2013

OREGON REVENUE COALITION

Working Together for Oregon's Future

Date:

May 8, 2013

To:

Members of the Oregon Legislative Assembly

From:

Oregon Revenue Coalition Members*

RE:

Senate bills 223, 246A, and 253A [costly giveaways]

Who We Are

The Revenue Coalition, which is an *ad hoc* group of organizations and individuals representing public education, long-term care, human services, labor, civil, rights, policymakers, and others. We have a shared interest in advocating for a revenue system that meets the public's expectations for fairness, stability, and adequacy. The Revenue Coalition has monitored revenue policy in the Oregon Legislature since its formation in 2001. Our 100+ members believe that Oregon's tax base should be broad, equitable, transparent, and sustainable. In 2003, we published a Primer on Tax Expenditures and have worked on revenue policy issues in each of the eight prior regular or special sessions.

Our priorities for a healthy revenue system are based on our coalition's agreed-upon criteria for analyzing tax policy. We identify as positive change those proposals that improve the system for the greater citizenry. We analyze some 400+ bills each session and position on just a few of the most important.

Our Concerns

We are writing today to express our collective concern about three bills moving through the legislative process. SB 223 (Gain Share), SB 246A, and SB 253A (Industrial Lands) are bills designed to stimulate Oregon's economy and to create or sustain jobs. We agree with the goals, but not the means.

In the case of SB 223, our members are alarmed by a number of aspects. When Gain Share was created in 2007, sequestering employee income taxes for rebating back to the local governments, we were concerned about the precedent it set. At the time, policymakers were told that the revenue impact would be \$9 million for the biennium – underestimating the loss by 25 percent for that biennium. Now, even more troubling, the program has grown to a projected \$56 million shift of state resources. Nearly all of it currently goes to a single, prosperous Oregon county, which has elected not to share this boon with its local school districts.

To remedy these problems, we suggest that the bill be amended to apply only to newly created jobs or that the county rebate be capped at \$5 million a year, for a limited number of years, and that all taxing districts receive their proportional share of the rebate (including school districts). Finally, we believe the program should sunset in 2014, in line with the timeline for sunsets elsewhere in Oregon revenue policy. Without these changes, Gain Share costs are projected to escalate to \$91 million by 2019-20.

Industrial Lands legislation is found in two bills currently being considered in Ways and Means. SB 246A, the first of these, also sequesters income-tax receipts for use in providing subsidies for commerce. The structure

of this bill and its companion, SB 253A, amounts to huge giveaways that would provide an unlimited drain on the General Fund.

SB 246A proposes to subsidize half of the investment developers may make to create shovel-ready industrial sites. This would come about through cost repayment or loan forgiveness. In return, the developer needs to produce just ONE traded sector job within seven years. The requirement for a threshold of payroll spent by the sixth year does not count the number of actual jobs created, doesn't ask whether these jobs are filled by out-of-work Oregonians, and doesn't set a meaningful wage threshold for those jobs — allowing the average wage to be the lesser of state or county wages. Because the state average is \$44,000, Washington County recipients could underpay the county average of \$56,000 by \$12,000 per employee per year. This bill also lacks a sunset date. Should a qualifying enterprise be a SIP (Strategic Investment Program) recipient, they state could lose 100 percent of the income taxes of new employees — 50 percent sequestered for this program and 50 percent sequestered for the SIP.

We agree that job creation could be a result of facilitating the creation of more shovel-ready industrial lands. This bill should be modified, however, to be <u>a loan program only</u> – with no forgiveness. It should also have a reasonable sunset provision, because the problem cited as the issue to be solved – lack of shovel-ready industrial land – will not be a "forever" problem.

SB 253A is a companion to SB 246A. It would provide individual grants of \$100,000 to entities for studying shovel-ready investment opportunities and \$50,000 for setting priorities for sites within regions. These are private business expenses that should not be subsidized by the State, especially in the wake of the huge cuts to vital services Oregonians have suffered over the past several years. No matching money from investors or local entities is required and no sunset date is included. We believe that this bill should not move forward.

Conclusion

Thank you so much for considering our perspective on these bills. Given the hard budgetary choices that will have to be made with respect to vital services for the 2013-2015 biennium, we hope that you will agree that such giveaways, which offer no guarantee of boosting Oregon's economic health and very little accountability for the gift of Oregonians' tax dollars, ought not to be undertaken. Because the state's role in education funding has grown so significantly since the advent of property tax limitations, it has limited capacity to underwrite local community development projects.

We appreciate your consideration of these concerns.

^{*}A full list of Oregon Revenue Coalition members will be provided upon request.



May 10, 2013

Sen. Betsy Johnson, Co-Chair
Rep. Bob Jenson, Co-Chair
Joint Committee on Ways And Means
Subcommittee on Transportation And Economic Development
Oregon State Capitol
Delivered electronically
c/o steve.bender@state.or.us

Regarding: May 13, 2013 hearing on SB 246 & SB 253

Dear Committee Members:

The Partnership for Economic Development in Douglas County is a non-profit, public-private partnership devoted to expanding opportunities for family wage employment in Douglas County. Our members include the County, Roseburg Area Chamber of Commerce, City of Roseburg, Mercy Medical Center, and many others.

Douglas County, like other rural counties in Oregon, has been working diligently to diversify the local employment base for decades. There are several large industrial sites in the County (50+ acres) with excellent highway access, that would be attractive for private industrial development. However, finding adequate funds to bring these sites to a truly development-ready state is a challenge. The HB 2285 and HB 2284 would provide an important and sorely needed tool to assist private property owners in their efforts to bring these properties to market and expand the traded-sector employment base of Douglas County and the State of Oregon.

The residents of Douglas County sincerely wish to create a positive climate for private investment, which will expand employment opportunities for local residents. This is critical to the health of our community and, ultimately, the health of the state economy. As long as the economic well-being of rural and urban areas of the State continues to diverge, it will place additional pressure on the State budget and exacerbate the challenges of governing. Douglas County, in the face of extreme fiscal pressure due to declining timber receipts is continuing to make strategic investments in economic development. I respectfully urge the members of the Committee to also take the needed steps to support economic development around the State.

Sincerely,

Executive Director



May 12, 2013

Dear Members of Ways and Means Transportation and Economic Development Committee,

Audubon Society of Portland urges you to support the SB 246-A6 Amendments. These amendments would eliminate eligibility for environmental mitigation and Superfund (CERCLA) liability under the provisions of this bill. While we recognize the State's interest in promoting development of industrial lands, we do not believe that it is appropriate to ask the taxpayer to cover the costs of environmental mitigation required under federal, state and local regulations that results from industrial development activities. We would support a narrowly written exception for non-Superfund related brownfield clean-up actions which have proven to be uniquely difficult impediments to converting land to productive use, a situation which negatively impacts not only our economy but also the surrounding community. However, we do not see a valid reason to extend taxpayer subsidies beyond this narrow arena to more general environmental mitigation.

In fact, asking the taxpayer to subsidize environmental mitigation is problematic for several reasons.

- It reverses a longstanding precedent that the developer/property owner cover environmental mitigation costs--it is critical for the health of our communities and environment that we strengthen rather than weaken our commitment to internalizing the costs of impacts to the environment into the cost of doing business and double down on the "polluter pays" principle;
- It undermines the incentive that mitigation requirements create for a developer to avoid and minimize impacts to the environment--many of our foundational environmental laws as based upon an "avoid, minimize, mitigate" regime. However the incentive to avoid or minimize impacts to the environment is undermined if in fact the developer can shift the costs of impact to the taxpayer;
- It places the state in a dual role of both regulating environmental impacts and paying to mitigate for environmental impacts, creating a clear conflict of interest:
- This legislation comes at a time when natural resource programs are facing significant budget cuts---to the degree that the state has funding available for natural resources, those funds should be used on proactive programs---not to cover the costs of mitigating for industrial developers.

We respectfully request that the Senate Business and Transportation Committee adopt these amendments which would allow SB 246 to promote economic development without undermining longstanding environmental principles and saddling taxpayers with expenses that appropriately should be the responsibility of industrial developers.

Thank you for your consideration of these amendments.

Bob Sallinger Conservation Director

Audubon Society of Portland



Testimony in Support of SB 246-A and SB 253-A: Industrial Site-Readiness Bills

For Public Hearing Scheduled on May 13, 2013

To Rep. Bob Jenson and Sen. Betsy Johnson, Co-Vice Chairs, and members of the Joint Committee on Ways and Means Subcommittee on Transportation and Economic Development:

The City of Wilsonville supports Senate Bills 246-A and 253-A, which provide local governments with potential new tools to support the improvement and development of designated industrial lands.

In the case of Wilsonville, prime industrial lands planned and zoned by Metro regional government as "Regionally Significant Industrial Areas" in the Coffee Creek area were brought into the UGB in 2002 and 2004. However, a lack of resources to conduct due-diligence assessments, aggregate properties and finance infrastructure has prevented the City from bringing to market these potential family-wage job-producing lands.

The proposed "Oregon Industrial Site Readiness Assessment Program" of SB 253-A to assist local governments conduct "due diligence assessments" in preparation of "market-ready regionally significant industrial sites" is very beneficial. The ability to conduct appropriate due-diligence has the effect of reducing risk about site-preparation costs and helps to inventory the work necessary to bring these job-producing sites into the industrial-lands market.

Of great value to local governments, including the City of Wilsonville, are the proposed "tax reimbursement arrangement" and forgivable loan provisions of SB 246-A, which help to fund expensive front-end costs of property aggregation and infrastructure development that are currently a major impediment to UGB lands currently planned and zoned for industrial development. An important aspect of this is having the funds on the front-end of the development process to aggregate parcelized lots into larger lots to meet the market demands of industrial users, coupled with the provision of key infrastructure.

Together, these two bills provide a much-needed set of new tools to bring important industrial lands to market, produce family-wage jobs, and generate new tax revenues for local and state governments, including schools and other key public services.

The City of Wilsonville urges a DO-PASS vote by the Subcommittee on both SB 246-A and SB 253-A.

Sincerely,

Tim Knapp, Mayor

City of Wilsonville



May 13, 2013

To: Members of the Joint Committee on Ways & Means Subcommittee on Transportation and Economic Development

Sen. Betsy Johnson, Co-Chair Rep. Bob Jenson, Co-Chair

Sen. Bill Hansel

Rep. Caddy McKeown

Rep. Tobias Reed

Sen. Chip Shields

RE: SB246-A and SB253-A - Industrial Land Readiness Bills

Dear Senators and Representatives:

Unfortunately, due to pressing business here in the region, I am unable to attend today's hearing in person at the state Capitol. In my absence, I wanted to convey strong support from Economic Development for Central Oregon (EDCO) for SB246-A and SB253-A. This legislation is important to both urban and rural communities because it keeps Oregon "in the game" so-to-speak for local, regional, national and international business development projects and job-creation prospects. As a state among the most dependent on personal income taxes for general fund revenue, it is imperative that we do everything possible to attract more and better paying jobs to Oregon.

Long before the start of the 2013 legislative session, EDCO approved a legislative agenda that included development-ready large lot industrial site readiness to support higher wage traded-sector job growth as a top priority. We are pleased to be a part of the Industrial Site Readiness Coalition that is comprised of leading advocates for business and job growth in the state including the Oregon Business Plan, Oregon Economic Development Association, Portland Business Alliance, Port of Portland, and others – supporting the two bills.

For the vast majority of companies considering job-creation projects, nailing down where new facilities could or should be built is a first and very crucial part of the decision-making process. States and communities that make this process less onerous tend to win the ultra-competitive race for jobs. Local cities and counties are on the hook for laying the required groundwork for expanding the inventory of employment land in our state. While Oregon has added to our tool chest for local jurisdictions through initiatives like the statewide industrial land inventory database and certified industrial site program, we still have a serious gap in securing necessary development entitlements, extension of required utilities and other issues that will enable us to compete better. These two bills provide a mechanism for the state to share in the front-end costs of site preparation and fill critical funding gaps not currently available for site readiness.

Timing in passage of this legislation could be optimal for several reasons. More than three years ago, the Central Oregon region embarked upon a bold initiative to create a regional (multi-county, multi-city) inventory of large-acreage industrial lots that has been funded and supported by DLCD. The Metro Regional Industrial Lands Study also concluded this year and is now ready to implement recommendations on specific sites identified from that work. Funding for both due diligence and site readiness loans could launch into action the investments made in these and other statewide planning efforts.

EDCO has a proven track record to help lead Oregon in making the most of passage of these two bills. As the largest private, non-profit economic development organization in Oregon, we have had success in recruiting new jobs and industry over that period - facilitating the successful relocation or expansion of more than 155 companies that created 4,200 new, well-paying jobs in the past ten years alone.

We hope you will support passage of these bills, which at a very critical time, are the first steps to paving the way for creation of thousands of new jobs that are the backbone of Oregon's general fund revenues.

Again, I regret that I am unable to attend the committee hearing to present this testimony in person, but thank you for the opportunity to provide EDCO's perspective on this important legislation.

Respectfully,

Roger J. Lee

Executive Director

Cc: Senator Lee Beyer

Senator Tim Knopp

Representative Jason Conger

Representative Gene Whisnant

Representative John Huffman

Representative Mike McLane

Representative Cliff Bentz

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Alana Hughson, Executive Director, Central Oregon Visitors Association (ex-officio)

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BOARD OF COUNTY COMMISSIONERS

Public Services Building 2051 Kaen Road | Oregon City, OR 97045

May 13, 2013

Senator Betsy Johnson, Co-Chair Rep. Bob Jenson, Co-Chair Joint Committee on Ways and Means, Subcommittee on Transportation and Economic Development 900 Court Street NE, Room H-178 Salem, OR 97301

RE: Letter in Support of Industrial Lands legislation (SB 246 A and SB 253 A)

Dear Co-Chairs Johnson and Jenson and Members of the Committee:

On behalf of the Clackamas County Board of Commissioners, I thank you for the opportunity to express our support for SB 246 A and SB 253 A, which would establish the Oregon Industrial Site Readiness Program. We believe these bills are important new tools that will remove some of the current barriers to the development of industrial lands and would greatly assist Clackamas County in bringing job-producing lands into the industrial lands market.

SB 253 A would make grants available to support due diligence activities and assessments in preparing large industrial sites, while helping to reduce risk and uncertainty of site preparation costs. SB 246 A would make available industrial site readiness loans to local governments to help pay for the expensive yet critical front-end costs of infrastructure development that are currently a major impediment to these lands.

The additional sources of financing made available under SB 253 A and SB 246 A would ensure that Clackamas County's strategically significant industrial lands are fully served and market ready. These lands include, but are not limited to, the 130 acre Park Development in Estacada, the 48 acre Clackamas Industrial Area Opportunity site, 200+ acres in the Happy Valley Rock Creek employment area, and 100+ acres in Canby Pioneer Industrial Park.

We urge your support of SB 246 A and SB 253 A and thank you for your consideration.

Sincerely,

John Ludlow, Chair

On behalf of the Clackamas County Board of Commissioners



May 12, 2013

Re: PeaceHealth Supports SB 241

I'm Philip Farrington, Director of Land Use Planning & Development for PeaceHealth Oregon West Network, based in Eugene. I'm writing on behalf of PeaceHealth in support of SB 241, which encourages the development of business "accelerators" that help university research-based start-ups realize their commercial potential. One of the locations being considered for development of such accelerator space is at PeaceHealth's Sacred Heart Medical Center-University District campus. Conveniently located only two blocks from the University of Oregon and on a mass transit corridor, our University District campus currently hosts space for a number of UO applied research labs. The collaborative nature of the UO-PeaceHealth relationship enables great utilization of suitable lab space proximate to the University, and complements PeaceHealth's own endeavors to support research and health-related education.

There is an entire floor in the North Building on our University District campus that formerly housed operating suites for an ambulatory surgery center. The size of the space, the building type, and availability of infrastructure in this former institutional space can rather easily be adapted to support the flexible uses that will be housed in the UO's business accelerator. The proximity to the UO, availability of parking and access to all modes of travel for researchers, and easy access to other university offices and administrative support functions (the upper two floors of the North Building are already occupied by the UO), all combine to make this an ideal location for development of high quality space for the kind of enterprises that SB 241 will support.

PeaceHealth is excited at the prospect of continuing our alliance with the University of Oregon, and supporting the development of applied research to benefit the Oregon economy. Again, I urge support for SB 241, and am happy to answer any questions you may have.

Phone: (541) 686-3828 Fax: (541) 681-3022 PO Box 1479 Eugene OR 97440-1479



May 10, 2013

Senator Betsy Johnson

Co-Chair, Ways and Means Subcommittee on Transportation and Economic Development

Representative Bob Jensen

Co-Chair, Ways and Means Subcommittee on Transportation and Economic Development

Subject: Support for SB 246A and SB 253A

Dear Senator Johnson and Representative Jensen:

Portland General Electric (PGE) submits this letter in support for the Oregon Industrial Site Readiness Bills (SB 246A and SB 253A). These bills address limitations faced by communities in our service territory, and throughout Oregon, to have adequate inventories of industrial lands ready to serve the needs of businesses wanting to expand or locate in Oregon.

Industrial site readiness is critical in attracting traded-sector jobs. Oregon lacks an adequate selection of large, market-ready industrial sites. Of the sites that do exist, many require significant investments to become market ready. Many property owners and jurisdictions are unable to afford these investments, or are unwilling to incur significant up-front costs without some level of risk-sharing. The Oregon Industrial Site Readiness Bills provide a mechanism for the state to share in the front-end costs and fill critical funding gaps not currently available for site readiness. The potential economic benefits from successful traded-sector development are significant; in many cases, the state's potential benefit from income tax revenue growth exceeds the cost of addressing the site constraints.

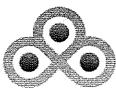
We urge your support for SB 246A and SB 253A, to ensure that Oregon has a healthy inventory of industrial sites ready for development to serve as key assets in attracting new jobs to Oregon and strengthen Oregon's general fund revenues.

Sincerely,

Charlie Allcock

Director, Business Development

Portland General Electric



Bureau of Planning and Sustainability

Innovation, Collaboration, Practical Solutions.

May 13, 2013

Sen. Betsy Johnson, Co-Chair Rep. Bob Jenson, Co-Chair Joint Ways and Means Transportation and Economic Development Subcommittee 900 Court St NE Salem, OR 97301

RE: SB 246 - Industrial Lands Readiness Program

Dear Co-Chair Johnson, Co-Chair Jenson and Members of the Committee:

The City of Portland recognizes the importance of traded sector industries to the overall health of the region's and state's economy and the need to increase the supply of industrial lands and their development readiness. We support the objectives of SB 246 to establish the Oregon Industrial Site Readiness Program to enable the State of Oregon to assist local communities in preparing sites for development.

This legislation recognizes the benefits that the State of Oregon receives from industrial employment growth and creates an innovative mechanism for the State to assist in the creation of those jobs (and income tax revenue) through a forgivable loan or income tax reimbursement program to help underwrite the cost of infrastructure, brownfield remediation or other investments needed to bring potential industrial sites to development readiness.

The City of Portland encourages your support for SB 246. We also support the proposed -A6 amendments, which would further refine the eligible site preparation costs under this legislation.

Thank you for your consideration of the important piece of legislation.

Sincerely,

Susan Anderson

Director

City of Portland Bureau of Planning and Sustainability





Industrial Site Readiness SB 246 and SB 253

Ways and Means Subcommittee on Transportation and Economic Development May 13, 2013

Ann Hanus Policy Manager

The Association of Oregon Counties urges your support for funding for SB 246 and SB 253 that further the development of industrial lands. Counties are strong proponents of traded sector industrial land development due to major economic benefits resulting from job creation and retention as well as property tax revenues necessary for important public services.

A recent regional study of the availability of industrial lands revealed an inadequate supply of industrial sites. The ready development of industrial lands is critical for generating high-paying manufacturing and other traded sector jobs. Often, lands are not available for development because of financial and time to market site constraints.

This study revealed that while local governments often must invest significant resources to develop industrial sites, the state's general fund reaps the largest benefits from the associated job and income tax revenue growth.

SB 246 and SB 253 address these findings by providing:

- A limited pool of grants for eligible projects to conduct necessary investigations to understand constraints on large industrial sites and reduce risk and uncertainty about site preparation costs needed to attract private capital. A portion of the grant funds may also be used to assist regions in conducting an inventory and readiness assessment of large industrial sites (SB 253)
- Direct site preparation assistance through forgivable loans and/or low or no interest loans to local governments to underwrite a portion of the costs of site preparation, subject to specified eligibility criteria. Loans would be partially forgiven based on realized state income tax gains from successful traded-sector investment in the site. (SB 246)

AOC believes that these targeted investments in industrial sites will reap significant benefits that will more than offset costs to the state and boost the economy.



City of St. Helens

P.O. Box 278, St. Helens, OR 97051 Phone: (503) 397-6272 Fax: (503) 397-4016 www.ci.st-helens.or.us

May 13, 2013

State of Oregon Legislators

Subject: Industrial Site Readiness Legislation

SB 246 - Direct Site Preparation Assistance

SB 253 - Due Diligence Grants

Please accept this letter as the City of St. Helens' support for passage of Senate Bills 246 and 253. These Industrial Site Readiness Bills will create important resources to assist in bringing industrial lands into production, creating jobs and improving both income and property tax base. The bills will further create specific programs to leverage in public/private partnership agreements, assisting communities in achieving local community and economic development goals.

The City of St. Helens in Columbia County is currently working on the acquisition of a former mill site owned by Boise Cascade and would benefit from the passage of this legislation. This prime 20-acre Columbia riverfront property adjacent to the City's Olde Towne has been out of production for many years and the site offers an exciting opportunity to expand the Olde Towne and improve the heart of St. Helens. The City's objective is to facilitate the redevelopment and repurposing of the property in a manner consistent with our Planning and Economic Goals. While the project has clear long term benefits to the community, the strain on current resources is real and presents a hardship. Passage of SB 246 and SB 253 will assist communities in preparing industrial lands for private investment resulting in employment, income tax growth, construction activity and property tax base improvement.

The City of St. Helens' Community respectfully urges the passage of this important legislation.

Sincerely,

John Walsh, City Administrator

City of St. Helens

77th Oregon Legislative Assembly – 2013 Regular Session Joint Ways and Means Subcommittee on Transportation and Economic Development Monday, May 13, 2013 • Oregon State Capitol • Salem, Oregon

Written testimony in support of Senate Bill (HB) 246 – Oregon Industrial Site Readiness Program and Senate Bill 253 – Oregon Industrial Site Readiness Assessment Program

Submitted by Martin Callery, Chief Commercial Officer, Oregon International Port of Coos Bay

Co-Chairs Senator Johnson and Representative Jenson and members of the Joint Committee, my name is Martin Callery. I serve as Chief Commercial Officer for the Oregon International Port of Coos Bay. I appreciate the opportunity to submit testimony in support of Senate Bills 246 and 253 with the goal of expediting industrial site readiness throughout Oregon and helping the state better compete for industrial opportunities and related job creation.

A very real and significant challenge in rural Oregon, if not in all areas of the state, is the ability of economic development specialists, most often public agencies and public-private partnerships, to respond to interested industrial development prospects in a timely manner when they come looking for market-ready industrial sites. Even when sites are designated, planned and zoned for industrial development and industrial job creation, many sites often lack certain utility infrastructure or face gaps in needed transportation facilities.

The result is often a response from previously interested developers along the lines of "don't call us, we'll call you." And unfortunately that hoped-for call back never seems to come.

In the Coos Bay harbor area, the Oregon International Port of Coos Bay has been marketing and slowly developing several parcels of strategically located marine industrial property for more than 20 years. Time after time when industrial prospects inquired first about property, and then about utility services or transportation infrastructure and it was explained that there were plans to add a specific service or build a road or rail line, the next question would usually be "how soon will it be ready?" That normally resulted in a comment from Port staff such as "we're working with a funding entity now and have been told that they may have money for us next year." Again, the call back from the interested developer never seems to come.

The challenge for all of Oregon is that the market will not wait when developers are seeking marketready sites now to take advantage of immediate opportunities that will locate where a site has the necessary infrastructure and projects can move forward in a timely manner.

Senate Bills 246 and 253 will provide very specific tools that economic development professionals can use now to bring industrial sites up to a ready-to-build status and help Oregon create jobs and prosperity. Having a supply of market-ready sites in all regions benefits the state when interested developers can take advantage of the site that best suits their needs, rather than look in other states because Oregon isn't open for business.

Thank you for the opportunity to provide testimony on this critically-needed legislation.