

Statewide Economic Development Programs: Overview and Policy Implications

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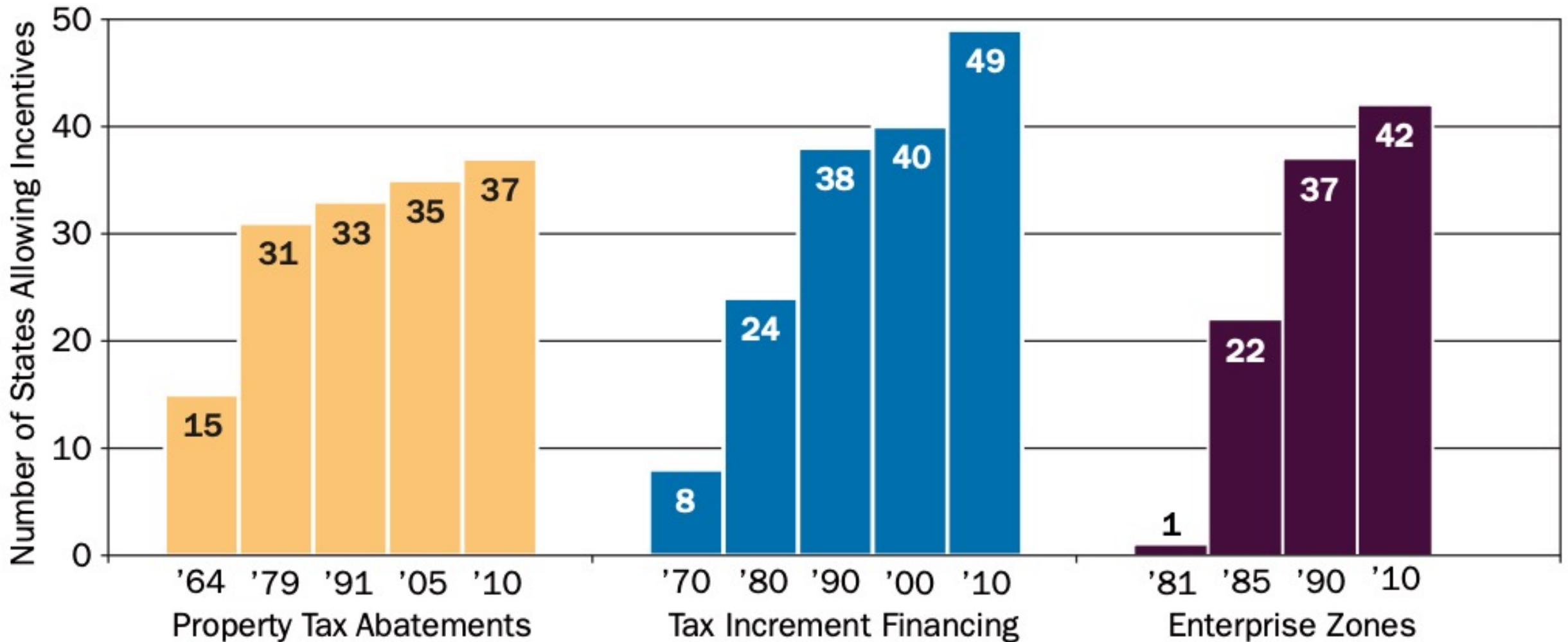
House Economic Recovery and Prosperity Committee

Oregon has limited set of statewide economic development tools

- Enterprise Zones *(the most used program)*
 - 3-5 year
 - Long-term rural
- Strategic Investment Program (SIP)
- Oregon Investment Advantage
- Governor's Strategic Reserve Fund
- Business Expansion Program

Oregon has a lot of company in the application of EZ

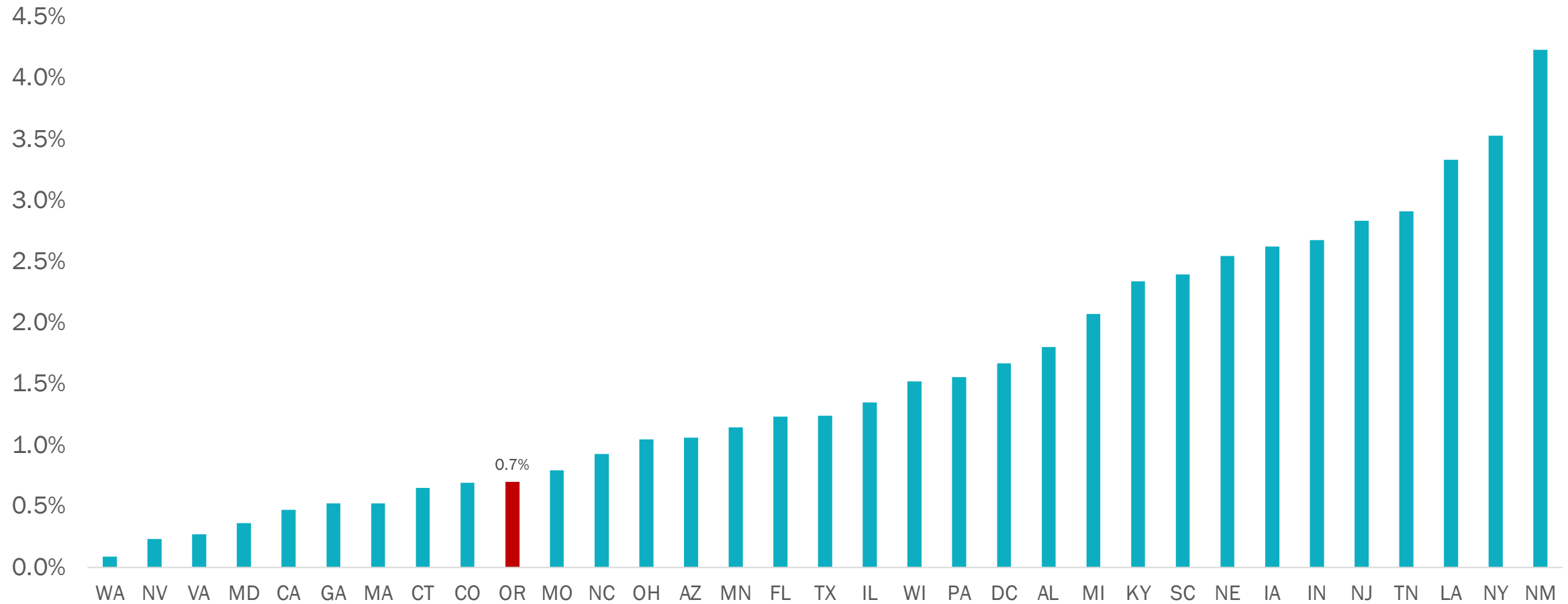
Number of States with Economic Development Incentive Programs



Oregon is at the low end of incentives that are NOT geographically focused*

*This does not include EZ or TIF spending

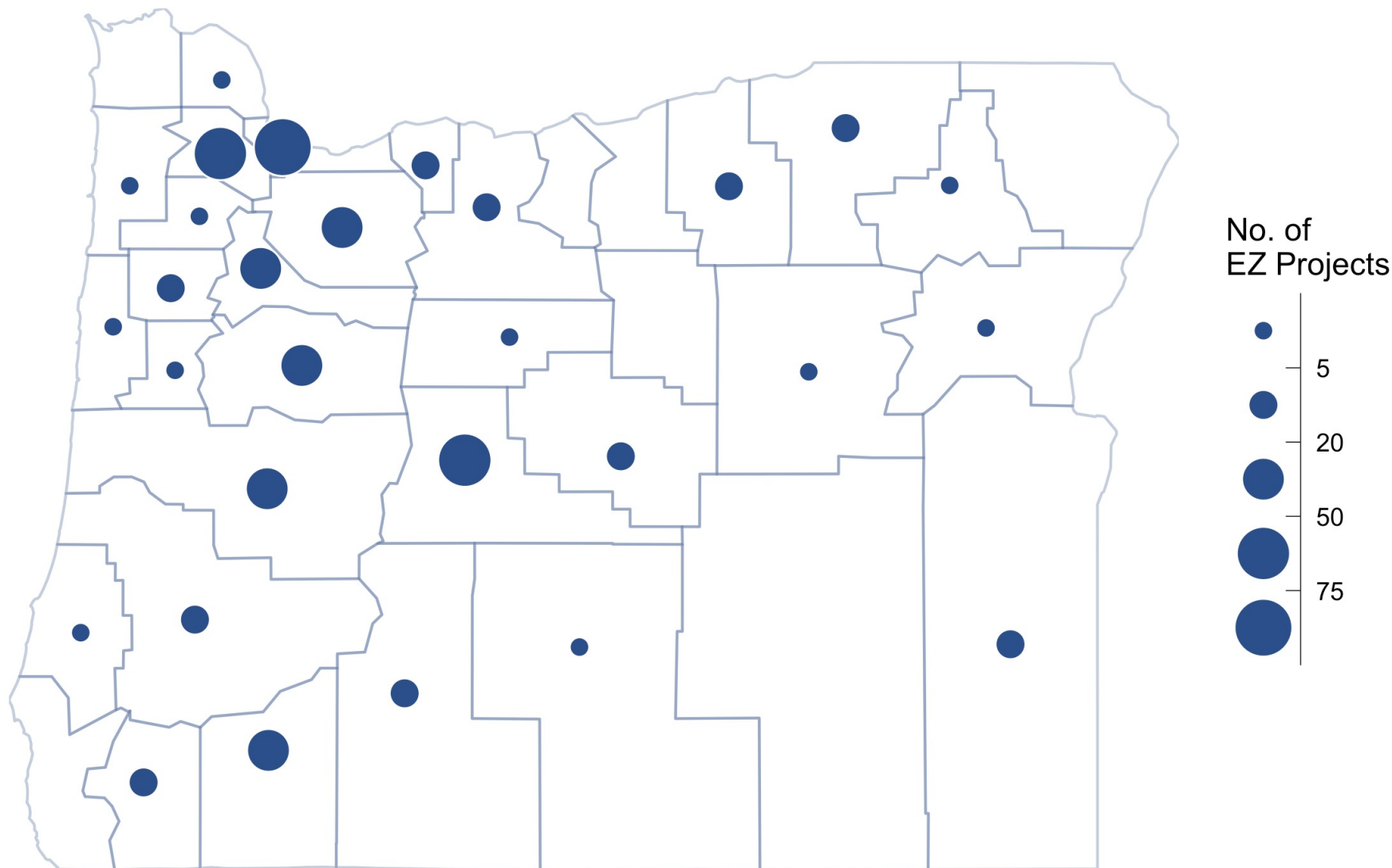
Non-Geographically Targeted Business Incentives
Expressed as a Share of Private Gross State Product, 2015



Enterprise zone tax abatement value and use

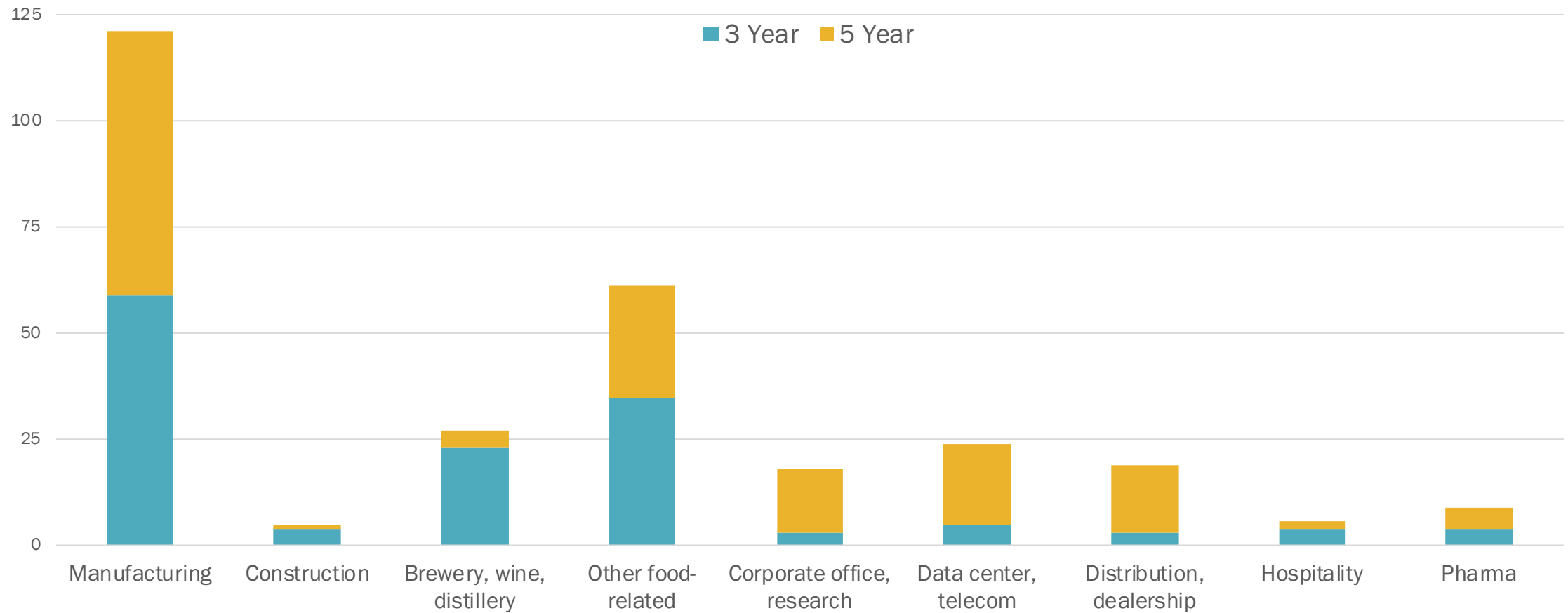
Over 400 recent EZ projects in 29 counties

- 449 known projects from ~2016-2026
- Projects with exemption beginning in 2019 represent nearly **\$1.5 billion** of private investment



Businesses using EZ zone exemption from wide range of industries

Frequency of type of project by exemption period, projects receiving abatement in 2019



52% of projects across all industries receive 5-year abatements

Quantifying the value of the EZ property tax abatement

On average, property tax abatements are worth

4.5% - 7.5%

of a project's cost

About 1.5% of a project's cost for each year of the abatement

How could a policy change impact E-Zones

Why prevailing wage is a challenging policy to evaluate

- 1. Project specifics matter.** Labor intensity and trades required differ across project types (e.g., manufacturing facilities, food processing facilities, corporate offices, housing, highways, schools)
- 2. Hard to find counterfactuals.** The preferred evaluation would compare something that happened to something that did not occur.
 - Academic literature focuses on public works projects which aren't as relevant

Takeaways from interviews conducted around the state

- Applying prevailing wage rate policy generally increases construction costs compared to market rate projects in Enterprise Zones
- Present value is a consideration, as labor costs are front loaded, while abatement savings occur after project completion
- Potential project cost increases are varied based on:
 - Labor intensity of the construction
 - Individual trade share of a project
 - Project type
 - Geographic labor market

1. Oregon has a limited set of economic development incentive programs
2. Academic literature and contractor interviews suggest PWR could offset a substantial share—or all—of a project's EZ abatement value (i.e., 4.5-7.5% of project value).
3. Potential policy change would limit the value of the most heavily used program that best aligns with the Business Oregon strategic plan

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