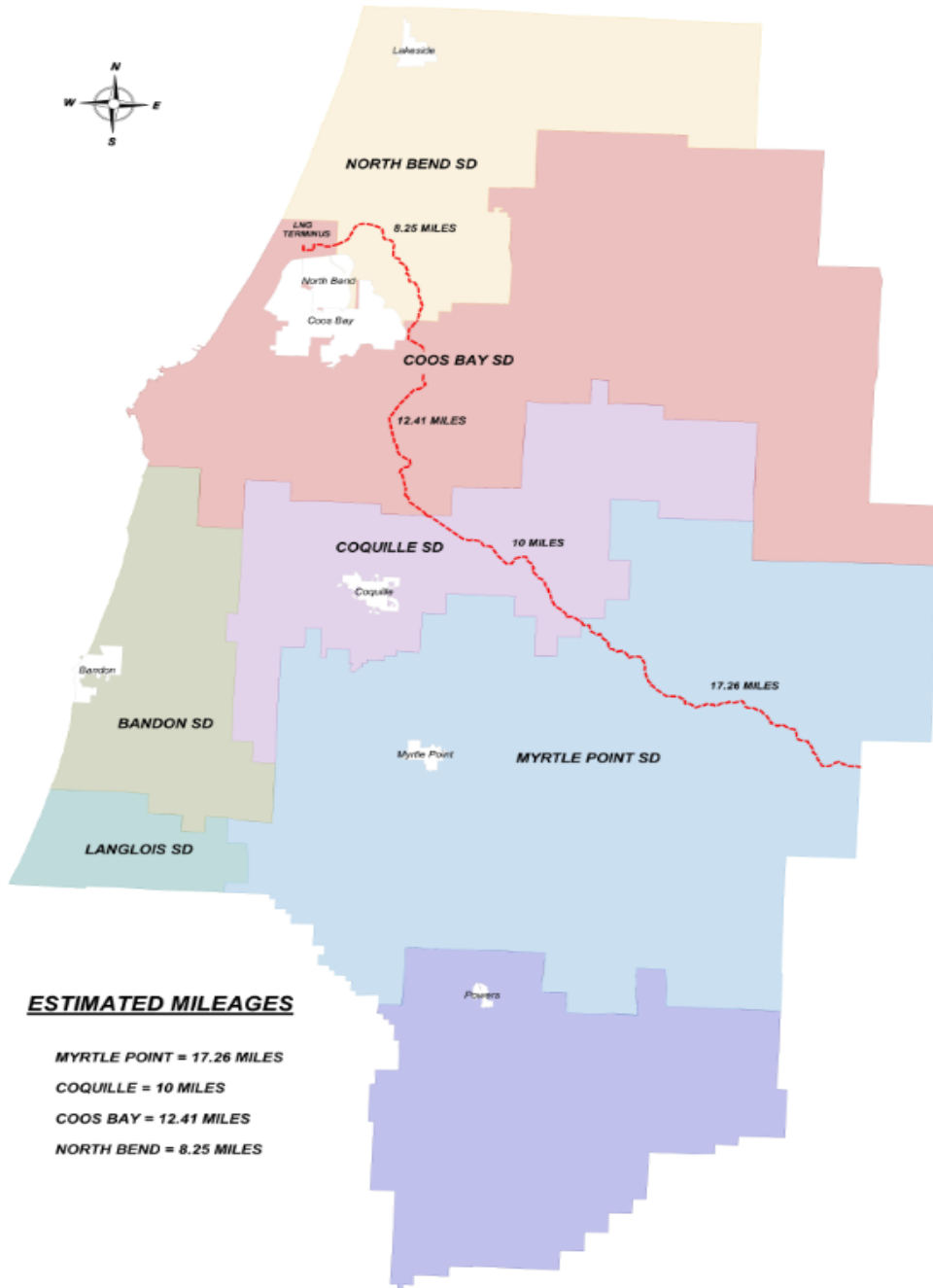
Coos Bay Estuary Management Plan General Outline

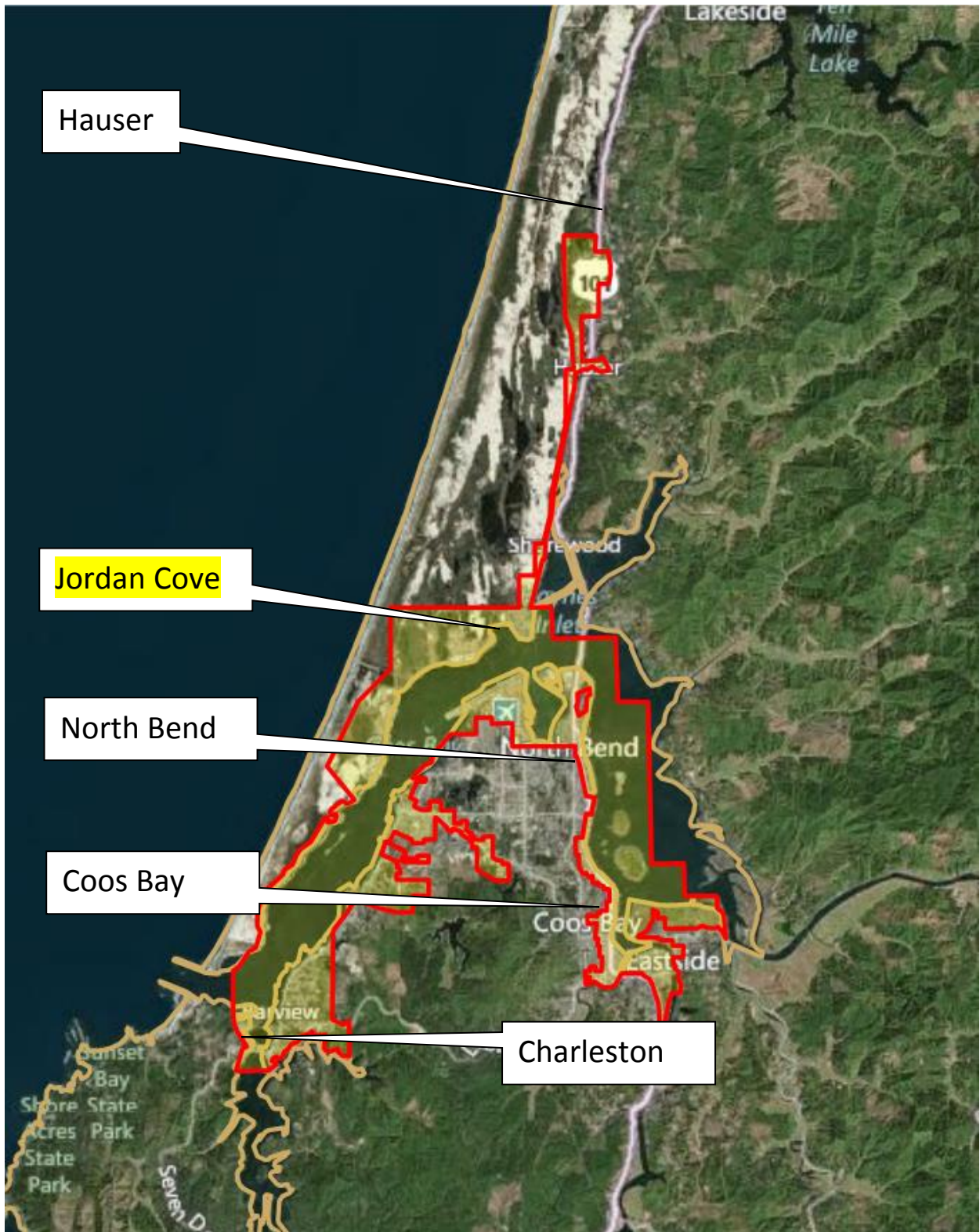
What If #4: the EZ went away, plus (as in 'What If #2' above) the URA takes no distribution? Assuming an average \$25 Million annual property tax, the revenue would be distributed as follows: (This is also what will occur when the Enterprise Zone exemption expires around 2034).



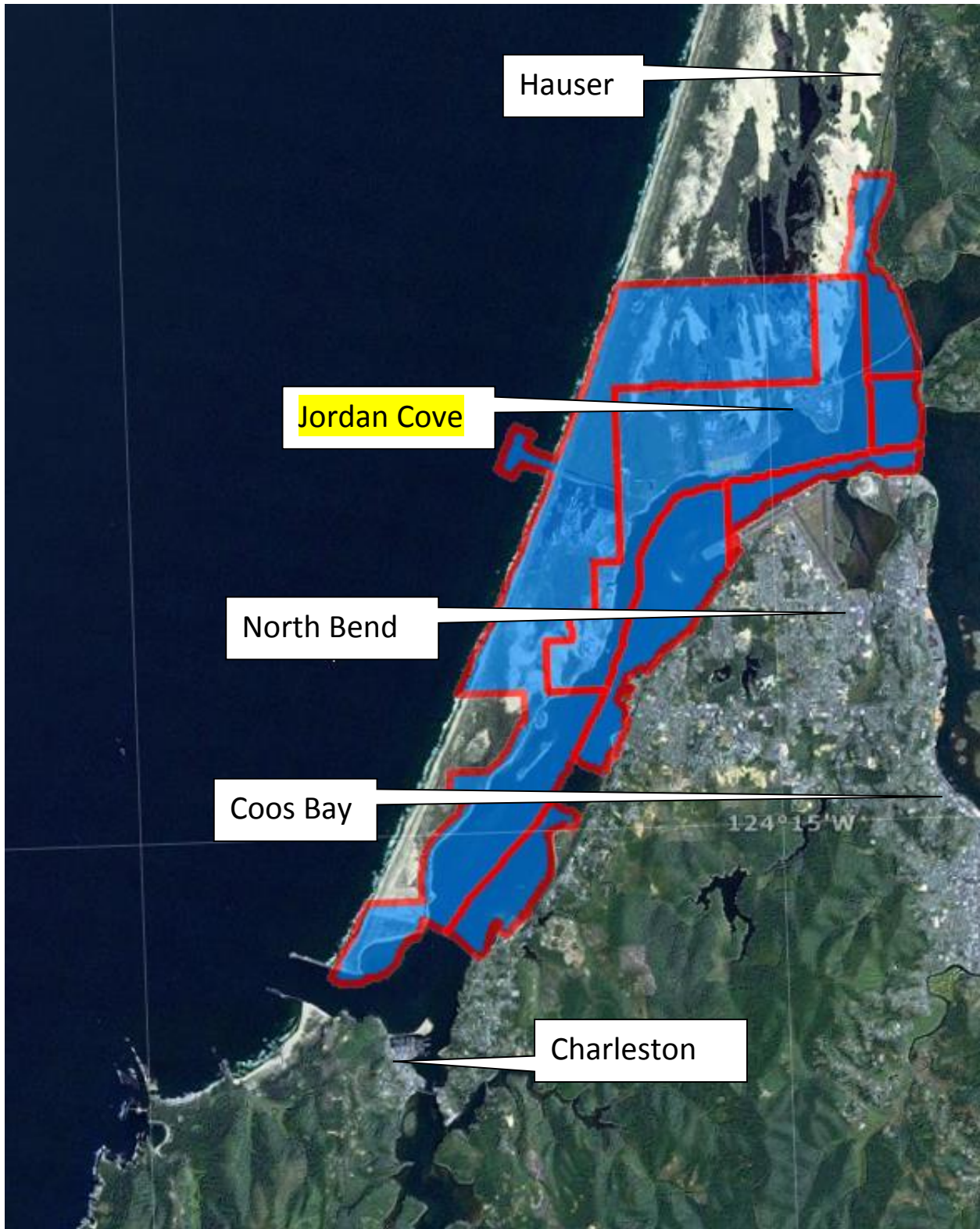
*All revenues flowing to each of the school districts would be [offset by an equal reduction in state funding](#). This would amount to approximately \$14 Million per year, or 56% of total anticipated revenues.

PROPOSED LNG PIPELINE THROUGH SCHOOL DISTRICTS

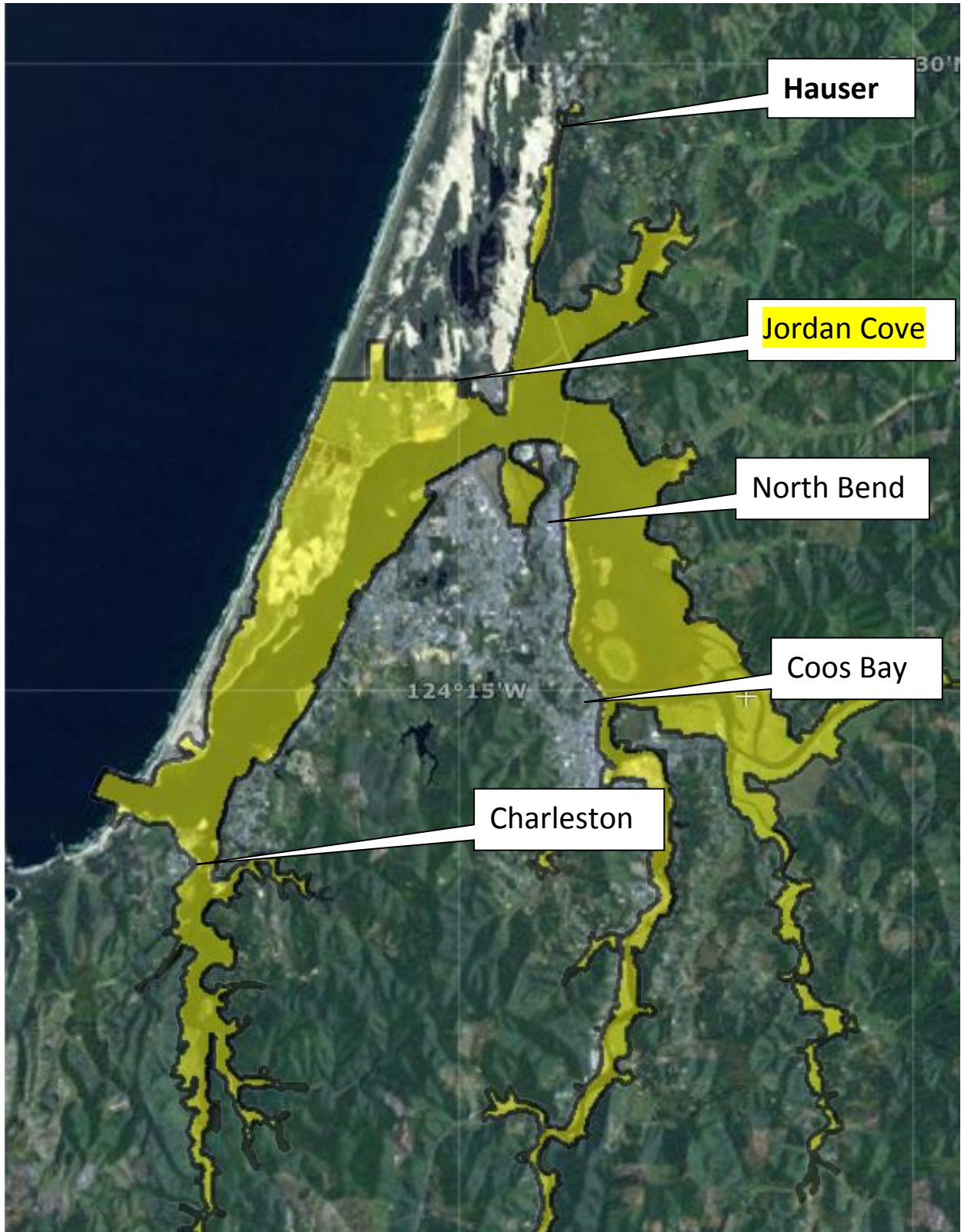




Bay Area Enterprise Zone



Coos County Urban Renewal District



Coos Bay Estuary Management Plan General Outline

