

DATA: Local programs to help staff the data centers

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Oregon report and information from the Morrow County Assessor’s office.

A memo by Business Oregon reports Vadata employs 130 people at existing data centers in Umatilla County. The memo, addressed to the Oregon Business Development Commission, states that after construction is completed at new facilities for which construction started in July 2017, they will employ another 100 people, at average annual wages of \$75,000.

Morrow County Assessor Mike Gorman compiled data that show 149 people are employed at the site on Lewis and Clark Drive, and 107 people at a site on Rippee Road, both at the Port of Morrow.

The data centers provide high-paying jobs in the area, but most of the data centers in the region are also under some sort of incentive program, abating some of their property taxes.

According to data compiled by Port of Morrow general manager Gary Neal, Vadata, Inc., was the fourth largest contributor to the port’s tax base as of 2017.

The port’s industrial growth, including from Amazon, has contributed to a massive increase in the county’s assessed value in a short period of time.

The two Port of Morrow sites qualify for several enterprise zone agreements, a program that allows a new business that meets a certain employment and wage requirement to locate in a

certain area, receiving a five-year tax abatement.

But Gorman said the exemptions are broken down even further — it’s possible for a single site to be under multiple enterprise zone agreements, for separate aspects of the business. According to state law, he said, industrial services have separate accounts for buildings, machinery and personal property. An agreement on one of those accounts could expire, but the business could still be exempt in other accounts.

When Amazon builds a data center building, he said, they can apply for a five-year exemption for the physical structure. When they install equipment, they can apply for a three-year exemption for that equipment. If they add more equipment later, they can apply for another exemption for that equipment.

“Right now we have eight agreements on these two sites,” he said.

The company paid \$1.2 million in taxes on the Lewis and Clark site at the Port of Morrow in 2017, and was exempt from paying about \$9.5 million in taxes in the 2016-2017 property tax year. At the Rippee Road site the same year, the company paid \$749,944 in taxes, according to Gorman. It was exempt from paying \$6.7 million in property taxes that year.

Umatilla County Assessor Paul Chalmers said the taxable value for the McNary data center in the 2017-2018 fiscal year was a little over \$355 million, and the value of the exempt property for

that location was close to \$402 million. He said the McNary site is currently the only valued location.

In Umatilla County, the data centers also benefit from tax exemptions, but under a different program. While the McNary site in Umatilla had been under a five-year exemption, that site and two new locations applied and qualified last year for the Strategic Investment Program, or SIP, agreement.

Under the agreement, the company is exempt from paying some property taxes for 15 years on those facilities, in exchange for paying the county \$4 million a year.

The new developments are between Lind and Old River roads in Umatilla, and off Westland Road near Hermiston.

According to a memo from Business Oregon, the agency that facilitates the SIP agreement, Amazon’s application states that the project will consist of at least five data center buildings of \$500 million in real property improvements, and will house more than \$2 billion in personal property.

Global business, local resources

Both port managers said Amazon chose to locate in the area because of access to a bevy of resources.

“You need land, water, power, and workforce,” Puzey said. “All those are a resounding yes.”

Puzey said the infrastructure that made the Columbia River Basin attractive to data centers goes back to projects from the middle of the 20th

century.

“When the dams were built, there was such an abundance of hydroelectric power, we attracted direct service industries here,” he said. Several aluminum plants located on the Columbia, but as the economy changed, he said, many of them moved offshore.

“That power became available,” he said.

Puzey said he doesn’t know the exact scope for expansion of data centers in the area, but suspects there’s room for growth.

Neal said the Port of Morrow has 700 or 800 acres of shovel-ready land, which includes access to power, sewer, water, and fiber.

“We’ve been involved with opportunities to have fiber in the ground for 20 years,” he said, “So they have connectivity.”

A data center site can take up to about 100 acres, Neal said.

“I don’t think we’ve reached that limit yet,” he said. “It’s really driven on timing and connectivity to the grid. Transformers have to be built, and that takes a process.”

Local companies have, thus far, been able to keep up with Amazon’s electricity needs.

Bonneville Power supplies wholesale power to Umatilla Electric Cooperative at four locations between Boardman and Hermiston, and Neal said two of them are at the Port of Morrow. He said as the port grows, a third may need to be added.

“They continue to add

capacity,” he said.

Steve Meyers, member services administrator for Umatilla Electric, said the company doesn’t talk about the accounts of specific clients. But he said in general, Oregon’s electricity rates are some of the lowest in the nation — the 41st most-expensive rates for residential customers, to be exact.

“Industrial rates are lower,” he said.

Meyers said another reason many industries choose to locate in the area is that the source of power is renewable.

“It’s flexible, but about 78.5 percent is large hydropower,” he said. “About 7.5 percent is nuclear. Ninety percent of our power can be clean.”

Industrial customers now make up about 61 percent of UEC’s revenue base. In 2010, before the first data centers came online, only about 25 percent of the company’s revenue came from industrial customers.

“Some substations serve multiple member classes (industrial, commercial, residential),” he said. “But a substation can also be built to serve an individual member.”

Data centers need access to sufficient water to cool down servers.

“I have a water supply agreement with the client for all data centers under construction or anticipated,” Puzey said.

According to a letter from Vadata to the Umatilla County Planning Department in March 2017, it takes about 400 gallons of water per minute to keep the servers cool.

There are local programs to help staff those data centers. Blue Mountain Community College has a data center technician program, from which many alumni go directly into jobs at Amazon.

“The data center technician program was created in response to client needs to have certified data center technicians in our areas,” Puzey said.

Neal said the data centers have given people the opportunity to develop skills that can help them earn more money than most other jobs available in the region.

“While it’s not a huge volume, if you look at the total numbers of workforce in the region, it helps with some diversity and good paying wages,” Neal said. “It creates another sector in our economy.”

Despite the unknowns about the massive company’s operations on local property, both port managers said it’s been a positive development for the area.

“I think they’ve been more open today than in 2010 — they didn’t want anybody to know what they were doing,” Neal said. “Now they’re becoming part of the community. It’s evolving.”

Puzey said he hopes more will be constructed.

“This is a once-in-a-lifetime economic development opportunity,” he said. “The employment opportunities are second to nothing I’ve ever seen. [They] allow people in this area to buy real houses and have normal lives.”

COMPLEX: ‘If you don’t know where you’re going, then any road will get you there’

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other sports such as Soccer.”

The proposal will come before the city council on Monday night, during its 7 p.m. meeting at city hall, 180 N.E. Second St. The city has appointed an EOTEC advisory board made up of representatives from the city, Umatilla County Fair, Farm-City Pro Rodeo, hospitality industry and community at large, but major decisions such as the lacrosse fields are still brought before the council for a vote.

The committee and VenuWorks are also working on a written long-term plan for EOTEC, which opened its

event center in the spring of 2016 and hosted the its first fair last year.

They are providing several outreach opportunities to the public, including an online survey in English and Spanish at www.eotecsurvey.com.

Anyone who fills out the survey will be entered to win a \$50 Visa gift card or family

passes to the Hermiston Family Aquatic Center. The city will also solicit feedback specifically from EOTEC customers, partners and others with an interest in the project.

City Manager Byron Smith said the city was pleased to continue EOTEC’s partnership with the fair and rodeo and the goal of the strategic plan would be to support their success while also attracting other uses throughout the year.

“If you don’t know where you’re going, then any road will get you there,” he said in a statement. “We want to use this process to get a clear message from the community about what the EOTEC

facility should look like 10 years from now, and that will allow us to avoid short-sighted opportunities which may compromise our path toward the community’s ultimate goal.”

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