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February 27, 2023

Oregon Legislature
Joint Legislative Committee on Semiconductors
Co-Chair Senator Janeen Sollman
Co-Chair Representative Janelle Bynum

RE: SB 4

Co-Chairs Sollman and Bynum:

This letter concerns SB 4, which is draft legislation relating to the Oregon semiconductor industry and the federal CHIPS Act. It also concerns the Joint Committee's overall objectives in expanding Oregon's domestic semiconductor industry.

Our firm specializes in real estate development and land use and represents various landowners in Southern Oregon, property developers, and local governments.

It is important that SB 4 include the entire semiconductor ecosystem (including those supplying and directly supporting the semiconductor industry), not merely the chip manufacturers. The current draft of SB 4 has conflicting directives.

Semiconductor manufacturing is critical but only part of the puzzle. The letter sent by the City of Cornelius to the Committee dated February 22, 2023, is on point in that the State needs to support the entire "semiconductor ecosystem". This includes big and small companies of both manufacturers and suppliers.

In "gold rush" situations, those supplying the miners with shovels and picks—not the gold prospectors themselves—have a higher probability of success. While other states put all their chips on securing semiconductor manufacturing fabs, Oregon should diversify its investments to also include those entities that will supply the manufacturers with the materials to make the chips.

SB 4 has multiple definitions of who is included in the legislation:

Section 1 (1)(a) defines a “Covered entity” within the meaning of 15 U.S.C 4651(2),¹ which is an entity that can create a facility relating to “fabrication, assembly, testing, advanced packaging, production, or research and development of semiconductors, materials used to manufacture semiconductors, or semiconductor manufacturing equipment.” This definition appears to include those supplying materials to semiconductor manufacturers.

Section 1 (3)(a)-(c), however, restricts the allocation of grants and loans to only “manufacturing” facilities, research and development, or those partnering with educational institutions.² It does not permit the loans and grants to be used to finance the construction of facilities meant to directly supply the semiconductor industry. This would be a missed opportunity for Oregon.

Section 3 (3)(a) provides a third definition. It states that the Governor will give grant and loan preference to those with “other critical links in the semiconductor supply chain”³. This is a good, all-encompassing definition for those who the state should invest in.

Section 10 (1) provides yet another definition. It states that the Governor can bring properties into an urban growth boundary for the purpose of providing lands for industrial uses that “relate to the semiconductor industry, advanced

¹ 15 U.S.C 4651(2) states: “The term "covered entity" means a nonprofit entity, a private entity, a consortium of private entities, or a consortium of nonprofit, public, and private entities with a demonstrated ability to substantially finance, construct, expand, or modernize a facility relating to fabrication, assembly, testing, advanced packaging, production, or research and development of semiconductors, materials used to manufacture semiconductors, or semiconductor manufacturing equipment.”

² Section 1 (3)(a)-(c) states: “(3) Program grant and loan proceeds may be used solely for activities undertaken in connection with the federal semiconductor financial assistance program and:

“(a) The development of a site for a semiconductor or other advanced manufacturing facility, including, but not limited to, the acquisition and aggregation of land;

“(b) Research and development with respect to semiconductors and advanced manufacturing; or

“(c) Partnering with institutions of higher education, including, but not limited to, historically Black colleges and universities, for the purpose of workforce development and the creation of training, certified apprenticeship and internship opportunities, with respect to semiconductors and advanced manufacturing.”

³ Section 3 (3)(a) states in part: “(3) In approving applications and setting program grant and loan amounts, the department and the Governor shall give preference to:

“(a) Projects that will promote the long-term economic viability of the semiconductor industry in Oregon, including research and development, manufacturing and other critical links in the semiconductor supply chain;”

manufacturing or the supply chain for semiconductors or advanced manufacturing.”⁴ The words “relate to” are broad, but different than the previous definitions.

SB 4 needs consistent definitions throughout. The entire semiconductor ecosystem should be eligible for state grants and loans, including suppliers. That is where Oregon can make the biggest gains compared to other states.

The current draft of SB 4 grants the Governor power to ‘supersite’ properties for semiconductor and advanced manufacturing. However, this is only a short-term solution if the number of sites is limited or such zoning expires. Oregon needs a long-term solution to the lack of available land for high-technology research, manufacturing, and suppliers.

As detailed in both your committee hearings and in the Oregon Semiconductor Competitiveness Task Force report, Oregon lacks available lands to grow our semiconductor industry. Further, as indicated by the CHIPS Act, increasing domestic semiconductor supply chain is important for national security. As a result, Oregon needs to build up and maintain a strategic reserve of some lands for semiconductor and advanced manufacturing—both for immediate and future use.

There will be a long-term demand for land by the high-technology manufacturing industry. The CHIPS Act is merely the start of the long-term investment. Oregon cannot be caught flat footed again with a lack of available lands for these critical industries. Creating a statewide reserve of lands for such uses is vital to the State’s economy.

The current draft of SB 4 indicates the lands brought into an urban growth boundary by executive order will ‘expire’ in 2027 if not developed. Thus, in 2027 Oregon will again be faced with a repeat-crisis relating to the lack of land available for the semiconductor industry.

Oregon needs to create a permanent strategic reserve of sites available for high-technology use so that we always have lands available for these industries. If the state proceeds to supersite properties, then such zones either (1) should not expire, (2) should expire many years from now (given how long it takes to physically develop sites), or (3) should be able to have their zoning renewed. If a future company wants to relocate to Oregon but does not have various options to choose from, they will likely go elsewhere.

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⁴ Section 10 (1) states in part: “* * * for the purposes of providing lands available for industrial uses that relate to the semiconductor industry, advanced manufacturing or the supply chain for semiconductors or advanced manufacturing.”

Information is key. A state agency, like the Department of Land Conservation and Development (“DLCD”), needs to create and maintain a statewide inventory of lands in Oregon available for high-tech research and manufacturing like semiconductors. A dynamic GIS map of inventoried lands should be published online and regularly updated.

Oregon’s land use system is extremely decentralized, which promotes local, democratic control. However, it also results in Oregon missing out on crucial economic opportunities. One of the primary issues with our land use system is a lack of readily accessible information on the state’s supply of land types, which is why the Oregon Semiconductor Competitiveness Task Force spent so much time searching for available lands for the technology industry.

If a semiconductor business wants to relocate to Oregon today, they need to review many local zoning codes (city-by-city and county-by-county) to determine what land is zoned for use by the semiconductor industry. The lack of readily available and easy to understand information costs Oregon many business opportunities.

We need to streamline this process and provide easy access to this information. High Tech manufacturing entities, including semiconductor-related businesses, should be able to view a single dynamic GIS map on a state website to see the state’s entire inventory of lands available for development and use by these industries. This would facilitate the relocation of high-tech industries to Oregon—including to areas outside of the Portland Metro. To do this, a state agency would need to regularly inventory our reserve supply of land and publish updated maps.

In conclusion, we urge the committee to revise SB 4 to ensure that Oregon is ready to support the entire semiconductor industry—not just the manufacturing component. We also urge the committee to consider how best to welcome various high technology industries to Oregon.

Respectfully submitted,

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GKW:
cc: Co-Vice Chair Representative Kim Wallan; 1,000 Friends of Oregon