



## **SB 253, SB 246: Amendment Options for the Industrial Lands Readiness Program**

Senate Business and Transportation – Monday, March 18, 2013 Peggy Woolsey and Jody Wiser

### **SB 253 is about studying sites.**

**The bill includes grants to identify and prioritize the best sites with willing sellers within a region, to assure a good mix of different size sites, and prioritize their development. In some areas this work is already quite complete and grants would not be needed. Business Oregon hopefully will assure maximum coordination, with fewer studies, coordination with other agencies, especially ODOT, and a community involvement process.**

An amendment should provide for a limited number of prioritization grants, disbursed to each geographic area of the state. The grants should be made to government agencies, and require participation by the service districts and with ODOT's planning staff for the region.

**Current SB 253 language also provides grants for individual sites to assess what the needs are and what the cost would be to get a property to shovel-ready status. Loans from the state are needed, as it's nearly impossible to get a bank loan because of the risk that development will not soon follow. A loan makes sense; a grant of \$100,000 does not. If the property owner does the work correctly, the cost will be recovered upon sale.**

An amendment should provide site-assessment loans, not grants.

**SB 246 provides a loan forgiveness program for up to 50% of the cost of getting a site shovel-ready. As designed, it is a transfer from the public to the private, or the state to the local. That is simply not warranted. The loans themselves put public resources at risk, while providing property owners with capital which would not otherwise be available. In speaking with a Wells Fargo Commercial Loan officer I learned that this kind of loan is virtually unavailable -- because without a certain buyer, the bank can't be sure of getting repaid on any obvious time schedule. So the loan itself is a huge gift.**

An amendment should eliminate the loan forgiveness language each place it appears in the bill.

**The terms for the loans are not described in the bill. This is a policy decision, not something to leave to staff. What interest rate do you want for these loans? Should it be just above the cost to the state or a risk-adjusted rate? What are the repayment terms? Do you want to offer a balloon loan due upon sale or repayment that begins upon loan initiation?**

An amendment could read: "The interest rate shall be 3 percentage points above the cost to the state" or "the interest rate shall reflect the inherent risk of these loans, and be equivalent to the rate a bank would charge, likely 3-5 percentage points above cost to the state."

An amendment could read: "Loan repayment will begin immediately" or "The loans shall be paid off when the property is sold: Applicants shall pay all loan origination, title, and filling costs, and a fee of \_\_\_\_\_."

An amendment should add language that the loan will be secured by a lien on the improved property with adequate equity to protect the public interest for up to 10 years.

**The program should be for property owners preparing a lot for sale, or for aggregation and preparation of property for sale by public entities, not for a business to prepare a site it has purchased. The price paid will have reflected the status of the property, thus the cost should be theirs as site prep is a normal part of the development and/or building process.**

An amendment should remove the option for a business owner, its subsidiary, or an entity with owners in common, to use the loan program to bring property it has purchased to shovel-ready status.

**A private company's purchase price for a parcel should not be included in the loan. The state isn't in the business of providing commercial mortgages. This could quickly use up our bonding capacity.**

An amendment should remove acquisition costs for land from what can be included in the loan unless the land is to be owned by a public entity until sold for traded sector industrial use.

**How the words "industrial" and "traded sector" relate and the appropriate end uses of the land needs clearer definition. The standards of ORS 285A.010 define only traded sector, and not very clearly. It appears that a radio station broadcasting to the Metro/Clark county area, a resort such as Sun River, an investment firm or Nike's new office campus could be included. Is this your intent?**

An amendment should clarify legislative intent as to the kinds of industry for which this land readiness program is being designed.

**This is an untried program, the unintended consequences of which are hard to predict. To protect the state**

An amendment should sunset the program on January 1, 2018; and should include language that gives the State Treasurer the right to terminate the program at any time.

**Public oversight is needed. Under Section 3, (1) the Oregon Business Development Department is given sole stewardship of the Industrial Site Readiness Program. Given that there is a substantial amount of public interest in the resources that will be used in the Industrial Site Readiness Program, we recommend:**

An amendment should create a nonpartisan Land Readiness Advisory Commission which works with staff to review and approve all loan applications and report to the Legislature. Membership should include individuals who will not be applicants for the program who have commercial loan experience, development expertise, and those with an interest in other potential uses of the state's resources.

**Some of these changes are suggested in the attachment we've provided to you, showing changes to SB 246.**

**Thank you for the opportunity to testify. We'd be happy to take any questions.**

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