Oregon
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DATE: March 29, 2011

TO: Senator Lee Beyer
Chairman, Senate Business, Transportation and Economic Development Committee

FROM: Mitch Swecker, Interim Director

RE: Senate Bill 904

INTRODUCTION:
Senate Bill 904 amends ORS 836 to allow for the establishment of Tax Increment Financing (TIF) Districts at rural airports within Oregon.

WHAT THE BILL DOES:
Senate Bill 904 allows for the creation, with local approval, of Tax Increment Financing Districts at rural airports. It could be a source of revenue for airports not normally eligible for funding from other sources such as the FAA. This legislation could promote the creation of public-private partnerships to assist the orderly development of airports and airport related businesses to increase family wage jobs and local tax bases.

SUMMARY:
Senate Bill 904 develops a means for rural airport sponsors and taxing districts to fund airport economic development activities such:

- On and off airport infrastructure improvements, hangars, roads, water, fire suppression, sewer etc
- Noise abatement plans and improvements
- Land use planning,
- Essential airport projects, fuel tank infrastructure, obstruction removal, security fencing, signage, lighting.
- Could enable funding of sponsor match for federal grants
- Could provide additional resources to assist with maintaining an efficient aviation system within Oregon and a potential funding source for NON-federally funded airports.

Oregon Department of Aviation supports any additional funding source that promotes aviation including safety, on and off-airport infrastructure improvements, economic growth and jobs.

Senate Bill 904

Sponsored by COMMITTEE ON BUSINESS, TRANSPORTATION AND ECONOMIC DEVELOPMENT

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced.**

Directs Oregon Business Development Department to establish program to allow rural airport in State of Oregon, with approval of all cities, counties and other local property taxing jurisdictions within which district exists, and to create airport tax increment financing district in which up to 50 percent of incremental tax revenues generated by commercial and industrial development or expansion can be used to pay for airport-related infrastructure and services for period of up to 25 years.

A BILL FOR AN ACT

Relating to tax increment financing at rural airports; creating new provisions; and amending ORS 836.640.

Be It Enacted by the People of the State of Oregon:

SECTION 1. (1) Sections 2 to 6 of this 2011 Act are added to and made a part of ORS chapter 836.

(2) ORS 836.640 and 836.642 are added to and made a part of sections 2 to 6 of this 2011 Act.

SECTION 2. (1) The Legislative Assembly finds that:

(a) Fostering the development of commerce and industry in Oregon is necessary to ensure the welfare of its citizens, the growth of the economy and adequate employment for its citizens;

(b) Rural airports are vital transportation nodes that connect rural communities to other parts of Oregon, to the United States and to the global economy. Rural communities in Oregon can use airports as centers for creation of aviation-related business clusters that create family wage jobs, increase the tax base of the community and form a self-supporting financial mechanism for airport infrastructure improvements and operations; and

(c) Innovative use of rural airports can create economic growth by providing new property tax revenues to support airport-related infrastructure and services on land at or adjacent to rural airports in airport tax increment financing districts, including through the fence operations.

(2) The Oregon Business Development Department, with approval of the Oregon Business Development Commission, shall establish a program to allow a rural airport to create an airport tax increment financing district.

(3) The department shall design the program to promote local economic development by creating family wage jobs, increasing the local tax base and increasing financial support for rural airports.

(4) With approval of the commission and all cities, counties and other local property taxing jurisdictions whose taxable lands would be included in the airport tax increment fi-

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

nancing district, the department may create an airport tax increment financing district around a rural airport.

(5) Land included within an airport tax increment financing district must:

(a) Be zoned to allow aviation-related uses to occur on the land and be located within a one-mile radius of the center of the airport.

(b) For the Aurora State Airport, be within the airport boundary as the boundary exists on January 1, 2011, and be within:

(A) Parcel 100 of the northeast quarter of section 2 of township 4 south, range 1 west of the Willamette Meridian.

(B) Parcel 100 of section 11A of township 4 south, range 1 west of the Willamette Meridian.

(C) Parcel 400 of section 12B of township 43 south, range 1 west of the Willamette Meridian.

(6) An airport utilizing an airport tax exemption under ORS 307.120 shall voluntarily terminate the exemption as a condition of approval of the creation of an airport tax increment financing district.

(7) An airport sponsor for a rural airport that creates an airport tax increment financing district must keep the airport available for public use for a minimum period of 20 years, consistent with procedures adopted by the Federal Aviation Administration (14 C.F.R. 151.25).

SECTION 3. (1) The Oregon Business Development Department, with the approval of the Oregon Business Development Commission, may enter into agreements providing for a partial rebate of new property tax revenues to the airport sponsor that operates and maintains the airport within the airport tax increment financing district.

(2) The agreement may provide for a partial rebate to the airport sponsor for use to pay for airport-related infrastructure and services described in a tax increment financing plan prepared by the airport sponsor.

(3) Partial rebates may not exceed 50 percent of the increases in property tax revenues in a calendar year for property in public ownership or for new construction or renovation on through-the-fence properties in private ownership, for a period of up to 25 years.

SECTION 4. (1) The Oregon Business Development Department, with the approval of the Oregon Business Development Commission, shall set standards by which an airport sponsor may qualify to receive a partial rebate of new property tax revenues generated within an airport tax increment financing district, subject to the following:

(a) The airport sponsor shall create an airport development plan that shows improvement needs to be considered for funding.

(b) After the department verifies the new property tax revenues upon which the partial rebate is based, the cities, counties and other local property taxing jurisdictions with taxable property within the airport tax increment financing district shall pay a partial rebate based on projects that are:

(A) Within the airport tax increment financing district; or

(B) In a road or a utility easement that serves land within the airport tax increment financing district.

(c) An airport sponsor may use partial rebates only to pay for:

(A) Airport-related infrastructure projects and services on public use airport property, within public rights of way or within public easements for roads, taxiways, stormwater,

sewer, water, power, communications or other utilities that directly serve the lands within an airport tax increment financing district and that are:

(i) Described in the tax increment financing plan; or

(ii) Included in the approved airport layout plan.

(B) Airport management projects, including maintenance, planning, design, noise abatement, land use planning and other essential airport operations efforts.

(d) The airport sponsor shall pay:

(A) 2.5 percent of all partial rebates to the Oregon Department of Aviation to support rural aviation planning that serves rural airports throughout Oregon.

(B) 2.5 percent of all partial rebates to the Oregon Business Development Department to support economic development aviation cluster planning that serves rural airports throughout Oregon.

(2) The airport sponsor of each airport within an airport tax increment financing district shall establish an airport public-private partnership committee to review proposed uses of moneys received as a partial rebate. The committee must consist of four individuals or a multiple of four individuals appointed by the airport sponsor to serve four-year terms as follows:

(a) One-fourth of the members must own an aircraft in the airport tax increment financing district.

(b) One-fourth of the members must own a business in the airport tax increment financing district.

(c) One-fourth of the members must represent the airport management agency that operates the airport.

(d) One-fourth of the members must represent cities or counties with taxable property within the airport tax increment financing district.

(3) The airport public-private partnership committee shall make a recommendation to the airport sponsor relating to the expenditure of moneys received by the airport sponsor as a partial rebate for qualifying airport-related infrastructure projects or services described in subsection (1)(c) of this section. The recommendation:

(a) Must be unanimous, for the expenditure of moneys for qualifying airport-related infrastructure projects or services outside the airport boundary.

(b) Is advisory only, for airport-related infrastructure projects or services within the airport boundary.

SECTION 5. (1) The Oregon Business Development Department, with approval of the Oregon Business Development Commission, shall establish procedures for the payment of partial rebates by cities, counties and other local property taxing jurisdictions to the airport sponsor.

(2) Within 90 days after the end of each calendar year, an airport sponsor that has entered into an agreement with the department under sections 2 to 6 of this 2011 Act shall provide the department and each city, county and other local property taxing jurisdiction with taxable property within the airport tax increment financing district that approved establishment of the district with documentation of the new property tax revenues the sponsor believes have been generated within the district during the past calendar year.

(3) The department shall:

(a) Audit or review the documentation;

(b) Make a determination of the amount of partial rebates earned under the agreement; and

(c) Forward a commission-approved request for payment of that amount to each city, county and other local property taxing jurisdiction with taxable property within the airport tax increment financing district that approved establishment of the district, together with information regarding the name and address of the payee airport sponsor and any other information reasonably requested by the city, county or other local property taxing jurisdiction.

(4) Each city, county and other local property taxing jurisdiction with taxable property within the airport tax increment financing district that approved establishment of the district shall pay the partial rebate within 90 days after receipt of the information required by subsections (2) and (3) of this section.

SECTION 6. The Oregon Business Development Department, with approval of the Oregon Business Development Commission, by rule may adopt:

(1) Requirements for the structure and amount of partial rebates offered under sections 2 to 6 of this 2011 Act.

(2) Other provisions for the administration of the program described in sections 2 to 6 of this 2011 Act, including additional terms and conditions of an agreement entered into under sections 2 to 6 of this 2011 Act.

SECTION 7. ORS 836.640 is amended to read:

836.640. As used in [*this section and ORS 836.642*] **sections 2 to 6 of this 2011 Act:**

(1) "Airpark" means a residential development that allows aircraft to taxi directly from the property to an airport runway.

[*(1)*] **(2)** "Airport boundary" includes the combined public and private properties that are permitted to have direct access to the airport runway by aircraft.

(3) "Airport sponsor" means the city, county, port, state agency or private entity that is qualified to receive funds from the Federal Aviation Administration or the Oregon Department of Aviation for use by the airport.

[*(2)*] **(4)** "Customary and usual aviation-related activity" includes activities described in ORS 836.616 (2) and includes activities that a local government may authorize pursuant to ORS 836.616 (3).

(5) "New property tax revenues" means:

(a) With respect to property outside the airport boundary, incremental new property tax revenues that are generated as a result of commercial and industrial development or expansion in an airport tax increment financing district.

(b) With respect to property inside the airport boundary, property taxes collected based on the increase in value of commercial, industrial and residential airpark property on and after the date the airport tax increment financing district is established.

(6) "Partial rebates" means the portion of the new property tax revenues paid to the airport sponsor for an airport within an airport tax increment financing district.

[*(3)*] **(7)** "Pilot site" means a rural airport identified to participate in the pilot program pursuant to ORS 836.642.

[*(4) "Rural airport" means an airport described in ORS 836.610 (1) that:*]

[*(a) Does not have a permanent air traffic control tower; and*]

[*(b) Principally serves a city or metropolitan statistical area with a population of 500,000 or*

fewer.]

(8) "Rural airport" means an airport described in ORS 836.610 (1) that is not located in a city with a population, as of January 1, 2005, of more than 75,000.

[*(5)*] **(9)** "Through the fence operation" means a customary and usual aviation-related activity that:

(a) Is conducted by a commercial or industrial user of property within an airport boundary; and

(b) Relies, for business purposes, on the ability to taxi aircraft directly from the property employed for the commercial or industrial use to an airport runway.

SECTION 8. ORS 836.640, as amended by section 7 of this 2011 Act, is amended to read:

836.640. As used in sections 2 to 6 of this 2011 Act:

[*(1) "Airpark" means a residential development that allows aircraft to taxi directly from the property to an airport runway.*]

[*(2)*] **(1)** "Airport boundary" includes the combined public and private properties that are permitted to have direct access to the airport runway by aircraft.

[*(3)*] **(2)** "Airport sponsor" means the city, county, port, state agency or private entity that is qualified to receive funds from the Federal Aviation Administration or the Oregon Department of Aviation for use by the airport.

[*(4)*] **(3)** "Customary and usual aviation-related activity" includes activities described in ORS 836.616 (2) and includes activities that a local government may authorize pursuant to ORS 836.616 (3).

[*(5) "New property tax revenues" means:*]

[*(a) With respect to property outside the airport boundary, incremental new property tax revenues that are generated as a result of commercial and industrial development or expansion in an airport tax increment financing district.*]

[*(b) With respect to property inside the airport boundary, property taxes collected based on the increase in value of commercial, industrial and residential airpark property on and after the date the airport tax increment financing district is established.*]

[*(6) "Partial rebates" means the portion of the new property tax revenues paid to the airport sponsor for an airport within an airport tax increment financing district.*]

[*(7)*] **(4)** "Pilot site" means a rural airport identified to participate in the pilot program pursuant to ORS 836.642.

[*(8)*] **(5)** "Rural airport" means an airport described in ORS 836.610 (1) that is not located in a city with a population, as of January 1, 2005, of more than 75,000.

[*(9)*] **(6)** "Through the fence operation" means a customary and usual aviation-related activity that:

(a) Is conducted by a commercial or industrial user of property within an airport boundary; and

(b) Relies, for business purposes, on the ability to taxi aircraft directly from the property employed for the commercial or industrial use to an airport runway.

SECTION 9. The Oregon Business Development Department shall report to the appropriate committee of the Seventy-seventh Legislative Assembly on:

(1) The progress in attracting commercial and industrial development or expansion within an airport tax increment financing district and the corresponding increase in new jobs created;

(2) The period of time over which partial rebates have been committed under sections 2 to 6 of this 2011 Act; and

(3) The economic impact on the State of Oregon of new property tax revenues and partial rebates paid from new property tax revenues under sections 2 to 6 of this 2011 Act.

SECTION 10. The amendments to ORS 836.640 by section 8 of this 2011 Act become operative January 2, 2022.

SECTION 11. (1) Sections 2 to 5 of this 2011 Act are repealed January 2, 2022.

(2) Section 6 of this 2011 Act is repealed January 2, 2037.