

Carpenters and concrete workers scramble across the site of the Subaru of America parts distribution center in Gresham Vista industrial park. The quick construction schedule calls for the center to open next September.

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GRESHAM'S COST TO LAND SUBARU: \$2 MILLION

Gresham officials say luring auto parts center is the key to filling new industrial park

The city of Gresham waived taxes and fees totaling more than \$2 million to help lure a massive auto parts distribution center to a vacant, four-year-old industrial park.

Once the 600,000 square foot building is open next year, Subaru of America will use it to receive containers of car parts from overseas, then sort and truck them all over the United States.

BY QUINTON SMITH

Subaru expects to employ 30 people after an initial investment in land and building of \$42 million.

The Port of Portland and city are partners in the Gresham Vista business park and hope landing Subaru will attract other employers.

Two weeks ago the Gresham City Council voted unanimously to forgive an estimated \$1.68 million in property taxes because the park sits in one of the city's six "enterprise zones" and Subaru met criteria to qualify for the break. As part

of the deal, the city also agreed to pay all permit fees, all system development charges — totaling \$480,000 — and cut its normal 120-day design review in half.

"We were very aggressive" with the incentives, said Shannon Stacey, Gresham's economic development director. "We were presented a pretty unique opportunity with Subaru. It's not every day you get to land a global company."

But the proliferation of tax breaks by state and local governments — which argue they are needed to lure new companies or help existing ones expand — is not universally loved. Three studies of Oregon enterprise zones between 2007 and 2010 pointed out numerous problems and cast doubt on

their effectiveness. And tax reform advocates say enterprise zones give cities too much freedom with taxpayer's dollars.

"The question is whether they're giving up too much," said Chuck Sheketoff, executive director of the Oregon Center for Public Policy, a research and think tank in Silverton. "The cost of lost revenue overall for 30 jobs is significant. It's not a high-road deal."

Landing Subaru

The 221-acre Gresham Vista industrial park is one of the largest, shovel-ready pieces of commercial property in the Portland area. The Port of Portland bought the property surrounding On Semiconductor in 2011, created a master plan for it and

signed a 10-year agreement with Gresham for marketing and development.

And despite numerous close calls to land its first tenant, the park sat vacant.

Subaru of America is the car-making arm of Japan's Fuji Heavy Industries, which had revenue of \$24 billion in 2014. Its cars are selling so fast that Subaru wanted to locate its first national distribution center in the U.S., and started looking near West Coast ports.

Subaru already had a smaller, regional parts distribution facility in the Port's Rivergate industrial park where it also got a tax break that saved it \$279,000. But development there is stalled on environmental issues, so last fall it asked Trammell



Crow, a national commercial developer, to suggest other sites.

Subaru looked at property near Colwood Golf Course on Columbia Boulevard in Northeast Portland, in western Washington and in Gresham.

“They wanted to be as close to Rivergate as they could,” said Steve Wells, who oversees business development in Portland for Trammell Crow. “They were on a very tight time frame; they wanted it fast.”

To help keep Subaru’s identity confidential, Gresham officials code-named their work “Project BUS.”

Wells said the decision to locate in Gresham made a “lot of sense.” It’s a big, flat property and the Port was able to offer a rectangular, 39-acre lot. There’s good access to Interstate 84 and the city promised to handle all the permits and design review in 66 days, not its normal 120. And the industrial park sits in one of Gresham’s “enterprise zones,” designed to help lure businesses with property tax breaks if they meet certain criteria.

“The enterprise zone made a huge difference,” Wells said.

Subaru and the Port announced

the deal in early July. Two months later contractors started working along Northeast Hogan Road. The plant will open next September, five or six months earlier than it could elsewhere, Wells said.

“For Subaru, that was huge,” he said.

Subaru has indicated it might quickly expand. If so, the overall investment in land, buildings and equipment should reach \$60 million, according to Port officials, and employment could climb to 50 people.

Gresham’s rationale

The city of Gresham has been aggressive in trying to encourage local job growth, especially “traded sector” jobs involving manufacturing and food processing. One of the tools is a Legislature-approved mechanism where it can designate areas of the city as “enterprise zones” and offer three- or five-year property tax breaks if businesses expand or locate to them.

In 2006 Gresham designated six zones covering almost 1,700 acres. It’s first tax break, a small one, came a year later to phone book printer RR Donnelley, which has a plant along Northeast Halsey

Street.

Boeing of Portland started using the tax breaks in 2007, helping it save money to expand buildings and add expensive machining equipment at its sprawling manufacturing complex along Northeast Sandy Boulevard. At a company where experienced machinists can make \$65,000 to \$100,000 a year, Boeing has added more than 600 jobs since 2008, according to Multnomah County tax records. Boeing, which had record revenue of \$90.8 billion in 2014, got its third tax break last year.

Subaru is now the seventh company to get a tax break from Gresham.

When companies approach Gresham inquiring about expansion or location deals, the city’s economic development staff pulls in managers from other departments, Stadey said. The group goes over details, sees how or if permit and design reviews would be handled, and debates incentives.

Because it badly wanted Subaru to be the first tenant in the Gresham Vista park, the city also offered to pay all the company’s fees and system development charges — \$480,000.

“We thought we should put something extra on the table,” Stadey said. “We have never done this.”

In return, the enterprise zone rules require companies to pay a fee equal to 25 percent of the five-year tax break to the city. In Gresham, that money is directed solely into a fund to be used for economic development.

If Subaru got no tax break, Gresham’s portion of the company’s property taxes would be \$335,000 over five years. With the tax break Subaru’s fee to the city is \$62,000 more — \$397,000.

Other jurisdictions that share local property tax revenues — Multnomah County, Mt. Hood Community College, Gresham-Barlow School District — get nothing for five years.

When Gresham established its six zones in 2006 it was required to meet with all other jurisdictions affected by the possible drop in taxes. But later — Gresham’s zones are good for 10 years — it only has to notify the county and state when it approves a tax break.

But because the state spreads school money equally throughout Oregon, individual school districts

don’t feel quite the impact when their city OKs a tax break.

“It’s not a big impact locally, but state school officials are sensitive to this issue,” said Mike Scofield, chief financial officer for the Gresham Barlow School District. “... we are always looking for money but we also want to encourage local jobs in our community.”

While the Subaru agreement does not specify where workers come from, it does require 75 percent of the jobs to offer pay and benefits of at least \$18.50 an hour. Not exactly Boeing-type wages, according to critics.

Stadey acknowledges this.

“For 30-50 people in our community now making \$9 an hour, a \$20 an hour job looks like a big step up,” Stadey said.

But the bigger goal, she believes, is attracting more companies to Gresham Vista, and then getting all their investments back on the tax rolls in five years.

“Subaru is a catalytic project that will start development” at Gresham Vista, said Stadey, adding that she hopes to be able to announce landing two more companies in 2016. “This project makes it more likely.”