



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of February 13, 2023

Title/Subject

Resolution 2255- Amending AWS LTREZ Agreement and Superseding Resolution 2239.

Summary and Background

This resolution comes at the request of Amazon Data Services, Inc. to amend an agreement for a Long-Term Rural Enterprise Zone property tax abatement which was approved by City Council via Resolution 2239 on September 26, 2022 and became effective on October 18, 2022.

This amendment features two changes.

The First Change: The first change is to change the obligations of the company from complying with ORS 285C.412(5) to ORS 285C.412(3). Subsections 3, and 5 are both options for the company to choose in fulfilling their obligations to qualify for an LTREZ agreement. Switching from subsection 5 to subsection 3 reduces the amount that the company must invest by the end of the first calendar year in which the facility is placed in service from \$200 million to \$12.5 million. However, this switch also increases the minimum employment threshold by the third year of operation from just 10 full time employees to 50 full time employees.

There is no indication that the company intends to make any meaningful changes to what they intend to build or operate, but rather this change makes compliance and investment planning easier for the company. Since being “placed in service” is tied directly to when a Certificate of Occupancy is issued, and often times, due to the phased-nature of building out entire campuses, the push is to issue a C of O as quickly as possible while some of the campus-wide investments may not rely on a C of O, this change eases some of that internal conflict.

The Second Change: The second change makes some relatively minor changes to the agreement sections which pertain to allowing company assets to be eligible for taxation of future eligible bonds. The main justification for this is that the company intends to allow their power provider to develop dedicated sub-stations on property which the company owns, and upon starting of operations, the company will then partition off that portion of the property and dedicate it to the power provider. This change makes clarifications to allow for that to happen, without LTREZ exemptions following the newly partitioned property.

Tie-In to Council Goals

N/A.

Fiscal Information

This resolution is not anticipated to have any financial impact. If anything, the first change can help advance the date when the company seeks its Certificate of Occupancy, since it won't have to meet the higher investment threshold at that time. The sooner a C of O is issued, then the sooner that payments in lieu of taxes begin to accrue to the Greater Hermiston Enterprise Zone.

Alternatives and Recommendation

Alternatives

Approve Resolution 2255

Reject Resolution 2255

Recommended Action/Motion

Motion to approve Resolution 2255

Submitted By:

Mark Morgan, Assistant City Manager/Greater Hermiston Enterprise Zone Administrator