



SB 34 Loosens the Industrial Site Readiness Program

Testimony for Senate Business and General Government -- Jody Wiser --

1.31.2019

As the attached LRO document shows, we currently spend \$1.9 Billion on Economic Development. This particular corporate welfare program, was created without demonstrated need, but with strong side-boards. Today's bill seeks to loosen those sideboards.

We agree that shovel ready land is expected by businesses. That does not mean that they themselves should not pay for cost of development for property they buy that is shovel-ready.

The Industrial Site Readiness program gives developers a choice: either loan forgiveness based on the income taxes of the employees whose jobs end up at the site, or direct return of capital plus interest based in the income taxes of employees on site. This is gain sharing the income taxes of employees of businesses the land developers don't even own or control...whether the developers are public entities or private developers, unless of course, the land developers are in fact the private business owners, into which this program is expanded with this bill. What's the demonstrated need to give money to private developers? Or to lower the cost of developed land for businesses?

Under this corporate welfare program, school children will pay for the streets, sewers, and sidewalks for corporations, not just with lost property taxes, but also with the lost personal income taxes of the employees -- i.e. with Gain Share. In an other committee the leadership is saying that we need to dramatically increase funding for education. Yet this bill undermines existing funding for education.

We are at full employment. We don't have enough construction workers to build low income or workforce housing. But this bill expands even wider a Gain Share or loan forgiveness boondoggle to subsidize land development and lower costs for businesses who want or need new buildings. Just as purchasers of new homes pay for the land, site prep, streets and turn lanes for their developments, so should corporations -- even if they are a traded sector business.

To be clear, TFO fundamentally disagrees with the need for this program. We believe the cost of site development should be recovered in the price of the land whether the land is owned by a community entity or a commercial property developer or is developed by a private business for their own use. But elimination of the program is not the bill before us.

Allow me point out some of the specific concerns about what is in this bill. Let me point out some of the specific concerns we have with this boondoggle.

We already have Urban Renewal Districts taking all of the new property taxes to pay for this same kind of infrastructure, and Enterprise Zones giving up property taxes for 5-20 years. And Reservation, Electronic, LTR Facilities, Oregon Investment Advantage and Gain Share subsidizing economic development projects using income taxes to incent development. We don't see anything in this legislation that stops this Industrial Site Readiness program from being used on the very same projects, as long as it doesn't cover site prep. On line 24 of page 3, you'll see language that says that the loan forgiveness option of this program can't double dip with state funds. But it does not exclude double dipping with local funds like property tax dollars, whether in Urban Renewal Districts or Enterprise Zones. And it does exclude the same

income tax calculations being used under a different program. Further, the reimbursement of costs option has no similar language.

A public entity can buy land, get it shovel ready for a traded sector enterprise, and receive 50% of the income taxes of all site-located employees to recover 100% of the investment of public entities-- from land purchase to turning lanes plus and interest (at what rate?) for years. Or, it can borrow money and have forgiven the lesser of 50% of the total costs or 50% of the income taxes of the employees for the term of the loan (30 years?)

So in addition to property tax exemptions, the Industrial Site Readiness Program gives up 50% of employees' income taxes in places like Portland, Hillsboro, Tualatin, Morrow County or Coos Bay, potentially for decades. Yet when we look at all the development going on in Oregon, we wonder, where is the demonstrated need to make this program easier to utilize or available to private businesses? Under SB 34 private developers get added in as direct beneficiaries, though without the land acquisition costs and half the development costs. Obviously Oregon's existing law has numerous giveaways. Welfare to private developers should not be added, even at the reduced amounts relative to public entities.

Further, the bill seeks to reduce the wage requirement, which is not the floor for all employees, it's the average wage for employees at the facility. If the executives make high wages, the workers can make average or even substandard wages, and receive substandard benefits. Given this, the wage requirements must remain high, at 150% of county average wage, or be made a floor for all employees receiving at least 130% of county average wage. That is if your concern is about the workers' pay, as it should be. Take a look at this chart of four sample counties.

<i>Average hourly wage requirement decision making</i>					
County	Average	130%	Annual	150%	Annual
Morrow County	\$20.27	\$26.34	\$54,810	\$30.41	\$63,242
Marion County	\$23.18	\$30.13	\$62,679	\$34.77	\$72,322
Washington County	\$28.36	\$36.87	\$76,685	\$42.54	\$88,483
Statewide	\$25.18	\$32.73	\$68,078	\$37.77	\$78,562

SB 34 would reduce pay requirements in Morrow County from \$30.41 to \$26.34/hour. In Marion County pay could drop by \$4.64 an hour. In Washington County where employees, on average, can already receive \$10,000 a year less than the 150% of county average wage since salaries need to meet only the lower statewide wage requirement, the decrease is more than \$5.00 an hour. Further, there are no requirements about benefits or about permanent vs contract employees for this economic development program.

I'm sorry that my comments have taken more time than usual, but this is not a trivial bill. It is additive. Ten million this year and \$10 million next will soon add up to \$100 million a year of lost General Fund revenue, and once granted, will be as set in stone as are our PERS commitments, for as long as 30 years.

The longer we think about this bill, the more concerns occur. It would be best to have a workgroup on this bill, rather than rush it through? One of us from Tax Fairness would be happy to be part of a workgroup

