

February 6, 2020

To: Chair Nathanson, Vice-Chair Marsh, Vice-Chair Reschke, House Committee on Revenue

From: Scott Hibbs, Vice President and Chief Investment Officer for Standard Insurance Company

Re: Opposition to HB 4010-1

Standard Insurance Company is a Portland-based financial services company serving individuals and businesses in Oregon and across the country. I serve as the Chief Investment Officer for The Standard and also co-chair the Oregon Business & Industry Fiscal Policy Committee.

I am writing in opposition to the proposed disconnection from the Opportunity Zone program. The Standard has direct experience with opportunity zone projects and investments nationwide. However, I am not writing from the perspective of the company. Rather, I believe that the disconnect will hinder the flow of capital to the small and rural opportunity zones thoughtfully designated by Governor Brown's administration.

Simply put, the disconnection not only decreases the investment return on Oregon projects, it also introduces a tax complexity into the Oregon projects that will dissuade investors. Individual and institutional investors look for Opportunity Zone projects in states where there is a benefit for both federal and state tax purposes, as often these projects don't have the certainty of a return available from traditional development projects. Less efficient access to capital will certainly hinder redevelopment projects designated by the Governor.

While we appreciate and support the Legislature's continuing scrutiny of tax breaks and deductions, my firm belief is that such a disconnect will drive investment capital to other states that retain a connection to the program.

I would suggest that there might be a better way to proceed without upending opportunity zone projects in Oregon. It would be relatively easy for the Legislature to put a cap or other guardrails on the program's tax benefit to give the State certainty. In that regard, we fully support LRO forming a taskforce to study this issue in more depth with the aim of bringing a bill to the 2021 Legislature.

I appreciate your consideration of these comments.