



MULTNOMAH COUNTY AGENDA PLACEMENT REQUEST (revised 09/22/08)

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Meeting Date: 05/07/09
Agenda Item #: R-8
Est. Start Time: 9:55 AM
Date Submitted: 04/01/09

Agenda Title: **Amended Strategic Investment Program Contract Between Multnomah County, the City of Gresham and Microchip Technology, Incorporated**

Note: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide a clearly written title sufficient to describe the action requested.

Requested Meeting Date: May 7, 2009 **Amount of Time Needed:** 15 Minutes
Department: Non-Departmental **Division:** Office of the Chair
Contact(s): Peggidy Coffman Yates
Phone: 503.988.4878 **Ext.** 84878 **I/O Address:** 503/600
Presenter(s): Peggidy Coffman Yates, Sandra Duffy, Kathy Clevenger

General Information

1. What action are you requesting from the Board?

We are requesting the Multnomah County Board of Commissioners approve an Amended Strategic Investment Program (SIP) Contract between Microchip Technology Incorporated, the City of Gresham and Multnomah County. The Amendment extends the SIP Contract signed by the parties in 2002 from seven years to a standard 15 year period referenced by the State of Oregon statutes.

2. Please provide sufficient background information for the Board and the public to understand this issue. Please note which Program Offer this action affects and how it impacts the results.

The Strategic Investment Program is a performance-based public/private partnership designed to attract local investment by capital intensive industries and promote job creation.

Microchip Technologies Inc., headquartered in Chandler, Arizona is a leading global manufacturer of microcontrollers and analog semiconductors, designs, manufactures and sells their production in facilities located in Asia, Europe and Japan. In 2002, Microchip was evaluating the Fujitsu Microelectronics plant in Gresham as another production facility. A critical component of the purchasing of the Fujitsu site their ability to qualify, gain approval and execute a Strategic Investment Program Contract which provided partial property tax abatement on their \$183.5 million investment. Under the existing SIP Contract, Microchip pays property taxes on the first \$100 million of investment which increases by 3% annually over the life of the contract. Investment

greater the \$100 million receives a property tax abatement but in return the Company is required to pay an annual Community Service Fee on 25% of abated taxes up to \$2 million per year.

Microchip remains an excellent partner with the County and City fulfilling its contractual obligations outlined including meeting employment projections, providing employee job training, focusing on local hiring, good wages and benefits, making timely payment of property taxes and Community Service Fee, contributing to the local community and adhering to all reporting requirements.

Microchip wants to double its wafer production and is determining whether to make the additional investment in Gresham, Chandler or offshore. The projected invest is in excess of \$110 million in Fab 4 production and represents an increase employment from 360 to 600 by 2018. The Current average annual salary at the Gresham plant is over \$42,000. The extension of the SIP to 15 years makes Gresham an economically viable manufacturing site when compared to China and the Philippines. Prior to making any capital decision, Microchip requires approval of an Amended SIP Contract that extends the expiration date to 2018.

3. Explain the fiscal impact (current year and ongoing).

The existing contract between Microchip, Multnomah County and City of Gresham terminates June 30, 2010. Based on an Amended SIP, Microchip will continue to pay property taxes on the initial \$100 million of investment and an annual Community Service Fee of 25% of abated taxes on any investment exceeding \$100 million up to \$2 million until 2018. Projected tax abatement over the extension period is contingent upon timing of the proposed investment and the depreciation schedule.

In addition to the direct benefit of employment growth and private local investment, it is estimated that for every dollar invested in the semiconductor industry in the region, it generates an additional \$2.9 in secondary impacts including suppliers and ancillary services.

4. Explain any legal and/or policy issues involved.

The standard State of Oregon SIP contract is 15 years. In 2002, the Multnomah County Board approved a 7 year contract based upon the economic climate and the projected benefits associated with the company's investment. Extending the Microchip SIP to 15 years brings the Microchip contract in line with the state standard. In addition to the amended contract, Microchip will sign a revised First Source Agreement (FSA) in accordance with Oregon statutes. The FSA stipulates that Microchip will make every effort to hire locally.

5. Explain any citizen and/or other government participation that has or will take place.

The original Strategic Investment Zone Contract, signed in 2002, was between Multnomah County, City of Gresham and Microchip Technology Incorporated. Microchip Technology Incorporated and the City of Gresham are required to sign the Amended Contract. Microchip has approved the Amended Contract and Gresham City Council is scheduled to take action on May 5, 2009. In addition to the Amended SIP Contract, Multnomah County has received approval from Worksystems, Inc. to act as agent for the First Source Hiring Agreement, similar to their role in the Strategic Investment Zone standardized contracts.

Required Signature

Elected Official or
Department/
Agency Director:



Date: 04/01/09