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March 3, 2015

To: Chair, Rep. Phil Barnhart, and Members of the House Committee on Revenue

Re: Opposition to HB 2084, 2098, and 2672

Oregon's Strategic Investment Program (SIP) is one tool in the toolbox that cities and counties can use to encourage economic development and investment in Oregon. The Program provides any trade-sector business with a property tax exemption on a portion of their new business capital for a qualified project. The Program serves as an incentive for businesses with significantly sized projects to locate or expand in Oregon. To qualify for the program, the cost of the project must be equal or greater than $100 million or $25 million (rural Oregon). SIP requires a business' project to be approved by the county (and if applicable, the city or tribal government) where the project will be located or to be located in an already established SIP-zone; this process ensures customization and low impact on public services. The League maintains that this program provides an economic tool with economic benefits to cities, counties, and the state.

The three bills before the Committee today would impose harmful barriers and limits to the Strategic Investment Program, and for that reason, we oppose the bills.

HB 2084

- The bill would increase the minimum dollar investment requirements to qualify for the SIP, which are already out of reach for most companies, being set at $100 million and $25 million (for rural locations). Any increase would harm the Program; the increase would be very large as the calculation in the bill goes retroactive to 1993.

- The bill would also require school, education service and community college districts to be a part of the SIP agreement. SIP agreements are complex business agreements that county (and sometimes city and/or tribal) economic development experts work out; adding more parties would add to this already long process.

HB 2098

- This bill would provide that land and buildings would not be eligible for the property tax exemption under the SIP. This change would favor companies with significant equipment capital rather than those with significant real property capital-- no longer providing a tax incentive for the latter. Both types of businesses provide important economic development benefits throughout the state and this is an unnecessary barrier.

- This bill would increase the minimum investment requirements, albeit with a different and less onerous formula than that in HB 2084.
- The bill would impose new construction deadlines that reduce flexibility of agreements and do not accommodate changes in the market.

- The bill would cap the total exemption that is available, thereby capping the investment a company would be willing to make. Such a provision sends a poor economic message.

- Lastly, like HB 2084, the bill would unnecessarily require the various education districts to be a part of the SIP agreement.

HB 2672

- This bill would require that counties pay school districts an amount of property taxes that each school district did not receive due to a SIP in the county. The counties would be required to pay the school districts with lottery distribution funds that the Lottery Commission would be required to hold back. This construct misses the point of the Strategic Investment Program, which abates property taxes but provides significant other benefits, including increased income taxes that benefit the state and particularly school funding. That is, the bill would require a calculation of the negative revenue impact (property tax abatement), but not the positive impact of the business's significant capital investment due to the SIP that assists state and local government.

- More importantly, any value required to be paid to school districts would count against state-wide equity formula and therefor present no added value to the local school district.

In short, each of these three bills would limit or impose harmful barriers to the Strategic Investment Program which has served as an invaluable economic development tool for cities in Oregon. For these reasons, the League of Oregon Cities opposes the bills.