

Greater Hermiston Enterprise Zone Manager’s Annual Report 2023

February 12, 2024



**Administrative
Offices**

The Greater Hermiston Enterprise Zone (GHEZ) is a major economic development tool which allows for property tax exemptions on qualifying property. It represents the single most important financial “incentive” available to the City of Hermiston in attracting new investment, future tax base, and job creation to the area.

Since 2009, the GHEZ is responsible for attracting more than \$977 million in new and planned capital investment to the area. Now, as several exemptions have expired, \$85 million has been added to the tax rolls benefitting the City of Hermiston, Umatilla County, the Hermiston School District, and Umatilla County Fire District #1, among others. Additionally, those investments have created more than 500 new direct full-time jobs to-date resulting in more than \$19 million of new direct annual payroll circulating through the economy of Hermiston and western Umatilla County as of 2023.

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2023 Legislative Changes (School Support Fee)

The 2023 Oregon Legislature made a number of changes to the statewide Enterprise Zone program, of particular note for the GHEZ is with regard to the Long-Term Rural Enterprise Zone requirements. The effect of this change to the GHEZ will greatly reduce the amount of revenue from payments in-lieu of taxes available for local jurisdictions, including the Hermiston and Stanfield school districts. This change requires new LTREZ recipients to make annual payments of between 15% and 30% of what they would have paid in total local property tax bill to support education. These payments are subtracted from what the State of Oregon provides to the educational jurisdiction receiving them; effectively sending these fees to the statewide education fund.

A few very important components of these changes:

1. They only apply to new LTREZ agreements. Therefore, these changes have no impact on any of the LTREZ exemptions listed in this report.
2. This new statewide school support fee only begins in year 6 of a new LTREZ agreement. Therefore, for example, if a theoretical new LTREZ were approved in 2024, and the investment received a certificate of occupancy in 2026, then it is likely that the first statewide school support fees wouldn't begin until 2032.
3. Local school boards have to, by resolution, adopt an amount, between 15% and 30%. Neither of the school districts within the GHEZ have adopted an amount as of the date of this report.

2023 Activity New Activity

The GHEZ received interest from a significant industrial development toward the end of 2023. If an agreement is finalized and investment announced, it will appear in the 2024 annual report.

2023 Continuing Activity

Lamb Weston

Lamb Weston's \$295 million investment, approved in 2017 received its 3rd year of exemption in 2022 (reported 2023), and reported 141 newly created jobs since 2017 actively in place in CY 2022. One of the main criteria for qualifying for a Long-Term Rural Enterprise Zone (LTREZ) exemption is a requirement to pay total average compensation to employees of at least 130% of the county-wide age. Lamb Weston, like all employers in the region, have faced significant wage pressures. In their 2022 claim, filed in 2023, they show their average annual compensation for the new jobs as \$75,345; well above the \$65,985 currently required, and a significant jump from the \$60,666 shown on their initial claim form from 2019. This 24.2% increase in compensation well outpaced national inflation of 15.5% during the same period.

Amazon Data Services (PDX138)

This investment officially broke ground in 2023, but the first facility had not yet received a Certificate of Occupancy before the end of the calendar year. Therefore, this investment will file a “Construction in Process” form for 2023.

Amazon Data Services (PDX245)

This investment had not yet broken ground in 2023.

Amazon Data Services (PDX146)

This investment had not yet broken ground in 2023.

Expiring Activity

No exemptions expired in 2023.

Summary of Zone Exemptions

Total Historic Investment Value:	\$977 million
Total Active Exemptions Value:	\$895,000,000
New Full Time Jobs Created:	509

Lamb Weston Exemption Detail Through 2023

Lamb Weston, Inc.	
<u>Property</u>	
Application Submitted:	12/31/2017
Application Approved:	2/21/2018
Value of Investment (2017) (Active)	\$295,310,955
First on Tax Rolls (15 year exemption)	July 1, 2034
Total Investment Value	\$293,992,043
<u>Employment</u>	
Annual Avg. Employment at application	0
Annual Avg. Employment (2022)	141
New FTE Jobs Created (2017-)	141
Annual Avg. New Compensation	\$75,345
New Avg. Annual Payroll Created thru 2019	\$10,623,645
<u>Fee Payments</u>	
Paid in Current Year	\$1,000,000
Paid Life to Date	\$4,000,000

Lamb Weston LTREZ Fee Payment Schedule

According to Section 4.B "Obligations of Lamb Weston" from the approved Long-Term Rural Enterprise Zone Agreement, Lamb Weston issues an annual fee payment no later than July 1, beginning in 2020, directly to each of the named beneficiaries; Umatilla County, City of Hermiston, Hermiston Parks & Recreation.

1. Umatilla County receives \$500,000 per year directly from Lamb Weston. There are no Enterprise Zone obligations associated with these funds paid directly to Umatilla County. Through the end of 2023, Umatilla County has received \$2,000,000, and will receive a total of \$7,500,000 through the life of the exemption.

2. City of Hermiston receives \$450,000 per year directly from Lamb Weston. There are no Enterprise Zone obligations associated with these funds paid directly to the City of Hermiston. Through the end of 2023, the City of Hermiston has received \$1,800,000, and will receive a total of \$6,750,000 through the life of the exemption.

3. Hermiston Parks & Recreation receives \$50,000 per year directly from Lamb Weston. Hermiston's Recreation Projects Fund Advisory Committee (RPFAC) determines annual use of revenue. Lamb Weston allowed two voting members to the RPFAC solely for use of Ezone allocation. Funds may not accrue, or be otherwise committed/capitalized any more than \$150,000, or 3-years, at a time. Through the end of 2023, Hermiston Parks and Recreation has received \$200,000, and will receive a total of \$750,000 through the life of the exemption.

Amazon (PDX138) Exemption Detail Through 2023

Amazon Data Services, Inc. (PDX138)	
<u>Property</u>	
Application Submitted:	10/9/2019
Application Approved:	4/13/2020
Value of Investment (Estimate)	\$200,000,000+*
First on Tax Rolls (15 year exemption)	TBD*
Total Investment Value	\$200,000,000*
<u>Employment</u>	
Annual Avg. Employment at application	0
Annual Avg. Employment (2020)	0
New FTE Jobs Created (2020-)	0
Annual Avg. New Compensation	0
New Avg. Annual Payroll Created thru 2019	\$0
<u>Fee Payments</u>	
Paid in Current Year	\$0
Paid Life to Date	\$0
*To be determined upon final construction completion.	

Amazon Data Services (PDX138) LTREZ Fee Payment Schedule

NOTE: Although this investment broke ground in 2023, it did not receive a Certificate of Occupancy in 2023, which is a trigger point for the beginning of the 15 year exemption. Therefore, the schedule below is intended to provide an overview of how fee payments will be distributed once they begin.

The LTREZ agreement with ADS for it’s PDX138 campus includes a number of obligations of the company to pay in lieu of taxes. These payments are to be made to the GHEZ. The City of Hermiston and Umatilla County, as equal co-sponsors of the GHEZ, executed an LTREZ Distribution Agreement on October 5, 2022 to dictate where LTREZ fees associated with this exemption are to be sent.

1. Annual Improvement Payment (“AIP”): These payments will be made to the zone for each of the 15 exemption years. The payment shall be no less than \$2 million. Half of all AIP revenue shall be sent to Umatilla County each year, and half shall be sent to the City of Hermiston.
2. Additional Annual Fee (“AAF”): These payments will be made to the zone for each of the 15 exemption years. The payment shall equal the amount of local property tax which would have been paid on a taxable value of \$25,000,000; which will be indexed up at 3% per year. The GHEZ shall distribute AAF revenue to all taxing jurisdictions which cover the PDX138 site in an amount

proportional to each entity's share of the tax rate. The total first year of AAF revenue, estimated to be paid in FY26, is estimated to be \$597,400.

3. Public Safety Impact Fee ("PSIF"): These payments will be made to the zone for each of the 15 exemption years. The payments, originally set at \$50,000 per year, will index upward at 3% per year. The GHEZ will distribute PSIF revenue to Umatilla County Fire District #1. The total first year of PSIF revenue, estimated to be in FY26, is estimated to be \$59,703.

4. Student Success Fee ("SSF"): These payments will be made to the zone for each of the 15 exemption years. These fees were intended to offset impacts to area school systems which do not receive any distribution from the AAF. Since PDX138 is located within the taxing boundaries of Stanfield School District (SSD), SSD will receive a proportional share of the AAF. The annual SSF will be distributed to the Hermiston School District (HSD). The total first year of PSIF revenue, estimated to be in FY26, is estimated to be \$59,703.

Amazon (PDX245) Exemption Detail Through 2023

Amazon Data Services, Inc. (PDX245)	
<u>Property</u>	
Application Submitted:	8/16/2022
Application Approved:	10/31/2022
Value of Investment (Estimate)	\$200,000,000+*
First on Tax Rolls (15 year exemption)	TBD*
Total Investment Value	\$200,000,000*
<u>Employment</u>	
Annual Avg. Employment at application	0
Annual Avg. Employment (2020)	0
New FTE Jobs Created (2020-)	0
Annual Avg. New Compensation	0
New Avg. Annual Payroll Created thru 2019	\$0
<u>Fee Payments</u>	
Paid in Current Year	\$0
Paid Life to Date	\$0
*To be determined upon final construction completion.	

Amazon Data Services (PDX245) LTREZ Fee Payment Schedule

NOTE: the PDX245 investment had not broken ground in 2023. Therefore, the schedule below is intended to provide an overview of how fee payments will be distributed once they begin; the date of which is still to be determined based on an issuance of a Certificate of Occupancy.

The LTREZ agreement with ADS for it’s PDX245 campus includes a number of obligations of the company to pay in lieu of taxes. These payments are to be made to the GHEZ. The City of Hermiston and Umatilla County, as equal co-sponsors of the GHEZ, executed an LTREZ Distribution Agreement on October 5, 2022 to dictate where LTREZ fees associated with this exemption are to be sent.

1. Annual Improvement Payment (“AIP”): These payments will be made to the zone for each of the 15 exemption years. The payment shall be no less than \$2 million. Half of all AIP revenue shall be sent to Umatilla County each year, and half shall be sent to the City of Hermiston.
2. Additional Annual Fee (“AAF”): These payments will be made to the zone for each of the 15 exemption years. The payment shall equal the amount of local property tax which would have been paid on a taxable value of \$25,000,000; which will be indexed up at 3% per year. The GHEZ shall distribute AAF revenue to all taxing jurisdictions which cover the PDX245 site in an amount

proportional to each entity's share of the tax rate. The total first year of AAF revenue, estimated to be paid in FY27, is estimated to be \$597,400.

3. Public Safety Impact Fee ("PSIF"): These payments will be made to the zone for each of the 15 exemption years. The payments, originally set at \$50,000 per year, will index upward at 3% per year. The GHEZ will distribute PSIF revenue to Umatilla County Fire District #1. The total first year of PSIF revenue, estimated to be in FY27, is estimated to be \$59,703.
4. Student Success Fee ("SSF"): These payments will be made to the zone for each of the 15 exemption years. These fees were intended to offset impacts to area school systems which do not receive any distribution from the AAF. Since PDX245 is located within the taxing boundaries of Stanfield School District (SSD), SSD will receive a proportional share of the AAF. The annual SSF will be distributed to the Hermiston School District (HSD). The total first year of PSIF revenue, estimated to be in FY27, is estimated to be \$59,703.
5. Community Development Contribution ("CDC"): This is a one-time upfront payment to be made to the GHEZ within 60 days of breaking ground. The CDC of \$5 million will be sent 50/50 to Umatilla County and the City of Hermiston.

Future Bonding: The company will pay an amount to the GHEZ equal to what it's tax bill would have been, had it's taxable value been included in any voter-approved bond for public utilities, public education services, fire services, public health services, or public safety services, which is passed after October, 2022. This revenue shall be provided by the GHEZ to the jurisdiction responsible for making bond debt payments for the purposes of payment or pre-payment of debt service.

Amazon (PDX146) Exemption Detail Through 2023

Amazon Data Services, Inc. (PDX146)	
<u>Property</u>	
Application Submitted:	8/16/2022
Application Approved:	10/31/2022
Value of Investment (Estimate)	\$200,000,000+*
First on Tax Rolls (15 year exemption)	TBD*
Total Investment Value	\$200,000,000*
<u>Employment</u>	
Annual Avg. Employment at application	0
Annual Avg. Employment (2020)	0
New FTE Jobs Created (2020-)	0
Annual Avg. New Compensation	0
New Avg. Annual Payroll Created thru 2019	\$0
<u>Fee Payments</u>	
Paid in Current Year	\$0
Paid Life to Date	\$0
*To be determined upon final construction completion.	

Amazon Data Services (PDX146) LTREZ Fee Payment Schedule

NOTE: the PDX146 investment had not broken ground in 2023. Therefore, the schedule below is intended to provide an overview of how fee payments will be distributed once they begin; the date of which is still to be determined based on an issuance of a Certificate of Occupancy.

The LTREZ agreement with ADS for it’s PDX146 campus includes a number of obligations of the company to pay in lieu of taxes. These payments are to be made to the GHEZ. The City of Hermiston and Umatilla County, as equal co-sponsors of the GHEZ, executed an LTREZ Distribution Agreement on October 5, 2022 to dictate where LTREZ fees associated with this exemption are to be sent.

1. **Annual Improvement Payment (“AIP”)**: These payments will be made to the zone for each of the 15 exemption years. The payment shall be no less than \$2 million. Half of all AIP revenue shall be sent to Umatilla County each year, and half shall be sent to the City of Hermiston.
2. **Additional Annual Fee (“AAF”)**: These payments will be made to the zone for each of the 15 exemption years. The payment shall equal the amount of local property tax which would have been paid on a taxable value of \$25,000,000; which will be indexed up at 3% per year. The GHEZ shall distribute AAF revenue to all taxing jurisdictions which cover the PDX245 site in an amount

proportional to each entity's share of the tax rate. The total first year of AAF revenue, estimated to be paid in FY29, is estimated to be \$633,782.

3. Public Safety Impact Fee ("PSIF"): These payments will be made to the zone for each of the 15 exemption years. The payments, originally set at \$50,000 per year, will index upward at 3% per year. The GHEZ will distribute PSIF revenue to Umatilla County Fire District #1. The total first year of PSIF revenue, estimated to be in FY29, is estimated to be \$63,339.
4. Student Success Fee ("SSF"): These payments will be made to the zone for each of the 15 exemption years. These fees were intended to offset impacts to area school systems which do not receive any distribution from the AAF. Since PDX146 is located within the taxing boundaries of Hermiston School District (HSD), HSD will receive a proportional share of the AAF. The annual SSF will be distributed to the Stanfield School District (SSD). The total first year of PSIF revenue, estimated to be in FY29, is estimated to be \$63,339.
5. Community Development Contribution ("CDC"): This is a one-time upfront payment to be made to the GHEZ within 60 days of breaking ground. The CDC of \$5 million will be sent 50/50 to Umatilla County and the City of Hermiston.

Future Bonding: The company will pay an amount to the GHEZ equal to what it's tax bill would have been, had it's taxable value been included in any voter-approved bond for public utilities, public education services, fire services, public health services, or public safety services, which is passed after October, 2022. This revenue shall be provided by the GHEZ to the jurisdiction responsible for making bond debt payments for the purposes of payment or pre-payment of debt service.

Greater Hermiston Enterprise Zone Projections*								
		FY '24	FY '25	FY '26	FY '27	FY '28	FY '29	FY '30
REVENUES								
PDX138								
	AIP			\$ 2,000,000	\$ 3,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000
	AAF			\$ 597,400	\$ 615,322	\$ 633,782	\$ 652,795	\$ 672,379
	PSIF			\$ 59,703	\$ 61,494	\$ 63,339	\$ 65,239	\$ 67,196
	SSF		\$ -	\$ 59,703	\$ 61,494	\$ 63,339	\$ 65,239	\$ 67,196
PDX245								
	CDC	\$ 5,000,000						
	AIP				\$ 2,000,000	\$ 3,000,000	\$ 4,000,000	\$ 4,000,000
	AAF				\$ 597,400	\$ 615,322	\$ 633,782	\$ 652,795
	PSIF				\$ 59,703	\$ 61,494	\$ 63,339	\$ 65,239
	SSF				\$ 59,703	\$ 61,494	\$ 63,339	\$ 65,239
PDX146								
	CDC				\$ 5,000,000			
	AIP						\$ 2,000,000	\$ 4,000,000
	AAF						\$ 633,782	\$ 652,795
	PSIF						\$ 63,339	\$ 65,239
	SSF						\$ 63,339	\$ 65,239
Lamb Weston								
Umatilla County		\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
City of Hermiston		\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000
Parks		\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Gross Revenue		\$ 6,000,000	\$ 1,000,000	\$ 3,716,806	\$ 12,455,116	\$ 9,498,770	\$ 13,304,192	\$ 15,373,318
		FY '24	FY '25	FY '26	FY '27	FY '28	FY '29	FY '30
EXPENSES								
CDC to County		\$ 2,500,000			\$ 2,500,000			
CDC to City		\$ 2,500,000			\$ 2,500,000			
AIP to County			\$ -	\$ 1,000,000	\$ 2,500,000	\$ 3,500,000	\$ 5,000,000	\$ 6,000,000
AIP to City			\$ -	\$ 1,000,000	\$ 2,500,000	\$ 3,500,000	\$ 5,000,000	\$ 6,000,000
AAF to Underlying			\$ -	\$ 597,400	\$ 1,212,722	\$ 1,249,104	\$ 1,920,358	\$ 1,977,969
PSIF			\$ -	\$ 59,703	\$ 121,197	\$ 124,833	\$ 191,917	\$ 197,674
SSF			\$ -	\$ 59,703	\$ 121,197	\$ 124,833	\$ 191,917	\$ 197,674
LW to County		\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
LW to City		\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000
LW to Parks		\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Gross Expenses		\$ 6,000,000	\$ 1,000,000	\$ 3,716,806	\$ 12,455,116	\$ 9,498,770	\$ 13,304,192	\$ 15,373,318
Net Revenue GHEZ		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

*Planning level projections only. No warranties made regarding any timing assumptions related to investment dates.

New Tax Roll Timeline & History

Below is a schedule of when existing property claiming exemption will first come on to the tax rolls. The values indicate the value at the time of the investment, and not the depreciated value in the future. The Shearer’s & Lamb Weston investments are not within the Hermiston city limits. The columns indicate several of the largest taxing entities affected.

<u>Tax Year Start</u>	<u>City of Hermiston</u>	<u>County, HFES, HSD, etc.</u>
July 1, 2014	\$0	\$3,100,000
July 1, 2015	\$35,000,000	\$60,000,000
July 1, 2016	\$0	\$0
July 1, 2017	\$0	\$0
July 1, 2018	\$0	\$3,500,000
July 1, 2019	\$16,482,000	\$16,482,000
July 1, 2020	\$0	\$0
July 1, 2021	\$0	\$0
July 1, 2022	\$2,076,500	\$2,076,500
	====BREAK====	
July 1, 2034	\$0	\$293,992,043
	====BREAK====	
July 2, 2039	\$200,000,000*	\$2,000,000*

Project Closeout History by Company

Companies with active projects listed above, including completed projects

Shearer's Foods	
<u>Property</u>	
Value of Investment (2010) (Completed)	\$3,100,000
First on Tax Rolls (3 year exemption)	July 1, 2014
Value of Investment (2011) (Completed)	\$25,000,000
First on Tax Rolls (3 year exemption)	July 1, 2015
Value of Investment (2014) (Completed)	\$3,500,000
First on Tax Rolls (3 year exemption)	July 1, 2018
Total Investment Value	\$31,600,000
<u>Employment</u>	
Annual Avg. Employment at initial application	117
Annual Avg. Employment (2016)	438
New FTE Jobs Created (2010 – 2016)	321
Annual Avg. New Compensation	\$20,800
New Avg. Annual Payroll Created thru 2016	\$6,676,800

Pioneer Hi-Bred (Production)	
<u>Property</u>	
Value of Investment (2009) (Completed)	\$35,000,000
First on Tax Rolls (5 year exemption)	July 1, 2015
Value of Investment (2013) (Completed)	\$13,900,000
First on Tax Rolls (5 year exemption)	July 1, 2019
Total Investment Value	\$48,900,000
<u>Employment*</u>	
Annual Avg. Employment at application	0
Annual Avg. Employment (2019)	34
New FTE Jobs Created (2009 – 2019)	34
Annual Avg. New Compensation	\$86,734
New Avg. Annual Payroll Created thru 2019	\$2,948,956

*Does not include seasonal employees.

DuPont Pioneer (Research)		
<u>Property</u>		
Value of Investment (2013)	(Complete)	\$2,582,000
First on Tax Rolls (5 year exemption)		July 1, 2019
Total Investment Value		\$2,582,000
<u>Employment*</u>		
Annual Avg. Employment at application		18
Annual Avg. Employment (2019)		25
New FTE Jobs Created (2013-2019)		7
Annual Avg. New Compensation		\$79,058
New Avg. Annual Payroll Created thru 2019		\$553,406

*Does not include seasonal employees

Eastern Oregon Telecom		
<u>Property</u>		
Application Submitted:		7/21/2017
Application Approved:		7/21/2017
Value of Investment (2017)	(Complete)	\$1,922,545
First on Tax Rolls (3 year exemption)		July 1, 2022
Total Investment Value		\$1,922,545
<u>Employment</u>		
Annual Avg. Employment at application		17
Annual Avg. Employment (2020)		22
New FTE Jobs Created (2017-)		5
Annual Avg. New Compensation		\$n/a
New Avg. Annual Payroll Created thru 2017		\$n/a