



CITY OF PENDLETON ECONOMIC DEVELOPMENT

February 23, 2023

House Committee on Economic Development and Small Business
Oregon State Legislature
Oregon State Capitol
900 Court Street NE
Salem, Oregon 97031

RE: Letter of Support Regarding Extending Sunset of Enterprise Zone Program (HB2199)

Dear Chari Bynum, Vice Chair Morgan, Vice Chair Nguyen, and House Committee on Economic Development and Small Business:

City of Pendleton offers its emphatic support for extension of the Enterprise Zone (EZ) Program (SB134; HB2199; HB2060). Altering, complicating or eliminating Oregon's Enterprise Zone (EZ) Program would be an epic economic misstep by the State of Oregon. The Enterprise Zone Tax Abatement Program was originally created to help attract more investment and jobs into rural Oregon, something that is desperately needed in a state that is overwhelmingly rural. It is important to recognize that a rural community that lacks some human-made asset or natural resource that is either in high demand or short supply, or if it lacks a geographic location that offers some clear strategic advantage—near a crux of two interstates, close to a population center (workforce), or in close proximity to power generation—then the community is left with very little to market itself beyond cheap labor. That is not ideal for the economy of a rural community or the overall quality of life of its citizens. The Enterprise Zone Program is the most powerful tool, some would argue the only real tool, that Oregon's rural communities have to combat those inherent challenges and attract new investment and good-paying jobs.

Enterprise Zone is not a perfect program, and it does not always persuade companies to locate or expand in Oregon. However, unless there is some improved incentive program ready to immediately take its place, then altering, complicating or eliminating the Enterprise Zone Program will likely have catastrophic economic effects on the places that can least afford them—rural communities. In order for Oregon to solve any problems, it must first be very honest with itself about what its strengths and weaknesses are, and how it is perceived by the outside world, which would include competing states, business and industry:

- Despite having EZ tax abatement and no sales tax, Oregon is still not known as a tremendously business-friendly state. EZ is really our primary, some might say only, tool to attract business.
- Oregon's income tax makes Washington more attractive to many companies, sometimes described as getting a 10% pay increase by living and working in Washington. EZ is one of the few ways to bait companies past that real and perceived benefit of being in Washington.
- Oregon's northern and eastern flanks are particularly vulnerable to losing opportunities:

- On the north sits Washington, which has no income tax. In business recruitment and retention, Port of Morrow, Pendleton, Umatilla, Port of Umatilla, Hermiston, and Confederated Tribes of the Umatilla Indian Reservation (CTUIR) compete directly with Walla Walla and Tri-Cities, both much more populous, much more educated, more affluent, better perceived quality of life, and both with Commercial Air Service.
- On the east sits Idaho, which is a right-to-work state with weak union activity, lower wages, and less restrictive land development laws. Ontario is right on eastern border and is only 30 or 40 minutes from Boise.
- Pendleton-Pilot Rock EZ has supported over \$61 million in expansion in last 10 years:
 - Those are all 3-year abatements, so that all came on the tax rolls, or is coming back on, after just 3 years.
 - That included the creation of 322 jobs.
- Thanks to Long Term EZ (up to 15 year), Oregon has become known as a very popular place to site data centers (often \$200m to \$1.5B per project). It is unlikely that most of those data centers would have sited in Oregon, if not for Long Term Enterprise Zone.
 - These DC's are often sited in rural parts of the State that would typically struggle to attract industry with the better paying jobs.
 - Although Pendleton has not benefited from the data center boom (due to low power supply), it has been a boon for other Eastern Oregon cities and ports, like Port of Morrow, Umatilla, Port of Umatilla, and Hermiston. "Tax Abatement" is a bit of a misnomer, because those projects have brought the communities many millions of dollars of in lieu of tax payments each year. Pendleton is undoubtedly a beneficiary of some of that new investment just by proximity.
- Oregon is a very big state with some very rural, isolated parts. Pendleton is essentially an island in a sea of wheat (next real town is 30+ miles). Isolated communities and/or border towns require a strong economic development tool to attract businesses to places like Burns, Prineville, Klamath Falls or North Bend. That powerful tool is the EZ Program.
- The absolute destruction of Portland's sterling reputation as one of the nicest, cleanest big cities in America has really been an economic black mark for the entire state. Perceived runaway homelessness, crime and drug usage, and all the TV coverage of rioting, have made Oregon a much harder place to sell in recent years.
- Perceived lack of investment in education. From www.intelligent.com study, Oregon was 44th in academic performance and 38th in investment (West VA, Kentucky and Arkansas beat us).
- Oregon's COVID response, rightly or wrongly, was perceived by many as business unfriendly.

From an economic development standpoint, other than quality of life, which has been seriously tarnished in recent years, Oregon doesn't really have that much to sell other than EZ, especially in the more rural parts of the state where housing and workforce availability can be such a huge challenge.

Sincerely,



Steven B. Chrisman, Economic Development & Airport Director
City of Pendleton-Eastern Oregon Regional Airport-Pendleton UAS Range