

2.018 RURAL RENEWABLE ENERGY DEVELOPMENT ZONE

Oregon Statute: 285C.362

Sunset Date: None

Year Enacted: 2003

2023-24 Estimated Reduction in the Taxable Assessed Value: \$190 million

	Revenue Impact	
	Loss	Shift
2023-25	\$5,300,000	\$400,000
2025-27	\$10,700,000	\$900,000

DESCRIPTION

Qualified property is exempt from property tax in a Rural Renewable Energy Development (RRED) Zone if used for the generation of electricity from a “renewable energy resource” or for the manufacture, storage, or distribution of biodiesel, ethanol or similar fuels made from applicable inputs, subject to certain criteria. The exemption can last up to five years.

Counties, cities in rural counties, or a combination of contiguous rural counties can request the Oregon Business Development Department to designate them as a RRED Zone, encompassing all rural territory of the jurisdiction(s), which is defined as any area outside the urban growth boundary of cities with a population of 30,000 or more. From 2006 to mid-2024, 18 counties and one city have been designated as RRED Zones, and some have been re-designated either after terminating by operation of law or to refresh the \$250-million cap discussed below. Currently, there are 13 counties and the City of Pilot Rock designated as RRED Zones.

RRED Zones are indistinguishable from an enterprise zone in terms of the standard property tax exemption that it provides (see expenditure 2.013, [Enterprise Zone Businesses](#)), except that the zone sponsor (typically, the county government) may waive the requirement to increase employment for projects with investment costs of \$5 million or more. The geography, however, for a RRED Zone is quite different. The entire (rural) territory of the applicant zone sponsor is designated as a zone, which may be helpful in accommodating physically expansive developments, such as solar or wind farms. Biofuel projects could just as easily use an existing enterprise zone.

The overall amount of exempt property allowed over time within the zone is set by a local resolution with the zone’s designation, and by default, it cannot exceed \$250 million (increased from \$100 million in 2007) in terms of the real market value of property at the outset of the exemption period.

PURPOSE

The statute that allows this expenditure does not explicitly state a purpose for this expenditure. Presumably, it is to further renewable energy business development.

WHO BENEFITS

Firms involved in the production of biofuels or electricity from renewable energy resources in rural communities. In fiscal year 2023–24, four solar energy projects in Crook and Jefferson counties received this exemption.

EVALUATION

Provided by the Oregon Business Development Department

This expenditure has contributed to its purpose. Several businesses have placed projects into service, including biofuel production, community-size wind farms, geothermal power generation, and utility solar installations in rural areas, motivated in part, it seems, by this incentive. Current exempt projects employed at least a handful of people full time. (RRED Zone tax and other data are sometimes included as part of the annual county assessor reports required for standard enterprise zone exemptions, 2.013, [Enterprise Zone Businesses](#))

Wind farms were the originally intended use of this expenditure, but the huge increase during the mid- to late 2000s in their sheer size meant that they turned to a program more appropriate for such increasingly massive capital investments—see 2.100, [Strategic Investment Program](#). After 2010, the RRED Zone program saw a number of different types of projects, but use later subsided.

Subsequently, greater solar energy development arose and applied for authorization in the RRED Zones, but for a time, some of them and other solar farms instead used another tax expenditure—see [2.047, Solar Projects](#). Then, for several years, solar developers found greater favor with RRED Zones, and interest for re /designations of such zones grew as a result (and because of possibilities with harnessing wave or tidal energy). Investments in utility scale solar energy were often approved in RRED zones using the \$5 million waiver noted above, absolving them of necessarily maintaining one or more employees inside the zone (typically the entire county). The relative attractiveness of [2.047, Solar Projects](#) was more recently improved by 2021 legislation (SB 154).

Nevertheless, the RRED Zone statutes offer a clearer basis for counties to negotiate side issues with energy developers, including possibly additional ‘in lieu of like’ payments. This expenditure may also represent a better deal for other local taxing districts that depend more on property tax revenues.