

# STRATEGIC INVESTMENT PROGRAM 101

## HOW DOES THE SIP WORK?

Exempts a portion of large capital investment from property taxes.



### 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 the investment size.



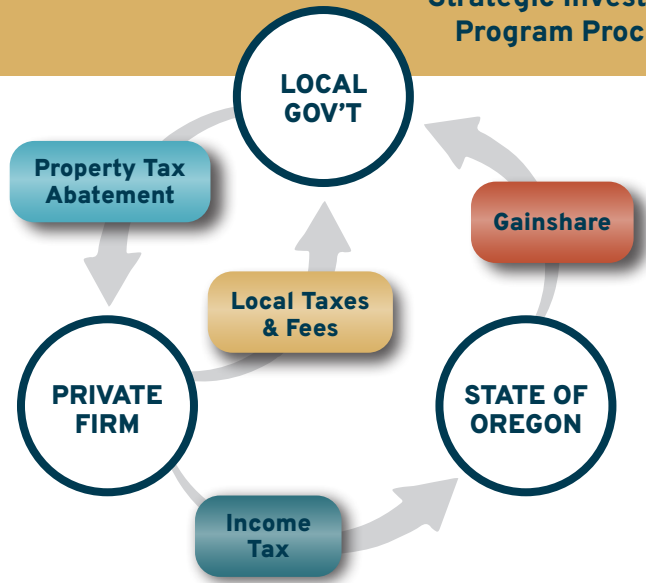
### COMMUNITY SERVICE FEE

Firms pay a fee equal to 25% or \$2.5 million (whichever is lower) of the abated tax amount. Additional fees beyond statute can be negotiated.<sup>1</sup>

### Taxable Portion of Investment

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 Process



### SIP Property Tax Abatement

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

### Local Taxes and Fees

The local government receives taxes on taxable portion, payments from community service fees, and other negotiated fees.

### State Payroll Taxes (income tax)

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

### Gainshare

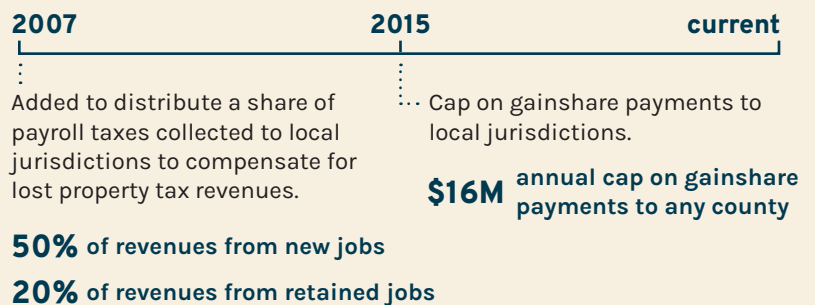
The State issues annual payments to local governments based on income taxes, currently capped at \$16 million per county. Cap currently only applies to Washington County

## WHY GAINSHARE?

Local governments forgo property tax revenue from participating SIP investments while the State gains personal income tax revenue from the new jobs associated with these investments.

**Gainshare is a mechanism to share tax growth for the upfront investment in providing opportunities for land development.**

### Gainshare Timeline



<sup>1</sup> Community service fees were increased from \$2 million to \$2.5 million in 2017. Many current SIPs are under the \$2 million fee statute cap.

# ECONOMIC IMPACTS

## NET ECONOMIC IMPACT OF WASHINGTON COUNTY SIPs, 2018-2021

The net economic impact of Washington County SIPs can be attributed to the new jobs and payroll associated with each investment. Between 2018 and 2021<sup>2</sup>, Washington County SIP agreements were associated with **\$23.9 billion in total economic output** and **\$377 million in total personal income tax revenue** from both the jobs directly supported by the company and those supported by the company's broader economic activity. When retained jobs reported under the Intel 2005 SIP are considered, personal income tax impacts total \$626 million.<sup>3</sup>

Over the 4-year period, the SIP agreements created **\$50.56 dollars of total economic output per dollar of property tax abatement** for Oregon's economy. When compared to total income tax revenue realized by the state, the total ROI is \$0.79 of income tax revenue per dollar of abatement net of local fees and taxes.

### RETURN ON INVESTMENT

We calculate the Return on Investment (ROI) of an impact based on net property taxes abated under each agreement. Net property taxes abated is equal to the adjusted value of the abatement less of statutory and negotiated fee payments and taxes on nonexempt property.



## SEMICONDUCTOR CAMPUS SCENARIO HIGHLIGHTS

Assumes a semiconductor company locates a new campus in Washington County.<sup>4</sup>

### CAMPUS OVERVIEW

- » **3.5 million SF facility**, constructed over 15 years
- » Total cost of **\$9.25 billion** in initial investment in property, machinery, and equipment
- » Employs **8,500 people** (assumes reinvestment in machinery/equipment consistent with industry trends)
- » **\$160,000 average compensation**

### ECONOMIC OUTPUTS—OVER 20 YEARS

- » **26,000 new jobs** are supported annually.
- » Supports an average annual total economic output of **\$11.3 billion** across eight industries in Oregon.

## Jobs, Wages, Income Tax, Gainshare 2021 Data for Washington County

- » **9,300 new jobs** created through 2021
- » Washington County SIP projects pay wages that are **57 percent higher** than non-SIP jobs (\$137,800 vs \$87,600)
- » **\$141.4 million** state income tax
- » Gainshare payments to Washington County are **capped at \$16 million per year** by statute. Under the initial agreement, Washington County's gainshare **would have been \$52.2 million** in 2021.

**\$16M**  
gainshare with cap

**\$52.2M**  
gainshare without cap



### FISCAL RESULTS

Assumes a multi-project SIP, modeled after the Intel 2014 SIP agreement. Over a 30-year period, fiscal impacts while under SIP agreements would be:

- » **\$61.5 million** in local property taxes retained
- » **\$75 million** in community service fees
- » **\$2.8 billion** in net state income tax.

Additional property tax revenues over the 30-year period in the range of \$280 to \$580 million could be realized when SIPs expire depending on rates of reinvestment, depreciation of facilities, machinery, and equipment, and applicability of future SIP agreements.

**Without the availability of the SIP program, Washington County and all of Oregon could lose out on the creation of the economic benefits and tax revenue for cities, counties, and schools.**

<sup>2</sup> The 2018 to 2021 period was used for this analysis because 2018 was the first year of reported tax abatements under the Intel 2014 agreement and 2021 was the most recent year data was available.

<sup>3</sup> Values in 2022 dollars. IMPLAN was used to calculate how these investments support the state economy directly and through supply chain purchases and household spending. The model results show the total economic output and personal income tax revenue from each SIP agreement in Washington County.

<sup>4</sup> This scenario is based on the Oregon Business Council's Economic and Fiscal Impact of Semiconductor Industry Expansion in Oregon. It assumes reinvestment and retooling of equipment and machinery on a 6-year cycle. Community service fees listed for the scenario were determined by statute only and do not include any potential specially negotiated fees.