



## Three important reasons to support SB. 728/SB. 732: Economic Expansion, Fairness and Certainty

### ***Economic Expansion -- Keep Nike Growing in Oregon***

As Oregon's only Fortune 500 company and as a homegrown business with about 6,100 individuals employed on the campus, Nike wants to continue to grow and assist Oregon's economy by expanding its World Headquarters, facilities and jobs. Nike's full- and part time Oregon employment grew by 14.4 percent from FY2001 to October 2004. During the same period, Oregon employment declined by 1.2 percent.

There are currently plans for four new buildings on the campus to house an estimated 1200-1500 employees. Recent, dramatic changes in the City of Beaverton's annexation policies, however, jeopardize Nike's ability to expand and provide an additional positive impact on the Oregon economy. SB. 728/SB. 732 will provide Nike with the long-term certainty to invest, grow and create jobs in Oregon by changing state annexation law. Oregon law already provides some business property owners with the right to consent to annexation through 2009.

### ***Background***

*Nike's Oregon activities account for 16,580 full and part-time, direct and in-direct jobs and adds nearly \$2 billion to the state economy. \* Its expenditure of \$1.15 billion on its Oregon full-time and part-time employees, contract service providers and vendors; its investments in its Oregon facilities; its taxes to Oregon governments, and its contributions to Oregon charities represent nine cents of every dollar of Nike's worldwide revenues. This spending has a multiplier effect throughout the State, resulting in nearly \$2 billion in economic activity in Oregon. (\*ECONorthwest Report, February 14, 2005)*

*Nike supports local schools, parks, law enforcement, and many other local institutions through its property taxes. Nike pays more than \$1.5 million a year in taxes on its properties in support of Beaverton Public Schools, which educates students who live both in Beaverton and in unincorporated Washington County. Annexation into the City would not alter this existing commitment. In addition, Nike's property taxes support the Tualatin Hills Parks and Recreation District, Tualatin Valley Fire & Rescue, the Port of Portland, Portland Community College, Oregon Zoo, NW Regional ESD, the Washington County Enhanced Sheriffs Patrol as well as bonds for many local jurisdictions including Beaverton Public Schools, Tualatin Hills Park and Recreation District, Tualatin Valley Fire & Rescue, Portland Community College, Metro and Tri-Met.*

### ***Fairness -- Protect Property Owners from Unfair Annexation***

Nike supports giving property owners the right to consent to annexation and believes it's wrong for cities, without notice, to create fictional property "islands" by annexing narrow strips of land, such as streets and public lands, around unincorporated areas.

In November 2004, the Beaverton City Council reversed its long-time informal policy of annexation with property owner consent and began the process of forced annexations without property owner consent. SB. 728/SB. 732 will ensure that Nike is protected from an unfair, unilateral annexation of its properties without consent.



### **Background**

Currently, Oregon law gives broad powers to cities to annex unincorporated properties, with or without the consent of property owners, if the property is encircled by existing city properties. This is called "island annexation." Over the past few years, without notice to property owners, the City of Beaverton, however, has encircled large areas of unincorporated Washington County through the annexation of narrow strips of land such as streets, highways, parks, and other public properties. Although these street annexations technically create "islands", they violate the spirit of the law. Further, because of the lack of notification to adjacent property owners, the City can annex property effectively without notice, eliminating the need for property owner's consent or even participation in public hearings.

### **Certainty -- Provide Certainty So Businesses Can Plan and Grow**

For businesses to plan and grow effectively, they need certainty, stability and predictability from local government regulations. The City of Beaverton's recent and dramatic changes to its annexation policies have created a great deal of uncertainty, harming the business climate in the region and State. Working closely with Washington County officials over the past two decades, Nike has created a world-class business campus here in Oregon.

In planning for the future expansion of the campus and surrounding areas, we use a 30+ year planning horizon. The uncertainty created by the city annexation policies has already constrained significant decisions regarding capital investments and land transactions associated with the Nike campus. SB. 728/SB. 732 will provide certainty so we can effectively plan and grow in the future.

### **Background**

Until Nike has long-term assurances on the status of its campus and other properties, Nike has placed a moratorium on investment, expansion plans, and other property transactions. Nike recently announced it will not execute documents related to completion of a land-sale agreement due to the uncertainty created by the City of Beaverton's annexation actions. The approximately 50-acre land parcel, known locally as Murray Woods, and located near the intersection of Murray and Jenkins Boulevards, was under consideration by a major health care provider to provide service in the area. The property has many other uses, so until certainty is provided Nike needs to retain this land.

In addition, Nike was finalizing plans for an expansion of its North Campus, comprised of four new buildings. The buildings would provide new office space for 1200-1500 employees in two buildings, as well as an additional child care center and a parking structure. These plans are now on hold. Over the past seven years, the company has more than doubled the square footage at its World Headquarters.

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***"Beaverton has said it has 'no immediate or foreseeable' plans to annex Nike, but that wiggling is not terribly convincing. And, anyway, Nike says Beaverton's aggressive new policy on annexations – combined with its minimal-notice annexation of roads around the Nike property speaks louder than any words....One of the key elements of building a good business climate, after all, is giving businesses the ability to predict, as much as possible, how they'll be treated by local government."***

***-- The Oregonian 1/31/05***

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Chair Ringo, Vice Chair Atkinson, and members of the committee, I'm Julia Brim-Edwards, Nike's Deputy Director for State and Public Affairs.

Thank you for the opportunity to address the committee regarding an issue that is extremely important to Nike as a company and as a significant employer in the State.

I am here today to voice our strong support for SB. 732 and the (-\_\_ ) amendments.

From our perspective, this bill, with the amendments, will help keep Nike growing in Oregon, restore fairness to the annexation process, and provide us with greater certainty to plan for growth.

**Background:**

Nike is a homegrown Oregon business that directly employs about 6100 individuals in Washington County and has an approximate \$2 billion impact on the State's economy. In the last several years as Oregon's employment stagnated, Nike's Oregon employment grew about 14%.

Nike currently has plans for four new buildings on our Washington County campus to accommodate current and future growth: two major new office buildings, another child care center, and a parking structure. These buildings have a 30+ year useful life, and our planning process and investment decisions reflect that.

**Need for Legislation:**

The City of Beaverton's recent and dramatic changes to its annexation policies have created a great deal of uncertainty for business owners and residents in the area.

Over the past several years, the City annexed streets and other public lands without notifying adjacent property owners, thereby creating in many cases fictitious islands that the law allows them to annex without a property owner's consent. The City then began an aggressive annexation march. The recent policy changes and forced annexations have created a negative climate for businesses in the area. In our case, the city would not be providing any new significant services through a forced annexation.

Until Nike has long-term assurances on the status of its campus and other nearby properties, Nike has placed a moratorium on investment, expansion plans, and other property transactions.... including the sale of a nearby 50-acre land parcel to a leading health care provider.



**Support for SB. 732 and the Amendments:**

We appreciate the Legislature's willingness to review Oregon's annexation laws and how they may be modified to provide greater long-term fairness to property owners and businesses.

For businesses to plan and grow effectively, they need certainty and stability. Working with Washington County officials and staff, Nike has built a world-class business campus in Oregon. We want to continue that relationship as we move forward with our long-term plans.

When Nike bought the land for its World Headquarters it acquired a total of around 175 acres leaving adequate room for planned expansion. We worked with Washington County throughout the planning process. Nike understands the rules in Washington County and has established a productive working relationship with those it must work with for further expansion. Shifting to Beaverton disrupts this relationship and puts new and unknown requirements in front of any further expansion.

We also have a very strong and productive relationship with the Washington County Sheriffs Office for our law enforcement needs and pay a special assessment to the Enhanced Sheriffs Patrol for this service.

For more than a decade, Oregon law—the one this bill would amend—has provided some business property owners with the right to consent to annexation.

The bill, with the amendments, would provide us with a long-term planning horizon so that we can move forward with business planning and growth. The amendments update and clarify conditions under which businesses would have the right to consent to annexation.

**Impact on Local Schools and Other Services:**

I should note that because of how special districts and school districts are structured in Washington County we already are supporting local schools and many regional services through our substantial property tax payments.

This bill would not impact our property tax commitment to the Beaverton Public Schools. We currently pay more than \$1.5 million in property taxes to Beaverton Schools and would continue at that level whether or not our property is inside or outside of the city.

Again, we thank Chair Ringo and the Committee Members for your willingness to review these issues and for considering the impact that annexation has on the business climate and on the state's economy.

We strongly support moving SB. 732 with the amendments to the Senate floor. Thank you.