



AGENDA COVER MEMO

Memorandum Date: May 28, 2025

Agenda Date: June 10, 2025

TO: Board of County Commissioners

DEPARTMENT: County Administration/Community and Economic Development

PRESENTED BY: Jason Harris, Community and Economic Development Manager

AGENDA ITEM TITLE: ORDER/In the Matter of the Approval of Oregon Strategic Investment Program Agreement between Lane County and Sierra Pacific Industries and a Request that the Oregon Business Development Commission Determine Under ORS 285C.606(1) that the Eugene Sawmill be Exempt from Property Taxation Under ORS 307.123.

I. MOTION

Move to approve the Oregon Strategic Investment Program Agreement between Lane County and Sierra Pacific Industries and request that the Oregon Business Development Commission Determine Under ORS 285C.606(1) that the Eugene Sawmill be Exempt from Property Taxation Under ORS 307.123

II. AGENDA ITEM SUMMARY

Sierra Pacific Industries (SPI) has requested Lane County's approval of an Oregon Strategic Investment Program Agreement (SIP Agreement) pursuant to ORS 285C.600-285C.620 and ORS 307.123 and request for the application to be submitted to the Oregon Business Development Commission (OBDC) for official determination that the project qualifies for property tax exemption.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

On March 19, 2024, the Board received an overview of Oregon's Strategic Investment Program (SIP) by County and Business Oregon staff. The SIP was

established by the Oregon legislature in 1993 to provide a 15-year property tax exemption to support large capital investments of at least \$150 million at an urban site or at least \$40 million at a rural location in Oregon. Under the SIP, only new qualified investment is abated. Existing property taxes are not abated. The program has been utilized in 15 Oregon counties, to date there has not been a project to use the SIP in Lane County.

Sierra Pacific Industries approached Lane County staff in the spring of 2024 regarding the company's interest to invest approximately \$250 million in new buildings and site improvements, equipment and technology upgrades at their 150-acre Eugene sawmill site on Highway 99 and utilize the SIP. The Eugene sawmill site is considered an urban SIP which requires an investment of at least \$150 million. The company is intending to retain all of the 347 employees at the site. The sawmill site investments are estimated to occur over a four-year construction horizon with tentative plans for ground-breaking in the summer of 2025. This sequencing allows for maintained manufacturing operations and the company's ability to maintain full employment throughout the construction duration. The project will also contribute to substantial construction job creation during the multi-year build timeframe.

On May 20, 2025, a public hearing was held before the Lane County Board of Commissioners to provide a public presentation on the Sierra Pacific's SIP application and the proposed terms of a SIP agreement and for the opportunity to gather public input regarding a property tax exemption under the SIP for the Sierra Pacific Industries Eugene Sawmill Project. There were four speakers who provided testimony, all were in support of the project, the SIP application and proposed terms of an agreement between the County and Sierra Pacific.

B. Policy Issues

The Oregon Strategic Investment Program (SIP) is authorized under ORS 285C.600-285C.635 and OAR 123-623. Eligible businesses must be determined by the Oregon Business Development Commission (OBDC), finding that the project will be developed by a business firm in the traded sector which consists of industries in which member firms sell their goods or services into markets for which national or international competition exists. A project to be eligible it must a total investment cost of at least \$150 in urban areas or \$40 million in rural areas. An urban area is defined as a site within an urban growth boundary of a city with a population of at least 40,000. The Sierra Pacific Eugene sawmill is considered an urban SIP.

The SIP provides eligible businesses tax abatements on new real and personal property investments only; existing property taxes are paid in full through the duration of the SIP period. If the SIP is located within a city or port district, their governments also need to be parties to that agreement. Once agreement has been made, the County's governing body must hold a public hearing before the

agreement is executed.

Upon execution of the agreement, the business must apply to Business Oregon for the OBDC determination. The application needs to precede any investment in the project as OBDC cannot make its determination without full local approval, including a vote by the County’s governing body.

The Community and Economic Development Strategic Plan envisions utilizing state authorized economic development tools such as the SIP to support business investment, retention of skilled workforce and living wage jobs as well as increasing the tax base to support County services. While the SIP hasn’t been utilized in Lane County, the use of the enterprise zone property tax program which similarly provides tax benefits to new investment has been approved for a number of companies in some of the County’s seven enterprise zones.

C. Board Goals

The Board of Commissioners adopted four strategic priorities in the Strategic Plan. The Vibrant Communities priority applies to this item.

D. Financial and/or Resource Considerations

If the County and Sierra Pacific Industries enter into a 15-year SIP agreement and the company proceeds with the proposed \$253 million Eugene sawmill investment, the company would pay approximately \$24.5 million in property tax on their existing site and improvements over the SIP term. The company would also be required to pay tax on the first \$100 million on the new capital investment that would total approximately \$19.9 million over the SIP term. Under the SIP property tax abatement, the company would receive approximately \$7.9 million in tax savings. However, the company would have to pay a 25 percent fee on that tax savings as Community Service Fee payments which would total approximately \$2 million over the 15-year SIP term to the County and the non-educational service districts with taxing authority in the project area.

At the end of the SIP agreement term Sierra Pacific Industries would be required to pay the full tax payment on the project site annually thereafter. Sierra Pacific’s total property tax and community service fee payments are estimated to total approximately \$46.4 million over the 15-year term, the company’s net property tax savings is estimated to be approximately \$5.9 million. If the SIP agreement is not authorized and the company made the full investment envisioned their property tax would total approximately \$52.3 million during the 15-year period. The chart below outlines the estimated total payments:

	Total After 15-Year SIP Term
Sierra Pacific existing property tax not exempted	\$24.5 M

Sierra Pacific property tax on new investments with SIP	\$19.9 M
Sierra Pacific tax savings with SIP exemption - \$7.9 M	
Sierra Pacific Community Service Fee (25% of savings)	\$2 M
Sierra Pacific Total Tax and Comm. Service Fee with SIP	\$46.4 M
Sierra Pacific property tax without SIP - \$52.3 M	

The County would receive approximately 12 percent of the estimated \$44.4 million in tax payments totaling approximately \$5.3 million. The County could receive approximately half of the \$2 million Community Service Fee payments. Additionally, Sierra Pacific has proposed to provide voluntary, additional payments to the County as either a \$525,000 one-time upfront payment or a \$35,000 payment annually over the 15-year SIP term to support public safety, rural patrol activities. Additionally, the company has offered a one-time payment of \$10,000 to the County to cover administrative costs of the SIP.

Staff recommends the Board select the \$525,000 one-time upfront payment to maximize the financial and administrative benefits that a one-time payment at the beginning of the SIP term provides.

E. Health Implications

There are no negative health implications associated with this application.

F. Analysis

In 1993, the Oregon legislature approved the Strategic Investment Program (SIP) to encourage large capital investments through an alternate taxing structure. The statute was further amended in 2003, to add requirements specific to rural areas. SIP is a special assessment and taxation program, with substantial amount of project property value added to the tax rolls immediately. For an urban SIP, a project investment must exceed \$150 million in new equipment, facilities or site investments.

Under the SIP the initial \$100 million of new investment is taxed with an annual three percent escalation during the 15-year SIP term. Sierra Pacific's tax on the new investments of \$100 million is estimated to generate approximately \$19.9 million in new property taxes. Additional new investment above the \$100 million is abated, a minimum investment of \$150 million is required. The company will be required to pay existing property taxes during the SIP term, which is expected to total \$24.5 million over the 15-year term. The net savings to the company is estimated to be approximately \$5.9 million over the SIP term.

SIP requires a Community Service Fee payment, representing 25% of the tax savings, for distribution by the County (separate distribution agreement). The CSF distribution to the County includes non-education taxing districts that levy taxes on property located in a tax code area containing any part of the approved project. It is estimated that the company will be obligated to pay approximately two million in CSF payments to the County, Lane Fire Authority, Junction City Water Control District and Upper Willamette Soil and Water Conservation District during the SIP term. The County will be required to enter into a separate CSF agreement with the service districts to distribute the CSF payment proceeds.

The SIP has no statutory requirement for new employment but a First-source hiring agreement with the State is required. After a local public hearing and Board of Commissioner approval of a SIP agreement, the company submits their application and request to the Oregon Business Development Commission for final determination and approval. At that point the County has ninety days to enter into CSF distribution agreements with the local taxing districts.

Sierra Pacific Industries SIP Request

Sierra Pacific has requested a SIP agreement to support a projected \$253 million renovation and upgrade of facilities, equipment and site improvements to the Eugene sawmill located at 90201 Highway North in Eugene.

The SIP CSF distribution agreement must be formalized by the Board of Commissioners and executed with the taxing districts within three months of the date of approval of the project SIP by the Oregon Business Development Commission. The taxing districts eligible for a proportional share of the CSF include: the County, Lane Fire Authority, Junction City Water Control District and Upper Willamette Soil and Water Conservation District.

In addition, to the statutory tax payments and the CSF, Sierra Pacific has proposed additional payments to the County of either a \$525,000 one-time upfront payment or a \$35,000 payment annually over the 15-year SIP term to support public safety, rural patrol activities. Additionally, the company has offered a one-time payment of \$10,000 to the County for administrative costs as well offering guarantee to maintain operations and full employment throughout the SIP term as well as committing to a minimum capital investment of \$150 million.

If the SIP is authorized the company anticipates commencement of construction by mid-summer 2025 and be completed by fall 2028.

G. Alternatives/Options

1. Board may move approval of the SIP Agreement and request OBDC determination of eligibility of the SIP application.
2. Board may request Sierra Pacific and County offer alternative terms of the

- SIP Agreement for consideration.
3. Board may reject proposed terms and direct staff for alternative options.

IV. RECOMMENDATION

Staff recommends option 1.

V. TIMING/IMPLEMENTATION

Staff will proceed as directed by the Board. Should the Board authorize approval, staff will work with Sierra Pacific to provide necessary documentation for the final OBDC determination.

VI. FOLLOW-UP

Staff will return to the Board with the Community Service Fee distribution agreement if the Board approves this item.

VII. ATTACHMENTS

A. Board Order

BEFORE THE BOARD OF COMMISSIONERS OF LANE COUNTY, OREGON

ORDER
NO: YY-MM-DD-XX

IN THE MATTER OF THE APPROVAL OF
OREGON STRATEGIC INVESTMENT
PROGRAM AGREEMENT BETWEEN LANE
COUNTY AND SIERRA PACIFIC
INDUSTRIES AND A REQUEST THAT THE
OREGON BUSINESS DEVELOPMENT
COMMISSION DETERMINE UNDER ORS
285C.606(1) THAT THE EUGENE
SAWMILL BE EXEMPT FROM PROPERTY
TAXATION UNDER ORS 307.123

WHEREAS, the Oregon Legislature has established the Strategic Investment Program (SIP) ORS 307.123 and ORS 285.600-285.635 to promote business investment and improve employment by encouraging business firms to hire employees from the region in which the project is to be located whenever practicable; and

WHEREAS, SIP encourages local governments to enter into agreements with traded-sector industries to attract and retain long-term investment and employment; and

WHEREAS, Sierra Pacific Industries proposes to invest approximately \$253 million in new facilities, equipment and site improvements at their Eugene sawmill (90201 Highway North in Eugene, Oregon) and has approached Lane County about the SIP; and

WHEREAS, Sierra Pacific Industries and Lane County have entered into negotiations to develop an Oregon Strategic Investment Program Agreement (SIP Agreement) that requires, among other things, that Sierra Pacific Industries, pay a Community Service Fee to Lane County as required by statute; and

WHEREAS, the SIP Agreement provides the terms and conditions under which the County agrees to request that the State, acting through the Oregon Business Development Commission, approve Sierra Pacific Industries SIP application and grant a certain tax exemption for the Eugene sawmill, in exchange for payment and performance of Sierra Pacific Industries of the obligations described in the SIP Agreement; and

WHEREAS, a public hearing was held on May 20, 2025 before the Lane County Board of Commissioners at the Lane County Public Services Building, in Eugene, Oregon, to provide public information and an opportunity for public input regarding a property tax exemption under the SIP for the Sierra Pacific Industries Eugene Sawmill Project; and

NOW, THEREFORE BE IT ORDERED as follows:

1. The County hereby approves the SIP Agreement between Sierra Pacific Industries and the County; and
2. The County hereby requests that the State, acting through the Oregon Business Development Commission approve the Sierra Pacific Industries SIP application and grant the tax exemption under ORS 307.123 for the Eugene sawmill, in exchange for payment and performance by Sierra Pacific Industries of the obligations described in the SIP Agreement.

BE IT FURTHER ORDERED, that Lane County appoints the County Assessor for Lane County to serve in the capacity of the local administrator for the SIP in Lane County; and

BE IT FURTHER ORDERED, that the SIP administrator shall assist Sierra Pacific Industries, in submitting copies of this Order and other evidence of Lane County's fulfillment of provisions under ORS 285C.609 to the Oregon Business Development Department; and

BE IT FURTHER ORDERED, the Lane County Administrator is authorized to sign all necessary documents and take appropriate action to facilitate the use of the SIP property tax abatement as described in this order.

ADOPTED this 10th day of June, 2025.

David Loveall, Chair
Lane County Board of Commissioners

Oregon Strategic
Investment
Program (SIP)

Sierra Pacific Industries Strategic Investment Program (SIP) Agreement with Lane County

Strategic Investment Program (SIP) Overview

SIP offers a 15-year property tax exemption on a portion of large capital investments by "traded sector" businesses anywhere in Oregon

NEW investments of at least **\$150M** in urban areas or **\$40M** in rural areas

First \$100M of SIP project taxed, all additional project investment exempt from tax

Value of taxable portion (\$100M) of SIP investment grows by 3% each year of the 15-year SIP period

No statutory employment requirement – requires a First-source hiring agreement with State

Strategic Investment Program Overview - Community Service Fee (CSF)

Business pays **Community Service Fee (CSF)** equal to 25% of each year's property tax savings.

Distribution of CSF is subject to another agreement between **County and 75% of non-educational service districts** with taxing authority in code areas of project.

Non-Educational Service Districts are:

- Lane Fire Authority
- Lane County
- Junction City Water Control District
- Upper Willamette Soil & Water

Sierra Pacific's Eugene Sawmill Investment

Eugene Sawmill

- 347 employees
- 3 sawmills
- Cogeneration renewable energy power facility
- New \$8M fabrication & trucking facility
- + Initiated discussions with County about SIP in early 2024
- + Proposed approximately **\$253M** investment
- + Modernizations, modifications & replacements of existing processes improving safety and increasing flexibility.
- + Project sequencing to maintain production & retention of all 347 crewmembers.



Project Location:
Sierra Pacific Eugene
Sawmill Site

90201 North Hwy 99

Approx. 150 acres

	Total After 15-Year SIP Period
Sierra Pacific existing tax (improvements not exempted)	<u>\$24.5M</u>
Sierra Pacific additional tax from new investments <i>with</i> SIP exemption	<u>\$19.9M</u>
Sierra Pacific gross tax savings <i>with</i> SIP exemption	\$7.9M
SIP Community Service Fee (25% of tax savings)	<u>\$2M</u>
Sierra Pacific Tax & Community Service Fee Paid with SIP exemption	<u>\$46.4M</u>

SIP Summary Projected Property Taxes

Property Tax ***without*** SIP
exemption - \$52.3M

Estimated net tax savings:
\$5.9m

Proposed Business Terms SIP Agreement

1. **Community benefit payment** to Lane County to support public safety services in either two forms:
 - \$525,000 one-time payment at project occupancy OR
 - \$35,000 annual payment over 15-year SIP term
2. **One time \$10,000 admin fee** payment to County;
3. **Performance guarantees:**
 - a) Employment Level Assurance – guarantee maintain operations during SIP term; and
 - b) Committed to \$150M minimum investment, investment/project completion by 2028

SIP Process

Next Steps



Business submits SIP application to Business Oregon



County and Business negotiate terms of SIP agreement



County holds Public Hearing



County Board votes on agreement and forwards to Oregon
Business Development Commission (OBDC)



OBDC makes determination of eligible project



County has 90 days following OBDC determination to
complete an agreement on the allocation of the
Community Service Fee with 75% of the non-educational
taxing districts in the SIP project tax code area.

Board Considerations

1. Board may move approval of the SIP Agreement and request OBDC determination of eligibility of the SIP application.
2. Board may request Sierra Pacific and County offer alternative terms of the SIP Agreement for consideration.
3. Board may reject proposed terms and direct staff for alternative options.

Questions / Feedback