

SENATE COMMITTEE ON
TRADE AND ECONOMIC DEVELOPMENT

April 20, 1995 Hearing Room 137
8:00 a.m. Tapes 69-70

MEMBERS PRESENT: Sen. John Lim, Chair
Sen. Bill Kenemer, Vice-Chair
Sen. Brenda Brecke
Sen. Joan Dukes

MEMBERS EXCUSED: Sen. Gene Derfler

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

WITNESSES: Mark Huston, Oregon Economic Development Department
Jon Jaqua, Deputy Director, Oregon Economic Development
Jim Hill, City Councilor, Hillsboro City Council
Bob Cantine, Association of Oregon Counties
Dennis Mulvihill, Washington County
Tom Linhares, Columbia County Assessor
John Christie, Chairman Oregon Hardwood Forest Products

MEASURES HEARD: SB 673 -- Changes manner of requesting undertakings of
eligible projects benefiting key industries -- WS

SB 966 -- Creates Oregon Hardwoods Commission to assist in
hardwood related industries in state -- WS

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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 69, SIDE A

001 CHAIR LIM: Brings the committee to order at 8:07 a.m.

SB 673 -- Changes manner of requesting undertakings of eligible projects
benefiting key industries -- Work Session

005 CHAIR LIM: Opens WORK SESSION on SB 673.

006 CORTRIGHT: Overviews SB 673: Strategic Investment Program Outlined of
EDD Proposed Amendments- April 20, 1995 [EXHIBIT A].

027 CORTRIGHT: Present Senate Bill 673 A Bill For An Act [EXHIBIT B].

037 CORTRIGHT: Continues to present [EXHIBIT A] (Section 1 Definitions).

049 MARK HUSTON: Presents Strategic Investment Program Proposed Legislative
Changes [EXHIBIT C].

071 CORTRIGHT: Continues to present [EXHIBIT A] (Section 2 Eligibility).

085 HUSTON: Responds to committee discussion relating to the eligibility of
firms for the Strategic Investment Program.

094 CHAIR LIM: When a fee is collected for the application process where
does that money go?

095 HUSTON: That will be covered in section 4 of [EXHIBIT B].

098 CORTRIGHT: Continues to present [EXHIBIT A] (Section 3 Local Process).

125 Committee discussion relating to industrial revenue bonds and tribal
authorities.

136 HUSTON: Responds to committee discussion relating to delinking the
Strategic Investment Program from the Industrial Development Bond Program.

154 SEN. KENEMER: What is the policy issue regarding counties and cities?

157 JON JAQUA: This bill was submitted by the cities after a situation
development in Washington County when the Strategic Investment Program
application for the Intel Corporation and Industrial Design Technologies
were being negotiated. The City of Hillsboro did not feel they were equal
partners in the negotiations during the application process.

176 SEN. KENEMER: Does this bill create a balance between city and county?

178 CORTRIGHT: I think it allows the city within the city limits to have
the final say about whether a project is allowed to participate in the
Strategic Investment Program.

185 CORTRIGHT: Continues to present [EXHIBIT B] (Fee Collection and
Distribution by Cities).

208 CORTRIGHT: Continues to present [EXHIBIT B] (Additional Requirements on
Applicants).

229 HUSTON: Responds to committee discussion relating to city and counties authority for imposing additional requirements.

239 CORTRIGHT: Continues to present [EXHIBIT A] (Fees for industrial revenue bonds).

252 HUSTON: Responds to committee discussion relating to size of project and fee assessments.

259 CHAIR LIM: What percentage of the application fees are paid to the Department of Revenue?

260 HUSTON: We left that as a blank for you to complete. A fifty fifty split would be reasonable.

266 SEN. KENNEMER: How many projects are applying for industrial revenue bonds?

269 JAQUA: Approximately five companies may apply in the next biennium.

285 CORTRIGHT: Continues to present [EXHIBIT B] (Identity protection).

298 JAQUA: Responds to committee discussion relating to the protection of a companies identity when applying for industrial revenue bonds.

318 CORTRIGHT: Continues to present [EXHIBIT B] (Approval of applications and fee provisions).

358 HUSTON: Responds to committee discussion relating to the terms of exemptions.

379 Committee discussion relating to compounding terms of exemption pay back.

396 JAQUA: Responds to committee discussion relating to the length of time it would take for a city or county to recoup abated taxes.

408 CHAIR LIM: Do other states have similar tax abatement programs?

411 JAQUA: Responds to committee discussion relating to tax abatements in other states.

430 SEN. BRECKE: Is there an assumption that values will grow over time?

435 HUSTON: Responds to committee discussion.

TAPE 70, SIDE A

010 CORTRIGHT: Continues to overviews [EXHIBIT B] (Enterprise zones).

020 CHAIR LIM: Have there been any companies that utilized both strategic investment and enterprise zones programs?

021 JAQUA: We recommend that companies located in enterprise zones take advantage of one program or the other.

031 CHAIR LIM: Can you review the differences between the Strategic Investment Plan and Enterprise Zone Program?

034 JAQUA: Responds to committee discussion relating to the benefits companies receive by utilizing the Strategic Investment Plan and the Enterprise Zone Programs.

062 CHAIR LIM: How long do the benefits businesses receive from the Enterprise Zone Program last?

064 JAQUA: Responds to committee discussion relating to the size of projects that take advantage of the Strategic Investment Program and the Enterprise Zone programs and how long the benefits last.

070 CHAIR LIM: Did the Sony Corporation take advantage of the Strategic Investment Program?

072 JAQUA: The Sony Corporation was not eligible for the Strategic Investment Program.

075 CHAIR LIM: Would it benefits companies more to use the Strategic Investment Program rather than the Enterprise Zone Program.

077 JAQUA: The programs are very different and it depends on the type of project.

086 CORTRIGHT: Continues to overview [EXHIBIT A] (Amend ORS 285.105).

095 CHAIR LIM: Could the constitutionality issue of requiring resident hiring be addressed?

100 HUSTON: Responds to committee discussion relating to the constitutionality of resident hiring requirements. Presents a letter from the Department of Justice relating to Hiring Requirement in Strategic Investment Program Statutes [EXHIBIT D].

126 CHAIR LIM: Instead of requiring resident hiring could we recommend resident hiring?

129 JAQUA: Responds to committee discussion relating to hiring requirements and how it relates to the Enterprise Zone Program and the Strategic

Investment Program.

148 SEN. DUKES: Do you know of any businesses that have people from other states being trained as a result of the First Source Hiring Agreement Training Programs?

150 JAQUA: No I do not.

156 SEN. DUKES: When we allow a business to participate in the Enterprise Zone Program or the Strategic Investment Program how much do local governments benefit if we lose jobs to other states?

168 JAQUA: Responds to committee discussion relating to hiring requirements and protecting local governments.

180 SEN. DUKES: If we take the resident hiring requirements out of statute can we negotiate it in the precertification agreement.

182 JAQUA: No we cannot negotiate residency requirements, but we can negotiated hiring requirements.

190 SEN. DUKES: Would a city be able to negotiate a requirement that a business hire people from a training program that is only available to Oregonians?

194 JAQUA: I can not answer that question, but we will find out.

198 CORTRIGHT: Continues to overviews [EXHIBIT E] (Effective Date).

207 CHAIR LIM: Could you explain why the tax abatements as they relate to policy seems to be somewhat inequitable?

214 JAQUA: Responds to committee discussion relating to the history of tax abatement programs in the state.

237 CHAIR LIM: There is negative sentiment from the people in general relating to the equability of tax abatements.

240 JAQUA: Responds to committee discussion relating to the differences between large and small companies and the negotiations for economic development programs.

266 SEN. DUKES: I have received the same complaints.

278 JAQUA: Responds to committee discussion relating to program incentives for large and small companies.

319 SEN. DUKES: Local cities and counties play a major role in economic development in there communities.

333 CHAIR LIM: Could you address the issues relating to cities and counties, and the negotiations for economic development projects?

337 JAQUA: Responds to committee discussion relating to city and county roles in the negotiation process of siting companies in there communities.

361 CHAIR LIM: How have cities been involved in the Strategic Investment Program in the past?

364 JAQUA: Responds to committee discussion relating to reason for SB 673 and the struggles between cities and counties in the negotiations for economic development..

405 JIM HILL: Presents a letter from Senator Hamby in support of SB 673 [EXHIBIT E].

TAPE 69, SIDE B

015 HILL: Presents written testimony in favor of SB 673 [EXHIBIT F].

077 SEN. DUKES: I prefer to give the majority of the authority relating to the negotiation of economic development projects to the counties rather than the cities.

107 HILL: Responds to committee discussion relating to the need for city involvement in the negotiations for economic development projects.

122 SEN. DUKES: I believe cities would be more singly minded as opposed to counties in considering the impact of economic development projects.

132 SEN. BRECKE: Could you propose a third possibility as it relates to cities as opposed to counties working for new economic development projects.

140 HILL: Responds to committee discussion relating to difficulties Hillsboro has had working with Washington county in securing economic development projects.

184 SEN. BRECKE: Would it be feasible to have the cities and counties work jointly?

186 HILL: Yes that would be agreeable.

200 BOB CANTINE: Presents testimony relating to the need for counties and cities to be more involved the negotiations of economic development projects.

269 CANTINE: Continues to present testimony relating to resident hiring requirements and tax abatements.

335 SEN. KENNEMER: Is Intel in HillSB oro?

343 JAQUA: Yes. One Intel project was in HillSB oro.

347 SEN. KENNEMER: There should be cooperation between cities and counties in these negotiations.

367 DENNIS MULVIHILL: Presents testimony in favor of having cities and counties work in cooperation with each other without changing current statute.

420 CORTRIGHT: Overviews proposed amendments to SB 673 as proposed by the testimony.

-Giving cities the negotiation authority relating to economic development projects within city boundaries.
-Retain current statute relating to governing bodies.
-The issue of confidentiality surrounding proposed economic development projects.

455 SEN. KENNEMER: The larger entity has to be the lead agency in the negotiation of economic development projects. I think there needs to be some bargaining ability for cities to become a part of the process.

TAPE 70, SIDE B

017 SEN. BRECKE: I agree with Senator Kennemer.

018 CHAIR LIM: How can we get the cities evolved in this process?

031 CORTRIGHT: Current statute provides that fees from economic development projects be distributed based on an agreement at the time of application between cities and counties if the project is located within city limits. It does not allow cities to determine whether the project is approved or declined. That authority belong to the counties. The cities have to approve special conditions relating to property tax exemptions.

058 Committee discussion relating to current law.

061 SEN. KENNEMER: It seems some of the guidelines in statute were not adhered to by the Washington County in these negotiations for economic development projects.

065 HILL: Presents proposed amendments relating to having the Major be part of the negotiation team in order to keep the city involved in the process.

084 CHAIR LIM: What is the committee consensus?

087 SEN. KENNEMER: I like the current statutes language.

091 CHAIR LIM: What is the next issue?

092 CORTRIGHT: The next issue is whether the committee wants to retain current statute relating to the authority of the governing body requesting the application to impose reasonable requirements.

094 CHAIR LIM: Who is the current governing body?

095 CORTRIGHT: If you retain current law the governing body would be the county.

096 CHAIR LIM: What is the new language?

097 CORTRIGHT: The amendment would be to retain current law with a change to delete revenue bond language.

123 SEN. KENNEMER: I do want to give cities veto power, but I do want them to have negotiating power.

135 CORTRIGHT: Only the County Board of Commissioners can request the undertaking of a eligible project under current law.

139 Committee discussion relating to an amendment to have cities involved in the negotiation process.

144 CORTRIGHT: If you remove the provisions that give the city equal authority within city limits to designate projects then you would have "The applicant has reached agreement with the county and, if the proposed project will be located within a city, with the city on any other requirements related to the project.". The county board is the authority the imposes the requirement, but this language says in order for a project to be eligible the city has to agree.

165 CHAIR LIM: If the city does not agree with the requirements imposed by the county then what would happen.

166 CORTRIGHT: If the city did not agree with the requirements then the project would not be eligible.

171 CORTRIGHT: The next issue would be whether you want to specify that the value on which one has to pay taxes increases at 4% per year, or whether you want to leave current law which says it will increase at the rate of assessments in the jurisdiction in which the project is located.

178 SEN. BRECKE: I like the current law.

179 Committee discussion relating to current law as opposed to a 4% cap on tax increases.

194 SEN. KENNEMER: What I like about the 4% cap is that it creates a specific ratio that everybody can project within limits of assessed value.

190 TOM LINHARES: Do not retain current law. The current law is unworkable. There is no way of calculating the percentage increase based on existing property values. I suggest you implement a flat percentage or a rate of increase in total taxable value.

212 SEN. KENNEMER: Is it feasible to use a 4% cap on tax increases?

213 LINHARES: Yes.

215 SEN. LIM: Should we have the amendments say "up to 5%" which would leave the issue negotiable?

220 SEN. DUKES: I think a company would want to know what their taxes would be. If we give them a fixed number than they would be able to calculate the expense.

230 SEN. LIM: Do we want to give them some flexibility in enabling the counties and cities to negotiated the percentage up to 5%?

239 BOB CANTINE: I suggest that we delete the word "existing" in the current law. This way assessors would have a way of determining taxable property.

296 SEN. KENNEMER: I think a major corporation wanting to development in an area would prefer a flat rate.

309 SEN. KENNEMER: I am not comfortable with the confidentiality part of the measure.

316 SEN. DUKES: I like the confidentiality language.

340 CHAIR LIM: Closed WORK SESSION on SB 673.

SB 966 -- Creates Oregon Hardwoods Commission to assist in expansion of hardwood related industries in state -- Work Session

341 CHAIR LIM: Opens WORK SESSION on SB 966.

355 JOHN CHRISTIE: Presents testimony in favor of SB 966.

387 CHAIR LIM: Is the hardwoods industry willing to pay for the commission?

393 CHRISTIE: Responds to committee discussion relating to assessment of commission's fees.

402 CHAIR LIM: I want to make sure the hardwood industry is willing to pay for the commission before we make them.

415 MOTION: SEN. DUKES: MOVES SB 966 to the Joint Ways and Means Committee in accordance with its prior referral with a DO PASS recommendation.

420 VOTE: PASSES: In a roll call vote all members present vote AYE. SEN. DERFLER is EXCUSED.

440 CHAIR LIM: Closed WORK SESSION on SB 966.

441 CHAIR LIM: Adjourns committee meeting at 9:55 a.m.

Submitted by

Bobby Sullinger
EXHIBIT LOG

EXHIBIT A - SB 673: Strategic Investment Program Outlined of EDD Proposed Amendments- April 20, 1995, Presented by Joseph Cortright, 2 pages.

EXHIBIT B - Senate Bill 673 A Bill For An Act, Presented by Joseph Cortright, 11 pages.

EXHIBIT C - Strategic Investment Program Proposed Legislative Changes, Presented by Mark Huston, 1 page.

EXHIBIT D - A letter from the Department of Justice relating to Hiring Requirement in Strategic Investment Program Statutes, Presented by Mark Huston, 2 pages.

EXHIBIT E - A letter from Senator Hamby in support of SB 673, Presented by Jim Hill, 1 page.

EXHIBIT F - Written testimony in favor of SB 673, Presented by Jim Hill, 1 page.