

SIP AND GAINSHARE 101

May 9, 2023

ECONorthwest
ECONOMICS • FINANCE • PLANNING

STRATEGIC INVESTMENT PROGRAM

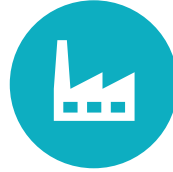
HOW DOES IT WORK?

STRATEGIC INVESTMENT PROGRAM

HOW DOES IT WORK?

Minimum Investment

Varies from \$500 million to \$1 Billion,
Rural vs. Urban.



Abatement Term

15-year property tax abatement



Taxable Portion

Firms pay property taxes on a share of
investment based on investment size.



Community Service Fees

Firms pay a fee equal to 25% or \$2.5 million
(whichever is lower) of the abated tax amount.

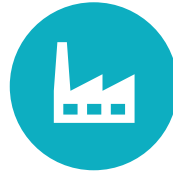


Total Investment Cost	Initial Taxable Portion
Less than or equal to \$500 million	\$25 million
\$500 million—\$1.0 billion	\$50 million
Greater than \$1.0 billion	\$100 million

STRATEGIC INVESTMENT PROGRAM
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← Additional fees beyond
statute can be negotiated

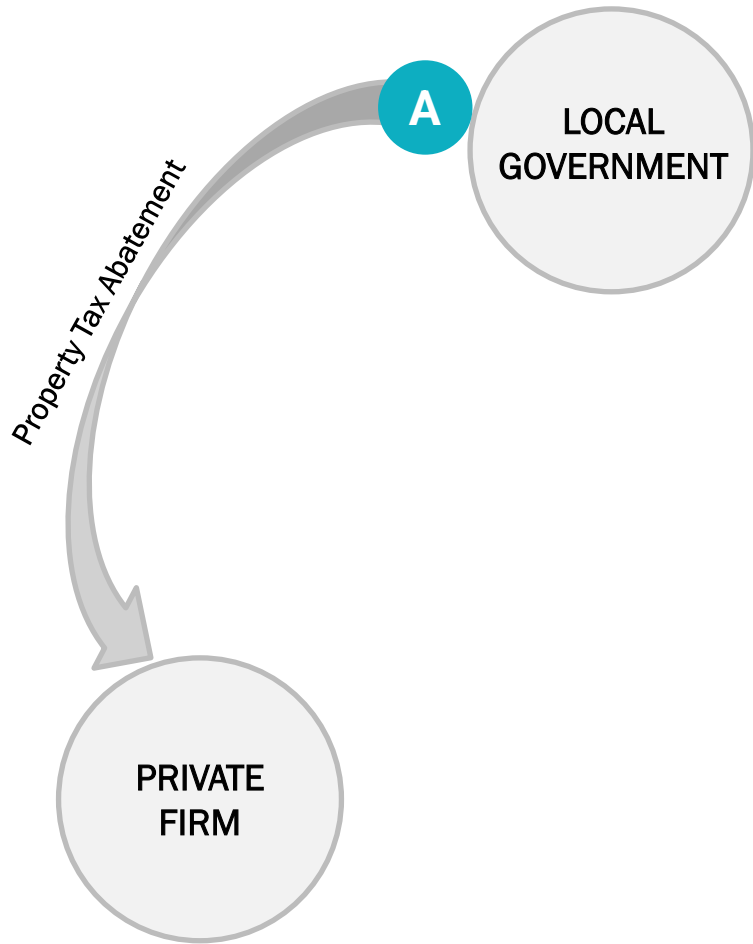


Strategic Investment Program **Myth...**

SIP participants do not pay property taxes...



In the 2020-21 tax year, Washington County's three SIP projects paid **\$8.7 million** in property taxes.



STRATEGIC INVESTMENT PROGRAM

HOW DOES IT WORK?

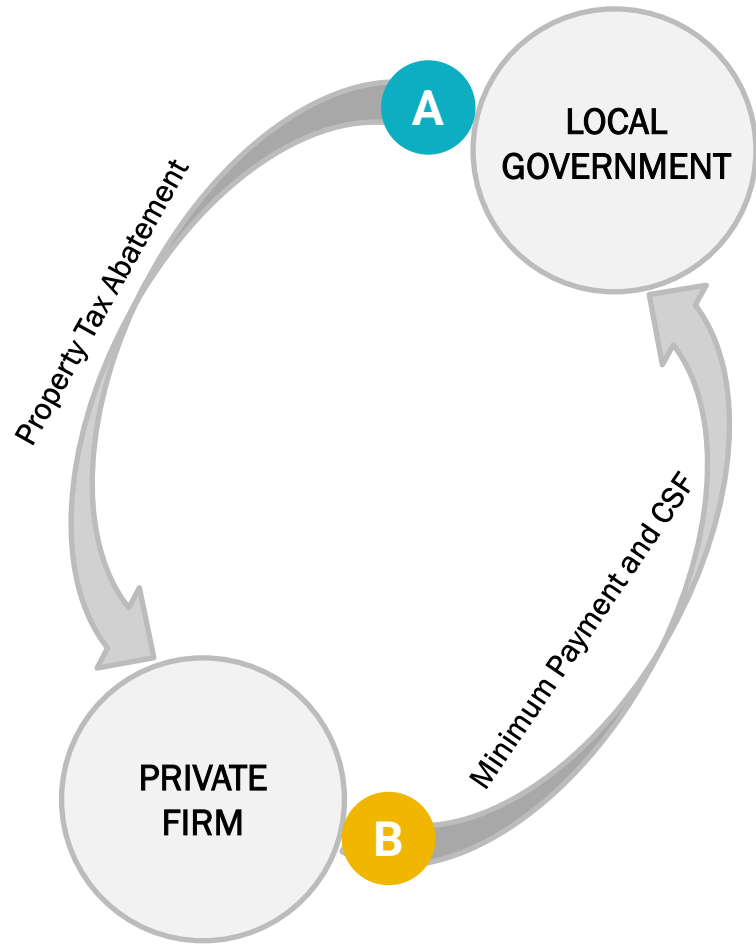


SIP Property Tax Abatement

Private firm receives 15-year abatement on assessed value above taxable portion.

STRATEGIC INVESTMENT PROGRAM

HOW DOES IT WORK?



A

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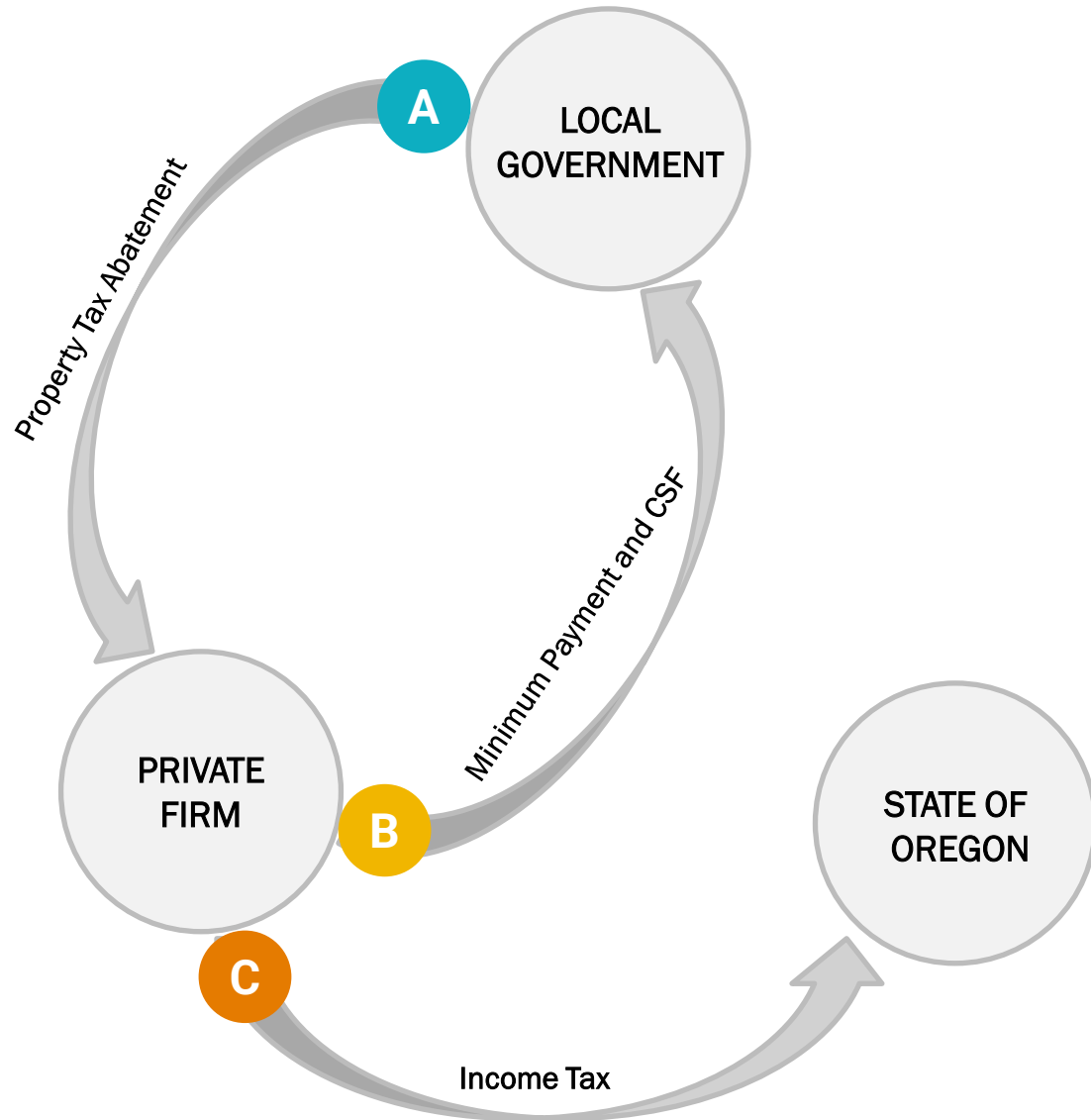
B

Local Taxes and Fees

Local government receives taxes on taxable portion, payments from CSF, and other negotiated fees.

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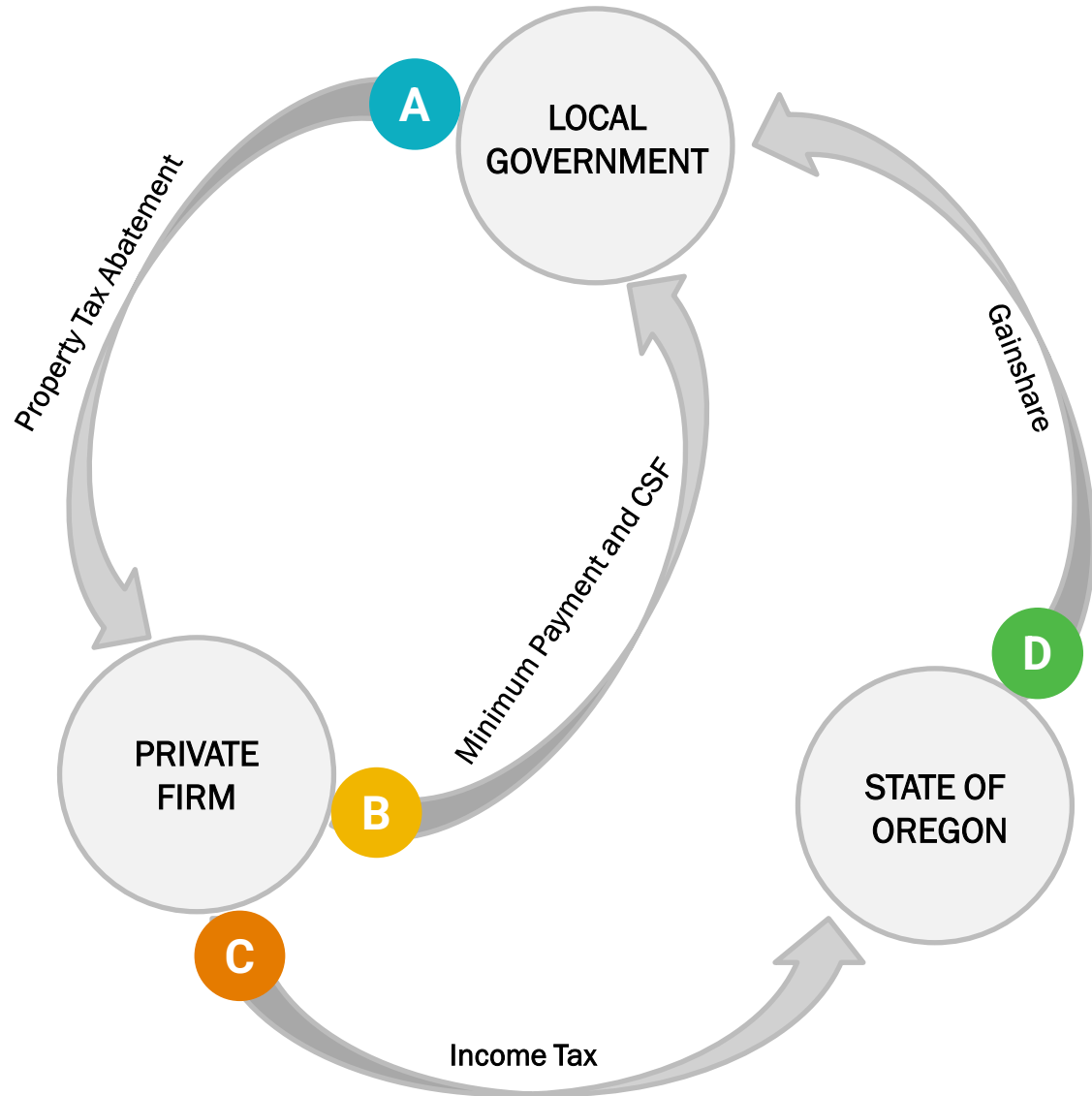
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C

State Payroll Taxes

The State collects income tax on jobs created or retained by the project.

HOW DOES IT WORK?



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State Payroll Taxes

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D

Gainshare

The State issues payments to local government based on income taxes with a cap of \$16 million per county.

WHY GAINSHARE?

Gainshare: 2007-2015

Added to distribute a share of payroll taxes collected to local jurisdictions to compensate for lost property tax revenues.

50% of revenues from new jobs

20% of revenues from retained jobs

Gainshare: 2015-current

Cap on Gainshare payments to local jurisdictions

\$16M annual cap on Gainshare Payments to any County

Local governments forego property tax revenue from participating SIP investments while the State gained personal income tax revenue from the new jobs associated with these investments. Gainshare is mechanism to share tax growth for the **upfront investment in providing opportunities for land development.**

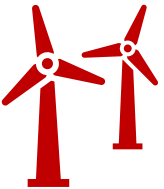
Company	Sector	County	Years Remaining*
Intel	Semiconductors	Washington	3 years
Georgia Pacific	Paper	Clatsop	1 years
Genentech	Advanced Man.	Washington	3 years
EDP Renewables	Energy	Union	1 years
Avangrid Renewables (Klondike)	Energy	Sherman	1 years
Portland General Electric (Biglow Canyon)	Energy	Sherman	1 years
Invenergy – Willow Creek Energy	Energy	Gilliam-Morrow	2 years
Avangrid Renewables (Hay Canyon and Star Point)	Energy	Sherman	2 years
Avangrid Renewables (Pebble Spgs. And Juniper)	Energy	Gilliam	2 years
Exelon (Echo)	Energy	Morrow-Umatilla	2 years
Eurus Energy (Combine Hills)	Energy	Umatilla	3 years
NEXtera Energy (Stateline)	Energy	Umatilla	3 years
Caithness Corporation (Shepherds Flats Gilliam)	Energy	Gilliam	5 years
Caithness Corporation (Shepherd Flats Morrow)	Energy	Morrow	5 years
Portland General Electric (Carty Generation Station)	Energy	Morrow	10 years
Portland General Electric (Port Westward)	Energy	Columbia	8 years
Intel	Semiconductors	Washington	10 years
Avangrid Renewables (Montague)	Energy	Gilliam	13 years
Amazon Data Services	Data Centers	Umatilla	12 years
CoHo Distributing	Distribution	Clackamas	13 years

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ACTIVE SIP PROJECTS



Three projects are advanced manufacturing investments in Washington County



14 of 20 projects are energy-related projects in rural Oregon.

* Through most recent tax year ending June 30th

Source: Business Oregon

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WASHINGTON COUNTY CONTEXT

ACTIVE SIP PROJECTS (Data from 2015-2021)

Intel 2005 Agreement

- **\$12.8** million in property taxes.
- **\$217** million in special fees
- **\$520** million in state income tax

2,482 Jobs

Genentech

- **\$21** million in property taxes.
- **\$9.5** million in special fees.
- **\$23.8** million in state income tax

518 Jobs

Intel 2014 Agreement*

- **\$7.4** million in property taxes.
- **\$50** million in special fees.
- **\$130** million in state income tax

6,301 Jobs

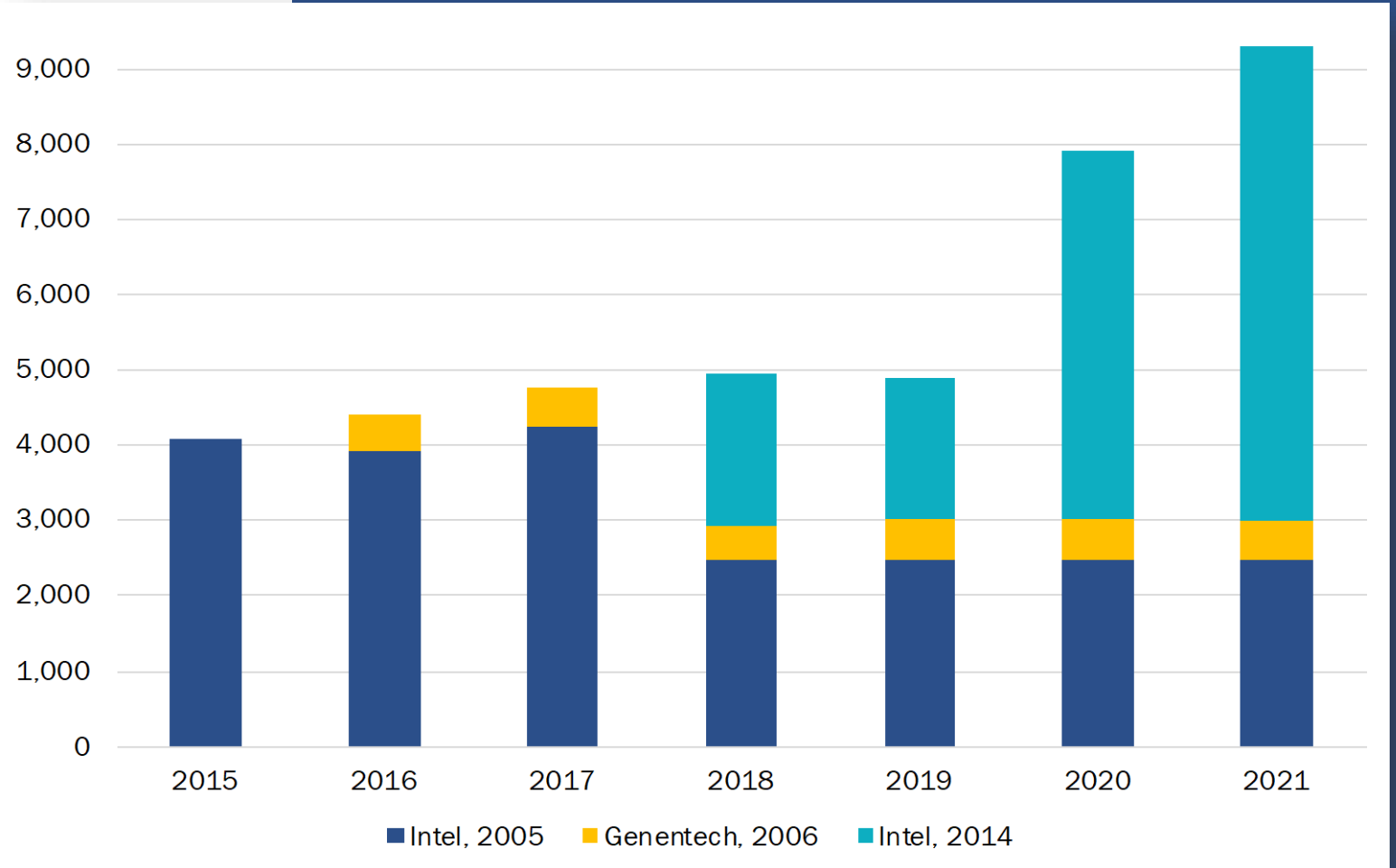
* Data only from 2017 following first investment

Source: Business Oregon

WASHINGTON COUNTY SIP
JOB CREATION

9,300 new jobs
created through 2021

Job Creation from SIP Projects (through 2021)

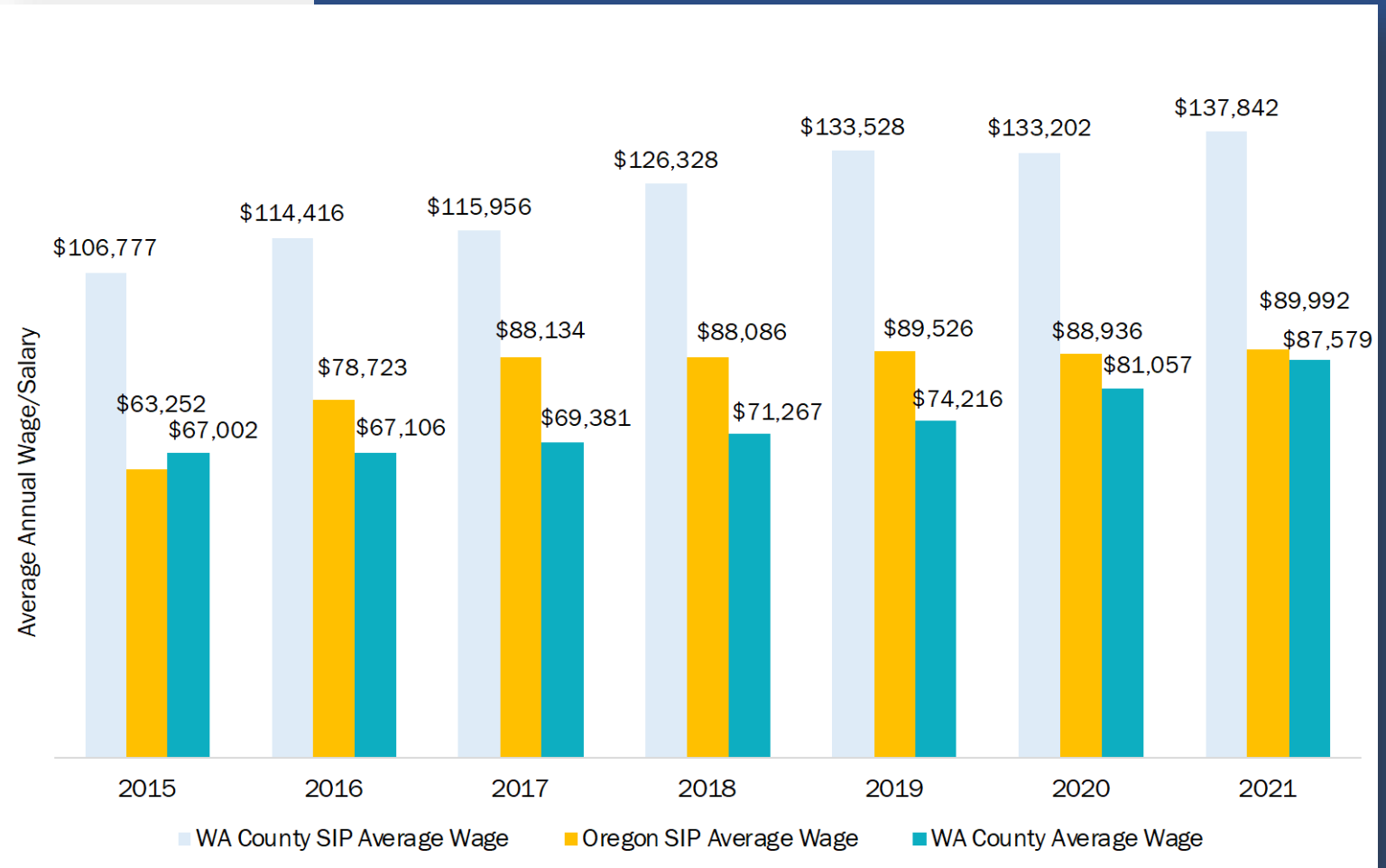


WASHINGTON COUNTY SIP

WAGES

Washington County SIP projects pay wages that are **53% higher** than other SIP projects.

Relative Average Wages for SIPs in Washington County, Oregon, and Washington County's Average Wage (2015-2021)



WASHINGTON COUNTY SIP

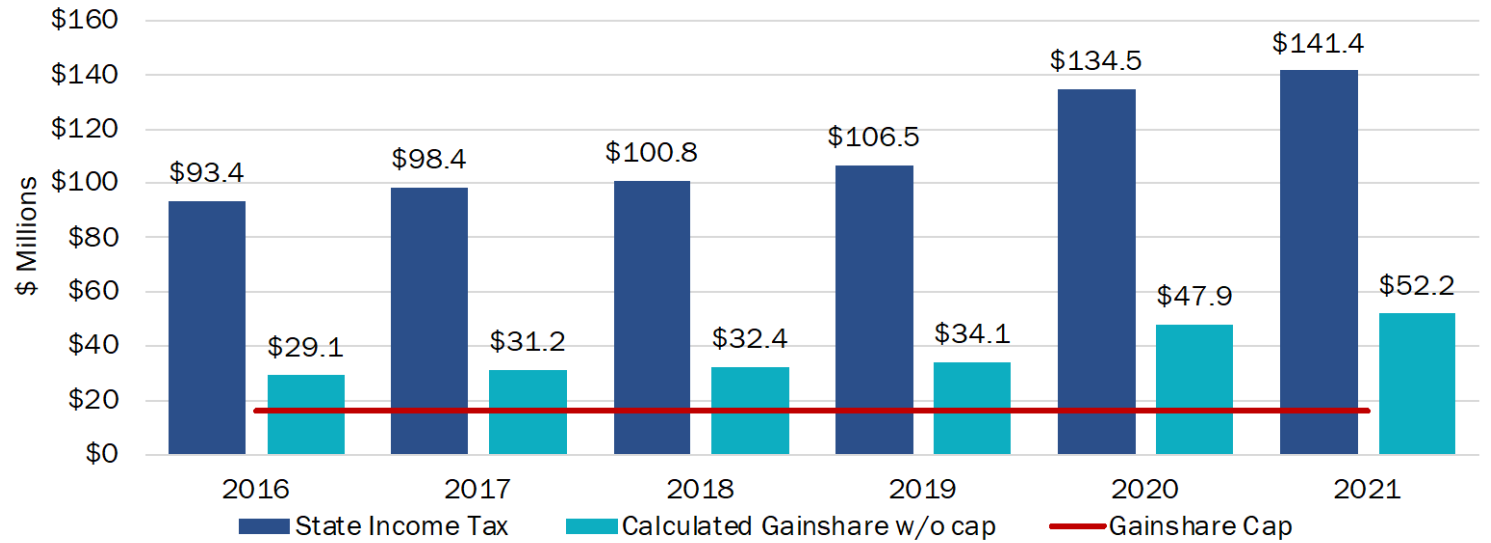
GAINSHARE

\$675M in
income tax revenue to
Oregon

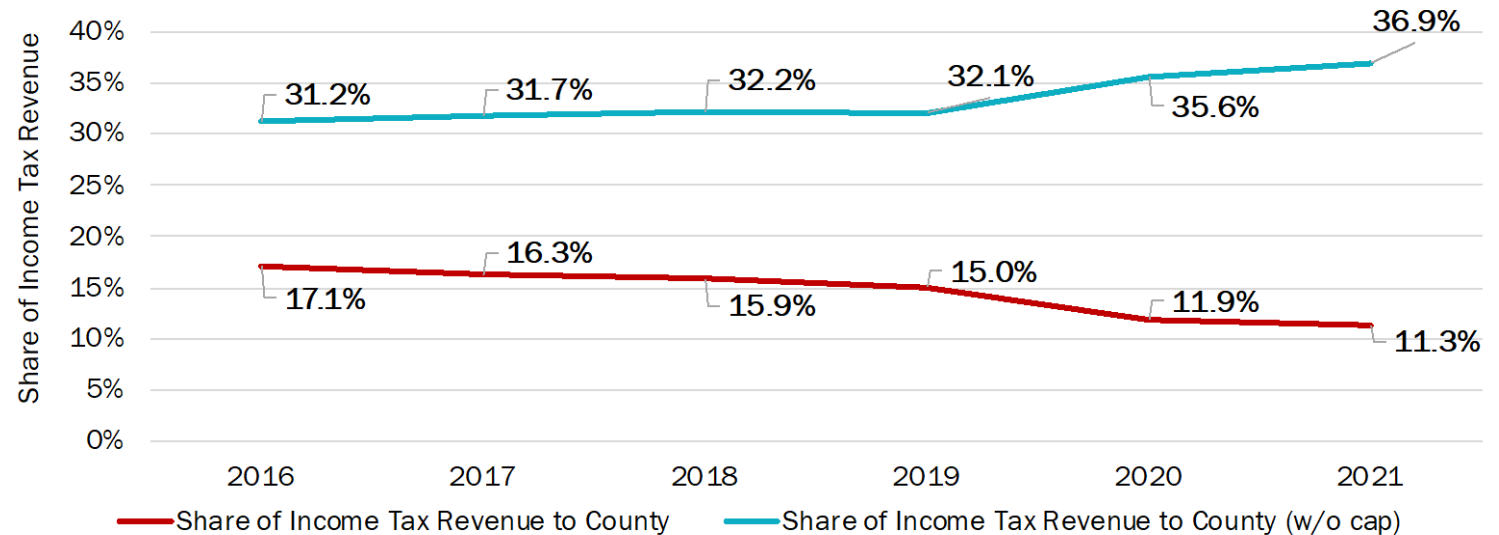
\$96M in
Gainshare to WA Co.

11.3% share of revenue
to WA Co. decrease from
17.1% to 11.3%

Income Tax and Gainshare in Washington Co. (2016-2021)



Share of Income Tax Shared with Washington Co. (2016-2021)



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WHY IS SIP IMPORTANT?

“The Department expects to give preference to projects that include state and local incentive packages that maximize regional and local competitiveness”

- US Department of Commerce

IMPORTANCE OF SIP

PEER STATE INCENTIVES

State	Grant Funds	Tax Incentives
Washington	Strategic Reserve Fund	Business & Occupational Tax reduced rates and credits that are industry-specific and per job in rural and other areas
Idaho	Idaho Opportunity Fund	ID Tax Reimbursement ID Business Advantage Local option property tax exemptions
Nevada		Package of partial abatements of personal property tax, sales and use tax and modified business tax
Utah	Industrial Assistance Fund	Economic Development Tax Increment Finance (EDTIF) Tax Credit
Colorado	Strategic Fund Job Growth Incentive Location Neutral Employment Incentive (LONE)	Job Growth Tax Credit Advanced Industries Investment Tax Credit
Minnesota	Minnesota Job Creation Fund	Greater MN Job Expansion Program Minnesota Investment Fund Angel Tax Credit
California		California Competes Tax Credit New Employment Credit Research and Development Tax Credit

CASE STUDY

NY CREATES

In response to the to the **CHIPS Act**, New York restructured the **NY Creates** program to compliment the CHIPS Act and make **Central New York** more competitive.

FAST NY Shovel Ready Program

Funding: \$200 million

Grants for making sites shovel ready

NYS Green CHIPS Program

\$500 million annually (\$10 Billion total)

Economic incentives for semiconductor manufacturing and supply chain projects that mirrors federal CHIPS incentives

Other Programs

- Coalition building through the American Semiconductor Innovation Coalition (ASIC)
- Established a State office for Semiconductor Expansion, Management, and Integration (GO SEMI)

Results



Micron 2022 Announced \$100 Billion megafab campus



Edwards Vacuum 2022 Announced \$320 Million pump manufacturing facility



GolbalFoundaries Expansion 2021 \$1 Billion+ expansion of existing campus



AIM Photonics 2021 \$321 Million Expansion for Silicon Photonics Ecosystem

ECONNorthwest

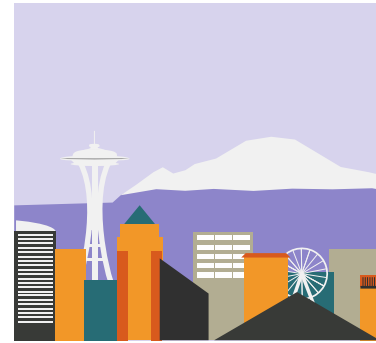
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Los Angeles



Portland



Seattle



Boise