

**HOUSE COMMITTEE OF**  
**TRADE AND ECONOMIC DEVELOPMENT**

**April 1, 2005            Hynix Semiconductor Manufacturing America**

**12:30 P.M. 1830 Willow Creek**

**Eugene, Oregon 97402**

**Tapes 50 - 53**

**MEMBERS PRESENT:            Rep. John Lim, Chair**

**Rep. Scott Bruun, Vice-Chair**

**Rep. Jeff Merkley, Vice-Chair**

**Rep. Peter Buckley**

**Rep. John Dallum**

**Rep. Chuck Riley**

**MEMBER EXCUSED:            Rep. Donna Nelson**

**STAFF PRESENT:                Jim Stembridge, Committee Administrator**

**Erin Seiler, Committee Assistant**

**MEASURES/ISSUES HEARD:**

**Public Testimony – Informational Meeting**

**Economic Development Issues in Eugene/Springfield and**

**Lane County – Informational Meeting**

**HB 3143 – Public Hearing**

**HB 2349 – Public Hearing**

**These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.**

**TAPE/#      Speaker                      Comments**

**TAPE 50, A**

006              Chair Lim                      Opens the meeting at 12:31 p.m. Opens an informational meeting for public testimony.

**PUBLIC TESTIMONY - INFORMATIONAL MEETING**

045              Steve Doran                      Human Resource Manager, Hynix Semiconductor Manufacturing America (HSMA). Submits copies of Hynix Semiconductor - Global Reputation Local Presence PowerPoint presentation **(EXHIBIT A)**.

047              Doran                              Presents overview of HSMA, the semiconductor production line, and company history **(EXHIBIT A, Pages 2 - 5)**.

083              Doran                              Explains why it is necessary to produce semiconductors in the United State and why HSMA chose Eugene to locate manufacturing plant **(EXHIBIT A, Pages 6 – 7)**.

122              Doran                              Discusses how HSMA has increased its share of the semiconductor market and profit margins since 1998 **(EXHIBIT A, Pages 8 – 9)**.

164              Doran                              Profiles the HSMA employee, wage and benefit packages, and economic return to the community **(EXHIBIT A, Pages 10 –15)**.

204              Doran                              Explains a case study of HSMA conducted by University of Oregon **(EXHIBIT A, Page 17)**.

213              Greg Sladcik                      Facilities Operations Manager, HMSA. Explains HSMA environmental management systems, environmental restoration projects, and environmental conservation programs **(EXHIBIT A, Pages 18 – 23)**.

270	Sladcik	Explains HSMA management practices and environmental resources ( <b>EXHIBIT A, Pages 23 - 25</b> ).
304	Chair Lim	Asks what are the short and long term growth and development plans for HSMA.
311	Doran	Describes plans for new production infrastructure and increasing semiconductor production.
322	Chair Lim	Asks where HSMA employees are from.
327	Doran	Explains HSMA efforts to hire people from the local area, citing how 95 percent of employees in high technology production at HSMA come from the Oregon University System.
347	Chair Lim	Asks what percentage of the workforce is from the local area and surrounding community.
357	Doran	States that 95 percent of the employees at HSMA are from Oregon.
373	Chair Lim	Closes the informational meeting for public testimony. Opens the informational meeting on Economic Development Issues in Eugene/Springfield and Lane County.

**ECONOMIC DEVELOPMENT ISSUES IN EUGENE/SPRINGFIELD AND LANE COUNTY  
- INFORMATIONAL MEETING**

388 Kitty Piercy Mayor, City of Eugene.

**TAPE 51, B**

030 George Poling Councilor Ward 4, City of Eugene.

033 Chris Pryor Councilor Ward 8, City of Eugene.

035 Betty Taylor Councilor Ward 2, City of Eugene.

038 Piercy

Submits and summarizes written testimony about economic development in the City of Eugene (**EXHIBIT B**).

- 115 Rep. Dallum Asks if having an enterprise zone has been an effective tool to attract business to Eugene.
- 119 Piercy Explains how having the enterprise zone designation has helped attract new business to Eugene and kept others from leaving acknowledging it is “not the magic bullet.”
- 130 Rep. Dallum Inquires how important it is for tax incentive programs, such as enterprise zones, target only economic depressed areas.
- 135 Piercy Speaks to the importance of having tax incentive programs applicable to localities dealing with economic hardships.
- 137 Rep. Bruun Asks if competition is “a healthy component” of the enterprise zone program or if limiting the number of available enterprise zones is unnecessary.
- 144 Piercy Points out that a city has to “want and target” an enterprise zone designation, thus it does not make sense to limit the number enterprise zone designations available.
- 152 Rep. Buckley Asks how the vertical housing program will be used to improve the downtown Eugene area.
- 164 Poling Identifies how one of the City Councils’ goals for downtown Eugene area is to encourage people to live and work in the downtown area with improved housing accommodations.
- 180 Piercy Points out how the intention is to have both low-cost and mixed housing in downtown Eugene.
- 187 Poling Cites HSMA as the “perfect example” of successfully using an enterprise zone to bring economic development to an area.
- 221 Pryor Explains why the best economic development strategies balance quality of life and quality of livelihood.

- 261 Taylor Speaks to the need to have tax incentives reserved for areas struggling with unemployment.
- 297 Rep. Dallum Explains how the committee is trying to “sort out” whether or not participation in the enterprise zone program should remain limited to economically depressed areas or if it is in the best interest of the entire state economy to allow any area to participate.
- 319 Poling Speaks to the positive effects of the enterprise zone in Eugene.
- 333 Piercy States understanding for attaching economic hardship criteria to enterprise zone program, yet questions not extending the program to all areas if the intention is to raise the “economic bar” of the state.
- 410 Sidney Leiken Mayor, City of Springfield. Submits and summarizes written testimony about economic development in the City of Springfield **(EXHIBIT C)**.

**TAPE 50, B**

- 138 Rep. Dallum Asks how effective being in an enterprise zone has been at attracting new companies and enterprise to Springfield.
- 145 Leiken Explains how the enterprise zone has been advantageous for targeting new business and why the application criteria would limit the pace of economic recovery in the state.
- 196 Bill Dwyer Commissioner, Lane County. Introduces Lane County Commissioner Faye Stewart and Lane County Economic Standing Committee Members.
- 235 Dwyer Speaks to the formation of the Lane County Economic Standing Committee, focus areas, and current projects.
- 303 Dwyer Addresses the difficulties that Lane County has implementing unfunded mandates at the same time the county continues “giving away of money” because of incentive programs intended to increase the tax-base.
- 382 Peter Thurston

Administrator, Lane County Economic Standing Committee. Submits and summarizes Lane County Economic Development Contract Outcomes report (**EXHIBIT D**).

## **TAPE 51, B**

- 005 Thurston Explains the projects that have been funded by the Lane County Economic Standing Committee (**EXHIBIT D, Page 2**).
- 050 Mary Spilde President, Lane Community College. Submits and summarize written testimony about workforce development at Lane Community College (**EXHIBIT E**).
- 141 Spilde Submits and summarizes *Oregon Business* magazine article titled "Training for the Future" (**EXHIBIT F**). Submits information packet about the Business Development Center at Lane Community Center which includes Spring 2005 Schedule of Training Opportunities for Business Owners, Business Development Center & Contract Training brochure, Small Business Management Program brochure, Contract Training brochure, and Building the Foundations of Your Business brochure (**EXHIBIT G**).
- 160 Faye Stewart Commissioner, Lane County. Addresses how enterprise zones assist economically depressed areas and why it is important to pursue this type of economic incentive program.
- 188 Chuck Forster Executive Director, Lane County Workforce Partnership. Submits and summarizes written testimony about Lane County Workforce Partnership (**EXHIBIT H**).
- 265 Janice Mackey Attorney, Harrong/Long/Gary/Rudnick Attorneys and Counselors at Law. Explains role as a member of the Lane County Economic Development Standing Committee.
- 312 Dave Frohnmayer President, University of Oregon. Identifies what three crucial economic investments benefit all citizens of the state and region.

## **TAPE 52, A**

- 005 Frohnmayer Explains why research and development are important engines for economic development in Oregon.

054	Frohnmayer	Identifies the strengths and weaknesses of the higher education system in Oregon.
098	Frohnmayer	Addresses what can be done to further development intellectual capital.
128	Chair Lim	Asks for opinion on the issue of outsourcing.
135	Frohnmayer	States how Oregon cannot continue to “outsource brainpower” and must eliminate barriers prevent importing foreign intellectual capital.
198	Dave Hauser	President, Eugene Area Chamber of Commerce. Submits and summarizes written testimony about economic development issues and opportunities in Eugene ( <b>EXHIBIT I</b> ).
212	Hauser	Submits and summarizes Executive Summary of Commercial Lands Analysis ( <b>EXHIBIT J</b> ).
253	Hauser	Speaks in support of HB 3143.
301	Hauser	Submits and summarizes Hynix: A Case Study on Development Incentives in Lane County report ( <b>EXHIBIT K</b> ).
322	Jack Roberts	Executive Director, Lane Metro Partnership. Gives a brief overview of the major industries and companies in Lane County.

**TAPE 53, A**

007	Roberts	Identifies the economic impact on the state when it lost high-wage manufacturing jobs during the economic downturn in 2000.
014	Brian Rooney	Regional Labor Economist, Oregon Employment Department. Reviews the economic conditions in Lane County.
037	Rooney	Submits and summarizes Lane County Labor Market Information report ( <b>EXHIBIT L</b> ).
054	Rooney	

Explains how Lane County is recovering from the high unemployment levels 2003 (**EXHIBIT L, Page 2**).

- 099        Rooney            Identifies industry fluctuations within the Eugene-Springfield Nonfarm Employment sector (**EXHIBIT L, Page 3**).
- 121        William Carter        State Director, Oregon Small Business Development Center (OSBDC). Submits and summarizes written testimony about small business in Lane County (**EXHIBIT M**).
- 188        Jim Lindly            Director, Lane Community College OSBDC. Speaks to the funding of Lane Community College Small Business Development Center.
- 251        Val Hoyle            Owner, Red Flyer. Speaks to the important role that the OSBDC has played in the success of Red Flyer.
- 281        Miriam Kloster        President/Owner, Experience Oregon Bus Tour Company. Speaks to the role of the Lane Community College OSBDC in the start-up, success, and expansion of Experience Oregon.
- 365        Chair Lim            Asks what have the biggest challenges facing small businesses in Oregon.
- 376        Carter                Identifies that the biggest challenges are: rapidly increasing healthcare costs, limited access to start-up capital, streamlining regulations, and the “disenfranchisement of employees and small businesses from small business programs.”
- 415        Chair Lim            Closes the informational meeting on Economic Development Issues in Eugene/Springfield and Lane County. Opens the public hearing on HB 3143.

### **HB 3143 – PUBLIC HEARING**

- 430        Jim Stenbridge        Committee Administer. Explains HB 3143, which eliminates economic hardship requirements that areas must meet to be designated enterprise zones. Submits -1 amendments (**EXHIBIT N**).



009	Jack Roberts	Executive Director, Lane Metro Partnership. States that -1 amendments clarifies the criteria for distressed community status.
031	Chair Lim	Questions the necessity of eliminating the numerical limit and hardship requirements for an enterprise zone.
039	Roberts	Explains why eliminating the economic hardship requirement and limitation on number of enterprise zones is a practical way to increase economic development and employment in Oregon.
065	Chair Lim	Asks for an opinion on the concerns raised by critics of the program.
069	Roberts	Explains why enterprise zones are not a tax loss for the state, but a tool that can be used at a net-gain at the discretion of a local community.
094	Chair Lim	Questions if enterprise zone program is really a state issue because it the local government who have more to lose.
100	Roberts	Explains how enterprise zones are a tool to attract investment to a community that a business would otherwise not locate too.
109	Rep. Riley	Asks if there is an area actively seeking an enterprise zone who has not been able to apply because of lack of availability.
114	Roberts	Confirms that there is not an unlimited demand for enterprise zones, yet explains why an unlimited number would prevent denying an area a designation because it was not administratively prepared when a zone had been available.
129	Rep. Riley	Points out the recent expansion of electronic commerce zones and how these designations do have a general fund impact.
136	Rep. Dallum	Asks if enterprise zones have effectively met goals of stimulating the economy and creating jobs.
145	Roberts	Explains that enterprise zones do attract traded-sector jobs, manufacturing jobs, and increase employment, but cautions that it has been harder to demonstrate improvement in depressed communities.

169	Chair Lim	Asks what areas want an enterprise zone.
171	Roberts	States that Eugene is the only area actively seeking an enterprise zone, noting that eliminating the cap on enterprise zone designation would allow area to submit an apply when it was prepared.
190	Chair Lim	Questions the political feasibility of allowing an unlimited number of enterprise zones, suggesting that setting a higher number of new designations would be more feasible approach.
214	Roberts	States that the intention on HB 3143 is to increase the number of enterprise zones, whatever that number maybe.
228	Scott Purcell	Chief Financial Officer, Industrial Source. Testifies in support of HB 3143.
282	Rep. Merkley	Explains how increasing enterprise zones could further compound the fiscal dilemma of the state.
315	Purcell	Believes that enterprise zones, ultimately, create a net benefit for the state.
346	Chair Lim	Close the public hearing on HB 3143. Opens the public hearing on HB 2349.

### **HB 2349 – PUBLIC HEARING**

355	Jim Stenbridge	Committee Administrator. Explains HB 2349, which reduces the total cost requirements that areas must meet to be designated enterprise zones.
361	Chair Lim	Asks for update on the Strategic Investment Program (SIP).
365	Mike Salsgiver	Legislative Director, Oregon Economic and Community Development Department (OECDD). Explains what businesses are currently utilizing SIP in Oregon.

**TAPE 53, B**

006	Rep. Dallum	Questions how much investment would increase if the financial cap is lowered.
013	Salsgiver	Explains why SIP is one of the most successful economic development program in Oregon and that participation it is not limited to high tech companies.
034	Rep. Bruun	Asks why investment was capped at \$100 million dollars.
037	Salsgiver	Explains why a \$100 million dollar financial investment cap was established.
043	Rep. Merkley	Asks how many companies have invested at \$100 million dollar level and if a company's tax rate is cut in half or does it continue to pay at current level.
048	Salsgiver	States that a company must pay full tax burden above the \$100 million dollar tax credit.
063	Salsgiver	Points out that a company is required to pay up to million in community development fees.
078	Rep. Buckley	Asks about the hiring practices of SIP participants and if the companies are meeting the "first source" hiring requirements.
082	Salsgiver	Explains the language relating to "first source" hiring requirements and how SIP participants are meeting local hiring requirements to the extent it is feasible.
119	Chair Lim	Verifies that there are no companies who are actively seeking to participate in SIP.
126	Chair Lim	Asks if it makes sense to lower the amount of financial investment to qualify for SIP.
135	Salsgiver	Explains why it would make sense to lower the financial qualifying amount, provided that the enrolled statues are not changed.
178	Chair Lim	Closes the public hearing on HB 2349. Adjourns the meeting at 4:04 p.m.

## **EXHIBIT SUMMARY**

- A. **Hynix Semiconductor Manufacturing America, Hynix Semiconductor - Global Reputation Local Presence PowerPoint Presentation, Steve Doran, 27 pp**
- B. **Economic Development Issues in Eugene/Springfield and Lane County, written testimony, Kitty Piercy, 2 pp**
- C. **Economic Development Issues in Eugene/Springfield and Lane County, written testimony, Sidney Leiken, 4 pp**
- D. **Economic Development Issues in Eugene/Springfield and Lane County, Lane County Economic Development Contract Outcomes Report, Peter Thurston, 7 pp**
- E. **Economic Development Issues in Eugene/Springfield and Lane County, written testimony, Mary Spilde, 2 pp**
- F. **Economic Development Issues in Eugene/Springfield and Lane County, *Oregon Business* magazine article, Mary Spilde, 4 pp**
- G. **Economic Development Issues in Eugene/Springfield and Lane County, information packet, Mary Spilde, 22 pp**
- H. **Economic Development Issues in Eugene/Springfield and Lane County, written testimony, Chuck Forster, 2 pp**
- I. **Economic Development Issues in Eugene/Springfield and Lane County, written testimony, Dave Hauser, 2 pp**
- J. **Economic Development Issues in Eugene/Springfield and Lane County, Executive Summary of Commercial Lands Analysis, Dave Hauser, 4 pp**
- K. **Economic Development Issues in Eugene/Springfield and Lane County, Hynix A Case Study on Development Incentives in Lane County Report, Dave Hauser, 8 pp**
- L. **Economic Development Issues in Eugene/Springfield and Lane County, Lane County Labor Market Information Report, Brian Rooney, 3 pp**
- M. **Economic Development Issues in Eugene/Springfield and Lane County, written testimony, William Carter, 2 pp**
- N. **HB 3143, -1 amendments, staff, 6 pp**