



April 30, 2019

Senator Kathleen Taylor, Chair
Senate Committee on Workforce
Oregon State Capitol
900 Court St. NE, HR D
Salem, OR 97301

RE: Opposition to HB 2408-A

Dear Chair Taylor and Members of the Committee:

Enterprise zones are a critical component of the City of Hillsboro's economic development program. It helps attract, retain, and encourage expansion of businesses in Oregon and Hillsboro specifically. HB 2408-A at minimum substantially weakens the program and at worst, risks the viability of the enterprise zone program entirely.

Overview of City of Hillsboro's Enterprise Zone Program

The City of Hillsboro has one enterprise zone that covers three distinct areas of the City: the North Hillsboro Industrial Area, the Downtown Central Business District and Downtown's Southwest Industrial. The below economic impact numbers represent the economic investments made in Hillsboro's Enterprise Zone over the past several years. The numbers only comprise projects currently under abatement and do not include projects where the abatement has expired and the project has returned to the property tax rolls.

Hillsboro Enterprise Zone Metrics:

- **36 projects under abatement;**
- **3434 permanent full-time jobs created and retained¹;**
- **Over \$2,000,000,000 invested; and**
- **Over \$21,000,000 spent in 2018 on local businesses through business to business transactions.**

The City of Hillsboro's Enterprise Zone Program Leverages Private Investment for Public Benefit

The City has adopted local policy to complement the aims of the authorizing legislation, which requires that enterprise zones be created in economically distressed areas. The City requires companies under abatement to pay a Community Service Fee as a way to deliver additional public benefit beyond the economic impacts that result from the investment and the creation of permanent full-time jobs.

¹ This does not count part time jobs created. For example, Amazon has over 800 part-time jobs in addition to the permanent full-time jobs created.

Last year the Community Service Fee resulted in \$871,471 in local revenue. The City's policy is to invest those resources into workforce development and small business support programs targeted at economically distressed communities. Some examples of the programs supported by Community Service Fee revenues include:

- **Future Connect scholarships and services to a new cohort of 50 first generation high school students enrolled at Portland Community College Rock Creek;**
- **Paid internships for Future Connect students at the City of Hillsboro to build real world job skills and experience;**
- **The Prosperidad Economic Empowerment Center in partnership with Centro Cultural de Washington County to assist low-income residents with workforce development, skill training, and connections to employment;**
- **Cocinemos, which is a food entrepreneur program in partnership with Adelante Mujeres.**

These are just a few examples of many investments we are able to make in the community that flow from private investments in enterprise zones, and the very programs likely to suffer if HB 2408-A becomes law.

Enterprise Zone Incentives Present a “But For” Proposition for Policy-Makers

It is facially reasonable to consider foregone property tax revenue as “funds of a public agency.” After all, property taxes are the primary source of revenue for local governments. However, we do not believe this line of reasoning should extend to the context of economic development programs as a matter of policy.

Economic development professionals across the state are warning that doing so substantially weakens and potentially threatens the viability of the enterprise zone incentive. That incentive presents local governments and the state with a “but for” proposition. But for the incentive, the private investment is unlikely to happen – or likely to happen much less frequently than it does now. That means a few things for state and local government.

- **Foregone revenue (for five years) is not a hit to state and local government because the investment would likely not happen *but for* the availability of the incentive;**
- **After five years, projects return to the property tax rolls, expanding the tax base to support critical public services like police, fire, parks, and schools. The permanent full-time jobs created expand the income tax base for the state supporting K-12 education, health care and public safety budgets. *But for* the incentive, the mutually beneficial expanding of the tax base likely does not happen.**

Enterprise Zones are one of the Few Economic Development Incentives Available to Local Governments

Local governments do not have many resources to help our communities be competitive for private investment and stimulate the local economy. Enterprise zones are one of the very few mechanisms where state and local government partner to incent private investment, grow the economy, and create vast benefits in the community.

It is wise to view economic development as inextricably linked to progress in other areas, like housing attainability. This is especially important for communities and a state that are seeking to broaden

opportunities for economic mobility, take on challenging public funding initiatives and seeking to address affordable housing. One very important way to make housing more attainable is to support efforts and programs delivering lasting jobs with higher average wages, and programs assisting residents with accessing and realizing these jobs. The enterprise zone is at the heart of local efforts to make these aspirations possible. We must not take this program for granted, nor can we afford to impact its effectiveness as a tool for economic development purposes.

For the foregoing reasons the City of Hillsboro opposes HB 2408-A and respectfully requests that the Senate Committee on Workforce decline to move it forward.

Sincerely,

A handwritten signature in black ink that reads "Steve Callaway". The signature is written in a cursive, flowing style.

Mayor Steve Callaway