



May 16, 2023

Joint Committee on Tax Expenditures  
900 Court Street NE  
Salem, OR 97301

**RE: HB 2199-A: Enterprise Zone Sunset bill as amended by House Revenue Committee**

Dear Co-Chair Meek, Co-Chair Nathanson, Co-Vice-Chair Boquist, Co-Vice-Chair Reschke, Co-Vice-Chair Walters, members of the Joint Committee on Tax Expenditures;

I am writing to express the City of Beaverton's opposition to House Bill 2199-A and our support for HB 3286 or SB 1084 as alternative paths to address any issues without severely compromising the effectiveness of the Enterprise Zone incentive. This incentive, in its current form, has made Beaverton more attractive to new and growing businesses, and our experience with the program has been extremely positive.

Beaverton received Enterprise Zone designation in 2012 and achieved an E-Commerce Zone designation in 2014. Since then, we have worked with six innovative companies to expand their operations in our city and have attracted over \$25 million in investment, almost 300 new jobs and an average employment growth per company of nearly 50%. Local agreements with our participating companies include requirements that cover wage, workforce training, local procurement and payment of a community service fee that supports Beaverton principals of offering only those incentives that result in growth of family-wage jobs and positive economic impact to the entire community.

The economic development profile of Beaverton consists of a healthy, broad mix of business types with strong clusters of electronic design and manufacturing, athletic & outdoor and software businesses as well as emerging industries such as bioscience. Many of these businesses serve larger, higher-profile companies in Washington County that garner most of the legislative and press attention when changes to current economic development incentives are considered. What tends to be forgotten is that cities like Beaverton, despite our many advantages, must rely on redevelopment rather than development of large greenfield sites. Incentives like our Enterprise Zone are a perfect match for our businesses looking to expand their current facilities. We strongly support the efforts to attract more semiconductor businesses to our area, but we should not forget that the same economic incentives are being used at a smaller scale to develop the surrounding ecosystem that is critical to the success of any semiconductor business. We rely on our Enterprise Zone incentive to attract and grow these businesses.

The recent Business Oregon Property Tax Incentives Impact Study showed that the return on investment of the Enterprise Zone program statewide is over 29:1, and the performance of our Beaverton Enterprise Zone has shown similar results, including an

average, short-term tax abatement cost of just \$2,000 per job created. These new jobs provide additional employment, support our local families and businesses, and contribute to the economic vitality of the Beaverton community. It is difficult to understand the rationale or sense of urgency of the proposed changes to a program that has clearly demonstrated results over its history and continues to work as intended.

There are many cost-benefit decisions that a company makes when considering a relocation or expansion and economic incentives are often critical in this decision making. There are two major areas that can result in lack of business attraction: An environment of uncertainty and the overall complexity of the process. Both are weighed against economic and other incentives as a financial case is evaluated. The proposed modifications to the current Enterprise Zone program cause negative impacts in the following areas:

- 5-year sunset – Most companies have a planning horizon longer than 5 years, so a short-term extension will be interpreted as a lack of commitment by the State and create uncertainty, especially in the out years of the extension.
- Exclusion of school district taxes significantly reduces the value of the abatement and thus the overall incentive. Also, unfair to other taxing districts that understand the advantage of attracting business investment and are willing to forego relatively small amounts of revenue in the short-term for the additional revenue that comes from a 29:1 return on investment overall.
- Transparency and notification to neighboring districts – Any perceived benefit to these requirements is far outweighed by the additional complexity and uncertainty added to the application process for the business and local zone management.

As local zone managers, we already add requirements to our agreements with businesses to tailor our agreements as we feel is necessary to maintain our competitiveness and serve our community. The proposed changes to a currently functional incentive program will only serve to complicate the management and increase the cost of the program while also resulting in a disincentive to those businesses that are making decisions to locate or expand in Beaverton.

Beaverton is proud that many Oregon companies call our city home. We look forward to being able to attract and grow these businesses and jobs in the future. I urge you to consider alternatives to HB 2199-A and that you continue to support this valuable economic development tool in its current form without additional burdensome changes.

Thank you for your consideration.

Sincerely,



Michael J. Williams  
Economic Development Manager