

RESOLUTION NO. 2018-77

**RESOLUTION AUTHORIZING IMPLEMENTATION OF
BUSINESS INCENTIVE PROGRAM FOR VACANT SPACE
AND ESTABLISHING PROGRAM REQUIREMENTS**

WHEREAS, it is desirable to reduce commercial and industrial vacancy rates and provide a supportive business climate to small businesses in Forest Grove; and

WHEREAS, a high level of commercial and industrial vacancy detracts from the economic activity of surrounding businesses and threatens economic decline; and

WHEREAS, the establishment and expansion of businesses in Forest Grove will bring new customers and activity that also benefits existing businesses; and

WHEREAS, it is the goal of the City of Forest Grove to strengthen and diversify our local economy by supporting existing businesses and encouraging new business development through targeted economic development tools; and

WHEREAS, Forest Grove Code, Chapter 3, Section 3.808 Collection of Charges for Water System Development Charges, allows for financing of Water System Development Charges for certain commercial and industrial projects; and

WHEREAS, the Forest Grove City Council has determined that certain fees can be waived or reduced for a limited period of time;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF FOREST GROVE AS FOLLOWS:

The City Council hereby authorizes the implementation of a Business Incentive Program, as follows:

Section 1. To qualify for the Business Incentive Program for Vacant Space, a business must:

- Occupy commercial or industrial space that is vacant and that received final building inspection(s) approval on or before December 31, 2018
- Be a business that is new to Forest Grove, or,
- Be a business already existing in Forest Grove that is:
 - a. Expanding into adjacent existing commercial or industrial space by a minimum of 10% of their existing square footage,
 - b. Opening a new satellite location(s),
 - c. Relocating within Forest Grove and increasing occupied business square footage by a minimum of 10%.
- Receive a permanent Certificate of Occupancy
- Sign an agreement with the City covering terms, obligations and timelines

Section 2. Notwithstanding Section 1, a business does not qualify for the Business Incentive Program for Vacant Space if the business:

- Expands existing commercial or industrial space by constructing a new building or additional floor area to an existing building; or
- Converts vacant residential space to commercial or industrial space; or
- Is a government office or agency; or
- Does not commence tenant improvement construction within thirty days of issuance of a tenant improvement building permit or fails to obtain a permanent certificate of occupancy within 180 days of issuance of the tenant improvement building permit.

Section 3. The incentives under the Business Incentive Program for Vacant Space are described in Attachment A.

Section 4. This Business Incentive Program for Vacant Space shall automatically sunset on December 31, 2021, unless extended by resolution of the City Council.

Section 5. This resolution is effective immediately upon its enactment by the City Council.

PRESENTED AND PASSED this 10th day of September, 2018.



Anna D. Ruggles, City Recorder

APPROVED by the Mayor this 10th day of September, 2018.



Peter B. Truax, Mayor

ATTACHMENT A

BUSINESS INCENTIVE PROGRAM APPLICABLE FEES, CHARGES, AND WAIVERS

1. Business License Fee: waiver for two years, including first time application fee
2. Sign Permit Fee: waiver up to \$1,000 if the applicant meets certain design requirements
3. Water System Development Charge: payment plan up to ten years for qualified businesses. The interest rate will be the current prime interest rate plus 2 percent (2%). The obligation to pay the SDC pursuant to a financing installment payment agreement shall be secured by a lien against the property upon which the improvement will be located.



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<i>CITY RECORDER USE ONLY:</i>	
AGENDA ITEM #:	<u>10</u>
MEETING DATE:	<u>9/10/18</u>
FINAL ACTION:	<u>2002018-TT</u>

CITY COUNCIL STAFF MEMORANDUM

TO: *City Council*

FROM: *Jesse VanderZanden, City Manager*

PROJECT TEAM: *Jeffrey King, Economic Development Program Manager*

MEETING DATE: *September, 10, 2018*

SUBJECT TITLE: *Business Incentive Program*

ACTION REQUESTED:

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Ordinance	Order	X	Resolution	Motion	X Informational

X all that apply

BACKGROUND: In response to the last recession that caused an increase of vacant space, the City of Forest Grove enacted a Business Incentive Program (BIP) in April of 2011. The program has been extended three times and expired on June 30, 2018. The program was designed to attract businesses to empty commercial and industrial space by offering incentives that reduced or eliminated the business license fee, building and sign permit fees and site plan review fees.

Since the BIP was introduced, some points have become clear:

- The Forest Grove economy has made significant strides in reducing larger vacant industrial space and has begun to see a net reduction in commercial/retail vacancies. Commercial space is being filled but several larger spaces such as Barnes and Noble Bookstore, a former Chinese restaurant space on lower Main Street, 2-3 spaces at the Ballard Town/ Safeway shopping center and two older commercial buildings on Elm Street remain vacant.
- The average amount of fees waived per project was \$221 between 2015-2018.
- Small businesses in the commercial/retail sector use the program most frequently.
- The program creates goodwill and promotes Forest Grove as pro-business.
- The program has the most financial value for the very small, independent businesses in the commercial/retail sector. These businesses tend to be in the commercial/ retail sector where reduction of vacant space has been slower.

In March of 2011, Forest Grove had 16 industrial buildings accounting for 681,530 square feet (sf) of vacant space. As of mid-2018 it has fallen to 35,000 square feet. For commercial space, Forest Grove had 16 commercial/retail spaces totaling 53,640 square feet of vacant space in early 2011 compared to 30,517 square feet of existing vacant building space in 2018. The most commonly used incentive is waiver of the business license fees. 21 businesses used the BIP from 2011-2014 and 10 have used the BIP from 2015-2018.

BUSINESS INCENTIVE PROGRAM:

Staff is proposing to re-tool the BIP to reflect significant reductions in vacant space and businesses utilizing the program; yet retain the core elements of the program that are commonly used and of value to businesses. The retooled BIP would consist of the following:

- Waiver of business license fee for two years including the application fee. Fee savings of up to \$275 over a two year period.
- Waiver of Sign Permit fees up to \$1,000 if the applicant meets certain design standards.
- Water System Development Fee can be paid over a period up to ten years with an interest rate of prime plus 2%.
- The BIP would automatically sunset on December 31, 2021.

The Forest Grove Economic Development Commission reviewed the BIP at their June 2018 meeting and recommended it be approved by Council in its existing or retooled framework.

FISCAL IMPACT: Based on historical usage, the fiscal impact would approximate \$600-900 per year.

STAFF RECOMMENDATION: Staff recommends the City Council consider approving the resolution establishing the Business Incentive Program.

ATTACHMENT(s):

PowerPoint Presentation
Resolution

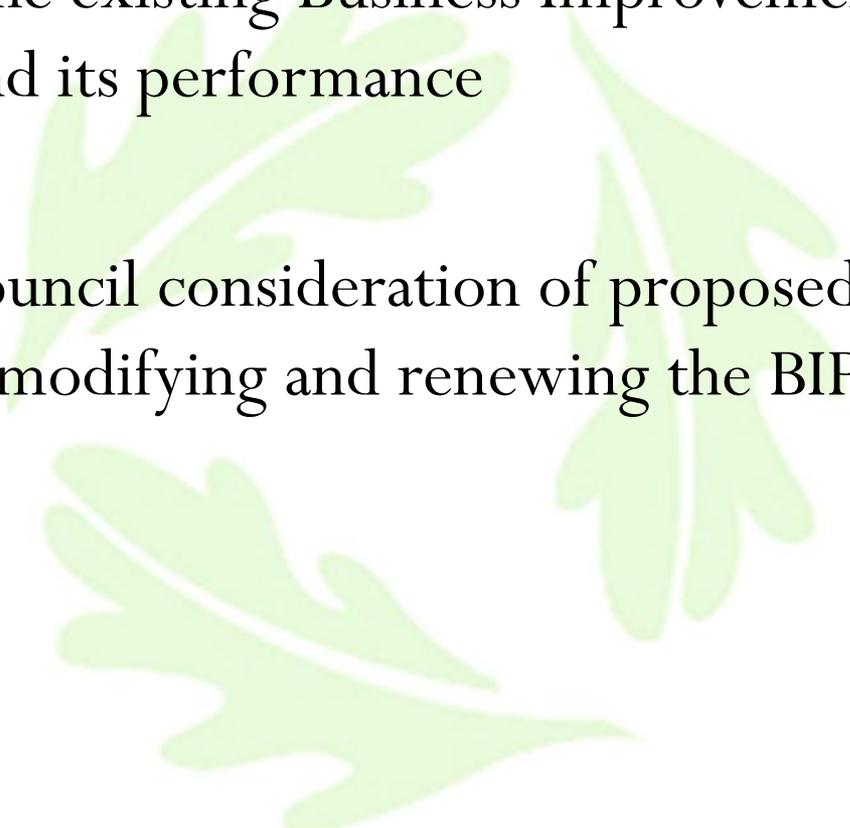


Business Incentive Program

Jeff King, Economic Development
September 10, 2018

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Purpose of Presentation

- Recap the existing Business Improvement Program (BIP) and its performance
 - Seek Council consideration of proposed resolution slightly modifying and renewing the BIP
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BIP Resolution Recap

- BIP became effective July 1, 2011 in response to the high vacancy rate for commercial and industrial space. It was renewed in June 2015 and expired on July 31, 2018.
- BIP is limited to businesses using existing industrial and commercial space – it does not apply to newly constructed industrial and commercial space.
- In exchange for occupying existing vacant space, BIP incentives included waivers of business license fee, general building permit fee, site plan review fee, sign permit fee, and finance of SDC fee over 5 years.
- No applicant utilized the site plan review fee or the water SDC finance plan.

BIP Performance

- 10 business used the BIP between 2015-2018.
- Total fees waived in this period was \$2,213 or \$221 per business.
- The small size of the businesses did not trigger large fee waivers.
- Most common waiver was the Business License Fee.
- Since BIP inception (2011), industrial vacancy has declined from 681,530 SF to 35,000 SF and commercial from 53,460 SF to 30,517 SF.

BIP Resolution

- Modifies BIP to recognize economic environment has improved.
- Streamlines BIP to focus on most common used incentives:
 - Waives two years instead of one year of business license fee
 - Reduces sign permit fee waiver from \$2,000 to \$1,000
 - Increases finance period for water SDC from 5 to 10 years
- Renewal would sunset December 31st, 2021.

BIP Renewal

- BIP renewal considered by the Economic Development Commission. EDC recommended Council adopt some form of BIP as a “gesture” to new business.
- BIP creates goodwill by offering assistance to small businesses.
- BIP supplements marketing of Forest Grove as business friendly community at minimal cost.
- BIP keeps program infrastructure in place should there be a future recession and vacancies rise significantly.



QUESTIONS?