

City Gives Hynix Millions

Piercy's deal with corporation could cost \$100 million.

Lead by Mayor Kitty Piercy, the Eugene City Council voted 5-3 to in effect give Hynix \$9 million in tax breaks now, and the possibility of about \$100 million more if the corporation later expands its chip plant.

Councilor David Kelly said he was "dumbfounded" at the deal to give Hynix almost \$100,000 per new job created. Kelly noted that Eugene had already given Hynix \$51 million in property tax breaks. "At some point we need to ask how much of a tax break is enough."

Councilors Kelly, Bonny Bettman and Betty Taylor voted against the enterprise zone tax break. Councilors Andrea Ortiz, Chris Pryor, Gary Papé, George Poling and Jennifer Solomon voted for the corporate give away.

Tax break supporters were lead by Mayor Kitty Piercy who campaigned on a promise of reigning in tax breaks to focus on small, existing environmentally sustainable businesses with family wage jobs, but once elected she has done none of that. Instead Piercy met with Hynix officials behind closed doors and followed their direction for the \$100,000 per job cap.

Councilor Taylor said it was wrong of Piercy to meet "secretly" with Hynix to take direction from the corporation. "It puts us back as if Hynix owns us."

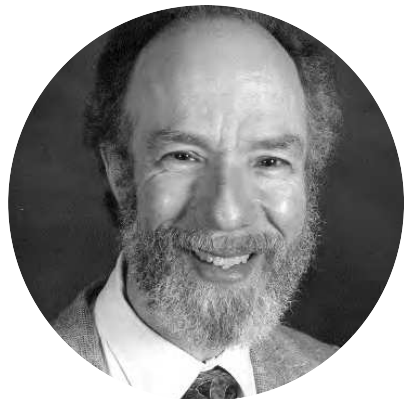
Piercy said that the "compromise" vote was difficult but necessary. Without the vote the state and county commissioners would have forced Eugene to give Hynix tax breaks without any per-job cap, Piercy argues. On a \$500 million plant upgrade recently proposed by Hynix, that would have meant a \$13 million tax break for Hynix for adding 95 jobs. With the cap, the tax break is reduced by a third, the maximum reduction allowable under state law, with the remaining \$4 million paid to the city and county as a public benefit contribution.

But the city also had a third option — try to cancel the enterprise zone altogether. Under this approach the city could have lobbied or sued the state to cancel the just-approved zone or refused to appoint a local zone manager, legally forcing the state to cancel the tax break zone.

"I think the city should have stuck to its guns," Bettman said.

But Piercy said, "I didn't think we would necessarily win" the legal fight and could be left without the \$4 million payment.

The County Commission forced the city to give it a disproportional share of that payment from Hynix.



Normally, the county collects only about 7 percent of Hynix's property taxes with about 50 percent going to the city and the remaining 40 percent going to state schools. But the county is demanding a 40 percent share of the \$4 million Hynix payment. Eugene will get 40 percent and schools, including possibly private and non-local schools, will get only 20 percent.

In addition to the city, county and schools losing revenue from the tax breaks, property taxes will also increase slightly for everyone else to make up for the Hynix tax revenue that would have gone to pay off local bonded debt.

Tax break opponents said it was a mistake for the city to apply for the tax break zone to begin with. State law now cements the huge breaks in place for Hynix for the next 20 years.

Councilors Bettman and Kelly said they never would have voted to apply for the zone in April if they had known that state law limited the cap to a one-third tax break reduction, and that the county would have veto power over any job caps and job quality standards. The councilors blamed city staff, who have been among the biggest boosters of Hynix breaks, for not telling them crucial information.

Bettman said that before the vote to apply for the zone, staff told her that a \$30,000 cap

creating new jobs for needy local people has always been weak at best.

Most economists agree that such tax breaks rarely "create" new jobs because most companies would have created the jobs anyway since they make location and hiring decisions based on labor costs, market access and other business or personal reasons rather than tax breaks. Indeed, Hynix announced it's \$500 million upgrade even before the council vote this week.

Studies by state agencies and other widely accepted research also shows that most of the new jobs created by Hynix and other such break beneficiaries go to people moving to the area rather than local poor people.

Piercy describes Hynix as a good corporate citizen and local environmentally sustainable business. But the Korean corporation has long been controversial in Eugene. Hundreds of citizens flooded meetings to ob-

'At some point we need to ask how much of a tax break is enough.'

— Councilor David Kelly

she proposed would be allowable under state law and didn't mention the one-third rule. "I am very disappointed," she said.

Kelly faulted staff for not informing the councilors that the county could effectively veto any caps on tax breaks or other standards. "Our staff did not tell your elected officials."

Kevin Matthews, president of Friends of Eugene, said given that "there's a heck of a lot of money involved," the council and the public should have been "crystal clear" on the enterprise zone rules and hearings should have been held before the vote. Instead, the "manipulation and blackmail" that resulted "is really a scandal," he said.

Councilor Ortiz, the swing vote on the breaks, said she backed the Hynix deal because her constituents need jobs. But the link between giving Hynix tax breaks and actually

ject to the \$51 million in tax breaks given to the corporation, its destruction of a large swath of rare west Eugene wetlands, and the corporation's heavy use of toxic chemicals. Hynix has been forced to pay record-breaking fines and lawsuit settlements for employment discrimination, water pollution and worker injuries. At one point the corporation laid off all its employees for six months while it teetered on bankruptcy, and the chip industry remains volatile.

Councilor Taylor said Hynix does not pay enough for its workers to afford living in Eugene.

Piercy's Hynix deal includes job quality standards, but they are so weak that it appears they will have little impact on encouraging Hynix or other companies in the enterprise zone to improve local hiring, wages and benefits. **EW**

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