

Oregon Opportunities for Offshore Wind Businesses

A. The Advantages of Oregon

Oregon offers competitive tax structures, services, and tools to businesses through Business Oregon, a state agency providing businesses with consulting services, project development assistance, and relocation services. As a result, Oregon has a diverse range of industries, including a strong clean technology sector. In fact, Oregon recognizes five key industries in which it holds global competitive advantages—clean technology and advanced manufacturing are two such industries. The American Institute for Economic Research ranked Oregon as the #1 location for manufacturing in 2011 and Forbes ranked Oregon as a Top Ten state for business in 2011. Oregon's industries are further strengthened by an array of supply chain companies with diverse product lines, technical expertise, and manufacturing capabilities. To continue building the value-added supply chain, Business Oregon has partnered with the Pacific Northwest Defense Coalition to build and maintain the Northwest Connector, an on-line buyer/supplier database.

Oregon's tax structure helps companies lower the cost of doing business in Oregon. The state has one of the lowest business tax rates and is #2 in lowest taxes on new investments. Corporate income tax in Oregon is a "single sales factor" tax—only Oregon sales are considered in determining the corporate income tax due. In addition, Oregon does not have general sales and use tax, an inventory tax, a receipts/revenue tax, or a state capital tax on asset value.

The Oregon Legislature recently revised the permit processes at state agencies to allow for efficient and expedited permitting to advance critical job creation and economic development activities. Two distinct programs arose from the legislation: the Industrial Development Projects of State Significance and the Regionally Significant Industrial Areas. The former offers a one-stop process and expedited permitting for up to ten industrial development projects per year that meet the state's standards and criteria, namely job creation with above average wages. The latter program identifies, designates, and zones between 5-15 regionally significant areas that have the potential to create long-term jobs and economic development.

A network of 15 ports line Oregon's coastline, some of which feature facilities and terminals for industrial activity and international shipping. The Port of Coos Bay is Oregon's largest deep-draft harbor; an average of 2.5 million tons of cargo move through the Port. It is committed to enhancing the economic development of the region and is undertaking major rehabilitation of rail lines servicing the port. The Port of Coos Bay has potential to serve as a launch site and staging area for an on offshore wind energy developer. If a pilot offshore wind project receives U.S. Department of Energy (DOE) funding, Coos Bay will establish a launch site and service area. The Port of Portland's marine terminals and deep-draft shipping lanes provide multi-modal

global shipping opportunities. The four terminals are serviced by rail and highway. Oregon's ports are supported through the Port Revolving Fund, to which any port may apply for funding for development projects or to assist port-related private business development projects. Up to \$3 million is available at market interest rates with up to 25-year terms.

B. Government Policies Pertaining to Offshore Wind Power

Renewable Portfolio Standard

Oregon's renewable portfolio standard requires that at least 25% of a large utility's load be met with renewable energy by 2025, with interim targets. Small utilities are required to serve 5% or 10% of their electric load with renewable resources.

Offshore Wind

Water depth off Oregon's coast may make deployment of offshore turbines challenging, but wind turbines on floating platforms may be a viable alternative.

In 2011, the U.S. DOE awarded Oregon State University's Northwest National Marine Renewable Energy Center \$43 million for offshore wind research. The University will develop an integrated sensor array for offshore turbines to monitor turbine interactions with birds and bats. This project is the first offshore wind energy project for the Center. The project will be completed over three years.

C. Government Policies Pertaining to Manufacturing and Service Activities Related to Offshore Wind

Business Incentive Loans and Bonds

Industrial Development Bonds are issued by the state to assist manufacturers with growth. The bonds can provide long-term financing for land, buildings, and equipment at rates below conventional financing. The program also offers flexible terms and customized financing. Through the **Express Bond Program**, businesses may cost effectively finance projects as small as \$1 million.

Businesses interested in locating to or expanding in Oregon may take advantage of the **Oregon Business Development Fund**, a revolving loan fund that provides fixed-rate financing for land, buildings, equipment, and working capital. The fund gives preference to projects located in rural or distressed areas and small businesses with fewer than 100 employees. The maximum amount available per project is \$1 million, with a maximum term and amortization of 20 years.

Tax Credits

Competitive tax incentives in Oregon help encourage business expansion and draw businesses to the state.

Oregon has designated 60 enterprise zones (48 rural and 12 urban) in which businesses can receive exemptions or deferrals from certain taxes. Sponsored by municipal or tribal governments, **Enterprise Zones** exempt businesses from local property taxes on new investments. In addition, some zones offer special incentives; for example, in most rural enterprise zones, businesses are eligible for long-term property tax abatement on facility improvements and installations. Businesses outside of enterprise zones are eligible for the **Construction-in-Process Abatement**, which exempts unfinished facility improvements from local property taxes.

Businesses that are located or will relocate in designated counties may eliminate state business income tax liability through the **Oregon Investment Advantage Program**. Eligibility requirements for companies include creating a minimum of five full-time positions. A company may take the tax holiday up to eight times.

Manufacturing companies in particular may be interested in the **Strategic Investment Program**, which exempts a portion of capital investments from property taxes. There are three strategic investment zones in the state. In designated rural areas, the taxable portion of the investment is one-quarter of what they are elsewhere.

Renewable energy equipment manufacturers may be eligible for the **Business Energy Tax Credit**, a credit equal to 50% of up to \$40 million in eligible costs. These costs may include the building, equipment, and other expenses related to the manufacturing of renewable energy products or components for exclusive use in renewable energy products.

Programs for Small Businesses

Businesses with fewer than 500 employees may receive financial assistance to participate in international trade shows and trade missions. Through the **Oregon Trade Promotion Program**, Oregon companies seeking to enter new markets are eligible for grants up to \$2,500 for pre-approved events.

Start-ups, micro-businesses, and small businesses are eligible for loans through the **Entrepreneurial Development Loan Fund**. Applicants must provide at least 20% of the loan amount in equity. A small business development center or other certified entity must review the applicant's business plan and provide small business management counseling or training to the applicant. A maximum amount of \$70,000 in total loans with an interest rate fixed at 2% over prime is available.

Other Incentives

The **Port Planning and Marketing Fund** provides grant funding to assist ports in conducting planning or marketing studies to help expand trade and commerce activities. The grant maximum is 75% of the total project cost or \$25,000. A 25% local match (in cash or in-kind services) is required for each project. Priority is given to the development of strategic, business, marketing, or financial plans for ports.

Oregon's **Capital Access Program** helps lenders make more commercial loans to small businesses for start-up or expansion. Lenders within the program maintain loan loss reserves for each loan, which are maintained at participating banks. The reserve is further enhanced by a matching contribution from the Oregon Business Development Department, which contributes an amount equal to the borrower. The department doubles the match in designated economically distressed areas.

Through the **Oregon Credit Enhancement Fund**, lenders are able to assist businesses in obtaining access to capital. The fund guarantees loans used for fixed assets or working capital. Through June 30, 2015, most types of Oregon businesses are eligible for the fund. The fund can guarantee up to 80% of the loan amount.