

# Save Oregon's Enterprise Zones. Oppose HB 2408A: Public Procurement Requirements on Private Projects

Property tax exemptions and other tax abatements are among Oregon's best tools for expanding investment in our local communities, particularly in economically distressed areas. Cities, counties, ports and tribes can offer local tax abatements to encourage new or expanding businesses to invest and create jobs for their communities.

HB 2408A would impose public procurement requirements on the private investors or owners in projects within enterprise zones; specifically, the requirement to pay prevailing wages.

Requiring the payment of prevailing wage rates on private construction projects offsets the very local economic development incentives provided by tax abatements.

- **Economic Risks.** Local tax incentives are effective because the tax incentive reduces the initial cost of investment. Prevailing wage mandates would offset the tax savings by increasing construction, reporting and compliance costs. By eliminating the incentive, private investors may decide against industrial expansion on a given site or may simply choose sites outside of Oregon.
- **Existing Wage Requirements.** Local elected officials care about paying their local workforce wages that are consistent or better than the local average. This bill ignores the local government controls and existing statutes that ensure fair and competitive wages and still reap the revenue benefits of significant new investment in developments. State statutes still specify requirements for which Business Oregon determines the zone's economic hardship criteria: (1) Household median income is 80% or less of state median income, or (2) Unemployment rate is 2 percentage points (or more) higher than the state unemployment rate, based on the most recent annual figures.
- **Applicability to Private Projects.** The enterprise zone tool targeted by HB 2408A is specifically designed to attract additional private investment and therefore, are not public projects. Even at the \$20 million threshold, mandating public procurement requirements like prevailing wage on these private projects will eviscerate the economic incentive offered by a local government and dissuade projects from moving forward.
- **Compliance Challenges.** Mandating public works laws on private construction projects will reduce the availability of contractors experienced in public contracting, driving up project costs. Many companies may not have experience with BOLI's complex prevailing wage requirements and therefore will opt against risking significant state fines. This reduces the availability of bids for these projects and thus the likelihood of the very investment enterprise zones aim to generate.
- **State Benefit.** Local tax incentives do not negatively impact the state's general fund expenditures. Local governments incentivize the use of abatements by temporarily reducing their own local tax revenues in exchange for the long-term benefits of job growth and healthy communities. The state mandate proposed by HB 2408A not only hampers the potential for a new local economic development tool, but also would reduce the anticipated benefit to the state by precluding job growth and the accompanying income tax revenue.

**Oppose imposing public contracting requirements on private investment.**

From the Desk of  
Representative  
Shelly Boshart Davis

Please vote "NO" on HB 2408A

Shelly Boshart Davis

(12)  
4/17/11

