

Attachment A

Enterprise Zone Data Center Case Study

Case Study: QTS Hillsboro 1 Campus – How the Enterprise Zone Program Works in Practice

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Purpose of this attachment: *This attachment is informational. It is intended to help explain how Oregon’s Enterprise Zone program works using the QTS Hillsboro 1 campus as a local example. Policy recommendations are addressed separately in the main document.*

Note: *This case study reflects my personal perspective as one member of the Hillsboro City Council. It is intended to support public understanding and policy discussion. It does not represent a formal position of the full City Council or the City of Hillsboro. The staff presentation appears to use a broader tax picture than the single public property account summarized here, including QTS and tenant personal property. This case study should therefore be treated as illustrative unless reconciled with City finance or Washington County Assessment and Taxation.*

Why This Case Study is Important

Enterprise Zone incentives are challenging to understand because they involve state law, local policy, county tax assessment, future investment timelines, and multiple taxing districts. The public often sees a simple phrase like “100% property tax abatement,” but the actual impact is more complicated.

The QTS Hillsboro 1 campus provides a useful example of how the program works in practice. It shows both sides of the Enterprise Zone trade-off: data center development can generate significant investment and future tax base, while also reducing near-term property tax collections during the exemption period.

This case study is not intended to single out one company as uniquely responsible for a statewide policy issue. QTS Hillsboro 1 is used here as a local example to help explain how the program works, what may be exempted, what remains taxable, and why Enterprise Zone impacts can be difficult to understand from a single number.

Enterprise Zone History

Oregon’s Enterprise Zone Program was first enacted in 1985. The original program created targeted property tax exemptions to help attract private business investment and support reinvestment in communities facing economic challenges (Oregon Legislative Policy and Research Office, 2018).

Under the standard Enterprise Zone program, eligible businesses may receive a temporary exemption from local property taxes on new buildings, structures, machinery, and equipment if they locate or expand within an Enterprise Zone and meet applicable program requirements (Oregon Legislative Policy and Research Office, 2018).

In simple terms, the policy idea is to temporarily reduce the tax bill on new capital investment so a community can attract major projects, support job creation, and eventually add new taxable value after the exemption period ends.

This can be especially important for capital-intensive industries, including high-tech manufacturing, where companies may need to invest hundreds of millions or billions of dollars in buildings, machinery, tools, and equipment before the investment generates a return. The public policy question is whether the benefit created by the investment is proportional to the tax incentive provided.

Business Oregon describes Enterprise Zones as a local economic development tool that primarily incentivizes new business investment by abating local property taxes for a certain number of years. Enterprise Zones are sponsored by local governments, and Business Oregon reports that Oregon currently has 73 Enterprise Zones statewide (Business Oregon, n.d.). Their eligibility under Enterprise Zone rules means they qualify for the same general property tax incentive structure as other eligible business operations, provided they meet state and local requirements.

Data centers have been using Oregon tax incentive programs for nearly two decades. One of the earliest publicly documented examples is Google's The Dalles Enterprise Zone agreement, which the City of The Dalles says was first made in 2005. The City of The Dalles also states that the first abatement has expired and that Google now pays full taxes to all taxing districts for that property (City of The Dalles, n.d.).

The current OAR 123-674-1100 rule history shows filings or amendments in 2010, 2016, 2017, and 2024. The public rule history confirms the current administrative rule language, but additional historical review with Business Oregon or the Oregon Secretary of State Archives would be needed before stating exactly when the phrase "data center operation" was first added to Oregon's Enterprise Zone rules.

Recent State Policy Changes

Public concern over data center incentives has increased as the scale of data center development has grown. In 2023, the Oregon Legislature passed HB 2009, which directed Business Oregon, in consultation with the Legislative Revenue Office, to study transparency in Oregon's Enterprise Zone programs and evaluate what information should be included in public reports to help assess outcomes (Business Oregon, 2024).

Business Oregon's 2024 Enterprise Zone Transparency Study found that Oregon has several existing resources to provide more transparency but also noted that there is no single place where people can "see all the pieces of the puzzle" about Enterprise Zone activity, costs, and outcomes (Business Oregon, 2024).

In 2026, HB 4084 changed Oregon Enterprise Zone law as it applies to data centers. The enrolled bill states that the exemption period may not be extended for qualified property used in operating a data center. It also states that certain flexible hiring timelines and alternative performance criteria do not

apply to qualified property used in operating a data center. It also added a temporary restriction preventing authorization of property consisting of a data center project until 90 days after the 2027 regular legislative session adjourns sine die. That restriction is repealed on January 2, 2029 (Oregon Legislative Assembly, 2026).

In Hillsboro we received 17 Enterprise Zone applications for data centers after HB 4084 passed and before the June 2026 moratorium date. Those applications span eight companies and 11 sites, including both existing data center facilities and sites purchased for future data center use.

Hillsboro Enterprise Zone

Hillsboro established its Enterprise Zone program in 2006. According to the City, Hillsboro's Enterprise Zone was last reauthorized by Council in 2017 and expanded in 2024. The City's Enterprise Zone is currently scheduled to expire on June 30, 2028, while the statewide Enterprise Zone program is scheduled to expire on June 30, 2032 (City of Hillsboro, n.d.-a).

Data centers are one type of business that can qualify for tax abatement under the Enterprise Zone Program. The City explains that the program allows a 100% property tax abatement for three to five years on new investments like buildings and equipment, after which the investment is taxed and provides revenue to local jurisdictions (City of Hillsboro, n.d.-b).

The City's Enterprise Zone requirements include state requirements and local Hillsboro requirements. State requirements include increasing full-time permanent employment by the greater of one new job for new businesses to Hillsboro or 10% for expansion of existing Hillsboro businesses, maintaining employment during the exemption period, entering into a First-Source Agreement with WorkSource Oregon, and paying a School Support Fee in certain years if the facility is located in the Hillsboro School District (City of Hillsboro, n.d.-b). Hillsboro's local requirements include minimum investment thresholds, procurement planning, wage and benefit standards, an application fee, and a Community Service Fee structure that is based on abated taxes relative to employment created and retained at the site (City of Hillsboro, n.d.-b).

The City also states that staff must process Enterprise Zone applications under state law and local policy. Unless one of the listed denial standards applies, the zone manager must approve the application. The City further explains that authorization does not guarantee a tax exemption; after qualified property is placed in service, the business must submit an exemption claim to the county assessor, who makes an independent assessment regarding eligibility (City of Hillsboro, n.d.-a).

That distinction is important for public understanding. Authorization is one step in the process. The county assessor later determines whether qualified property receives the exemption.

QTS Hillsboro 1 Campus Snapshot

QTS Hillsboro 1 is located at 4951 NE Huffman Street in Hillsboro. QTS describes the facility as a data center designed for rapid, large-scale deployments, with more than 20 MW of critical power capacity listed for the Hillsboro 1 facility.

The same public record shows Enterprise Zone exemptions under ORS 285C.175 with expiration years listed from 2026 through 2030. It also shows 2025 total taxes billed of \$599,840.72.

Public Tax Record Summary	
Owner	QTS Investment Properties Hillsboro LLC
County account	R660234
Map number	1N2210003100
Acres	90.28
2025 Real Market Value	\$1,980,000,000
2025 Assessed Value	\$36,561,830
2025 Certified Tax Rate	16.4062
2025 Total Taxes Billed	\$599,840.72
Enterprise Zone exemption years listed	2026, 2027, 2028, 2029, 2030
<i>Source: Washington County Assessment and Taxation public property record.</i>	

Historical Data Comparison

The Washington County public record also provides a useful historical comparison. The record shows total taxes billed of \$3,790.56 in 2017, before QTS Investment Properties Hillsboro LLC became the listed owner, and \$599,840.72 in 2025 after the property was developed (Washington County Assessment and Taxation, n.d.).

That comparison shows that the property now generates substantially more property tax than it did before data center development. At the same time, the 2025 tax bill is much lower than a simple calculation using the property’s full real market value would suggest.

This is where the Enterprise Zone structure matters. The program can help attract major investment and increase taxable value over time, while also reducing near-term tax collections on qualified new capital assets during the exemption period.

Illustrative Tax Calculation

The Washington County public record lists the QTS property’s 2025 real market value at \$1.98 billion, assessed value at \$36,561,830, certified tax rate at 16.4062 per \$1,000 of assessed value, and total taxes billed at \$599,840.72 (Washington County Assessment and Taxation, n.d.).

For illustration only, if the full 2025 real market value of \$1.98 billion were multiplied by the listed certified tax rate of 16.4062 per \$1,000, the result would be approximately \$32.48 million.

Estimated Tax Calculation	
2025 Real Market Value	\$1,980,000,000
Divided by \$1,000	1,980,000

Multiplied by certified tax rate	16.4062
Illustrative gross tax calculation	Approximately \$32,484,276
2025 total taxes billed	\$599,840.72

This comparison is useful for understanding scale, but it should not be described as the exact “tax savings,” “taxes forgone,” or “abatement value” without confirmation from Washington County Assessment and Taxation, City finance staff, or another official tax analysis.

That caution matters because Oregon property tax calculations are affected by several factors, including assessed value rules, exemptions, property classification, timing of when assets are placed in service, and how exempt property is reported. The public record is useful for explaining the structure, but a precise fiscal impact requires official tax analysis.

Community Service Fees and School Support Fees

Hillsboro’s Enterprise Zone framework includes additional fees beyond regular property taxes. The City states that Enterprise Zone participants pay an application fee and may pay Community Service Fees and School Support Fees depending on the applicable year and formula (City of Hillsboro, n.d.-b).

The city explains that the Community Service Fee is applied each year based on annual abated taxes relative to employment created and retained at the site. Under Hillsboro’s Tier 2 structure, the maximum Community Service Fee is 33% of abated taxes in years 1 through 3 and 50% of abated taxes in years 4 and 5. The School Support Fee applies in years 4 and 5 in the amount of 15% of the abated tax and is separate from the Enterprise Zone Community Service Fee (City of Hillsboro, n.d.-b).

Because the Community Service Fee depends on actual exempt tax amounts from Washington County Assessment and Taxation and jobs reported through annual Enterprise Zone exemption claim forms, this case study should not state that QTS paid a specific Community Service Fee amount unless that amount is confirmed by City staff or public records (City of Hillsboro, n.d.-b).

Based on Hillsboro’s published Community Service Fee structure, one could calculate an illustrative fee amount using estimated abated taxes. However, that figure should not be described as an actual payment unless confirmed by City staff or public records.

What This Example Shows

The QTS example helps illustrate why Enterprise Zone impacts are difficult to understand from a single number.

The public record shows a property with very large real market value, a much lower assessed value, a temporary Enterprise Zone exemption applied to qualified property, and a tax bill that reflects only the taxable portion of the property. It also shows that the property generates significantly more tax revenue today than it did before development, while still paying far less during the exemption period than a simple full-value calculation would suggest (Washington County Assessment and Taxation, n.d.).

The QTS example shows how a data center property can represent very large real market value and future tax base while paying a much smaller amount during the Enterprise Zone exemption period. The full fiscal picture depends on what property is exempt, when it is placed in service, what remains taxable, what fees apply, and when exempted investment returns to the tax rolls.

Understanding that trade-off is important for evaluating how the program works, how benefits and costs are measured, and what information the public may need to fully understand future Enterprise Zone decisions.

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