



February 5, 2014

**Representative Phil Barnhart, Chair
House Revenue Committee**

Testimony of the City of Salem In Opposition to HB 4141

The City of Salem Legislative Committee is in opposition to HB 4141 as written to amend several existing Oregon Revised Statutes to exempt the taxes imposed by a school district from existing tax credit and exemption programs. The City of Salem would encourage a work group or study group be formed regarding the Oregon property tax system including the effects of Measure 5 and 50.

The City of Salem supports adequate funding for schools, however, it should not come at the expense of existing programs that successfully incentivize businesses to expand and acquire new equipment and create jobs. A cornerstone of the City of Salem economy is our industrial sector of food processing and value added food processing. As proposed in HB 4141 the City of Salem sees a negative impact on that industry sector. In the supply chain for food processing it begins with the agricultural crops grown in the region. Amendments to ORS 307.325 appear to effect agricultural commodities exemptions and ORS 307.394(1) farm machinery with a consequence of increasing commodity prices. This translates to the food processing sector which has to pay higher prices for raw products. ORS 307.455 reduces exemptions for qualified machinery and equipment for food processors. This we believe will lead to higher consumer prices.

As proposed in HB 4141 the Enterprise Zone program (ORS 285C.175) would be impacted by not allowing a full exemption for property taxes for expanding or new industrial businesses. Recently the City of Salem has been successful in utilizing this program for companies such as NORPAC, Henningsen Cold Storage, Gramin AT and Diamond Foods to retain existing companies, expand existing companies and recruit new companies to the Salem area. Without this program in place with its full tax exemption benefits over a three to five year period it is questionable if these retention, expansion and recruitment activities would have occurred. In the highly competitive global market place it is important to have programs that will allow Salem to compete nationally and globally for jobs and investment.

HB 4141 also proposes to reduce the benefit of tax exemption for new industrial buildings under construction (ORS 307.330). Again this is an important tool in the arena of industrial business expansion and recruitment to bring new investment and jobs to the City of Salem.

URBAN DEVELOPMENT DEPARTMENT

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The City of Salem has been engaged recently in efforts to revitalizing its downtown area. One of the tools in this effort is the Multiple Unit Housing Tax Incentive Program (MUHTIP). As proposed in HB 4141 this tool would be reduced in its effectiveness. A case in point is the recent announcement of utilization of the MUHTIP for the Pringle Square development at the old Bosie Cascade site in Salem. The MUHTIP was a critical tool for the developer to move this project forward. The modification proposed to 307.606 raises the question if this development would have been able to move forward as proposed by HB4141.

Two other elements of HB 4141 also are of concern to the City of Salem. Those are tax exemptions for Low Income Housing (ORS 307.543) and Air Transportation companies (ORS 308.558). The City of Salem and its partners are actively engaged in efforts to provide housing to our low income residents. Our concern is that removing a portion of this exemption could pass that cost on to the residents of low income housing units further stressing a population that is already stressed financially. As for air transportation, the City operates a municipal airport where we are advancing efforts to bring aviation related industries and air services. Reducing the exemption capability of ORS 308.558 will complicate these efforts.

In conclusion the City of Salem would encourage a work group or study group be formed regarding the Oregon property tax system including the effects of Measure 5 and 50.

Thank you.

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