

HOUSE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 24, 2003 Hearing Room D
1:00 PM Tapes 16 - 17

MEMBERS PRESENT: **Rep. Patti Smith, Chair**
 Rep. Vicki Berger, Vice-Chair
 Rep. Mary Gallegos, Vice-Chair
 Rep. Mark Hass
 Rep. Dave Hunt
 Rep. Steve March
 Rep. Dennis Richardson

STAFF PRESENT: **Kimberly A. Medford, Committee Administrator**
 Linda K. Gatto, Committee Assistant

MEASURE HEARD: **HB 2299 – 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.

<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
TAPE 16, A		
004	Chair Smith	Calls the meeting to order at 1:07 p.m. and opens the public hearing on HB 2299.
<u>HB 2299 – PUBLIC HEARING</u>		
010	Medford	Provides an overview of HB 2299.
028	Mike Burton	Assistant Director, Economic and Community Development Department, (OECDD) States that today he will review the Enterprise Zone portion of HB 2299. Explains that the Enterprise Zone statute has been in place for 15 years and has been amended as needed to address changes in the business community. States that the objective of HB 2299 is to re-organize the statute. (EXHIBIT A) .
074	Burton	Begins review of the Enterprise Zone portion of HB 2299, page 10. Explains (EXHIBIT B) . Refers to (EXHIBIT C) explains the confusion of the term precertification in current law and proposes to change the term to authorization.
105	Burton	Explains why OECDD is proposing to incorporate “Reservation Enterprise Zone” with Non Urban Enterprise Zones.
107	Burton	Reviews exemptions that apply to hotels, motels, and destination resorts.
132	Burton	Reviews Management of Enterprise Zones.
153	Rep. Richardson	Asks what is meant by burden and costs.
157	Burton	Responds that the intent is to put the burden and cost with those who volunteer to undertake the Enterprise Zone.
176	Rep. Richardson	Asks how would the applicant be verified.
184	Burton	Answers that an acceptable document is the ES202 Payroll Tax Declaration form which would be provided by the business to the zone sponsor.
196	Rep. Gallegos	Asks who are the job training providers.

200	Burton	Responds that the original intent was to employ people who are residents of the zone. Explains first source agreements.
204	Art Fish	Enterprise Zone Coordinator, OCEDD. Explains that the term is defined on page 12 line 10 of HB 2299.
243	Rep. Richardson	Refers to the Reservation Enterprise Zone and asks if there consequences to dealing with a sovereign nation.
246	Burton	Explains that Enterprise Zone status was created to allow non-tribal businesses located on reservation land to offset property taxes from other taxing entities.
289	Burton	Continues with testimony on E-commerce Zones.
348	Rep. Hass	Asks were the applicants from the 4 designated zones or from across the state.
338	Burton	Responds that there were a number from each part of the state.
341	Rep. Hass	States that the intent was to diversify the locations of e-commerce zones.
353	Burton	Responds that there are limits on the number of Enterprise Zones in the state as well as the area and geographic dispersion of a zone. Explains that if the target is to offset the cost of doing business in remote areas of the state this would be a reason to be discriminating.
397	Fish	Clarifies that an E-commerce Zone already has an Enterprise Zone designation.
409	Burton	Continues to review proposed amendments, page 22, replacing “assessor’s estimate of the real market value” with “total investment cost”.
429	Burton	Reviews proposed changes regarding renewing authorization, pages 25, 29 and 30.
469	Burton	Reviews proposed changes to page 29, line 29, regarding wage standards.
TAPE 17, A		
054	Rep. Richardson	Notes that the language on page 29, lines 30 and 31, state “resubmit” and asks if the entire process is repeated.
055	Fish	Explains that after two years a letter of continuing interest would be submitted to the assessor and zone manager.
077	Rep Gallegos	Confirms that this is a letter to reconfirm and does not require any additional expense.
088	Burton	Responds affirmatively.
106	Burton	Begins review of proposed amendments (EXHIBIT A) and (EXHIBIT C), bullet point 11, Amendment D.
117	Burton	Reviews bullet point 12.
139	Burton	Reviews bullet points 13, 14, and 15.
163	Burton	Explains the change from August to June in Amendment I.
172	Rep. Richardson	Refers to page 33, lines 37-39 and asks what are the current qualifications are.
180	Fish	Responds that currently the specification is that a building or structure must cost at least \$25,000. Explains how Amendment G is related.
204	Rep. Richardson	Asks what is the reason for the change.
207	Fish	Answers this is mainly designed to simplify the language noting that inflation does play a part.
219	Burton	Explains how this is an example of the effects resulting from simplifying the statute.
234	Fish	States that little impact is expected because it is hard to build a structure for less than \$25,000. States that the real effect is that

		there are two or three investments a year that fall between \$25,000 - \$50,000.
273	Rep. March	Asks would an improvement that cost over \$50,000, such as a settling pond, qualify.
288	Fish	Responds probably because a settling pond is a structure. Explains why.
311	Burton	Adds that it would be considered a building improvement.
318	Chair Smith	Asks if it is the assessors who make the determination.
323	Burton	Responds affirmatively.
328	Burton	Continues with review, bullet point 17 Amendment J.
350	Burton	Reviews the activity clause.
359	Burton	Reviews long-term rural exceptions noting these are large investments and the intention is to recognize that remoteness could be a characteristic.
384	Burton	Reviews the proposal to extend the sunset on the long-term rural exception from 2004 to 2006.
423	Burton	Refers to Amendments K and L which addresses the Construction in Progress exception. Explains that most non-retail business are not required to pay property taxes until the facility is usable and can generate income. Proposes modifying the exception.
456	Fish	Explains the proposed amendment.
TAPE 16, B		
064	Burton	Clarifies that this would be for qualified businesses such as wholesale distributors or call centers that otherwise would not be eligible for this benefit.
064	Rep. Hass	Asks if a study or report has been done to illustrate the result of extending the sunset.
079	Burton	Responds that there has only been one case in which the result was a \$70 million collection of investments by Roseburg Forest Products and half a million dollars in exempted taxes.
087	Fish	Explains that this began in 1997 and is known as the NUCOR bill.
112	Rep. Hass	Inquires about the type of jobs the company offers.
113	Fish	Responds it is an engineered wood products facility.
116	Burton	Reiterates that the point is to induce large investments.
135	Rep. Hass	Asks would the investment be made without the incentive.
142	Burton	Responds that he is aware of an expansion in Milwaukee where there is a clear connection between the expansion and the Enterprise Zone exemption.
174	Burton	Comments that with the long term exception, both the extended property tax exception and the income tax exception are discretionary and negotiable.
185	Chair Smith	Asks why not extend the sunset beyond 2006.
186	Burton	Replies favorably to extending or repealing the sunset.
237	Chair Smith	Concludes the presentation on Enterprise Zones stating that this legislation is an effort to simplify the implementation of the statute.
239	Burton	Responds affirmatively.
241	Chair Smith	Asks does this create jobs.
242	Burton	Responds that this provides an incentive to create jobs.
255	Fish	Discusses the proposal for the short term exception that came from the Portland Development Commission, page 27 section 33a, regarding the local waiver on investment when productivity

316	Chair Smith	and worker training is increased. Closes the public hearing on HB 2299 and announces that on Wednesday the committee will hear the Strategic Investment portion of HB 2299.
330	Chair Smith	Re-opens the public hearing on HB 2299.
<u>HB 2299 PUBLIC HEARING</u>		
331	Rep. Richardson	Asks if there is anyone who may be resistant to HB 2299.
338	Burton	Describes who OECDD has discussed this legislation with and states that he is not aware of any resistance.
359	Chair Smith	Closes the public hearing on HB 2299 and adjourns the meeting at 2:23 p.m.

EXHIBIT SUMMARY

- A – HB 2299, written testimony, Michael Burton, 5 pp**
- B – HB 2299, legislative proposals, Art Fish, 10 pp**
- C – HB 2299, proposed amendments, Michael Burton, 6 pp**