

BUSINESS



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Intel gets trade-zone break

U.S. designation cuts tax rate for proposed Chandler chip plant

By Guy Webster
The Arizona Republic

Intel Corp.'s plan to build a computer-chip plant that would mean up to 1,885 jobs in south Chandler cleared a major hurdle Thursday.

The U.S. Department of Commerce approved a foreign-trade zone that lowers property-tax rates by 80 percent for the \$1.3 billion plant.

The project also received a water-handling permit Wednesday from the Arizona Department of Water Resources.

Remaining regulatory hurdles are an air-quality permit needed from Maricopa County and an aquifer-protection permit from the state Department of Environmental Quality.

The company also views passage of a sales-tax relief bill as a prerequisite for building the plant in Arizona, an Intel spokesman said. The bill is pending in the state Legislature.

Intel spokesman Michael Edwards said project planners now expect to seek final authorization

from the Intel Board of Directors by early April for building the plant in Chandler. That's about two months earlier than a target date he offered two months ago.

Dirt-moving site preparation could begin within days of board authorization, he said.

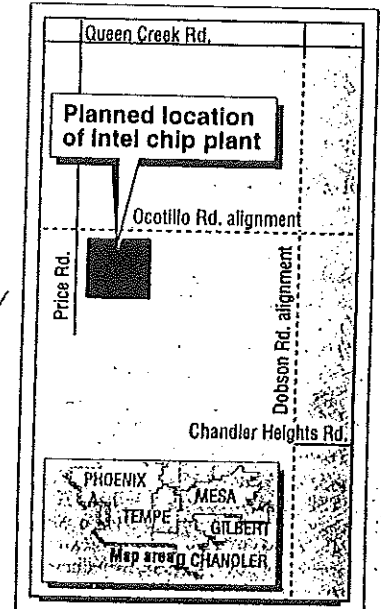
Construction work is expected to last 18 to 24 months, and employ up to 2,000 people. It would take two more years for the plant to reach full staffing, according to Intel's plans.

Intel, based in Santa Clara, Calif., is in a hurry to build a new chip

plant because of strong demand for the Pentium microprocessor it introduced last year. As Intel's 12th facility for fabricating the computer chips from silicon wafers, the planned plant already has the name Fab 12. It would make both Pentiums and Intel's next-generation chips, slated for a 1995 release.

When Intel selected the Albuquerque area for its Fab 11 last year, the company called Arizona's property taxes on manufacturing equipment a strike against a competing

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site in Chandler.

On the other hand, Intel's existing operations in Chandler, with about 4,300 employees and 4,200 contract workers, are a strong point in favor of putting a new plant in the city, Edwards said.

The planned site for Fab 12 is on about 700 acres at the corner of Price Road and the Ocotillo Road alignments, about four miles south of the existing Intel campus on Chandler Boulevard.

The Commerce Department acted quickly in approving the foreign-trade zone for the Intel project, U.S. Rep. Sam Coppersmith said Thursday. The process took less than half a year; it usually takes more than a year.

The classification will allow Intel's plant to be assessed for property taxes at 5 percent of its value, rather than the standard 25 percent for industrial property.

The tax savings over the anticipated 15-year life of the plant is worth about \$50 million in present value, Intel estimates.

Edwards said that even with the trade-zone tax break, the facility will add \$47.4 million to Chandler's tax base, providing about twice the tax revenues that taxing districts would collect from the acreage if it were developed into 2,200 upper-middle-income residences.

The sales-tax break Intel is seeking

would provide manufacturing chemicals with the same exemption allowed for manufacturing equipment. Intel estimates that break would be worth about \$22 million to it in costs for the Fab 12 project.

A public hearing on the county air permit for the plant is scheduled for 4 p.m., March 16 at the Chandler Senior Center, 175 E. Commonwealth.

Last week, the Department of Environmental Quality issued a "notice of intent to issue" the aquifer permit, signaling that a 30-day public-comment period will begin later this month, said Asis Majeed, environmental engineering specialist for the department.