

Overview

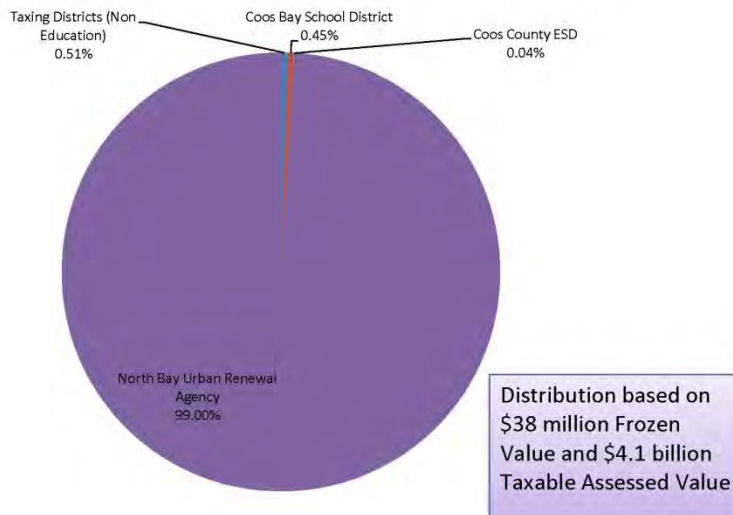
Community Enhancement Plan

In 2013, local public agencies and community members began evaluating how the current property tax collection and distribution system will apply to the Jordan Cove Energy Project (JCEP) Development on the North Spit of lower Coos Bay. The individuals worked collaboratively with the Coos County Assessor’s Office to understand the timeline for when taxable assessed value of the JCEP will be added to the tax rolls, and how property taxes will be distributed.

Extensive analysis of various aspects of the situation led to the following conclusions regarding the taxes that will be paid on the value of improvements, machinery and equipment located at the JCEP facilities on the North Spit (excluding land value and pipeline value):

- If construction begins in 2015, it is estimated approximately \$11 million in property taxes may be paid on the improvements in both 2016 and 2017.
- JCEP will receive a 3-year Standard Enterprise Zone (EZ) Exemption, plus a 2-year Construction in Progress (CIP) Exemption, which will exempt all property taxes for 2018 through 2022.
- JCEP will resume making property tax payments in 2023, at which point approximately 99% of the tax revenues will be distributed to the Coos County Urban Renewal Agency-North Bay District.
- If the urban renewal agency is disbanded or declines the funding, 49% of the money that would flow to K-12 public schools and 4% for the community college would be lost through state education funding equalization.
- The total estimated property taxes that will be paid from 2016 to 2034 range between \$365 million and \$470 million (after deducting Standard EZ and CIP Exemptions).

Estimated Tax Distribution in 2023 with Urban Renewal District



The elements of the Community Enhancement Plan are as follows:

- JCEP will make a fixed payment of \$12 million each year during construction (2016 to 2019);

- During the remaining 15 years of the plan, JCEP will make CSF payments through a formula based on the assessed value of the property and a recoupment of advanced payments made during the years that JCEP would have been exempt (2018 to 2022).
- The CSF payments will be distributed to the following entities:
 - South Coast Community Foundation – 50%
 - Bayfront Investment Corporation – 25%
 - Coos County Government – 9.25%
 - Library Service District – 4.25%
 - Southwestern Oregon Community College Foundation – 4%
 - Oregon International Port of Coos Bay – 3.75%
 - Southwestern Oregon Regional Airport – 1.75%
 - North Bay Rural Fire Protection District – 1.5%
 - 4H & Extension Service District – 0.5%

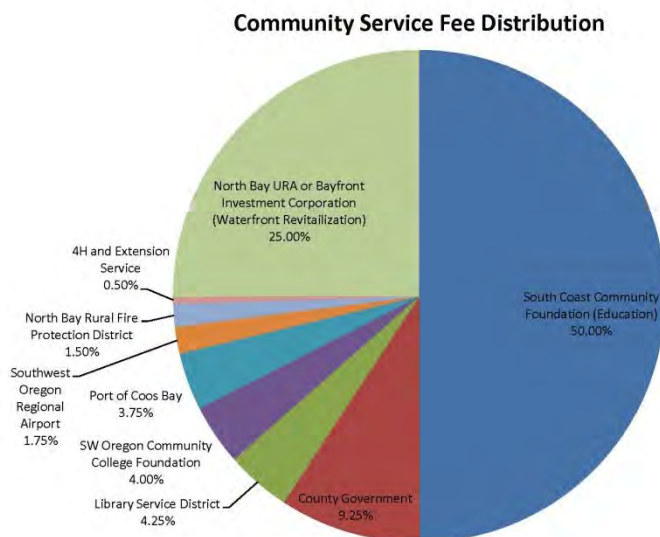
Enterprise Zone Community Service Fee Payments

The Local Agreement must be approved by the four Enterprise Zone sponsors:

- City of Coos Bay
- City of North Bend
- Coos County
- Oregon International Port of Coos Bay

Community Service Fee Payments would benefit three sectors:

- **Taxing districts** touched by JCEP’s development of a LNG export terminal and co-generation power plant on the North Spit of Coos Bay, within the Enterprise Zone;
- **South Coast Community Foundation/SWOCC Foundation** to support educational programs, infrastructure and opportunities within the Jordan Cove employment area; and
- **Bayfront Revitalization** to support infrastructure investments along the Coos Bay harbor waterfronts for environmental enhancement; industrial, commercial and residential redevelopment; tourism/recreation; and other resource uses consistent with the Coos Bay Estuary Management Plan.



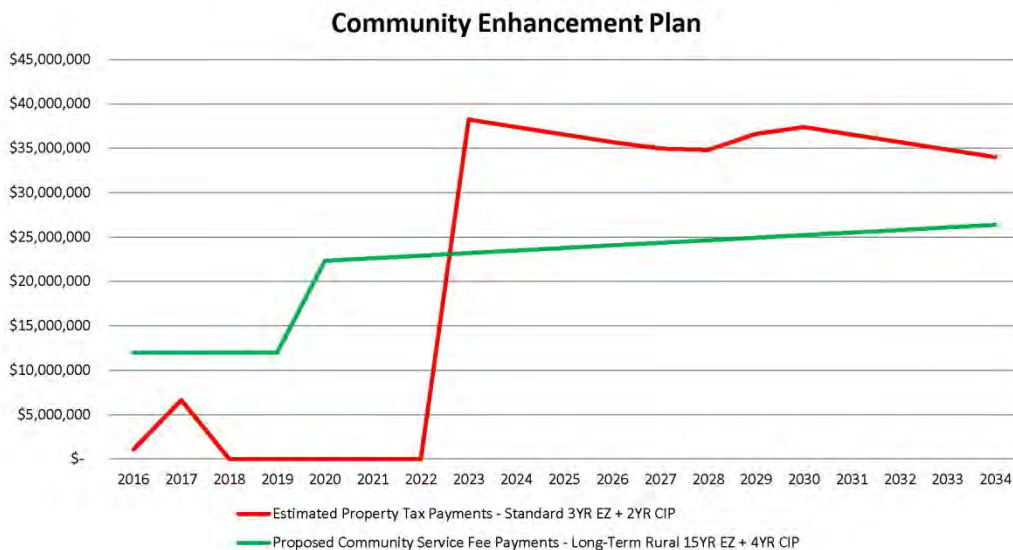
Community Service Fee Distribution

The Community Enhancement Plan also provides a more rational approach to funding the immediate needs of public entities that will see an impact on or the need to deliver community services during the construction phase of the JCEP facilities and Pacific Connector Gas Pipeline. Through Community Service Fee Payments, these public entities would have advance funding to help them adjust to increases in demands for services.

The plan:

- Increases and guarantees payments for local services in 2016 and 2017.
- Ensures a steady stream of payments to support services from 2018-2022.
- Retains 100% of the money in the region.

Solution: Community Service Fee Payments under the Long-Term Rural Enterprise Zone Program



There are 10 taxing districts on the North Spit. Nine of the 10 receive revenue from property taxes:

- 4-H Service District
- North Bay Rural Fire Protection District
- Coos County Airport District
- Port of Coos Bay District
- Southwestern Oregon Community College (Loses tax revenues through equalization)
- Library Service District
- Coos County
- Coos Bay School District (Loses tax revenues through equalization)
- South Coast Education Service District (Loses tax revenues through equalization)
- Bay Area Health District (Collects no taxes)

Example: Annual estimated payments

Projection of Annual Tax District Payments			
Community Service Fee Distribution	Construction Years 1 -4	Start of Operations Year 5	Operations Year 19
County Government	\$ 1,110,000	\$ 2,065,731	\$ 2,439,362
Library Service District	\$ 510,000	\$ 949,119	\$ 1,120,788
Port of Coos Bay	\$ 450,000	\$ 837,458	\$ 988,931
Southwest Oregon Regional Airport	\$ 210,000	\$ 390,814	\$ 461,501
North Bay Rural Fire Protection District	\$ 180,000	\$ 334,983	\$ 395,572
4H and Extension Service	\$ 60,000	\$ 111,661	\$ 131,857

South Coast Community Foundation

There must be sustainable funding available to improve the education system in order to better prepare individuals to succeed with life goals, compete in the workforce, and pursue higher education and specialized training. As a result of a better educated and engaged community, the business and public service sectors will have increased opportunities to innovate and thrive.

The **South Coast Community Foundation** is a 501(c)(3) **not-for-profit corporation** that has been formed for the primary purpose of **supporting education infrastructure, education technology** and other programs that fall outside of the state's current support formulas for public education.

- The **South Coast Community Foundation** was established as a **501(c)(3)** in October 2013.
- The service area for the foundation includes all of **Coos County and the Reedsport School District (western Douglas County)** – those communities in which Jordan Cove Energy Project (JCEP) employees will live and raise families.
- The Community Foundation will invest a portion of the Community Service Fee (CSF) payments from the Jordan Cove project in an **endowment** to ensure the foundation can support these programs in perpetuity.
- The Community Foundation will immediately begin distributing half of the CSF, initially estimated at \$3 million, in grants within six months of receiving the initial CSF payment.
 - **Payments are anticipated to begin in 2016.**
 - The **amount distributed will grow each year** as CSF payments are supplemented by distributed earnings from the endowment.
- The Community Foundation is currently developing bylaws.
- The **foundation board will have seven members.**
- An **advisory board** of representatives from school districts in the service area will be established to provide input to the board on funding goals and priorities.
- Funding will augment education programs outside of the state's current support formulas for education.
- If there is a statewide effort to capture community foundation monies targeted to education programs, the foundation will shift the funding to non-education community programs.

Fee Payments to the **South Coast Community Foundation** will:

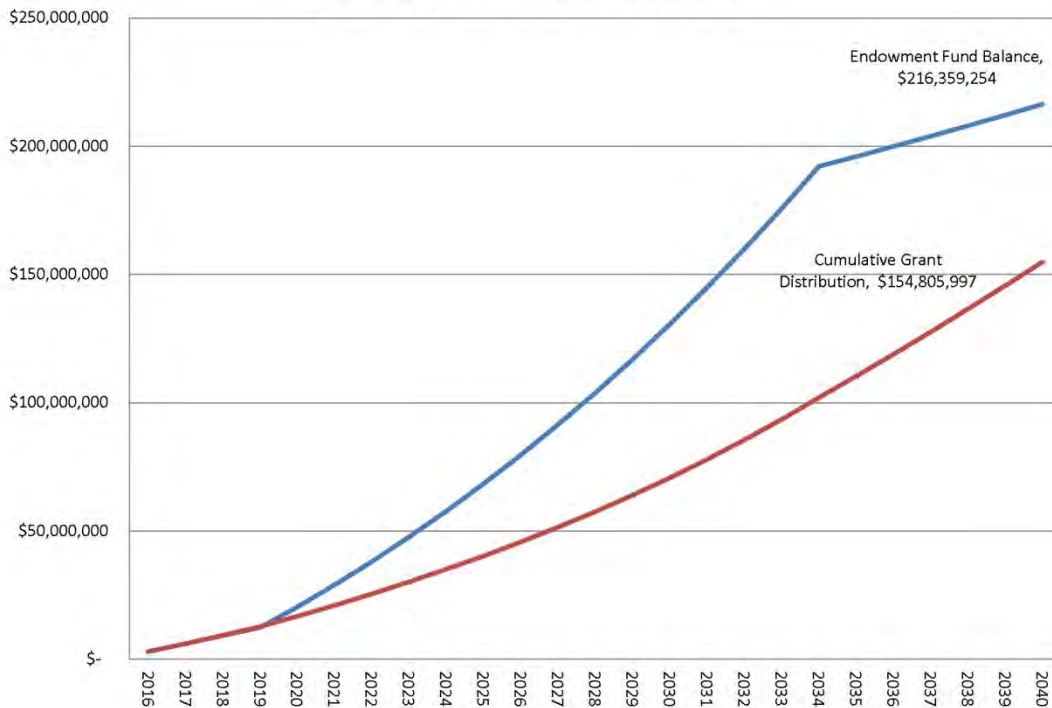
- Lead to increased investment in K-12 and higher education.
- Lead to expanded educational opportunities in the K-12 system and job training programs.
- Be a catalyst for workforce development.
- Lead to expansion of a trained workforce for traded-sector, research and professional service industries.
- Enhance the quality of life through improved educational and employment opportunities.

Example: Annual estimated payments to K-12 and SWOCC foundations

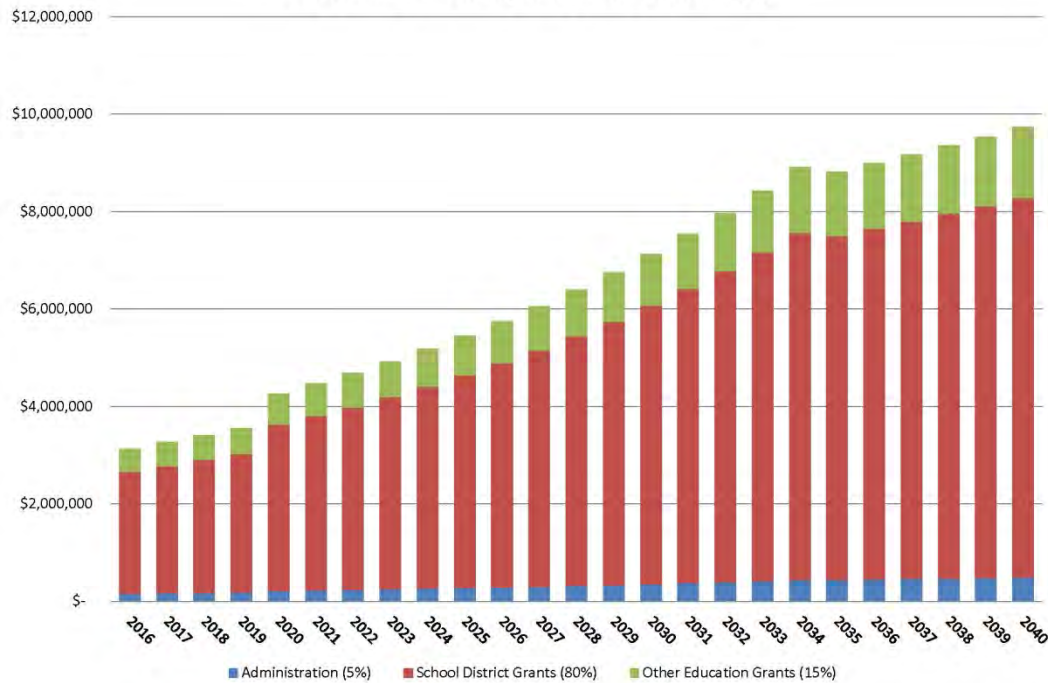
Projection of Annual Education Fund Payments			
Community Service Fee Distribution	Construction Years 1 -4	Start of Operations Year 5	Operations Year 19
South Coast Community Foundation (Education)	\$ 6,000,000	\$ 11,166,111	\$ 13,185,741
SW Oregon Community College Foundation	\$ 480,000	\$ 893,289	\$ 1,054,859

Sample South Coast Community Foundation scenario – *not an official projection*

SCCF: Endowment Fund Balance relative to Cumulative Grant Distributions



ANNUAL BUDGET (Gen Fund + Earnings)



Bayfront Investment Corporation

The **Bayfront Investment Corporation** is proposed as a **public-sector partnership**. The partners would create the corporate entity to help fund **infrastructure investment** and support the **enhancement and redevelopment** of the **Coos Bay harbor waterfronts**.

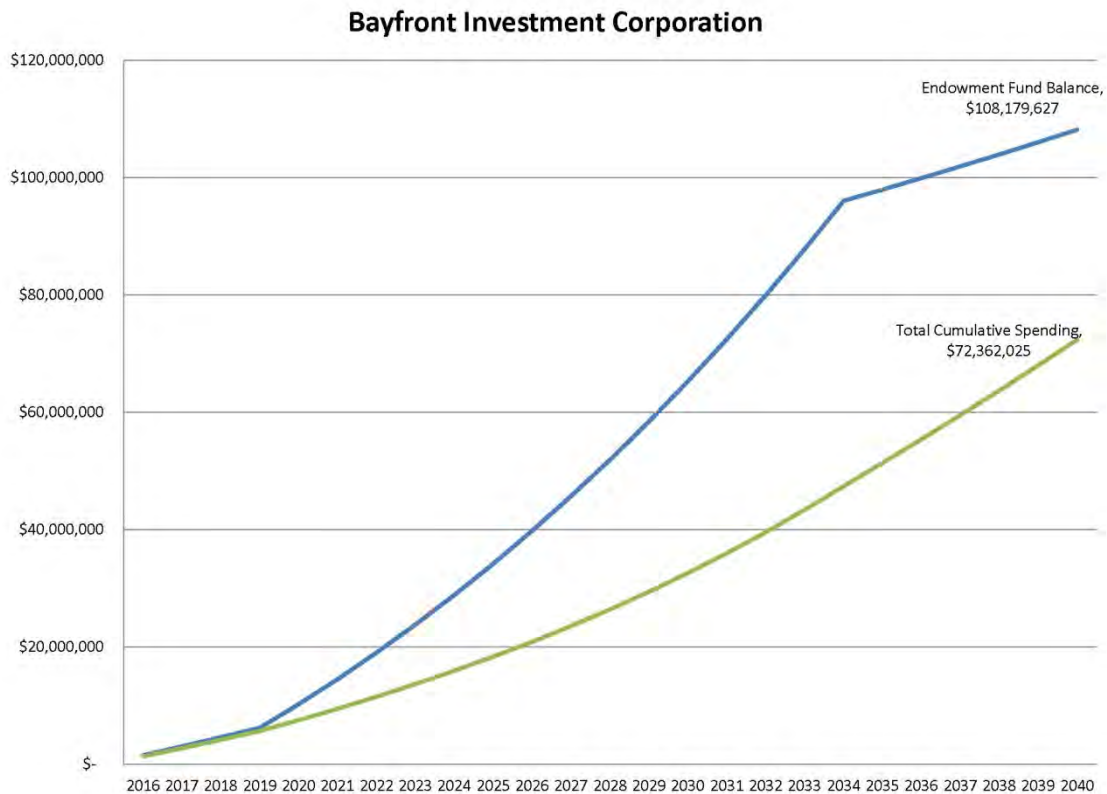
- **Not-for-profit corporation** would be established as a 501(c)(3).
- Goal is focused economic development and a mutually beneficial partnership for the waterfront areas involving:
 - **Coos County;**
 - **City of North Bend;**
 - **City of Coos Bay;** and
 - **Oregon International of Coos Bay.**
- The service area would be the boundaries of the **Coos Bay Estuary Management Plan** area.
- Approximately **half of the annual payments** initially would be set aside to **build an endowment** to fund bayfront projects in perpetuity.
- The Bayfront Investment Corporation could provide funding for:
 - **Mitigation banking;**
 - **Brownfield redevelopment:**
 - Eradicate blight;
 - Create shovel-ready sites;
 - Improve access to multimodal transportation; and
 - Create opportunities for expanded waterfront-based tourism and recreation.
 - **Direct service projects** (i.e. waterfront walkway, shipyard work docks, water quality improvements, flood control, etc.); and

- **Small business development** and support.
- **Board of directors** is proposed to include five members serving staggered terms, with one representative each appointed by:
 - Coos County
 - North Bend
 - Coos Bay
 - Port of Coos Bay
 - Public at large from the service area (agreed upon by all entities)

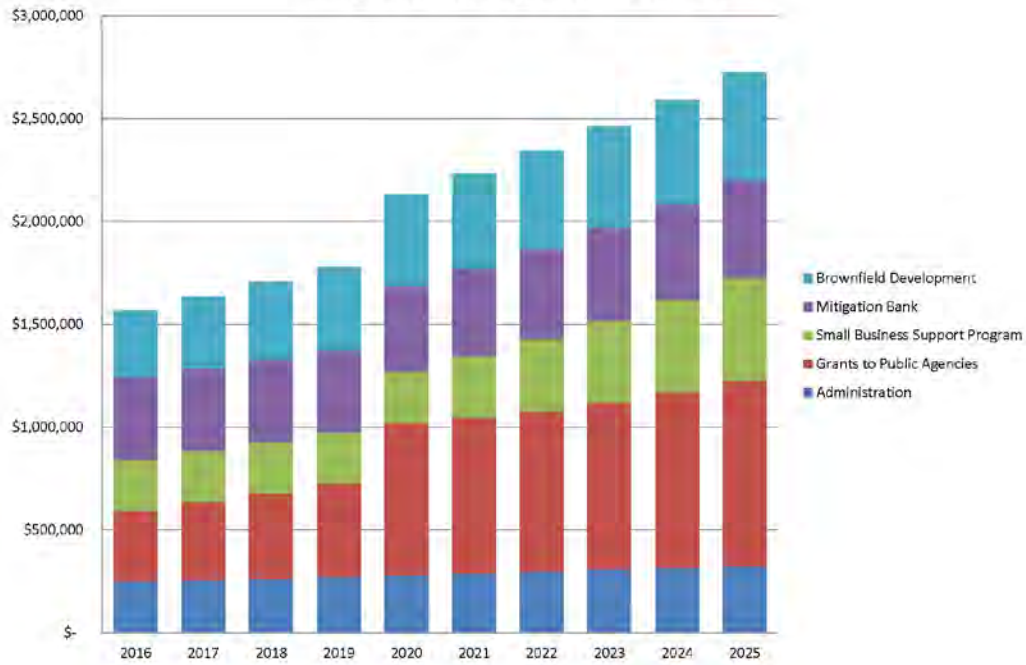
Example: Annual estimated payments

Projection of Annual Bayfront Fund Payments			
Community Service Fee Distribution	Construction Years 1 -4	Start of Operations Year 5	Operations Year 19
Bayfront Investment Corporation (Waterfront Revitalization)	\$ 3,000,000	\$ 5,583,056	\$ 6,592,871

Sample Endowment Scenario – not an official projection



Bayfront Investment Corporation Sample 10-Year Expense Allocations



Coos County Urban Renewal Agency

The Oregon Constitution allows the Legislature to set up a system to finance urban renewal. The law gives each city and county the ability to activate an urban renewal agency with power to propose and act on plans and projects to remove “blight”. Examples of blight include buildings that are unsafe or unfit for occupancy or the existence of inadequate streets.

The Coos County Urban Renewal Agency – North Bay District was created in 1985 through Ordinance 85-11-015L adopted by Coos County. This ordinance created a five-member urban renewal agency board and declared the North Spit a “blighted area.” In 1989, the five-member board increased to 10 members with the same representation formula.

Goals for the North Bay urban renewal district include:

- Eliminate blight and causes of blight;
- Stimulate development of industry, supporting commercial businesses, and recreation facilities by the private sector;
- Create long-term employment opportunities; and
- Increase the county’s taxable assessed value.

The board members include:

- 2 Coos County commissioners;
- 2 city of Coos Bay elected officials;
- 2 city of North Bend elected officials;
- 2 Oregon International Port of Coos Bay port commissioners; and
- 2 “at-large” public representatives.

The urban renewal district encompasses approximately 4,643 land acres and 4,366 water covered acres. Generally, the boundary follows U.S. Highway 101 across the McCullough Bridge and includes the majority of lower Coos Bay west of the bridge and the North Spit. The primary role of the agency is to provide needed infrastructure for individual development.

The Coos County urban renewal district area on the North Spit is funded from taxes taken out of local government property tax.

- There are 10 taxing districts on the North Spit. Nine of the 10 receive revenue from property taxes:
 - 4-H Service District
 - North Bay Rural Fire Protection District
 - Coos County Airport District
 - Port of Coos Bay District
 - Southwestern Oregon Community College District
 - Library Service District
 - Coos County
 - Bay Area Health District (Collects no taxes)
 - Coos Bay School District
 - Education Service District

When the urban renewal district was established, a cap was placed on the existing property valuation of \$38 million. This means that the entities can collect tax revenues on property values up to \$38 million. Taxes collected on property values above and beyond \$38 million go to the urban renewal agency for development on the North Spit.

Enterprise Zones in Oregon

Standard Enterprise Zone Program (short term)

Enterprise zones are designed to encourage business investment through property tax relief, in specific areas of the state. In exchange for locating or expanding into an enterprise zone, eligible (generally non-retail) businesses receive total exemption from the property taxes normally assessed on new plant and equipment, for a specified amount of time, which varies between the different zone programs.

The Incentives:

The following are the standard incentives available to eligible (generally non-retail) businesses locating in any enterprise zone, subject to authorization, timely filings and criteria:

- Construction-in-Process Enterprise Zone Exemption – For up to two years before qualified property is placed in service, it can be exempt from local taxes. (For most authorized business this provides broader benefit than the regular exemption for commercial facilities under construction.)
- Three to five consecutive years of full relief from property taxes on qualified property, after it is in service.
- Depending on the zone, local incentives also may be available.

Business Eligibility:

Before construction/installation activities begin on-site, the local zone manager must receive an application for authorization. Eligible business includes manufacturers, processors, shippers and a variety of operations that serve other organizations, as well as call centers and headquarter-type facilities. Hotel/resort businesses also are eligible in some of the enterprise zones.

Qualified Property:

A new building/structure, structural modifications or additions, or newly installed machinery and equipment qualify for exemption, but not land, previously used property value and miscellaneous personal items.

Criteria for Qualifying Projects:

For the basic, three-year enterprise zone exemption period, the business needs to:

- Increase full-time, permanent employment of the firm inside the enterprise zone by the greater of one new job or 10% (or less with special-case local sponsor waivers);
- Generally have no concurrent job losses outside the zone boundary inside Oregon;
- Maintain minimum employment level during the exemption period;
- Enter into a first source agreement with local job training providers; and
- Satisfy any additional local conditions, which vary for each zone

Criteria for Extended Tax Abatement (for a total of four or five years of exemption)

This includes the criteria for the three-year enterprise zone exemption as well as the following:

- Compensation of new workers must be at or above 150% of the county average wage
- There must be local approval by written agreement with the local zone sponsor (city, port and county, or tribe); and
- The company must meet any additional requirements that the local zone sponsor may reasonably request.

Long-Term Rural Enterprise Zone Facilities Program

Available in most rural enterprise zones, the long-term zone program extends property tax abatement for 7-15 years, compared to the standard three to five years. Any type of business activity is eligible, but these incentives depend on local approval and minimum levels for investment size, job creation and employee compensation.

The Incentives:

The following are the incentives available to businesses using this program:

- Until the facility is officially operational, it is not subject to local property taxes, under special provisions for this program
- Seven to 15 consecutive years of full relief from property taxes on a new facility property, once permitted as operational

Where These Tax Incentives Apply:

The long-term enterprise zone incentives are available in rural enterprise zones, of which there are 36 throughout the state located inside a county meeting defined levels for longstanding annual unemployment rate or per capita income based on the latest statistics

Note: The facility site must be in both an eligible county and the designated rural enterprise zone when the agreement is signed between the business and the local zone sponsors.

Criteria for Qualifying Projects

Qualifying projects must meet the following three criteria:

1. Total investment costs need to be greater than 1% (or .5% if more than 10 miles from Interstate 5) of a county's total real market value by the end of the year when operations begin. The base amount varies from about \$1 million up to \$25 million, depending on the location.
2. Within three or five years of commencing operations, the business must hire a minimum number of new, full-time employees (10, 35, 50, or 75 jobs, again, depending on location) to be maintained during the tax abatement period. (A minimum of 10 new employees suffices in most relevant zones, if the investment exceeds \$200 million.)
 - **This scenario is relevant to the Jordan Cove Energy Project. Because of the size of the investment, being substantially over \$200 million, they are only required to add 10 jobs to qualify for a long-term enterprise zone.**
3. Within five years of commencing operations, average annual compensation (including benefits) for all workers at the facility must be at least 150% of the county average annual wage at which point the minimum for the rest of the exemption period is established.
 - **150% of the average annual wage for Coos County is \$47,727.**

Certification Process

Prior to beginning construction, improvements or hiring at the facility, a business must submit a certification application to the local enterprise zone manager and county assessor, who will approve the business for certification pursuant to the following two steps:

1. The business and all local government sponsors of the enterprise zone enter into a written agreement, for which Business Oregon will provide documentation of concurrent county eligibility. This local agreement determines the exception period (seven to 15 years) and may specify additional requirements to be met by the business/facility.
2. The county board of commissioners (and the city council, if within city limits) must adopt a resolution sanctioning the property tax exemption.

Enterprise Zone Manager - CCD Business Development Corporation

CCD is a private, nonprofit Oregon corporation designated by the U.S. Economic Development Administration as the Economic Development District for Coos, Curry and Douglas counties in southwestern Oregon.

CCD's primary activity areas are: development finance, enterprise and E-Commerce zones, business retention/expansion services, grant/project development and preparation, grant/project management and administration, staff/technical assistance.

CCD is the designated zone manager for the Bay Area Enterprise Zone. Zone Managers are appointed by the various zone sponsors. The Bay Area Enterprise Zone has four sponsoring agencies:

- City of Coos Bay
- City of North Bend
- Oregon International Port of Coos Bay
- Coos County

The role of the Enterprise Zone Manager includes the following:

- To assist with boundary changes for the enterprise zone;
- To connect a business looking to make an improvement within the Enterprise Zone with the County Assessor's office, and to communicate with the Oregon Department of Revenue, Oregon Business Development Department, and the First Source Hiring Agreement agency on the company's behalf;
- To advise entities on issues regarding basic Enterprise Zone eligibility;
- To ensure a business meets employment requirements;
- To assist with and complete the Enterprise Zone application and application authorization; and
- To facilitate special sponsor approvals, such as extended enterprise zone tax abatement.