

3. Resolution No. 3635 Authorizing Microchip Technology, Inc.'s Fourth Enterprise Zone Application for a \$45,015,000 Investment

This item will approve Resolution No. 3635 authorizing Microchip Technology Inc.'s Fourth Enterprise Zone Application for a \$45,015,000 investment.
minutes

RESOLUTION NO. 3635

A RESOLUTION AUTHORIZING MICROCHIP TECHNOLOGY, INC.'S ENTERPRISE ZONE APPLICATION FOR A \$45,015,000 INVESTMENT

The City of Gresham Finds:

WHEREAS, Microchip Technology, Inc. has applied for a fourth extended 5-year Enterprise Zone exemption through the City of Gresham Enterprise Zone program and pursuant to the Oregon Enterprise Zone Act established under Oregon Revised Statutes Chapter 285C; and

WHEREAS, Microchip Technology, Inc. has estimated to invest approximately \$45,015,000 in building improvements and new equipment at their Gresham location in Area 3 of the Gresham Enterprise Zone; and

WHEREAS, Microchip Technology, Inc. is requesting a waiver to employment increase requirements due to an estimated investment exceeding \$25,000,000; and

WHEREAS, Microchip Technology, Inc. will pay to the City of Gresham an application fee pursuant to the requirements of the Enterprise Zone; and

WHEREAS, Microchip Technology, Inc. has agreed to meet all the required criteria set forth in the Gresham Enterprise Zone program by its willingness to sign the attached agreement (Exhibit 1); and

WHEREAS, Microchip Technology, Inc. filed their application in a timely fashion in order to be eligible for the Enterprise Zone benefits.

THE CITY OF GRESHAM RESOLVES:

1. The application of Microchip Technology, Inc. for a five-year exemption from property taxation under ORS 285C.175 is hereby approved, provided that Microchip Technology, Inc. executes the Enterprise Zone Extended Tax Exemption Contract within 30 days from the date this Resolution is adopted.

2. The City Manager and the Enterprise Zone Manager are hereby authorized to execute the Enterprise Zone Tax Exemption Contract with Microchip Technology, Inc. in substantial conformity with Exhibit 1, provided that Microchip Technology, Inc. satisfies the terms and conditions contained in ORS 285C.155 to 285C.165, and particularly ORS 285C.160(3)(b), to grant Microchip Technology, Inc. a five-year property tax abatement, as requested, for their investment in its existing facility.

3. To comply with Enterprise Zone statutes, administrative rules or local ordinances, the Enterprise Zone Manager is hereby authorized to negotiate on behalf of the City any further documents that may be needed as necessary, or appropriate to give full force and effect to the terms and intent of this resolution, and the execution thereof shall be conclusive as to such determination.

Yes: _____

No: _____

Absent: _____

Abstain: _____

Passed by the Gresham City Council and effective on _____.

Eric Schmidt
City Manager

Travis Stovall
Mayor

Approved as to Form:

Ellen Van Riper
City Attorney

**CITY OF GRESHAM
ENTERPRISE ZONE
TAX EXEMPTION CONTRACT NO. 312910**

This Enterprise Zone Tax Exemption Contract (“Contract”) is entered into this ___ day of _____, 2025 (the “Effective Date”), between Microchip Technology, Inc. its affiliates and subsidiaries (“Company”) and the City of Gresham, a municipal corporation of the State of Oregon (“City”).

RECITALS

- A. Pursuant to the Oregon Enterprise Zone Act established under Oregon Revised Statutes 285C.045 to 285C.250 (“Act”) and the City’s Enterprise Zone Policies adopted by Resolution No. 3310, the City has the authority to establish, and has established, conditions under which a company may qualify for a three to five-year property tax exemption as authorized by the Act;
- B. The City sponsors the Gresham Enterprise Zone which is located in six (6) designated areas within the City of Gresham, Oregon (“Zone”);
- C. The City has designated Erika Fitzgerald as the manager of the Zone. The City Manager is authorized to enter into Enterprise Zone Tax Exemption Contracts;
- D. The Company is making building improvements and adding machinery and equipment to their existing manufacturing facility located at 21015 SE Stark Street, Gresham, OR 97030. The investments are estimated to be \$45,014,000. The approved investment period for this enterprise zone application begins April 18, 2024.
- E. Company desires to participate in the Enterprise Zone Tax Abatement program and agrees to comply with certain program goals of the Act and of the City which may include making real property improvements and making a financial community service fee contribution;
- F. Company has requested, and the City has approved an extended 5-year tax exemption.

AGREEMENT

In consideration of the mutual benefits accorded each party under this Contract, the Company and the City of Gresham agree as follows.

1. DEFINITIONS.

- 1.1. Community Service Fee Contributions.** Community Contribution means a monetary contribution to projects benefiting the City and the Company’s Project.

- 1.2. **Covered Position.** A Covered Position is defined as all of the Company's jobs at its location within the Zone and as otherwise negotiated under the Company's First Source Agreement.
- 1.3. **First Source Agreement.** The mandatory contract that Company will enter into with WorkSource Oregon (or other local service provider) concurrently with this Agreement that must remain in effect during the period of the tax exemption. WorkSource Oregon (or other local service provider) will generally serve as a resource to Company for recruitment, referral and placement of personnel in Covered Positions.
- 1.4. **Non-governmentally mandated benefit.** Employment benefits offered to all regular full-time employees at the qualified facility after one year of Company employment that are not mandated by any government as of the date of this contract. "Non-governmentally mandated benefits" for purposes of this contract exclude (1) social security contributions, (2) worker's compensation insurance, (3) unemployment insurance, (4) shift pay, and (5) premium pay. All other documented non-governmentally mandated employee benefits are included.

In cases where the benefit contribution by the Company is determined by employee participation, the calculation of benefit costs to the Company will include its maximum liability for benefits payments in the calculation of the level of benefits provided to employees. In cases where the employee benefits offered increase with length of employment, the benefit level used for calculations in this contract are the benefits as of three years of employment greater than 32 hours per week.

- 1.5. **Recruited Position.** A Recruited Position is a job that the Company creates in fulfillment of the First Source Agreement.
- 1.6. **Regular Full-time Job.** A non-seasonal or non-temporary job directly with Company exceeding an annual average of 32 hours per week.
- 1.7. **Total compensation costs.** The total amount of company costs for direct compensation of employees as defined by the U.S. Bureau of Labor Statistics Employment Cost Trends, U.S. Department of Commerce (<http://stats.bls.gov/news.release/ecec.toc.htm>).

2. CITY OF GRESHAM OBLIGATIONS.

- 2.1. City of Gresham will work with the Company for the duration of the period of the tax exemption and beyond in order to foster the success of all parties in this undertaking.
- 2.2. City of Gresham shall file the Enterprise Zone Application form in a timely manner with Business Oregon.

2.3. City of Gresham will exercise its best efforts in promoting and advancing Company's recommended job training and employment support programs.

2.4. City of Gresham will coordinate all parties necessary to achieve real property tax exemption on the Company's qualified property for an exemption estimated to commence in fiscal year 2026, provided that the Company discharges its obligations under this Contract.

3. **COMPANY OBLIGATIONS.** In consideration for the property tax exemption granted pursuant to the Act, the Company shall perform the obligations set forth in this Section.

3.1. **Application Fee.** The Company has paid \$45,015, to the City; the application fee was calculated at .001 percent of the value of the investment in qualified property proposed in the application for authorization. The application fee is capped at \$50,000. At the end of the investment period, the City will reassess the application fee based on the total amount invested. If the total investment exceeds the initial estimate by more than 100%, an additional fee (up to the \$50,000 cap) will be required based on the formula above. Should Company invest less than the initial estimate, no refunds will be issued. Application fees paid to the City of Gresham are non-refundable.

3.2. **Asset Contribution.** The Company intends to invest \$45,015,000 in assets including building improvements and machinery and equipment.

3.3. **Minimum Investment Level.** The Gresham Enterprise Zone program requires a minimum \$1 million investment for eligibility. This agreement represents an estimated investment of \$45,015,000 within the investment period.

3.4. **Minimum Employment Level.** In accordance with ORS 285C.200(1)(c)(A) and (7)(a) the "annual average employment" of Company within the Zone must, unless waived, increase by 10 percent of the average for the 12 month period preceding the date in which pre-certification takes place. In the event Company is newly established and cannot generate the 12 month average information, Company shall retain at least 15% of its peak employment during the entire period of tax exemption; or employment will not fall below 50% of its peak employment for more than one year as measured at the end of each tax year.

3.4.1. In accordance with ORS 285C.155(1), ORS 285C.200(2)(b)(A) and OAR 123-674-4300, where, as here, the Company will complete an investment of \$25 million or more in the qualified property, the City may, and hereby does, waive the statutory employment increase of 10% by the statutory deadline of April 1 of the first year Company files an enterprise zone exemption claim form and property schedule to the Multnomah County Assessor's Office.

3.4.2. In accordance with OAR 123-674-4300, the minimum employment level Company must maintain during the period of the tax exemption is at or above **TBD**, on average, for each year of the exemption.

3.5. Job Quality Commitments – Zone facility jobs will be required to meet a minimum quality level during the period of tax exemption defined as the following:

3.5.1. Wage requirements:

Average annual compensation (wages plus benefits) for production occupations (BLS occupation code 51) must exceed 150% of the Portland Metro minimum wage at time of application. Oregon minimum wage at the time of application, March 3, 2022, is \$14.00 per hour.

Average annual compensation (wages plus benefits) for all facility occupations must exceed 200% of the Portland Metro minimum wage at the time of application.

Portland Metro minimum wage at the time of application, March 3, 2022, was \$14.00 per hour. Company shall exclude annual compensation of the following position at the facility from average wage calculations:

- TBD

3.5.2. Non-mandated benefits must be provided at an hourly value equal to or greater than 20% of average annual salary for all years of exemption.

3.6. Workforce Development. All companies participating in the Gresham Enterprise Zone program will be required to demonstrate compliance with the following workforce development activities to the zone manager on an annual basis:

3.6.1. Because the Company's average annual employment exceeds 500, Company will be required to participate in three (3) workforce development activities in each of the following categories per year:

- Growth opportunities for existing employees
- Local youth engagement
- Business to business support
- Local hiring activities

3.6.2. If Company fails to demonstrate compliance with the required workforce development policies on an annual basis, the company shall pay a penalty of \$5,000 to the City. Penalty fees paid to the City of Gresham are non-refundable.

3.7. Gresham Enterprise Zone Business Procurement Plan Requirements. Company will perform the following activities throughout the period of tax exemption in order to generate employment opportunities throughout Gresham for target area residents:

3.7.1. Company will develop and make a good faith effort to implement a procurement plan intended to increasingly expand the Company's procurement from Gresham businesses. The procurement plan must be approved by City of Gresham Enterprise Zone Manager by April 1st of the

first exemption year and will thereafter be effective throughout the period of tax exemption. The plan will include goals against which to evaluate the Company's performance and will generally follow the outline attached as Exhibit A.

3.7.2. On an annual basis, Company shall submit its local procurement data which will be reviewed by the City of Gresham Enterprise Zone Manager to determine what improvements are warranted, if any. Company will make sufficient information available to City of Gresham to perform this monitoring and analysis.

3.8. Community Service Fee. The factor that determines whether Company will make a monetary Community Service Fee is based on whether the Company requests and City Council approves to extend the exemption to 5 years, and the method of calculating such a fee are set forth as follows:

3.8.1. City of Gresham and Company agree that Company will owe a Community Service Fee. This Community Service fee is calculated at 25% of the exempted property tax value for all years of the exemption and that the Contribution will become due and payable during the tax exemption period.

3.8.2. The final accounting and billing for Company's Community Service Fee will occur in the manner outlined as follows. City of Gresham will invoice Company in December or January of each year, with payment due and payable in full within 30 days of invoice date.

3.8.3. Community Service Fees paid to the City of Gresham are non-refundable.

3.9. Obligations Pursuant To a First Source Agreement. The Company will utilize WorkSource Oregon's (or other local service provider's) program for employee hiring at Zone operations throughout the project commencement and tax exemption period. A "First Source Agreement" is executed with WorkSource Oregon (or other local service provider), which determines performance standards for recruitment activities. Positions to be hired through WorkSource Oregon (or other local service provider) are negotiated. Company will extend the existing First Source Hiring Agreement from their first enterprise zone application approved on January 27, 2016.

3.10. City of Gresham Business Location. The Company will make a good faith effort throughout the period of tax exemption to communicate its location within the City of Gresham whenever and wherever possible to emphasize their commitment to the City of Gresham business community. Platforms used to communicate the company's location in Gresham may include, but are not limited to, messaging through marketing materials, social media and press releases.

3.11. City of Gresham Business License. The Company must maintain a current and active City of Gresham Business License as of the contract execution date and during

the entire tax exemption period.

3.12. School Support Fee. In years 4 and 5 of the Tax Abatement Period, the Company shall pay to the Gresham Barlow School District an annual School Support Fee equal to 15% of Company's annual abated taxes. On or before December 1 of each year, the Gresham Barlow School District shall send to Company a notice of their required School Support Fee payment, which shall be due and payable directly to Gresham Barlow School District no later than December 31 of the same year. Gresham Barlow School District shall be responsible for making refunds to Company of overpayments of the School Support Fee and any interest or penalty imposed on the Fee.

3.13. Compliance with City of Gresham Codes and Policies. The Company must maintain compliance with all applicable city codes and policies as of the contract execution date and during the entire tax exemption period.

3.14. Equal Opportunity. The Company shall not discriminate on the basis of race, religion, color, sex, marital status, national origin, age, mental or physical disability, sexual orientation, gender identity, source of income, or other protected characteristic.

4. REMEDIES.

4.1. If Company fails to perform its obligations under this contract, City of Gresham may, at its discretion, pursue one or more of the following remedies. The City of Gresham's failure to exercise its remedies does not waive City of Gresham's claim(s) for breach of contract or Company's duty to fulfill its obligations under the contract.

4.2. Remedy for non-performance of Employment and Job Quality related obligations.

4.2.1. If employment levels and job quality obligations are not met in accordance with Sections 3.4 and 3.5 of this Contract, the property shall be subject to the penalties described in ORS 285C.240. Company will notify the tax assessor and City of Gresham that they are disqualified from tax exemption for the tax year in which failure occurred, as specified under ORS 285C.240(1), (2) and (3). Company may avoid disqualification from the enterprise zone program by paying City of Gresham one year's worth of the exemption. See OAR 123-674-6600 to 123-674-6630.

4.3. Remedy for non-performance of Community Service Fee Obligations.

4.3.1. If Community Service fees are not paid to City of Gresham in accordance with Section 3.8 of this contract, City of Gresham will notify the tax assessor that the Company is no longer qualified to receive a tax exemption for the tax year in which the contributions were due.

4.3.2. If the final payment of Community Service fee due is not paid to City of Gresham in accordance with this contract, Company will provide to City of Gresham liquidated damages equivalent to the amount of tax exemption in the fifth year of the period of tax exemption. The payment shall be due to City of Gresham by

December 31 of the tax year following the tax year in which the failure to perform occurred.

4.4. Remedy for non- performance of Obligations pursuant to a First Source Agreement

4.4.1. Non-performance of Section 3.9 shall result in the City of Gresham notifying the Assessor that the Company is no longer qualified to receive a tax exemption

4.5. Remedy for non-payment of School Support Fee.

4.5.1. If Company does not pay the School Support Fee as required by Section 3.12 on or before December 31, Gresham Barlow School District may impose a late penalty of \$100 per day as well as interest on any unpaid Fee or penalty in the amount of 9% compounded daily. Gresham Barlow School District may, at its sole discretion, allow for Company to establish a payment plan to satisfy its obligation to pay the School Support Fee. If the School Support Fee remains unpaid for more than 60 days following December 31, or any later date allowed by Gresham Barlow School District for curing a delinquency with a payment plan, Gresham Barlow School District shall provide written notice to Company and the Multnomah County Assessor that Company is disqualified from tax exemption for any subsequent tax years, if any, for which exemption under ORS 285C.175 would otherwise be allowable. Upon disqualification, the Multnomah County Assessor will add to the tax extended against the property on the next general property tax roll, the amount of the outstanding School Support Fee along with any amounts of interest or penalty imposed on the Fee, which must be paid to the tax collector before completion of the next general property tax roll pursuant to ORS 311.370. The amount of a School Support Fee and any interest or penalty imposed on the Fee, and the disqualification of qualified property under this Section, may be appealed to the Oregon Tax Court under ORS 305.404 to 305.560.

THE CITY OF GRESHAM

By: Erika Fitzgerald
Its: Enterprise Zone Manager

Date

By: Eric Schmidt
Its: City Manager

Date

COMPANY

By: _____

Its: _____

Date

APPROVED AS TO FORM

City Attorney

Date

EXHIBIT A

GRESHAM BUSINESS PROCUREMENT PLAN OUTLINE

It is the intent of the Gresham business contracting element of this agreement to increase the dollar amount of products and services purchased by the Company from Gresham businesses.

This agreement specifies that the Company develops a procurement plan that demonstrates a best effort to increase purchases from companies located within the City of Gresham. This recognizes that the Company is in the best position to determine how to achieve these results.

A Company developed procurement plan provides flexibility that can address the specific company needs and operating conditions. While this agreement does not specify how the Company is to meet the business contracting requirements, the Gresham Business Procurement Plan should contain or address the following elements:

- A list of the products and services which the Company currently purchases or anticipates purchasing, which have the potential for being purchased from Gresham companies.

Companies with existing operations in the Zone should also provide a breakdown of products and services currently purchased from companies located in Gresham, and the dollar amount of those purchases.

- A description of how the Company will increase the dollar value of goods and services purchased from businesses within the City of Gresham. This plan should include specific actions that the Company will undertake such as outreach strategies, seminars, technical assistance, mentorships, etc., which will provide increased availability to and support for companies to capture increased sales. The Company's implementation of the actions and outreach strategies will be the basis for evaluation of the Company's best effort in compliance with the plan.
- The Company should contact sources such as industry associations, purchasing agents, Columbia Corridor Association, or other organizations that represent or are associated with small businesses in Gresham.
- A statement of numeric or percentage goals that reflect an increasing level of local purchases over the period of the exemption and would provide annual benchmarks to evaluate the plans effectiveness.

Enterprise Zone Tax Savings Estimates - Microchip 4 EZ Application

Estimated Investment	\$	45,015,000.00
Abatement Period		5 years
Estimated Abatement Value		
Total	\$	3,496,000
City of Gresham Portion	\$	832,000
Estimated Community Service Fees	\$	874,000
Estimated School Support Fees (Gresham Barlow)	\$	188,000

**Estimated net property tax savings over the entire course of the enterprise zone program abatement period. This property tax savings estimate is based on the investment information provided by the applicant. An estimated appreciation rate of 3% for buildings and depreciation rate of 15% for machinery and equipment have been used to calculate this estimate. Due to the variables in depreciation of industrial/production equipment and a number of project variables, this estimate should only be used as a general guideline of what the exemption could be.