



April 4, 2023

Chair Representative Nancy Nathanson
Vice-Chairs Representative E. Werner Reschke and Representative Jules Walters
Members of the House Committee on Revenue

VIA OLIS

Re: HB 3011

Dear Chair Nathanson and Members of the House Committee on Revenue:

As you know, Washington County is the second largest county in Oregon and one of the most diverse counties in the state. This is a fact that we are proud of and is a result of the work over the last two decades using the few tools available to incentivize economic development. The job opportunities and development that the county has garnered has led to a near doubling in population since the 1990s.

A key to the county's growth is the considered use of the Strategic Investment Program (SIP) to reach agreements with large employers that are engaged in cutting-edge development. These industries have facilities in multiple states and provide high-wage, long-term career opportunities to people throughout the Metro region. Through the SIP agreements that we have negotiated, thousands of new jobs have been created by those businesses as well as incentivizing the growth of other businesses that supply, support, and serve those primary companies.

The reason why SIP agreements work as an incentive is based on how the State of Oregon taxes property. Unlike many other states property tax systems, all things classified as property is taxed at the same rate – land, buildings, equipment and personal property. Other property tax systems will tax different property types at different rates. So, where industries have high-cost equipment with shorter life-cycles, the Oregon property tax system is a barrier to investment and growth.

What SIP agreements do, is create a payment in lieu of taxes for the equipment and personal property that would otherwise be subject to local property tax rates. However, they do not complete write-off of all property taxes. Per statute, there are thresholds before an investment qualifies for agreement and a minimum level of the new investments that are subject to standard property taxation. In addition, it provides for some payments, with a cap. Local government then negotiate beyond those minimums as part of the SIP process. In fact, in

Washington County, Intel is our partner in multiple SIP agreements but is also our highest property taxpayer.

Washington County has been using the SIP program since its outset, and we have worked to negotiate the agreements to support long-term growth of these companies through a temporary tax abatement. Investments in Washington County alone have had an estimated increase in income tax from the new and retained job of over \$141 million in 2022 according to Business Oregon's annual payroll reports (oregon.gov/biz/Publications/SIP%20Annual%20Program%20Summaries/SIPsum2022.pdf). Across the state, SIP agreements have created approximately \$145 million in income tax revenue to the state in the same year.

This is how our property investments show the return on investment and provide revenues to the state, a small portion of which is then shared back with local governments through the Gain Share program. Of the \$141 million in income tax revenue that Washington County SIP agreements create, the state retains \$125 million as general fund and \$16 million is then shared back to the local government taxing districts. Of that \$16 million, the County receives \$9.1 million and the remaining \$6.9 million is disbursed to the city and special districts based on their proportionate share of property tax rates. The SIP and Gain Share programs work hand in hand to allow for long-term growth of revenues for all levels of government.

Washington County shares a desire to review the SIP program, sideboards and fees that are called for in statute and are willing to participate in a conversation around modernizing the program. There is room to review the value of investments as we partner to meet the shared goals of the state and local governments to create sufficient revenues to provide services that make us a community.

However, we are concerned about making changes that fundamentally impact our ability to use the tool to meet local needs or reach agreements with businesses. As the local elected leaders, county commissioners need to balance opportunities with the costs, and we need the flexibility for local decision making throughout the process of negotiating and using revenues we create through agreements.

One key that is necessary for local governments and businesses alike is certainty around all aspects of the program. SIP agreements last 15 years as a means of creating that certainty while also creating value to both sides. An insufficient length of agreement may substantially reduce the impact of the incentive and dissuade further investment in local facilities.

Certainty is also vital to the success of these programs to show our partnership to the federal government as they look to invest in the semiconductor industry with the significant resources included in the federal CHIPS Act. In looking at how the SIP program functions to support CHIPS Act applications, we need to make a strong showing that we have tools that work to support and complement the federal programs – and that means long-term support in incentives to

keep the semiconductor economic ecosystem invested in investing in future growth here at home.

We appreciate the ongoing conversation about how we can balance the tools without hampering the opportunities they can provide. As we look to modernize the SIP tools, we need the program to continue to function. Incentives need to allow us to take advantage of opportunities to create communities where people can find living-wage jobs in multiple industries and receive all of the services that are expected from the county.

Local governments do not have many tools in the toolbox to encourage growth, but incentive programs are fundamental to success. And growth is the only means that we can truly increase the resources available to meet community needs.

We look forward to further conversations on how to best modernize the SIP tool.

Sincerely,

Erin Doyle
Senior Government Relations Manager
Erin_Doyle@washingtonty.or.gov