

HOUSE COMMITTEE ON  
COMMERCE  
SUBCOMMITTEE ON  
TRADE AND ECONOMIC DEVELOPMENT

March 16, 1995 Hearing Room H170  
1:30 p.m. Tape 30-31

MEMBERS PRESENT: Rep. Chuck Carpenter, Chair  
Rep. Gail Shibley, Vice-Chair  
Rep. Michael Fahey  
Rep. Cynthia Wooten

MEMBERS EXCUSED:

STAFF PRESENT: Joseph Cortright, Executive Officer  
Bobby Sullinger, Committee Assistant

WITNESSES: Jon Jaqua, Deputy Director, Oregon Economic Development  
Department  
Arthur Fish, Enterprise Zones Coordinator, Oregon Economic  
Department  
Margaret Carter, Representative, District 18  
Gary Hansen, Multnomah County Commissioner  
Lisa Nicenfelt, Director, Workforce and Target Industries Programs,  
Portland Development Commission  
John Hall, City of Portland Development Commission  
Don McClave, Portland Area Chamber of Commerce

MEASURES HEARD: HB 2140 - Imposes resident hiring requirement for three-year  
period of tax abatement for qualified business firms in urban  
zones with fewer than 400,000 residents - WS  
HB 2260 - Eliminates specific termination dates for existing  
zones - WS  
HB 2779 - Allows city or county that is enterprise zone sponsor to  
additional conditions on business firm seeking precertification and  
eligibility for property tax exemption - PH & PWS

These minutes contain materials which paraphrase and/or summarize  
statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings,  
please refer to the tapes.

TAPE 30, SIDE A

002 CHAIR CARPENTER: Brings the committee to order at 1:35 p.m.

HB 2140 - Imposes resident hiring requirement for three-year period of tax  
abatement for qualified business firms in urban enterprise zones with fewer  
than 400,000 residents - Work Session

003 CHAIR CARPENTER: Opens PUBLIC HEARING on HB 2140.

003 CHAIR CARPENTER: Would anyone like to present testimony on HB 2140?

004 No one requests to present testimony.

005 CHAIR CARPENTER: Closed PUBLIC HEARING on HB 2140.

006 CHAIR CARPENTER: Opens WORK SESSION on HB 2140.

007 REP. FAHEY: Presents amendments to HB 2140-1 amendments. On page 1  
line 22, Delete "[May]" and insert "shall not". I do not think hotels,  
motels, or destination resorts should qualify for consideration under  
enterprise zones.

021 CORTRIGHT: Overviews Proposed Amendments to House Bill 2140-1 [EXHIBIT  
A].

028 Committee discussion relating to grandfathering hotels, motels, or  
destination resorts which may have already applied for precertification  
under the Enterprise Zone Program.

036 CORTRIGHT: Overviews Proposed Amendments to House Bill 2140-2 [EXHIBIT  
B], and House Bill 2140 [EXHIBIT C].

041 JON JAQUA: Presents testimony relating to HB 2140 proposed amendments.

071 CHAIR CARPENTER: How do we determine if someone is acting in good faith  
as it relates to enterprise zone applications?

073 JAQUA: Responds to committee discussion relating to companies good  
faith efforts to provide a specific number of jobs in order to continue  
receiving benefits under enterprise zones.

086 REP. SHIBLEY: I would like specific language relating to wages. Could  
you include language in this bill as specific as your testimony relating to

wages?

091 JAQUA: Yes. I can draft language to require businesses in an enterprise zone to provide a certain wage level.

113 REP. FAHEY: Do the current requirements include provisions relating to equal opportunity employment?

118 ARTHUR FISH: Responds to committee discussion relating to equal opportunity employment in enterprise zones.

127 CORTRIGHT: The businesses currently participating in enterprise zones are required to sign a first source hiring agreement with the state.

152 JAQUA: Responds to committee discussion relating to procedures involved in applying for a 5 year participation under the enterprise zone program.

163 REP. SHIBLEY: It cost approximately \$6.50 per hour to keep Welfare recipients off the Welfare rolls. It seems to me we ought to have the same minimum wage requirement in order for companies to participate in the enterprise zone program.

186 JAQUA: Responds to committee discussion relating to family wage jobs.

199 REP. SHIBLEY: Current statute specifies the average wage rate be 150% of the states minimum hourly wage. The statute does not refer to family wages or household incomes. Can you explain the contrast between statute and your testimony?

204 FISH: Most enterprise zones use 150% of the counties average annual wage. The Portland enterprise zone uses 150% of the states minimum hourly wage.

220 REP. FAHEY: Why was Portland's enterprise zone different as it relates to wages.

225 JAQUA: Responds to committee discussion relating to wages.

235 CHAIR CARPENTER: Closed WORK SESSION on HB 2140.

240 REP. SHIBLEY: The North-Portland enterprise zone should not be given a lower standard for meeting wage requirements than the other enterprise zones in the state. We need to be paying people a real living wage.

278 CHAIR CARPENTER: We will have a work session for HB 2140 next week. You can present amendments relating to wages at that time if you chose.

HB 2779 - Allows city or county that is enterprise zone sponsor to impose additional conditions on business firm seeking precertification and eligibility for property tax exemption - Public Hearing

280 CHAIR CARPENTER: Opens PUBLIC HEARING on HB 2779.

281 REP. MARGARET CARTER: Presents written testimony in favor of HB 2779 [EXHIBIT D].

382 REP. CARTER: Continues to present testimony [EXHIBIT D] (Local Control).

405 REP. WOOTEN: Can you give me an instance where local control over the precertification would have been more acceptable to your constituents?

409 REP. CARTER: Responds to committee discussion relating to the difficulties in assessing whether a company is in compliance with the terms of a precertification agreement.

TAPE 31, SIDE A

016 REP. WOOTEN: If the enterprise zone is operated by the state why can't OEDD monitor these companies for compliance as it relates to the terms of the precertification agreements.

018 REP. CARTER: I can not speak for OEDD, but I think it would take at least 3 people to maintain an accountability system on the state level.

025 REP. FAHEY: I agree that accountability of businesses located in enterprise zones should be reviewed.

040 REP. CARTER: Responds to committee discussion relating to accountability of business in enterprise zones and how it relates to local controls of the precertification process.

057 REP. FAHEY: I agree local governments need to have some control over the process as it relates to enterprise zones.

065 REP. SHIBLEY: Are you in agreement with the technical amendments Portland Development Commission will offer?

069 REP. CARTER: Responds to committee discussion relating to PDC's proposed amendments to HB 2779.

080 CHAIR CARPENTER: What are some of the additional conditions which the local governments would like to impose on business firms seeking precertification.

081 REP. CARTER: Some of the conditions relate to fulfillment of hiring requirements and enterprise zone sponsors being able to verify compliance

with the precertification agreement.

092 GARY HANSEN: Presents testimony in favor of HB 2779.

134 CHAIR CARPENTER: Do you think the enterprise zones as they exist are successful?

135 HANSEN: In terms of creating new jobs the enterprise zones do not seem to be successful, but in terms of retaining jobs it is a big gamble.

148 REP. WOOTEN: Do you know the total dollar amount of property that is off the tax roles in the Portland enterprise zone?

150 HANSEN: No. The total amount of property on the tax roles for Multnomah county is 30 billion. The amount off the tax rolls is not significant in the aggregate.

160 REP. WOOTEN: Do you believe the PDC will create the system by which the employers will be held accountable for meeting the terms of the precertification?

163 HANSEN: Yes.

168 CHAIR CARPENTER: How is Multnomah County spending the Video Lottery dollars for economic development?

170 HANSEN: Responds to committee discussion.

182 LISA NICENFELT: Presents testimony in favor of HB 2779.

215 JOHN HALL: Presents testimony in favor of HB 2779.

241 REP. FAHEY: What kind of requirements does the PDC want to impose on businesses located in enterprise zones?

242 HALL: Responds to committee discussion relating to additional requirements such as: the number of jobs created, the number of zone residents hired, the wages, the overall compensation to employees, the overall impact on the local tax base, career training and advancement in the firm, employee participation in ownership of firms, affordable housing for employees, public transportation, and day care.

264 CHAIR CARPENTER: The list of additional requirements local governments want to impose seems long. Will these requirements deter businesses from locating in enterprise zones?

272 NICENFELT: Responds to committee discussion and overviews possible incentive matrix.

297 CHAIR CARPENTER: Businesses can pick which requirement(s) they want as part of their incentive package?

298 NICENFELT: Yes. The city council would have to determine the matrix balance in the incentive package.

303 REP. FAHEY: Why should the tax payers support these incentives when some of the businesses locating in the enterprise zones do not fulfill their agreements.

310 NICENFELT: This is why the city council would like to become involved in the process and hold these businesses accountable for the agreements made during the application process.

326 REP. SHIBLEY: If a company agrees to provide a day care center as part of their incentive package would they also qualify for corporate tax credits which are available under the Oregon tax code for having on-site day care facilities?

340 NICENFELT: I do not believe that would be forbidden. That issue would be taken into consideration by the city council when they formulated the incentive matrix.

374 REP. SHIBLEY: I have reviewed data indicating that 38 million dollars in incentives was given to businesses in the North Portland enterprise zones which created 27 new jobs. Do you think this is cost effective?

389 NICENFELT: That legislation no longer exist. It was a one-time incentive package given by the legislature.

400 REP. SHIBLEY: The Tyco Corporation received 11 million in incentives and created 11 jobs. Was this cost effective?

405 NICENFELT: Tyco created 129 jobs.

406 Committee discussion relating to the Tyco Corporations seasonal work loads and employees.

410 REP. FAHEY: Does Tyco ship products manufactured overseas and repackage them in the enterprise zone thereby receiving tax incentives from Oregon as well as the federal government?

418 HALL: There may be foreign trade zone issues that would impact Tyco's operations.

426 REP. WOOTEN: Companies can reship products without paying tariffs as it relates to foreign trade zones.

430 Committee discussion relating to the possibility of companies receiving multiple tax incentives from state and federal governments.

TAPE 30, SIDE B

019 REP. WOOTEN: Do the problems that exist in the Portland enterprise zone show up in all enterprise zones?

025 JAQUA: Responds to committee discussion relating to all the enterprise zones.

084 REP. WOOTEN: The process to negotiate precertification essentially does not exist with other enterprise zones?

090 JAQUA: Responds to committee discussion relating to negotiation for precertification.

094 REP. WOOTEN: Has OEDD tried to amend the statutes to allow the state to create more accountability with existing and new business entities as it relates to the enterprise zones?

096 JAQUA: Yes. I have advocated change in the statute as it relates to local controls over enterprise zones.

125 REP. WOOTEN: Do you see this bill as an impediment to attracting business to enterprise zones.

129 JAQUA: I do not see it as an impediment if it is used correctly.

138 REP. FAHEY: Is terminal six part of the Portland enterprise zone?

140 NICENFELT: No. Not all of River Gate is an enterprise zone.

143 REP. FAHEY: Comments on taxes that have not been collected for the Common School Fund as it relates to ports.

154 JAQUA: Continues to present testimony relating to HB 2779.

167 REP. SHIBLEY: I would like to see accountability whether at the local level or the state level.

175 JAQUA: Responds to committee discussion relating to the ability of the local county assessor to verify reporting and compliance with precertification agreements.

200 HALL: Continues to respond to committee discussion relating to county assessors role in verifying reporting and compliance with statute.

217 REP. CARTER: Continues to respond to committee discussion relating to county assessors role in verifying reporting and compliance with statute.

250 REP. CARTER: Overviews national problems associated with accountability as it relates to enterprise zones.

262 REP. FAHEY: Why don't we make the businesses submit a monthly report?

267 REP. CARTER: Responds to committee discussion relating to reports.

271 JAQUA: Responds to committee discussion relating to reporting requirements.

279 REP. FAHEY: Clarifies proposal to have businesses complete reports.

286 DON MCCLAVE: Presents testimony in favor of HB 2779.

313 MCCLAVE: Continues to present testimony relating to the goal of incentive program.

354 MCCLAVE: Continues to present testimony relating to situations in which incentives are offered.

402 MCCLAVE: Continues to present testimony relating to the states targeted industries strategies.

444 MCCLAVE: Continues to present testimony relating to the need for local flexibility in relation to concession requirements.

TAPE 31, SIDE B

029 MCCLAVE: Continues to present testimony in favor of HB 2779.

038 REP. FAHEY: Has anyone surveyed companies to see what the state could do to help them hire more employees?

042 MCCLAVE: Responds to committee discussion.

088 REP. FAHEY: I believe there are indirect cost to residents as a result of economic development projects in the state.

106 MCCLAVE: Responds to committee discussion.

129 MCCLAVE: Continues to present testimony relating to cost of infrastructure as it relates to economic development.

159 CHAIR CARPENTER: Closed PUBLIC HEARING on HB 2779.  
HB 2260 - Eliminates specific termination dates for existing enterprise zones - Work Session  
163 CHAIR CARPENTER: Opens PUBLIC HEARING on HB 2260  
164 JAQUA: Presents comment testimony on HB 2260.  
191 REP. WOOTEN: I would prefers to table this bill.  
208 Committee discussion relating to the success of some enterprise zones.  
215 REP. WOOTEN: The enterprise zone in the Eugene - Springfield area has impacted the infrastructure of the area.  
223 JAQUA: Responds to committee discussion relating to infrastructure.  
246 CHAIR CARPENTER: Closed PUBLIC HEARING on HB 2260.  
247 CHAIR CARPENTER: Adjourns committee meeting at 3:25 p.m.

Submitted by

Bobby Sullinger  
EXHIBIT LOG

EXHIBIT A - Proposed Amendments to House Bill 2140-1, Presented by Joseph Cortright, 2 pages.

EXHIBIT B - Proposed Amendments to House Bill 2140-2, Presented by Joseph Cortright, 1 page.

EXHIBIT C - House Bill 2140, Presented by Joseph Cortright, 13 pages.

EXHIBIT D - Written testimony in favor of HB 2779, Presented by Representative Margaret Carter, 2 pages.