

77th OREGON LEGISLATIVE ASSEMBLY--2014 Regular Session

## A-Engrossed House Bill 4142

Ordered by the House February 13  
Including House Amendments dated February 13

Sponsored by Representative VEGA PEDERSON; Representatives BARKER, BUCKLEY, ESQUIVEL, GOMBERG, GORSEK, HICKS, HOYLE, KENY-GUYER, MCKEOWN, NATHANSON, OLSON, THATCHER, WITT, Senators BOQUIST, BURDICK, MONNES ANDERSON, ROBLAN (Presession filed.)

### SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Amends definition of "rural area" to mean area outside urban growth boundary of city of **40,000 or more**, as boundary is acknowledged on date on which application is submitted for strategic investment program. Grandfathers current definition for current strategic investment zones and parcels of land on which eligible projects are currently located.

Takes effect on 91st day following adjournment sine die.

### A BILL FOR AN ACT

1  
2 Relating to the definition of rural area for purposes of the strategic investment program; creating  
3 new provisions; amending ORS 285C.600; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 285C.600 is amended to read:

6 285C.600. As used in ORS 285C.600 to 285C.639:

7 (1) "Business firm" has the meaning given that term in ORS 285C.050.

8 (2) "Eligible project" means a project that meets criteria established by the Oregon Business  
9 Development Commission to be exempt from property taxation under ORS 307.123.

10 (3) "First-source hiring agreement" has the meaning given that term in ORS 285C.050.

11 (4) "Publicly funded job training provider" has the meaning given that term in ORS 285C.050.

12 (5) "Rural area" means an area located entirely outside of the urban growth boundary of a city  
13 with a population of *[30,000]* **40,000** or more, as the urban growth boundary is acknowledged on  
14 *[December 1, 2002]* **the date on which an applicant submits an application, pursuant to rules**  
15 **adopted by the Oregon Business Development Department, for property tax exemption under**  
16 **ORS 307.123.**

17 (6) "Strategic investment zone" means a geographic area established under ORS 285C.623, within  
18 which the property of eligible projects may be exempt from property taxation under ORS 307.123.

19 **SECTION 2.** The amendments to ORS 285C.600 by section 1 of this 2014 Act do not apply  
20 to:

21 (1) **An eligible project located, or an application for a project to be located, within a**  
22 **strategic investment zone designated before the effective date of this 2014 Act.**

23 (2) **A parcel of land on which an eligible project is located on the effective date of this**  
24 **2014 Act.**

25 **SECTION 3.** This 2014 Act takes effect on the 91st day after the date on which the 2014

NOTE: Matter in boldfaced type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in boldfaced type.

LC 109

A-Eng. HB 4142

1 **regular session of the Seventy-seventh Legislative Assembly adjourns sine die.**  
2 \_\_\_\_\_



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## Strategic Investment Program

### Exempts a portion of large capital investment from property taxes

The Strategic Investment Program exempts a portion of large capital investments from property taxes. The program is available statewide for projects developed by "traded-sector" businesses, most often used for manufacturing firms. "Traded sector" is defined in Oregon law as "industries in which member firms sell their goods or services into markets for which national or international competition exists."

Depending on the investment size, the Strategic Investment Program can offer exceptional benefits in terms of net present value.

#### Basic Elements for Private Investors

- Available statewide for a project by any traded-sector business, including manufacturing
- Exemption on project property lasts for 15 years
- The project's first-year real market value greater than \$25 million is exempt—i.e., only the assessed value of property under this threshold is subject to property taxes
- The exemption threshold value then rises 3 percent/year during the exemption period
- Threshold starts at \$100 million for locations inside the urban growth boundary (as of December 1, 2002) of a metropolitan area or city with 30,000 population
- A community service fee is paid each year to local public service providers
- This fee equals 25 percent of each year's tax savings, but it is capped at an annual maximum of \$500,000 (\$2,000,000 in the case of an urban location)
- Project must either receive local approval through a custom agreement with county/city or tribal government or be located in a pre-established 'Strategic Investment Zone'
- Additional local requirements may also apply

#### Benefits Both Community and Company

- Even with the community service fee, SIP represents a tremendous incentive for large investments, and the chance to more rationally tax large capital facilities
- Depending on the investment size, it can offer exceptional benefit in terms of net present value and an excellent forum to solidify local community support for an otherwise special project
- The new taxable property value alone still represents extraordinary public revenue—not to mention corporate and personal income tax collections
- Characteristics of typical SIP projects are as follows:
  - Exceptional capital outlays for technology and research
  - Large dollar investment per employee
  - Well-trained, well-compensated workforce
  - Major indirect effects on suppliers and other parts of the economy
  - Low impact on direct public services per \$ invested

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# *Populations of Oregon Cities*

Ranked by Population Size

(Source: U.S. Census Bureau, Census 2010)

|                                       |           |
|---------------------------------------|-----------|
| Oregon                                | 3,831,074 |
| Portland                              | 583,776   |
| Eugene                                | 156,185   |
| Salem                                 | 154,637   |
| Gresham                               | 105,594   |
| Hillsboro                             | 91,611    |
| Beaverton                             | 89,803    |
| Bend                                  | 76,639    |
| Medford                               | 74,907    |
| Springfield                           | 59,403    |
| Corvallis                             | 54,462    |
| Albany                                | 50,158    |
| Tigard                                | 48,035    |
|                                       | 40,000    |
| Lake Oswego -- in Clack Urban SIZ     | 36,619    |
| Keizer -- in Salem Keizer Urban SIP   | 36,478    |
| Grants Pass                           | 34,533    |
| McMinnville                           | 32,187    |
| Oregon City-- in Clack. Co. Urban SIZ | 31,859    |
|                                       | 30,000    |
| Redmond                               | 26,215    |
| Tualatin                              | 26,054    |
| West Linn                             | 25,109    |
| Woodburn                              | 24,080    |
| Newberg                               | 22,068    |
| Roseburg                              | 21,181    |
| Forest Grove                          | 21,083    |
| Klamath Falls                         | 20,840    |
| Milwaukie                             | 20,291    |
| Ashland                               | 20,078    |
| Wilsonville                           | 19,509    |
| Sherwood                              | 18,194    |
| Central Point                         | 17,169    |
| Hermiston                             | 16,745    |
| Pendleton                             | 16,612    |
| Coos Bay                              | 15,967    |
| Troutdale                             | 15,962    |
| Canby                                 | 15,829    |
| Lebanon                               | 15,518    |
| Dallas                                | 14,583    |
| Happy Valley                          | 13,903    |

# 18 SIPs since 1994

| #  | Name of Project                                       | County          | Company                  | 1st Year | Year of 15 | Investment thru 6/2010 |
|--|---|-----------------|--------------------------|----------|------------|------------------------|
| <b>Gain Share Eligible SIPs-Begun since 2008</b> |   |                 |                          |          |            |                        |
| 1  | SIP2005   | Washington      | Intel                    | 2010     | 1st        | \$770,196,539          |
| *2   | Wauna Mill Paper Machine                              | Clatsop         | Georgia-Pacific Corp.    | 2008     | 3rd        | \$317,651,321          |
| 3  | Hillsboro Fabrication Facility                        | Washington      | Genentech, Inc.          | 2010     | 1st        | \$433,136,472          |
| *4   | Elkhorn Wind Farm                                     | Union           | EDP Renewable NA LLC     | 2008     | 3rd        | \$191,202,691          |
| *5   | Klondike III Wind Farm                                | Sherman         | Iberdrola Renewables.    | 2008     | 3rd        | \$457,942,273          |
| *6   | Biglow Canyon Wind Farm                               | Sherman         | PGE                      | 2008     | 3rd        | \$960,260,000          |
| *7   | Willow Creek Wind Farm                                | Gilliam Morrow  | Invenergy                | 2009     | 2nd        | \$128,459,267          |
| *8   | Hay Canyon Wind Farm-Star Pt                          | Sherman         | Iberdrola Renewables.    | 2009     | 2nd        | \$326,174,225          |
| *9   | Pebble Springs Wind Farm,<br>Leaning Juniper II & III | Gilliam         | Iberdrola Renewables     | 2009     | 2nd        | \$538,915,798          |
| *10  | Echo Wind Farms                                       | Morrow Umatilla | Exelon Corporation       | 2009     | 2nd        | \$140,000,000          |
| *11  | Combine Hills II Wind Farm                            | Umatilla        | Eurus Energy             | 2010     | 1st        | \$137,216,170          |
| *12  | Stateline III Wind Farm                               | Umatilla        | NEXtera Energy           | 2010     | 1st        | \$188,445,000          |
| <b>Not Eligible for Gain Share</b>               |   |                 |                          |          |            |                        |
| 13   | Ronler Acres  | Washington      | Intel                    |          | 15th       | \$2,241,000,000        |
| 14   | SIP1999   | Washington      | Intel                    |          | 10th       | \$12,500,000,000       |
| 15   | Microchip Technology                                  | Multnomah       | Microchip Technology Inc |          | 9th        | \$357,748,257          |
| <b>Ended SIPS</b>                                |   |                 |                          |          |            |                        |
| 16   | Integrated Device Technology                          | Washington      | IDT                      |          |            |                        |
| 17   | Aloha Campus Expansion                                | Washington      | Intel                    |          |            |                        |
| 18   | LSI   | Multnomah       | LSI                      |          |            |                        |