

March 3, 2015

House Committee on Revenue
c/o Phil Barnhart
900 Court Street Northeast
Salem, OR 97301

RE: Strategic Investment Program (HB 2084, HB 2098 and HB 2672)

Chair Barnhart and Members of the Committee,

The Strategic Investment Program (SIP) has proven to be one of the most valuable economic development incentives Oregon has to offer. While the program has received a considerable level of attention over the past several years, the origins of the program appear to have escaped from the discussion.

During the 1980s, Gov. Vic Atiyeh unveiled a vision for an Oregon economy that was no longer reliant on the timber and agricultural industries. By creating new economic development incentives and working directly with the international community, Gov. Atiyeh advocated that Oregon could expand and diversify its economy in ways it never had before. The governor's vision continues to be reflected in the state's economic policy to this day.

During the aftermath of one of the worst recessions since the Great Depression and the restructuring of the timber industry, Oregon's leaders set forth on designing a new economic development tool to attract private sector investment and diversify the state's economy. Oregon's property tax system is especially unfavorable to the heavy manufacturing and the semiconductor industries as a result of high capital assets needing to be replaced on a regular basis.

In 1993, Oregon charged local governments with the responsibility of being the drivers of economic development for the state. The Strategic Investment Program (SIP) authorizes cities and counties to negotiate the terms of provide property tax relief to companies considering large-scale investments in Oregon.

The program has been effective beyond our wildest dreams. Today, there are tens of thousands of new jobs created as a result of the SIP. These are jobs that pay well above the average income for the state, generating extraordinary revenues for the state that allow the legislature to make substantial investments in vital government programs such as public education and safety.

The measures the committee will be considering today present a significant obstacle to private businesses and local governments as they consider the terms of their agreement. These measures could jeopardize the state's effort to attract large-scale investments in Oregon by (1) requiring local governments to reconsider the terms of the agreement, (2) limiting the scope of the program to only apply to manufacturing operations, and (3) punishing local governments when they are successful in recruiting new employers to their communities.

The Smart Growth Coalition is concerned by the interest of the committee to consider significant changes to the SIP that would endanger the effectiveness of the program. Our coalition believes that Oregon should be considering opportunities to expand the SIP and make it more accessible to all businesses looking to make substantial investments in Oregon, not trying to minimize its success.

Sincerely,

Paul Phillips
Executive Director, Smart Growth Coalition