

# *Save Helvetia*

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To: Council President Bragdon and Metro Councilors

## **Why Hillsboro and Washington County don't need more urban reserves for large-lot industrial sites: the high-tech myth**

Hillsboro and Washington County continue to argue the need for more large-lot industrial sites to be able to offer to interested companies. There are a number of flaws in their rationale for these sites. Having land to offer does not mean these companies will locate to Washington County - there are a number of factors that are as important, if not more important, than land availability. Even Intel was unable to keep its solar spin-off, SpectraWatt, in Washington County, EVEN THOUGH Intel donated 20 acres of its undeveloped 92-acre parcel in West Union to SpectraWatt . The cost of building on farmland and the lack of adequate subsidies from the state of Oregon were obstacles that could not be overcome by merely receiving free land.

### **Cherry-picking industries: a flawed model**

Hillsboro bases its aspiration plan on building on its "success" in attracting high-tech employers in three cluster industries: High-tech manufacturing (Intel), solar-cell manufacturing (Solar World) and bio-pharma (Genentech). They justify needing thousands of acres of large-lot sites to accommodate additional companies in these industries. This is a flawed business model. *(See Allen Amabisca testimony to Metro Council, 1/20/2010)*

### **Cluster proximity less important**

"Tech companies in the 1990's wanted to be in Hillsboro because they were tied to production work at Intel, Tektronix or other manufacturers. Today, tech workers in much smaller startups don't need to be in Hillsboro because they building iPhone apps instead of Intel chips. And their workers increasingly want to be closer to downtown's bike-friendly streets, restaurants and art galleries." *"Real estate troubles extend to commercial properties", Ryan Frank, The Oregonian, September 12, 2009. (Also, see testimony of Noel Arnold to Metro Council, October 2009.)*

### **Small companies prevalent**

Of the 400 Silicon Forest companies operating, more than 360 are 20 employees or less. The majority of new firms since 2005 are focused on services and software, not volume manufacturing that requires a large plant footprint. *(See Charlie Young testimony to Metro Council, October 15, 2009).*

Software jobs were up 12% from 2006 to 2008. Although a small part of overall state economy, software is the fastest growing part of the high-tech sector. Software jobs do not need large box industrial sites. *“Oregon’s high-tech jobs hit nearly three-year low”, Mike Rogoway, The Oregonian, September 17, 2008.*

### **Vacancies**

Vacancies in the Sunset Corridor office market haven’t recovered since 2001. Vacancies are at 22%. AmberGlen Business Center (500,000 square feet) bought for \$67.9 million in 2007, sold for \$27 million. *“AmberGlen sales scrapes bottom”, Ryan Frank, The Oregonian, January 15, 2010*

### **Intel not expanding**

Intel’s employee count in Washington County is roughly the same (15,000) in 2010 as it was in 1999 due to transferring transactional processing jobs (accounts payable, human relations), automation and transferring manufacturing jobs to other countries. Its newest, largest manufacturing site being built in Vietnam - plants in Philippines and elsewhere closing. Fab 20 closed at end of 2009, laying off 1,000 (considered “aging” at 13 years old and 120,000 square feet). It has a large concrete slab near the Hillsboro Stadium from a canceled expansion. Still unbuilt, 92-acres south of West Union Road. *“Intel closing plant, costing Hillsboro 1,000 jobs”, Mike Rogoway, The Oregonian, January 21, 2009.*

### **Solar heading for glut**

Lots of new start-ups got initial funding in 4Q2009. With China entering production, oversupply expected, prices dropping, cost-cutting necessary, fall-out expected, analysts are cautious about solar stocks. As lead investor, Intel donated 20 acres of its 92-acre West Union unbuilt campus to SpectraWatt, a solar start-up. SpectraWatt was unable to secure financing and incentives from the state, ended up moving into a former chip factory in New York after determining that retrofitting an existing factory was more attractive than building a factory from scratch on farmland. Intel’s 92 acres is still unbuilt. *“SpectraWatt Moves HQ and Factory Plan to NY”, Uclia Wang, GreentechSolar, April 7, 2009.*

### **Bio-Tech**

Hillsboro does not have a bio-pharma industry - they have a packaging plant. FDA regulations require pharmaceutical firms to have packaging plants in the U.S. When informed that their logo figured prominently on Hillsboro’s Aspirations Plan, Genentech requested that it be removed.

The Portland area is not a budding center for bio-tech firms. They are located elsewhere in the U.S.. Biomedical clusters will chase incentives. Example: OHSU’s Vaccine and Gene Therapy Institute moved its research lab to Port St. Lucie, Florida, in 2008-2009. Bio-medical firms want to be near other life-sciences companies. VGTI is near Scripps Research Institute, Torrey Pines Institute for Molecular Studies and others. Researchers do not have to spend time chasing

grants with \$60 million in assistance from the Florida Innovation Incentive Fund. *“Strong Medicine in Southeast Florida”*, Jack Lyne, *Site Selection*, January, 2008.

**Available: High-tech manufacturing sites - cheap to refurb!**

Oregon’s technology related employment is down 27% from 2001 peak and at its lowest level since 1996.

Credence - Downsized from 430 employees to 100 - moving to smaller space in Beaverton

IDT - Leaving Hillsboro - fully operational fab near Intel and SolarWorld - available 2011

RadisSys - Transferring manufacturing to Asia - available mid-2010

Lattice Semiconductor - Moved all warehouse operations to Singapore in 2009

**North of 26 lowest in economic productivity**

NAIOP’s Economic Mapping Project (used by Hillsboro to show how well they are doing in high-tech and why they need so many urban reserves) shows Sub-Area 1 (north of Highway 26) as the lowest performing area for tech: lowest market value, lowest property tax per acre, lowest payroll. Used pre-recession 2005 data. No tech cluster anchor, long-vacant buildings. Low wages: kids pizza party place, warehouses, churches inside buildings built for tech that didn’t materialize in last 10 years. ( *See Cherry Amabisca and Steve Kasper testimony to Metro Council, January 20, 2010*).

Thank you for considering the above factors as you evaluate whether Washington County should receive more land for large-lot industrial sites in the near future.

Sincerely,

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