



**To: Representative Nancy Nathanson
Oregon House Committee on Revenue**

**From: Randy Cox
KCEDA
205 Riverside Drive
Klamath Falls, OR 97601**

RE: KCEDA Opposition to HB 4010

Dear Rep. Nathanson:

I am contacting you today on behalf of the Klamath County Economic Development Association (KCEDA) / ChooseKlamath to express our opposition to HB 4010, and its proposal to disconnect Oregon from the federal Opportunity Zone program. We firmly believe that this program has the potential to have a substantially positive impact on attracting new investment to Rural Oregon economies. For instance, in Klamath County's TimberMill Shores area, there are currently 5 active projects that represent dozens of new jobs and capital investment potential to our region; this is an area that has lacked development for nearly 20 years, and can be a significant driver for subsequent development in our Tourism and Outdoor sector.

We believe the benefit of Opportunity Zones has yet to be seen by the state as the program is just getting started, with federal rules only being issued as of December. HB 4010 could jeopardize the aforementioned projects in Klamath County, as well other many other Oregon communities. HB 4010 only discourages Oregon investors from investing in OZs. With HB4010, Oregon investors will be treated less favorably than out of state investors and may just hold onto their assets, passing them on to their children or doing a 1031-exchange. Oregon will be better off with local investors investing in OZs because they know their communities. Oregon should stay connected to the Opportunity Zone program and evaluate how it is working before considering disconnecting. In Klamath, if we believe anything, it is not that the program should be disconnected, but modified to better suit it's original purpose. Please refer to the information outlined below as to why modifications to how the state addresses the program possess value:

1. Following the original selection and approval of qualified tracts, Klamath County was one of many rural Oregon counties that was initially disappointed by how the choices favored larger and active development markets that justify new

investment regardless of the OZ incentive. The program's intent was to give more resource options to economically distressed region's that had limited incentives and less market appeal to major investors and/or large developments. The state asserted its tract selections would reflect those regions that would greatly benefit from further development of low-income housing and job training centers. Considering the programs intent, the state's development focus areas, and the tracts that were eventually chosen, it is tough to argue with rural Oregon's frustrations with today's version of the Opportunity Zone model.

- a. **Looking closer at the program's intent** - Thriving markets are very dense and composed of an abundance of public resources, and endless private resource options. To suggest that the state would put its largest zone in Portland's Pearl District is a complete contradiction to selecting areas that are economically distressed and lack market appeal to major investors or development prospects. In Klamath County, community stakeholders worked together to propose 6 tracts to the state. 4 of the 6 tracts that were proposed had promising developments that were considering site decisions within the tracks contingent on OZ approval of their locations. Ironically the 4 proposed tracts not approved by the state were those that had active developments in final site selection stages. This prevented the creation of new jobs, tax revenue, and spin-off benefit to our rural Oregon economy - an area that is far more economically distressed and in need of resources that can make such communities competitive for possible development compared to other options (often these competitors finalize to those in other states, putting overall state revenues at risk, not just Klamath).
- b. **Development Focus When Selecting Tracts** - Low-Income Housing and Job Training Centers. 47% of Klamath County's population represents those that qualify for low-income housing. To add to that, in regards to unemployment, rural communities that include Klamath County regularly are on the 6-10% range of unemployment annually, whereas a great deal of the tracts selected exist in counties that boast unemployment rates which are consistently between 1-5% unemployment. This implies most people are employed in the tracts that were selected, whereas rural communities thirst for job training to help reduce employment gap; it also implies that during a period where the entire state faces a housing shortage, a region that is nearly halfway populated below medium income only is selected for 2 zones, whereas Multnomah County was selected for 17 zones.
- c. **Reexamining Structure** - Senator Scott's Plan to present a bill that reexamines the current structure for how Opportunity Zones are managed and selected in Oregon should be something we encourage, however, it should not compromise the current "teeth" of the program with added restrictions. Instead, control of the number of zones and how they are

used should primarily be performed by local government. This will allow for all counties to best position their tracts for securing development that serves their best economic interests.

We greatly appreciate you taking the time to thoroughly review our position and proposed ideas as it relates to the program. If you have any questions or comments regarding our position, please do not hesitate to contact me. Klamath County is excited at what possibilities the Opportunity Zone can create for the region and am hopeful that you will allow for this program to further mature before executing any decisions.

Sincerely,

A handwritten signature in blue ink that reads "Randy Cox". The signature is fluid and cursive, with the first name "Randy" and last name "Cox" clearly distinguishable.

Randy Cox
CEO, KCEDA