



May 24, 2023

Joint Committee on Tax Expenditures
Oregon State Legislature
900 Court St. NE
Salem, OR 97301

RE: City of Beaverton Opposes HB 3039

Dear Co-Chairs Meek and Nathanson, Co-Vice-chairs Boquist, Walters and Reschke, and Members of the Committee:

The City of Beaverton appreciates the opportunity to share our concerns with HB 3039, which would disconnect Oregon from the federal Opportunity Zone (OZ) program by adding back into Oregon tax any exclusion of federal taxes for capital gain and thereby limit its effectiveness as a catalytic economic development tool in key areas of Beaverton.

Beaverton has two opportunity zones and is carefully planning redevelopment on several city-owned sites within these zones. The Beaverton Urban Redevelopment Agency (BURA) currently owns five strategic redevelopment sites totaling 8.59 acres within Beaverton's OZ areas. All these sites are in Downtown Beaverton's RC-BC zone (Regional Center – Beaverton Central) and RC-MU zone (Regional Center – Mixed Use). In 2019, the city entered into an agreement with a developer using opportunity zone financing for an office development on one of these sites. This developer called out the Opportunity Zone as a critical component of their financing and interest in the site. Unfortunately, the pandemic and a radical change in market conditions for office development has currently made that project unfeasible.

While this particular office project did not move forward due to the pandemic, our post-pandemic redevelopment strategy includes going out for development on at least two of the other five sites this calendar year. These sites are much more likely to be used for a mix of high-density residential, and being in an Opportunity Zone will boost the marketing and development potential of these sites significantly in what is a challenging investment climate due to higher interest rates.

Further, these city-owned sites—and other privately held sites in these zones—will play a key role in catalyzing mixed-use redevelopment, attracting investment into Beaverton's urban renewal area, and achieving community objectives around climate, equity, and affordable access to housing and employment.

If Oregon investors can't access the full benefits of the OZ program, they won't liquidate investments currently held and won't invest this capital in Oregon Opportunity Zones. Without that investment, there isn't an upside/revenue to the state or property tax increase locally; the funds will simply stay in the existing holdings and not be sold or subject to capital gains at all.

HB 3039 will limit this targeted, important tool and discourage Oregon taxpayers from making the kind of transformative investments that are planned for Central Beaverton.

Sincerely,

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

Lacey Beaty
Mayor