

BEFORE THE BOARD OF COMMISSIONERS OF LANE COUNTY, OREGON

ORDER AND RESOLUTION
NO: 15-07-21-05

IN THE MATTER OF APPROVING, IN
CONJUNCTION WITH THE CITY OF
SPRINGFIELD, A THREE-YEAR
ENTERPRISE ZONE PROPERTY TAX
EXEMPTION AND AN ADDITIONAL TWO-
YEAR EXTENSION, FOR A TOTAL OF FIVE
YEARS, FOR INTERNATIONAL PAPER
COMPANY'S SIGNIFICANT INVESTMENT
IN THE CITY OF SPRINGFIELD

WHEREAS, the Board of Commissioners finds that the International Paper Company (International Paper) is eligible to receive a property tax exemption under ORS 285C.160 because it is an eligible business firm; and

WHEREAS, International Paper agrees

(a) to compensate during the entire enterprise zone tax exemption period all new employees at an average rate of not less than 150 percent (\$57,530) of Lane County's prevailing average annual wage (\$38,353) at the time of applying for authorization;

(b) to comply with all the requirements of the agreement for the Enterprise Zone Extended Abatement;

(c) to comply with all applicable requirements of ORS 285C and reasonable requests for the Springfield Community Enterprise Zone sponsors;; and

WHEREAS, International Paper anticipates it will complete construction of the project upgrades to the paper mill in 2016; and

WHEREAS, International Paper has filed an authorization application form with the Springfield Enterprise Zone Manager; and

WHEREAS, International Paper will negotiate a First Source agreement with the Oregon Employment Division for referring qualified candidates to International Paper for new job openings within the Springfield Community Enterprise Zone until the end of the five-year exemption period; and

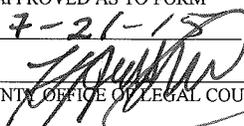
WHEREAS, the Lane County Board of Commissioners seeks to encourage investment in Springfield manufacturing and high technology facilities, increase both the number of family wage jobs and the wages paid to its citizens in new economic sectors, assist in the diversification

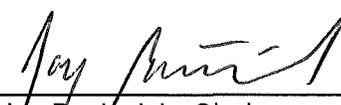
of manufacturing and high technology in the local economy, ensure competitiveness of future Springfield businesses, and provide for the long-term operation of International Paper facilities.

NOW, THEREFORE, the Board of County Commissioners of Lane County **ORDERS and RESOLVES** as follows:

1. That The Lane County Board of Commissioners, as the governing body of one of the sponsors of the Springfield Community Enterprise Zone, approves a three-year Enterprise Zone abatement and a two-year extension of the property tax benefits of the Springfield Community Enterprise Zone to the International Paper Company, as requested in Exhibit A and incorporated herein by reference, for a proposed \$101.6 million upgrade in paper mill equipment to replace the functionally obsolete head box and boiler floor equipment.
2. That the International Paper Company must meet the terms outlined below through a signed agreement with the sponsors to the effect that the firm will:
 - a. Invest approximately \$101.6 million in enterprise zone eligible equipment and buildings in the Springfield Paper Mill.
 - b. Pay all its new employees, on average, compensation that will exceed the 150 percent of the Lane County average annual wage, which will be \$58,530 based on the most recent data on prevailing Lane County average annual wage at the time of applying for authorization (\$38,353).
 - c. Enter into a first-source agreement with the Oregon Employment Division effective with approval of the enterprise zone authorization until the end of the five-year extended enterprise zone abatement period.
 - d. Maintain a mandatory minimum level of full-time employees equal to or greater than 80% of its annual average full-time employment at the time of authorization application at all times during the span from the authorization application until the end of the Enterprise Zone Exemption Period.
 - e. Pay to the City of Springfield \$500,000 in \$100,000 annual installments to be paid by July 1st in each year of the five-years of Enterprise Zone Exemption as a reasonable offset to general government agencies of the lost property tax revenue from removed equipment.
3. That the County Administrator is authorized to sign agreements with the City of Springfield, the co-sponsor of the Springfield Community Enterprise Zone, and the International Paper Company consistent with the terms described herein and with that the International Paper Company's compliance with ORS 286C.

ADOPTED this 21st day of July, 2015.

APPROVED AS TO FORM
Date 7-21-15

LANE COUNTY OFFICE OF LEGAL COUNSEL



Jay Bozjevich, Chair
Lane County Board of Commissioners

A

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Mr. John Tamulonis
Springfield Community Enterprise Zone Manager
225 Fifth Street
Springfield, OR 97477

Dear John:

International Paper Company ("IP") is considering approximately \$100 million capital investment in the Springfield Paper Mill for which we would like to request the support of the City of Springfield and Lane County, Oregon. IP and the Springfield Paper Mill have been a part of the local community for more than 65 years. Currently, IP has approximately 260 full time employees who are earning about 2.5 times the average wage in Lane County. There is also an additional 50 or more general service positions that IP contracts from local businesses to help keep the mill operating. IP estimates that it currently spends over \$190,000,000 annually in the community, which flows into the economy -supporting local businesses; including fiber procurement from local sawmills; energy; fuel; and municipal services from local utilities; and numerous constant presence contractors that provide high value and necessary support services to our operations. IP and the mill have a long history of commitment to operating safely, being good stewards to the environment and working collaboratively with our community neighbors. For example, in 2014, the Mill produced a significant amount of unbleached liner for packaging. IP sourced the wood chips for the production of this liner packaging from local saw mills. The Mill currently produces high performance domestic and export products and is a preferred supplier in the Asian market.

With respect to the potential capital investment at the Springfield Mill, the Mill has two critical pieces of equipment that are at the end of their useful life. The first is the heart of the paper machine which is referred to as the head box. The head box delivers pulp onto the paper machine. The second is the main boiler floor that is used to burn biomass fuel to recycle chemicals and produce green energy to power the paper making process. These two assets are required to run the mill. Once the project work is complete, the capital investment will result in a much more efficient manufacturing process.

IP is currently considering this capital investment of approximately \$100,000,000 to replace these significantly depreciated assets to assure that they can offer a long and reliable operation of the mill. IP's mills compete internally on an ongoing basis for capital funds, so it is important to keep the costs associated with those investments as low as possible. A decision on the projects is expected in the coming weeks.

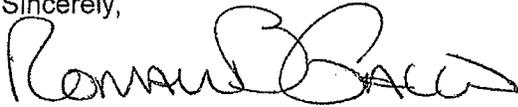
In order to provide the best opportunity for approval by IP of the projects, we respectfully request that the City and County agree to a five-year Enterprise Zone Agreement to support this potential investment by IP in the Springfield community.

With respect to the construction, implementation, and start-up of the projects, IP expects to employ an additional 400 contractors – the majority of which will be provided by local building

and trade contractors, engineering firms, and supply houses. These projects would constitute a significant capital investment for IP, enterprise-wide, and an investment in the long-term competitiveness of the Springfield Mill. Although the projects will not create a permanent increase to headcount, IP does expect to maintain the current level of jobs at the Mill.

This project would remove about \$3,000,000 - \$4,000,000 of property currently on the roll and replace it with \$100,000,000 of property that we anticipate will add \$85,000,000 to the property tax roles at the end of the exemption period. This project will increase the efficiency of the mill, with no expected decrease in employment. We appreciate your consideration of this request.

Sincerely,



Roman Gallo
Vice President of Manufacturing - Containerboard West