

Progress Report for the SB 151 Enterprise Zone Project

January 28, 2009

Introduction

The project advisory group approved an approach for examining enterprise zone costs and benefits. The approach for examining benefits involves analyzing data from two stratified samples of enterprise zones (EZs) at two points in time, and comparing observed trends against trends for comparison areas (CAs) selected based on employment and geographic similarity to the sample EZs. One method compares direct change in employment and payroll for the selected EZs and CAs over a relatively short period (2003 to 2006). A second approach utilizes 1990 and 2000 census data to compare change in broader measures of economic welfare (poverty rates, unemployment rates, and household income) in sample EZs and comparison areas over a longer period of time.

Costs of tax incentives provided under the enterprise zone program will be calculated by examining a profile of estimated historic tax exemptions granted to participating firms in sample EZs. These will be used to estimate an internal rate of return by calculating the number of years required to recover abated property taxes once EZ exemptions expire.

The project advisory group identified five categories (strata) of EZs based on geography, and approved two samples of EZs for examination under the two approaches. Maps of all current EZs are available at: <http://info.econ.state.or.us:591/ezones/zonew.htm>. The five strata used for categorizing EZs in the two samples are as follows:

1. Urban Metro (Urban EZs in the Portland metro region)
2. Urban Western Valley (Urban EZs outside Portland along the I-5 corridor)
3. Rural Westside (Non-urban EZs west of the Cascades)
4. Rural Eastside (Non-urban EZs located east of the Cascades)
5. Rural Remote (Rural Eastside EZs located far from population centers major roads).

Sample for short-term (2003-2006) comparison of direct employment effects:

Criteria used for selecting sample EZs for the short-term comparison include: (1) establishment prior to 2000, (2) still in existence in 2006; (3) continuous classification as EZ since inception; and (3) at least some utilization, the heavier the better.

The following table lists the sample of fifteen EZs selected for the short-term (2003-2006) comparison of direct employment effects. Note: this list was revised in October 2008.

Short-term sample EZs

Stratum	EZ Name	Location	Inception Date	No.
Urban Metro	N/NE Portland	Multnomah Co. industrial/commercial	1986	1
	Milwaukie/N Clackamas Co.	North Milwaukie, Johnson Cr., Int'l. Way	1998	2
	Urban W. Valley	Salem	Various commercial and industrial	1988
	Springfield	Western 2/3 of Springfield city limits	1989	4
	Medford Urban	I-5, 99 corridor + airport	1997	5

Rural Westside	South Santiam	Lebanon and some tracts near I-5	1986	6
	Bay Area	Coos Bay and North Bend	1986	7
	Tillamook	Rockaway B., Garibaldi, Bay City, Till. Co. Creamery, Tillamook, Port of T.B. Industrial Park	1986	8
Rural Eastside	Klamath Falls	City of K.F. and UGB	1986	9
	Pendleton/Pilot Rock	Pendleton I-84 - Hwy 11 corridor + northern Pilot Rock UGB	1987	10
	The Dalles /Wasco Co.	Northern part of The Dalles between I-5/RR tracks and Col. R.	1986	11
	Redmond	City of Redmond and other industrial areas inside UGB	1988	12
Rural Remote	Grant Co.	Mount Vernon, John Day, Canyon City and Prairie City	1999	13
	Harney Co,	Hines UBG, Burns UBG and Airport	1996	14
	Lakeview	City of Lakeview and airport	1996	15

Sample for long-term (1990-2000) comparison of broad socioeconomic effects

Unlike the 2003-2006 study, the sample for the longer term comparison includes several EZs that have no recorded utilization by businesses. The following table lists the sample of sixteen EZs selected for the long-term (1990-2000) comparison of broader measures of economic welfare. This sample differs slightly from the short-term sample due to a desire to include EZs with as long a history as possible and a relaxation of the requirement that the zone be utilized at some time. Note that several EZs in the sample, including all EZs in the Rural Remote stratum, were established after 1990 (*).

Long-term sample EZs

Stratum	EZ Name	Location	Inception Date	No.
Urban Metro	N/NE Portland	Multnomah Co. industrial/commercial	1986	1
Urban W. Valley	Salem	Various commercial and industrial	1988	2
	Springfield	Western 2/3 of Springfield city limits	1989	3
Rural Westside	South Santiam	Lebanon and some tracts near I-5	1986	4
	Bay Area	Coos Bay and North Bend	1986	5
	Tillamook	Rockaway B., Garibaldi, Bay City, Till. Co. Creamery, Tillamook, Port of T.B. Industrial Park	1986	6
	Port Orford	City of Port Orford, Curry Co Airport and areas in between along Hwy 101	1987	7
	Oak Ridge	Cities of Oakridge and Westfir and area below Hills Cr. Res. dam.	1987	8
	Rural Eastside	Klamath Falls	City of K.F. and UGB	1986
Pendleton/Pilot Rock		Pendleton I-84 - Hwy 11 corridor + northern Pilot Rock UGB	1987	10
The Dalles /Wasco Co.		Northern part of The Dalles between I-5/RR tracks and Col. R.	1986	11
Redmond		City of Redmond and other industrial areas inside UGB	1988	12
Madras / Jefferson Co.		Cities of Madras and Metolius	1994*	13
Rural Remote		Grant Co.	Mount Vernon, John Day, Canyon City and Prairie City	1999*

Harney Co, Lakeview	Hines UBG, Burns UBG and Airport City of Lakeview and airport	1996* 1996*	15 16
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Selection of comparison areas:

Comparison areas for both short-term and long-term samples were selected by comparing the industry employment profile in the sample EZs against the profiles of a list of candidate census tracts using a simple correlation factor. Candidate census tracts are those that are geographically similar but which fall entirely outside existing EZ boundaries. The aggregate of up to 10 candidate census tracts with industry employment profiles most closely matching that of the sample EZs in each stratum was selected as the CA for that stratum. Thus, for example, CAs for EZs in the Rural Eastside stratum were selected as the best matches from among non-EZ census tracts located in Baker, Deschutes, Gilliam, Hood River, Jefferson, Klamath, Morrow, Sherman, Umatilla, Union, Wasco, and Malheur Counties (Note: Two tracts in Malheur County were assigned to the Rural Remote stratum). In retrospect, a finer delineation based on geographic characteristics rather than county boundaries would have increased the available pool of candidate census tracts. However time constraints prevented exploring this option at this time.

Data collection and analysis

Internal rate of return data analysis

OECD has provided estimates of abated annual property taxes and assessed value of exempt property for all employers receiving exemptions in enterprise zones. From this we will estimate the value of property tax exemptions granted to eligible businesses, and calculate the number of years that would be required to recover the abated property taxes once EZ exemptions expire.

Short-term employment data analysis

Geocoded payroll and employment data filed by employers in sample EZs in 2003 and 2006 are available from the Employment Department's database. These data are being examined to discern the change in payroll and employment over the data period for each sample EZ and corresponding CA. Trends for employers receiving EZ exemptions in each stratum will be noted and compared against data trends for all employers within the EZ (i.e., not just those receiving exemptions), and the overall trend of employment and payroll in the entire state.

Long-term socioeconomic data analysis

Census tract data from 1990 and 2000 for comparison areas and tracts lying all or partly within the EZs are currently being assembled. Measures of economic welfare to be examined include unemployment rate, poverty rate, total household income, housing vacancy rate and median gross rent. Change in these variables over the data period (1990 to 2000) will be calculated for each long-term sample EZ and corresponding CA. Trends in these variables for each EZ stratum will be noted and compared against data trends for corresponding CAs, and overall trends for the entire state.

Next Steps

The short-term comparison of employment and payroll data is nearly complete. The long-term comparison of economic welfare measures is currently underway. A property tax dataset has been assembled by OECDD, and examination of property tax internal rate of return is underway.

The goal of the analysis is to conduct a preliminary evaluation of the performance of the EZ program by examining trends in short-term employment and longer-term measures of well-being, and calculating the number of years required to “recover” the total value of property tax exemptions granted under the program. The final report will present these analyses and also suggest data needs and procedures useful for conducting a more rigorous assessment of the performance of the EZ program. It is anticipated that the report will be completed and available for review during March 2009.