



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of December 11, 2023

Title/Subject

Resolution 2300- Purchase 44 acres of land within the South Hermiston Industrial Park.

Summary and Background

This resolution will authorize the purchase of an approximately 44 acre parcel of light industrial land located within the South Hermiston Industrial Park.

This property is a remaining parcel of what had previously been the “Cook Industrial Site.” The overall property had recently been acquired by a cloud computing company for the purposes of constructing a data center. Subsequent to design of the data center campus, it was determined that this 44 acres is surplus to the needs of the company. In the interest of preserving this highly developable tract of employment lands in local control, City Staff inquired about acquiring the site in late 2022, and has spent most of 2023 negotiating the final terms.

This acquisition needs to be viewed separately from the lens of any potential economic development incentives which have been negotiated with the company. This acquisition is deemed to be simply a straightforward purchase of real estate from a willing seller at the current market price. There are no incentives applied to this purchase in either direction.

If this is just a straight purchase of real estate at market rate, then why would the City purchase it? The entire driving force behind this purchase is to maintain local control over a valuable economic asset in the community. There are several examples in the community of large out-of-state corporations with operations in the community that own large tracts of otherwise developable land. Unfortunately, when entities hold on to land like that, it counts against the City’s ability to expand the developable industrial land base within the Urban Growth Boundary because the land is theoretically developable.

Tie-In to Council Goals

Workforce Development: Attract Industry & Jobs- “1.1 Examine the expansion of the Urban Growth Boundary (UGB) for commercial and industrial lands”

Fiscal Information

This 44.42 acres will be purchased at \$44,000 per acre, for a total purchase price of \$1,954,480.00. The source of the funds will be from the Water & Sewer Utility Fund's cash balance which, as of October stood at \$6,523,745.30.

The fund-balance in the water & sewer utility fund has been maintained in order to account for large 1-time equipment & infrastructure investments; namely replacement of the membrane filters at the Recycled Water Treatment Plant. Those membranes are outperforming their initial design, and aren't anticipated to need replacement until 2027.

Currently the resources in that fund are held in various forms including cash and low-risk investments. Purchase of this 44.42 acre piece of property should be viewed as shifting those resources in to a local low-risk investment.

City Staff has explored a number of options related to the eventual sale of this asset, and feels comfortable that in a worst-case scenario, the asset can be liquidated in to cash equivalent to the initial investment within the span of one fiscal year.

The long-range plan for this property is not for the Utility Fund to hold it forever. City Staff will market the property for development in parcels not smaller than 10 acres, with an aspirational asking price which may be negotiated down to incentivize employment, but in no case lower than the initial cost to purchase the property. It is only intended for the City to hold the property for no longer than 5 years. If, after 5 years, the City still owns the property, City Staff will begin pursuing avenues to liquidate the property to other local partners for not less than the original purchase price.

Alternatives and Recommendation

Alternatives

1. Approve Resolution 2300
2. Reject Resolution 2300
3. Table

Recommended Action/Motion

Motion to approve Resolution 2300

Submitted By:

Mark Morgan