

Intel Strategic Investment Program Agreements



Washington County, the City of Hillsboro and Intel Corporation recently negotiated a proposed 30-year agreement that would provide up to \$100 billion of investment over multiple, concurrent 15-year periods beginning as soon as 2015. As with past agreements, the 2014 proposal would require Intel to pay the equivalent of full property taxes on all land and buildings associated with each SIP project. The proposal would allow for partial property tax savings to Intel for investment in machinery and equipment used for semiconductor manufacturing. This machinery and equipment costs billions of dollars to create and can become obsolete within a few years.

The 2014 proposal is the fifth for Intel since the program's inception. Two SIP agreements were approved in 1994, a third in 1999 and the most recent in 2005. The two 1994 agreements provided for Intel investment of up to \$3.4 billion, the 1999 agreement for up to \$12.5 billion and the 2005 agreement for up to \$25 billion.

What is the Strategic Investment Program (SIP)?

The Strategic Investment Program (SIP) was authorized by the 1993 Legislature to increase Oregon's ability to attract and retain capital-intensive industry and high-wage jobs. Projects approved for the SIP must pay full property taxes on the first \$100 million invested, or first \$25 million in a rural area, a cap that increases 3 percent each year. An annual Community Service Fee equal to 25 percent of abated taxes, up to \$2 million in an urban area or \$500,000 in a rural area, must also be paid. Additional fees can be negotiated.

Who is involved in a SIP?

The Strategic Investment Program is a partnership on several levels. In terms of inter-governmental cooperation, the process involves the Governor's Office and Business Oregon working together with local governments to recruit major employers and support economic development. Public-private partnership is also at the heart of the process where local governments negotiate with capital-intensive businesses to create employment in areas where major investment would occur. These partnerships are critical for working through the details and complexities of such an investment.

Why would the City and County enter into a SIP agreement?

SIP agreements have allowed local governments throughout Oregon to attract and retain capital-intensive businesses and high-wage jobs. Since 1993, agreements in Washington County have resulted in nearly \$30 billion in investment and 18,000 jobs locating here. In the case of Intel, ECONorthwest, a private consulting firm, recently identified the following:

- In 2012, Intel had an annual payroll of \$2.8 billion and 16,500 employees, making Intel the single-largest private-sector employer in Oregon.
- For every one Intel job, three additional jobs were created statewide.
- This ripple effect added up to nearly 68,000 jobs – about 4 percent of the state's workforce.
- Intel's total economic impact was also measured at \$26.7 billion in 2012, or about 8.7 percent of the state's total.
- This ripple effect of economic impact has led to gross payments totaling \$327.7 million in state income taxes and local property taxes in support of public services statewide.

What taxes and fees would the agreement generate?

Actual payments under the proposed 30-year SIP agreement would depend on the nature and timing of Intel's investment. Based on a scenario of two \$50 billion investment packages focused on the replacement of semiconductor manufacturing equipment, Intel's total estimated property tax and fee payments for the full 30-year period are projected in the table below. Other investment scenarios would result in different estimates than those shown here.

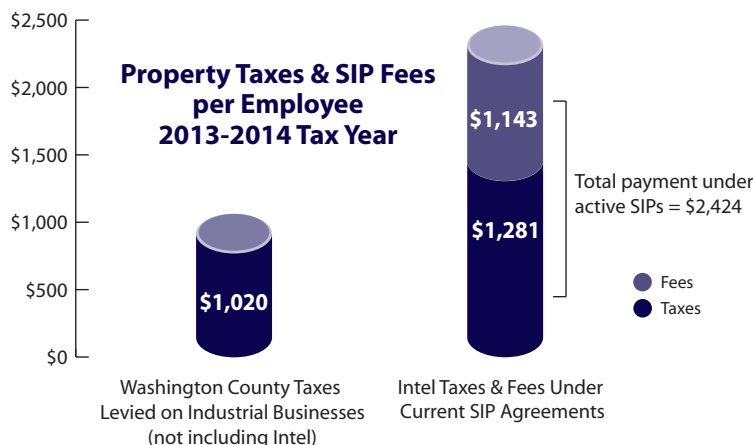
| Estimated Intel Taxes and Fees for SIP 2014 Proposal | | | |
|---|------------------------|---|------------------------|
| Cumulative totals in current dollars over 30-year agreement | | | |
| | Required by State Law | Negotiated by Washington County & City of Hillsboro | Total Taxes & Fees |
| Property tax on first \$100 million | \$64.0 million | | \$64.0 million |
| Community Service Fee | \$58.0 million | | \$58.0 million |
| Guaranteed Annual Payment (30-year total) | | \$57.4 million | \$57.4 million |
| In-Lieu-Of Fee | | \$170.0 million | \$170.0 million |
| Charitable Payment | | \$0.6 million | \$0.6 million |
| Totals: | \$122.0 million | \$228.0 million | \$350.0 million |

Note: These taxes and fee payments are estimated based on Intel's projected investment focused largely on equipment replacement using 2014 dollars over a 30-year period. Actual payment amounts will vary depending on how much and over what timeline Intel invests during the life of the proposed agreement.

How much in taxes and fees would Intel be paying under this proposal as compared to other businesses?

Under the current Intel SIP agreements approved in 1999 and 2005, Intel was levied more property taxes than any other property tax payer in Washington County in 2013-2014.

On a per-employee basis, Intel was levied substantially more than other industrial/manufacturing businesses operating in Washington County in 2013-2014. The proposed 2014 agreement would continue the approach from the 1999 and 2005 agreements, although the precise amounts of taxes and fees would depend on the timing and nature of Intel's investment under the 2014 proposal.



Would schools and other public services receive more revenue without this kind of agreement?

No, because Intel has consistently said that a SIP agreement would be required before its billions of dollars of investment in Washington County would be considered. Should a 2014 SIP agreement be approved, Intel's land and buildings would continue to generate payments at a rate proportionate to those made by every other business in Washington County. Using prior Washington County SIP agreements as a model, any tax savings to Intel would come from its investment in chip-making equipment, which costs billions of dollars to create and can become obsolete after a few years. This approach would help continue Intel's level of investment in the community, continue job retention and the ripple effect of jobs at other businesses. This approach would also help continue property tax funding for county and city services, and continue state income tax funding for schools.

