

# A Real-Life Case Study

## Comparison of Hillsboro's Rural SIP and Gresham's Urban SIZ

### Strategic Investment Program (SIP)

The Strategic Investment Program was approved by the 1993 Oregon Legislature to encourage investment by capital intensive companies who were perceived to be disproportionately burdened by Oregon's reliance on property taxes. The SIP allows local jurisdictions to exempt large traded sector and manufacturing companies from property taxes for a portion of large capital investment. The SIP has been available for use throughout Oregon at the discretion of local governments (cities and counties).

Under the original legislation, firms are required to pay property taxes on the first \$100 million of investment and the balance can be abated at the discretion of local government. An amended SIP was made available to jurisdictions that had land outside of their Urban Growth Boundary (UGB) on December 1, 2002. In those defined "rural" areas, the first \$25 million of investment is taxable.

In theory, any investment over \$100 million in urban areas (or \$25 million in rural areas) could be exempted, including land, plant, and equipment expenses. In practice, however, Washington County has chosen to include only new equipment for exemption; land and building investments are fully taxed. Annually, taxable value may increase by 3% assuming value of land and buildings increase. This annual increase is applicable for all 15 years that the project is exempt.

	Development Scenario
Total Investment	\$1,000,000,000
Building	200,000,000
M&E	600,000,000
Personal Property	200,000,000

**A Real Case Study** – The following scenarios were run for a business recruitment prospect in 2012. It shows that the Urban SIP offered by Gresham saved the company \$74 million over the course of the Strategic Investment Program. In contrast, the Rural SIP offered by Hillsboro/Washington County was less than that – only \$66 million in property tax savings. There is **no competitive disadvantage to Gresham.**

Exemption Program	Tax Savings to Business	Net Taxes Still Owed
Hillsboro/Washington County Rural SIP*	\$66 million	\$71 million
Gresham/Multnomah County Urban SIZ**	\$74 million	\$51 million

#### Notes:

\* Generally incorporates Washington County SIP policy for local in-lieu-of fee equating to taxes that would otherwise be due on all exempt real estate, but exact provisions are subject to negotiation.

\*\* Incorporates Gresham's established local additional payment (or surcharge), per schedule starting when project property exceeds \$750 million in value, which is not subject to further negotiation, but it is reduced by 20 percent if facilities receive LEED® Gold or Platinum certification.