



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of March 23, 2026

Title/Subject

Resolution No. 2416: Authorize Sewer Loan Application.

Summary

This resolution will authorize staff to apply for \$1,501,000 in loan funding from the Oregon Department of Environmental Quality related to the construction of approximately 2.5 miles of new sewer main.

Background

The City recently annexed 800 acres of industrial land south of Feedville Road for the purposes of accommodating hyperscale data centers. An established local data center company is now planning a new campus within the expanded city limits area toward the east end of Feedville Road. In order to accommodate employee wastewater needs (i.e. toilet flushing, handwashing), a sanitary sewer connection is necessary. The company has two options. They could install a new sewer line that goes east in Feedville Road at a cost of \$4,181,000, or they could install a new sewer line that goes west in Feedville Road, and north up Highway 207, at a cost of \$5,682,000. Both options serve their needs; therefore, the City can only require them to install the lower-cost option.

The City of Hermiston would benefit much more by having a sanitary sewer line that goes west in Feedville and north in Highway 207. This is a costly sewer line which is ultimately responsible for derailing the development of the 1,300 home Prairie Meadows subdivision due to the inability of that development to recoup the cost. Additionally, existence of this sewer main will facilitate the long-term transition of existing septic systems along highway 207 on to the City's sanitary sewer system; helping to alleviate nitrate contamination in groundwater caused by septic system leaching from rural residential homes.

Given the situation, it is proposed to take advantage of a very unique opportunity to leverage significant private investment by partnering with the company to proceed with construction of the western option through a cost-sharing structure. In constructing the western option, the

company will pay for an amount equal to what they would have paid to construct the eastern option, while the City will cover the marginal difference (\$1,501,000).

Tie-In to Council Goals

City Facilities: Public facilities that meet the community needs of today and the future

Fiscal Information

The overall project in question is currently estimated at \$5,682,000, and a private development will cover 74% of that cost, leaving an estimated \$1,501,000 to be covered by the City. The loan funding which is being pursued through DEQ involves up to \$1 million of loan forgiveness (a de-facto grant of \$1M). Therefore, the actual out-of-pocket amount tied to the City is estimated at \$501,000. This would allow the community to achieve several long-term goals at a local cost of 10 cents on the dollar by leveraging private and state funding.

The \$501,000 is recommended to be delivered from the Sewer System Development Charge (SDC) Fund; which is where revenues from all new developments go in order to accommodate future system expansion.

Alternatives and Recommendation

Alternatives

1. Approve Resolution No. 2416
2. Reject Resolution No. 2416
3. Table Resolution No. 2416

Recommended Action/Motion

Approve Resolution No. 2416

Submitted By:

Mark Morgan