



February 28, 2023

House Committee on Economic Development and Small Business

RE: Support for HB 2199

The League of Oregon Cities (LOC) is an intergovernmental association which represents all of Oregon's 241 cities across the state.

The LOC supports HB 2199, which extends the sunset of the enterprise zone program.

The enterprise zone program was enacted in 1985 as a "special aid to attract commerce, industry, and jobs." The enterprise zone program has a demonstrated ability to create jobs, expand wealth, and enhance long-term property tax revenue.

Enterprise zones are sponsored by a city, county, tribe or port and serve as a focal point for local economic development and are one of the few tools that local governments have to attract jobs to their region.

Oregon currently has 76 designated enterprise zones, 58 of which are considered rural and 18 urban. They are geographically spread across state in 35 of the 36 counties. The 76 enterprise zones are sponsored by 124 cities, 15 ports, 30 counties, and 2 tribes.

Businesses within the regular enterprise zone qualify for a short term, 3-5 year property tax exemption if they meet several conditions including entering into a "first source" hiring agreement, which incentivizes companies to hire locally through the regional office of the Employment Department.

It is standard practice for local governments to evaluate the impact of the business investment on local infrastructure such as utility lines, housing and public safety and negotiate further investment to build those infrastructure needs before signing the agreement.

While the property tax exemption itself is over a short period to attract the investment, there is a long-term "spillover" benefit for local communities on improved infrastructure, economic growth and income tax returns for the state.

The most recent [Tax Expenditure Report](#), published by the Governor's office, found the enterprise zone program to "to be associated with numerous job-creating investments (mostly by in-state companies), located in more economically challenged areas of Oregon."

A recent study commissioned by Business Oregon measured the return on investment of 279 enterprise zone companies and found the incentive spurred the creation of over 42,000 jobs, \$7.8 billion of economic activity and generated over \$600 M of state income tax revenue.

The Tax Expenditure Report found that "Oregon enterprise zones are one of, if not the state's premier tool for stimulating increased business investment across many traded-sector industries, including in competition with places outside of Oregon for retaining existing operations in Oregon."

The enterprise zone program simply works. It is not only one of the only tools for local governments to attract development, it is also the best and we urge the legislature to keep this incentive.

The legislature has made the future of the Oregon's economy a focus of this legislative session by focusing on the semiconductor industry and manufacturing at large. Extending economic development programs that work is essential to keep Oregon competitive, invest in communities across the state and drive economic growth for generations to come.

The LOC encourages the legislature to support the extension of this program.

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