



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of **September 26, 2022**

Title/Subject

Resolution 2239- Long Term Rural Enterprise Zone Agreement: PDX245

Summary and Background

Amazon Data Services has submitted an application for a Long-Term Rural Enterprise Zone (LTREZ) abatement for two planned new campuses within the Greater Hermiston Enterprise Zone (GHEZ). Both applications meet the minimum criteria to qualify for an LTREZ abatement which requires at least \$200 million in new investment, creation of at least 10 new permanent jobs, and average compensation that is at least 130% of the average wage in Umatilla County.

The terms of the agreement are very similar to the existing agreement that is in place with ADS within the GHEZ. As part of this agreement, ADS will pay to the zone:

1. Annual Improvement Payments (AIP) equal to \$5 per square foot of data center construction. The AIP shall not be less than \$2 million per year, and is expected to reach approximately \$4 million per year at full build-out.
2. Additional Annual Fee (AAF) equal to what the property tax would be on a valuation of \$27,318,175 beginning in 2023. That assumed valuation will index up annually to offset inflation.
3. Public Safety Impact Fee (PSIF) of \$54,636 beginning in 2023. The PSIF will index up annually to offset inflation.
4. Student Success Fee (SSF) of \$54,636 beginning in 2023. The SSF will index up annually to offset inflation.

Additional stipulations within these agreements, which were not included in the previous agreement are:

1. ADS shall, within 60 days of beginning construction, pay \$5 million to the GHEZ as a Community Development Contribution.
2. ADS shall, within 14 days of execution of the agreement, pay an application processing fee of \$120,000.

- The value of the facilities shall be made available for taxation on bonds issued for financing public utilities, public educational services, fire services, or other public safety services. ADS will then make a contribution toward the bond payments equal to what it's tax obligation would have been. This will have the effect of making bond obligations more affordable for other taxpayers in the community.

At full build-out, amortizing the Community Development Contribution over the 15 year life of the agreement, it is projected that total annual fees paid to the GHEZ per campus will be approximately \$4,975,000. This would make each campus the single largest financial contributor to local government services by far. Each one would pay nearly 7 times more than the current highest property tax payer within City Limits.

Additionally, the amount paid for local government services through this agreement is even more disproportionately high when considering the relatively low impact on local government services. Although each site is anticipated to employ 120 permanent full time employees, that is significantly lower than some of our other large industrial employers; who's employees often require educational services for their kids, make calls for service to emergency response agencies, etc.

Here is a table showing the amount of either fees or taxes paid to local governments by the top commercial/industrial employers in the Hermiston area. You can see that each site will be paying more than 10 times more per employee than the next highest per-employee payer.

Top Commercial/Industrial Taxpayers in Hermiston Area 2020			
	Jobs	Tax/Fee Paid	Tax/Fee Per Employee
AWS (Proposed PDX245 LTREZ)*	120	\$ 4,975,606	\$ 41,463.38
AWS (Proposed PDX146 LTREZ)*	120	\$ 4,975,606	\$ 41,463.38
Pioneer Seed	227	\$ 728,832	\$ 3,210.71
Columbia Basin Bioscience	60	\$ 157,217	\$ 2,620.28
Lamb Weston- Hermiston**	625	\$ 1,211,176	\$ 1,937.88
Wal-Mart Store	356	\$ 415,331	\$ 1,166.66
Marlette Homes	250	\$ 170,616	\$ 682.46
Wal-Mart DC	1050	\$ 632,895	\$ 602.76
Shearer's	400	\$ 157,313	\$ 393.28
Good Shepherd	767	\$ 138,386	\$ 180.43
Two Rivers Correctional Institution	440	\$ -	\$ -
*Scheduled at Full Build-Out			
**Includes 2017 LTREZ			

Tie-In to Council Goals

Fiscal Prudence.

Fiscal Information

See above. It is important to note that the figures outlined here for each of the various fee requirements apply to both agreements individually. I am simply covering them together here for expedience.

Alternatives and Recommendation

Alternatives

1. Approve Resolution 2239
2. Reject Resolution 2239
3. Direct Staff to request changes

It is important to keep in mind that the City of Hermiston is co-sponsors with Umatilla County on the GHEZ. Therefore, any recommended changes must be agreed to by Umatilla County.

Recommended Action/Motion

Motion to approve Resolution 2239.

Submitted By:

Mark Morgan