



Office for Community Technology

February 22, 2017

Representative Phil Barnhart, Chair
House Committee on Revenue
900 Court Street, NE, Hearing Room A
Salem, OR 97301

RE: HB 2063 and HB 2770 (Property Tax Exemption for Gigabit Exemption)

Dear Chair Barnhart and Members of the Committee:

Thank you for the opportunity to provide comments regarding HB 2063 and HB 2770, addressing the property tax exemption for gigabit infrastructure adopted by the 2015 Oregon Legislature. The City of Portland urges your support for HB 2770, a full repeal of the central assessment exemption created by SB 611 in 2015, and also supports HB 2063.

SB 611 was meant to incentivize the build out of high speed fiber optic services that would not be built otherwise. The public benefits to be enjoyed from new infrastructure investment and construction were intended to balance against foregoing potential future property tax revenues that might be paid to local jurisdictions and school districts. SB 611 also meant to incentivize existing companies to upgrade a majority of their existing broadband customers to gig speed by granting a corresponding property tax exemption to potential increases on existing companies' current property taxes.

The City of Portland supports HB 2770. The justification behind offering companies a significant property tax exemption as an incentive to build fiber infrastructure is no longer apparent. In Portland's experience, companies looking to enter the marketplace will increasingly rely on cheaper, faster methods to build out broadband in Oregon communities. This change in technology approach removes the rationale for a significant property tax exemption as an incentive to companies. Telecommunications companies are exploring fixed wireless and antenna technology rather than laying cables and fiber to each residence. A fixed wireless approach means less construction and significantly less cost overall.

In October 2016, Google announced that it was pausing its expansion of operations in potential Google Fiber cities, including Portland, pending a new, to-be-determined approach to building out a high-speed broadband delivery network. At about that same time, Google acquired San Francisco start-up, Webpass, a high-speed internet service provider which relies on wireless technology. Google is experimenting with wireless technologies in Kansas City, where Google Fiber was first deployed. Expansion of wireless technology is also planned in other Google

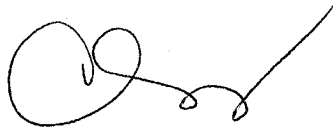


Fiber cities. Media reports indicate that Google is exploring this approach in Chicago, San Francisco and San Diego.¹

The City of Portland also supports HB 2063, which would help close loopholes and provide clearer statutory limits on “qualified” projects subject to the central assessment exemption. HB 2063 would also address the issue of affordability of qualified broadband plans—both one time and monthly cost aspect for residential customers—and put a cap on fees for qualification purposes. While the Public Utility Commission granted Comcast’s application for the exemption, the Department of Revenue subsequently determined that Comcast would not be eligible.² In November 2016, Comcast filed a complaint with the Department, arguing that it met the gigabit exemption by offering a service that costs as much as \$4,600 in the first year.³ The City of Portland does not believe such an exemption would meet the intent of SB 611. The City of Portland also encourages the committee to consider increasing the transparency of the state process for reviewing applications if HB 2063 moves forward.

The City of Portland appreciates the opportunity to voice its support for HB 2770, as well as for HB 2063. Thank you for your consideration of these comments.

Sincerely,



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¹ B Arnason, “Google Fiber Now Pushing Gigabit Fixed Wireless”, *Telecompetitor* (January 31, 2017) <http://www.telecompetitor.com/google-fiber-now-pushing-gigabit-fixed-wireless/> (Site visited February 22, 2017)

² M Rogoway, “Comcast loses key Oregon tax rulings, with ‘tens of millions’ at stake”, *The Oregonian* (May 26, 2016) http://www.oregonlive.com/silicon-forest/index.ssf/2016/05/comcast_loses_key_oregon_tax_r.html (Site visited February 22, 2017)

³ M Rogoway, “Comcast fights \$170 million Oregon tax bill, extending seven-year dispute”, *The Oregonian* (November 28, 2016) http://www.oregonlive.com/silicon-forest/index.ssf/2016/11/comcast_fights_170_million_ore.html (Site visited February 22, 2017)