

Oregon State Legislature
House Committee on Revenue
April 4, 2023



**Administrative
Offices**

HB 3011- Provides for transparency and coordination when local governments enter into agreements for property tax exemptions with business firms.

Chair Nathanson,

Thank you for the opportunity to submit testimony regarding potential changes to the most important tool available to rural communities competing for national and international investment; specifically, the Long-Term Rural Enterprise Zone program.

The two items I get asked most often about with regard to the LTREZ program is the length of the incentives, and the potential for competition among neighboring jurisdictions.

First, when it comes to competition, I would say that the LTREZ program is absolutely a factor in economic development competition with our neighbors; specifically competition between the greater Hermiston area and the cities of Kennewick, Richland, and Pasco, Washington, which is the second largest metro area in eastern Washington. Unfortunately, I have to report to you that they are kicking our butts here in the largest metro area in eastern Oregon, and it's not even close.

In 2015, Hermiston was the final area in Oregon in contention for AutoZone's \$40 million, Distribution Center, employing over 200 people. They chose Pasco, Washington, for which they received a sales tax exemption for construction.¹

In 2017, Hermiston won a \$250 million investment for Lamb Weston's latest french fry production facility, which added 140 full time jobs here, rather than their alternate site immediately across the river in Patterson, Washington. That project was awarded a full 15 year LTREZ exemption, in exchange for still making annual payments equal to 42% of their property tax bill over that time.²

In 2021, Hermiston was the final area in Oregon in contention for Dairy Gold's \$400 million whey protein factory, set to employ nearly 400 people. They chose Pasco, after a \$7.5 million commitment from the State of Washington, and significant infrastructure commitments from the Port of Pasco.³

¹ <https://www.tricitiesbusinessnews.com/2016/02/autozone-plans-distribution-center-king-city-area-pasco/>

² https://www.hermistonherald.com/news/local/governor-visits-site-of-lamb-weston-expansion/article_9507bb59-cd5f-5b4e-a31a-d19b451a83f9.html

³ <https://www.tricitiesbusinessnews.com/2021/07/darigold-picks-pasco/>

This leads me to the second question about the length of the LTREZ program, which is not only our most important, but frankly our only significant economic development tool available.

Simply put, there's nothing magical about the length of the LTREZ, at 7 to 15 years, but what that range does is give local jurisdictions the flexibility to craft incentive packages capable of easily fitting the needs of the industry in question.

For example, it doesn't make any sense for us to grant a sales tax waiver, for obvious reasons, but if they need a financial comparison when considering an Oregon or Washington location, having a range to work with allows us to more precisely hone-in on a comparable package when it comes to property tax.

Additionally, this range allows us to compete with larger entities, such as the Port of Pasco, by leveraging additional years of exemption towards infrastructure investment necessary to make a project viable.

In conclusion, it's my belief the the LTREZ program, with 7 to 15 year abatement ranges does create regional competition, but only because it's existence allows Oregon communities in the Columbia Basin to stay in the competition against eastern Washington.

Sincerely,

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