



MARION COUNTY BOARD OF COMMISSIONERS

Board Session Agenda Review Form

Meeting date: January 29, 2025

Department: Community Services

Title: GK Machine, Inc. Rural Industrial Improvement Property Tax Exemption

Management Update/Work Session Date: January 16, 2025 Audio/Visual aids

Time Required: 10 Contact: Sarah Coutley Phone: 503-589-3276

Requested Action: Consider a resolution approving rural industrial property tax exemptions for GK Machine, Inc.

Issue, Description & Background: GK Machine, Inc. of Donald / Hubbard has applied for a second rural industrial property tax exemption under MCC 3.35.020. This exemption would be on taxable property in the form of new machinery and equipment.

Financial Impacts: The application estimates almost \$5.4 million of new taxable property value on equipment, with an estimated exemption of \$76,000 for each of the three consecutive years.

Impacts to Department & External Agencies: If the applicant is successful in securing sufficient support from other taxing entities, 100% of the property taxes on the new value only would be exempt for 3 years. Tax revenue distributions will be proportionally affected to all taxing entities.

List of attachments: 1. Resolution to approve application; 2. Memo; 3. Application; 4. Tax Estimates

Presenter: Sarah Coutley, Economic Development Specialist; Kip Morris, SEDCOR's Marion County Business Retention & Expansion Manager; GK Machine Representatives

Department Head Signature: *Kelli Wuse*

**BEFORE THE BOARD OF COMMISSIONERS
FOR MARION COUNTY, OREGON**

In the Matter of the rural industrial exemption)
application of GK Machine, Inc.)

RESOLUTION NO. _____

This matter came before the Marion County Board of Commissioners at its regularly scheduled public meeting on Wednesday, January 29th, 2025.

WHEREAS, chapter 112, Oregon Laws 2016 (Senate Bill 1565(2016)) authorized counties to adopt an ordinance providing for a property tax exemption for newly constructed rural industrial improvements; and

WHEREAS, the Marion County Board of Commissioners adopted Marion County Code (MCC) section 3.35.020 in order to provide for the rural industrial property tax exemption contemplated by chapter 112, Oregon Laws 2016; and

WHEREAS, GK Machine, Inc. (“Applicant”) has applied for a rural industrial property tax exemption under MCC 3.35.020 on tax account no. 510961 effective as of the 2026-2028 tax year; and

WHEREAS, Applicant and the Marion County Board of Commissioners have agreed upon a set of conditions pursuant to MCC 3.35.020 as set forth below; now, therefore,

1. IT IS HEREBY RESOLVED that the rural industrial property tax exemption of Applicant is approved for tax account no. 510961 effective as of the 2026-2028 tax year.
2. IT IS FURTHER RESOLVED that the following conditions of approval are imposed upon this exemption:
 - a. Applicant shall enter into a first-source hiring agreement with the board for the period of the exemption. This condition must be satisfied within 90 days of this resolution.
 - b. No later than the date on which the application is submitted, the employment of Applicant may not be less than the greater of:
 - i. One hundred ten percent of the annual average employment of Applicant; or
 - ii. The annual average employment of Applicant plus one employee.
 - c. Applicant or another firm under common control may not close or permanently curtail operations in another part of the state that is more than 30 miles from the eligible location. This condition applies to the transfer of any of Applicant’s operations to an eligible location from another part of the state, if the closure or permanent curtailment in the other part of the state decreased Applicant’s employment in the other part of the state. This is an ongoing condition which must be satisfied throughout the duration of the exemption.

- d. Applicant or another firm under common control may not close or permanently curtail operation in another part of the state that is 30 miles or less from the eligible location unless the employment of Applicant at the eligible location and at the other locations from which employees were transferred has been increased to not less than 110 percent of the annual average employment of Applicant at the eligible location and the other locations from which the employees were transferred. This is an ongoing condition which must be satisfied throughout the duration of the exemption.
- e. Applicant agrees to the procedures for monitoring and verifying compliance with the conditions set forth in MCC 3.35.020(E). Applicant consent to the annual inspections of either the subject property or specific documentation in order to substantiate Applicant's compliance with any conditions. This is an ongoing condition which must be satisfied throughout the duration of the exemption.

DATED this 29th day of January 2025.

MARION COUNTY BOARD OF COMMISSIONERS

Chair

Commissioner

Commissioner



MEMORANDUM

TO: Marion County Board of Commissioners
FROM: Sarah Coutley, Economic Development Specialist
MEETING DATE: January 29, 2025 Board Session

GK Machine Rural Industrial Property Tax Exemption Application

GK Machine, Inc. of Donald / Hubbard has applied for a second rural industrial property tax exemption under MCC 3.35.020. This request would be for an exemption on new machinery and equipment, different from the property approved for the exemption in May 2024. Marion County Board of Commissioners adopted MCC 3.35.020 to provide for the rural industrial property tax exemption. The application has been reviewed by the Marion County Assessor's Office and legal team. If approved, certain conditions apply including entering into a First-Source Hiring Agreement and increased employment at the location. The board may attach additional conditions or adjustments.

If granted by the Marion County Board of Commissioners, it is the applicant's responsibility to demonstrate to the Assessor support of 75% of the taxing value entities imposing property taxes at the location, including the Marion County resolution of approval.

FINANCIAL IMPACTS

The application anticipates nearly \$5.4 million of new taxable property value in the form of machinery and equipment at their Donald / Hubbard location. The current taxing rate at the location is 0.0116781 per thousand (\$11.68 per thousand dollars of assessed value). Being this application is for taxes on new equipment; this would also be an exemption on new tax income. After the conclusion of the exemption period, the property taxes for the equipment are estimated to be approximately \$76,000 per year (Attachment 4). To meet the requirements of the property tax exemption, GK Machine will be required to hire an additional 18 jobs as part of the agreement, with an estimated final count of 194 full-time employees working at this location in Donald.

Marion County, Oregon Rural Industrial Authorization Application

Applicant:

Full Name: GK Machine Inc.
 Address: PO Box 427
 City: Donald State: OR Zip: 97020
 email: joann@gk-machine.com
 Phone: 503-678-5525

Address of eligible property: (In unincorporated area of Marion County)

Address: 20495 Butteville Rd. NE
 City: Hubbard State: OR Zip: 97032

Late filing fee (if applicable): \$ _____

Eligibility

- Qualified property must be: 1. Owned or leased by the applicant filing the application. 2. Used through the final year of exemption for the purpose, and at the location, identified in the application. Marion County Ordinance number 1391 Section 3(C)
- The exemption may be granted to eligible property only if the first assessment year to which the application relates is the first assessment year that begins after the eligible property was first placed in service; and 2. Shall be granted only for qualified property that was first placed in service after the resolution was adopted. Marion County Ordinance number 1391 Section 3(D)
- Eligible property for which exemption is sought is located entirely outside of an urban growth boundary of a city with a population of 40,000 or more, as the urban growth boundary is acknowledged on the date on which an applicant submits an application for eligible property.
- Eligible property for which exemption is sought is classified as industrial under rules established by the Oregon Department of Revenue pursuant to ORS308.215 (1)(a) (C) and associated personal property, that: are newly constructed or installed at an eligible location; and have a cost of Initial Investment to the purchaser of at least \$1 million and not more than \$25 million. If the initial cost of investment of the eligible property exceeds \$25 million, the applicant shall specify in the application the items of eligible property having a total cost of initial investment of \$25 million for which the exemption is sought.
- Qualified property granted an exemption is not eligible for any other property tax exemption or special assessment. Otherwise eligible property that has received another property tax exemption or special assessment is not eligible for this exemption. However, this subsection does not apply to the exemption granted under ORS 307.330. Marion County Ordinance number 1391 Section 3(H)

Employment

Do not count temporary, seasonal, construction, FTE, part-time jobs (32 hours or less per week), or employees working at Ineligible operations.

Existing Employment: My business firm's average employment in the authorized location over the past 12 months is 176 jobs. *JMA*

New Employees: Hiring is expected to begin on (MM/YY): 01/01/2025

Hiring is expected to be completed by (MM/YY): 03/31/2026

Estimated total number of new employees to be hired with this investment is: 18 *JMA*

Total: 194 *JMA*

Proposed Investment

Item	Quantity	Estimated Value (\$)	In Service (MM/YY)	Check If Leased
Real Property:				
Building(s) or structure(s) to be newly constructed	_____	_____	_____	<input type="checkbox"/>
New addition to or modification of an existing building(s)/structure(s)	_____	_____	_____	<input type="checkbox"/>
Heavy or affixed machinery and equipment	_____	_____	_____	<input type="checkbox"/>
Personal Property:	<u>10</u>	<u>5,387,453</u>	<u>04/25</u>	<input type="checkbox"/>
Total Estimated Value of Investment:		<u>5,387,453</u>		

If the initial cost of investment of the eligible property for exemption exceeds \$25 million, specify the items of eligible property having a total cost of initial investment of \$25 million for which the exemption is sought below or in an attachment.

Describe below (or in an attachment) the overall nature and potential extent of your investment, including preliminary building plans and lists of property items.

See attachment

This application for exemption may not be approved unless the applicant, and the Marion County Board of Commissioners have agreed to, and the applicant has complied with all the statutory terms and conditions in the Note following ORS 307.340. By initialing the boxes below the applicant agrees to, and understands the commitments as required by law:

- I understand that the exemption does not become effective unless the rates of taxation of the taxing districts whose governing bodies agree to grant the exemption, when combined with the rate of taxation of the county, equal 75 percent or more of the total combined rate of taxation on the qualified property. Marion County Ordinance number 1391 Section 3(F).
- I agree to enter into a first source hiring agreement with the board for the period of the exemption. Marion County Ordinance number 1391 Section 4(F)(1)(d)(i).
- I understand and agree that no later than the date on which this application is submitted, the employment of the applicant may not be less than the greater of: 110% of the annual average employment by my organization or the annual average employment of my organization plus one employee. Marion County Ordinance number 1391 Section 4(F)(1)(d)(ii).
- I understand and agree that, I the applicant, or another firm under common control may not close or permanently curtail operations in another part of the state that is more than 30 miles from the eligible location. This subsection applies to the transfer of any of the applicant's operations to an eligible location from another part of the state, if the closure or permanent curtailment in the other part of the state decreased the applicant's employment in the other part of the state. Marion County Ordinance number 1391 Section 4(F)(1)(d)(iii).
- I understand and agree that, I the applicant, or another firm under common control may not close or permanently curtail operations in another part of the state that is 30 miles or less from the eligible location unless the employment of the applicant at the eligible location and at other locations from which employees were transferred has been increased to not less than 110 percent of the annual average employment of the firm at the eligible location and the other locations from which the employees were transferred. Marion County Ordinance number 1391 Section 4(F)(1)(d)(iv).
- The applicant must agree to the procedures for monitoring and verifying compliance with the conditions as set forth in section 5 of Marion County Ordinance number 1391. The board may impose as a condition the applicant's consent to annual inspections of either the subject property or specific documentation in order to substantiate the applicant's compliance with any conditions. Marion County Ordinance number 1391 Section 4(F)(1)(d)(v).
- By April 1 of each tax year subject to exemption, the applicant shall provide a written report to the Assessor detailing compliance with all the conditions during the previous tax year. The applicant shall attach all documentation necessary to the report in order to substantiate compliance with all conditions. Marion County Ordinance number 1391 Section 5(A).
- The Assessor shall review the report for compliance with all the conditions during the previous tax year. The Assessor may request additional documentation from the applicant in order to verify compliance with all the conditions. Marion County Ordinance number 1391 Section 5(B).
- At any point while the property is subject to exemption, the Assessor may request an inspection of the subject property or any documents which would substantiate compliance with any conditions imposed upon the grant of exemption. Marion County Ordinance number 1391 Section 5(C).
- Upon the Assessor's conclusion that the applicant has failed to comply with any conditions at any point while the property is subject to exemption, the Assessor shall comply with the disqualification process in section 6. Marion County Ordinance number 1391 Section 5(D).
- The Assessor shall immediately disqualify the property for this exemption, and the disqualified property shall be assessed and taxed in the same manner as other property is assessed and taxed, if, in any year through the final assessment year of the exemption: 1. The qualified property is not used for the purpose, or at the location, identified in the application; or 2. The applicant fails to comply with the conditions established and agreed to in the resolution. Marion County Ordinance number 1391 Section 6(A).
- Upon disqualification, additional taxes shall be assessed against the property for the first property tax year following the disqualification in an amount equal to the difference between the taxes assessed against the property and the taxes that would have been assessed against the property without the exemption, for the number of years that the exemption was granted. Marion County Ordinance number 1391 Section 6(A).

Declaration

I declare under the penalties for false swearing [ORS 305.990(4)] that I have examined this document (and attachments) and to the best of my knowledge they are true, correct, and complete; And that I have read and understood in its entirety the Note following ORS 307.340, Sections 1 to 7 and Marion County, Oregon Ordinance 1391; And the property described in this application for which I am seeking a tax incentive, is in compliance with the Note following ORS 307.340, Sections (1-7).

X



Signature of owner, company executive, or authorized representative of the business firm

9/16/2024
Date

Marion County, Oregon Assessor

The cost of initial investment of the eligible property to the purchaser which the tax incentive will apply: \$ 5,397,452.72

Exemption Period: 3 year Site #: _____

Proposed conditions: Acct 5109161, 3 year exemption period
2026 - 2028. required to receive approval from 75%
of taxing jurisdictions again, and increase employment
another 10%.

Machinery & Equipment \$5,387,453

Dist #	District Name	Rate	G-Extended	Government	E-Extended	Education	Bonds	Compression
50	MARION COUNTY	0.0030252	16298.12	16298.12	0	0	0.00	0.00
240	MARION SOIL & WTR	0.0000500	269.37	269.37	0	0	0.00	0.00
260	MC EXT & 4-H SERV DIST	0.0000500	269.37	269.37	0	0	0.00	0.00
301	AURORA FD	0.0008443	4548.63	4548.63	0	0	0.00	0.00
339	AURORA FD, LOCAL OPTION	0.0015100	8135.05	8135.05	0	0	0.00	0.00
418	N MARION SCHOOL	0.0033333	0	0	17958.00	17958.00	0.00	0.00
458	N MARION SCHOOL BOND	0.0016198	0	0	0	0	8726.60	0
460	WILLAMETTE REG ESD	0.0002967	0	0	1598.46	1598.46	0.00	0.00
500	CHEMEKETA COM COL	0.0006259	0	0	3372.01	3372.01	0.00	0.00
501	CHEMEKETA COM COL BOND	0.0002411	0	0	0	0	1298.91	0
701	REGIONAL LIBRARY	0.0000818	440.69	440.69	0	0	0.00	0.00
9421	EFU FARMLAND ADDITIONAL TAX	0	0	0	0	0	13039.49	0
	Totals	0.0116781	29961.23	29961.23	22928.47	22928.47	23065.00	0.00

Estimated Total \$ **75,954.70**

Estimated Tax Savings for 3 years \$ **227,864.10**