

# Herald Business

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## Business tax breaks come with catch

By **JADE MCDOWELL AND ANTONIO SIERRA**  
STAFF WRITERS

Some of Eastern Oregon's biggest businesses get a tax break only they can access, but it comes with a catch.

The enterprise zone, an Oregon program that provides multi-year property tax exemptions on new investments, has been utilized often by Hermiston over the past decade. Companies in certain industries located inside one of the zones can receive a three- to five-year exemption on property taxes for new construction or equipment, as long as the investment causes the company to add jobs or increase productivity.

From the beginning of Hermiston's enterprise zone in 2005 until the end of 2017, the city gave enterprise zone tax exemptions to \$85 million in capital investment. Those breaks exempted the companies — Shearer's Foods, DuPont Pioneer, Pioneer Hi-Bred and Eastern Oregon Telecom — from paying any property taxes on the new construction or equipment for three to five years.

In early January, the city gave its first tax break longer than five years — known as a longterm rural enterprise agreement — to potato processor Lamb Weston. The company will not have to pay property taxes for 15 years on a \$225 million project expanding its Hermiston plant. But in exchange for the longer tax break, the company has agreed to a \$1 million per year payment to be split between the city of Hermiston and Umatilla County. Assistant city manager Mark Morgan said that \$15 million spread over 15 years will equal about 42 percent of what Lamb Weston would have paid in property taxes over that same time period.

Tax breaks have since expired in Hermiston on \$63.1 million worth of investments, bringing them onto the tax rolls. Another \$3.5 million project by Shearer's foods will come onto the tax rolls July 1.

Pendleton's enterprise zone goes back much further, to at least 1997, but since 2013 has given breaks to \$19.6 million in investments.

Morgan said it would be difficult for him to come up with even a ballpark number of how many dollars in property taxes had not been paid due to enterprise zone exemptions. The application lists the total amount of money the company is investing in the expansion, not what the building or new equipment will be appraised at. So, for exam-



Shane Clayson, research manager of the DuPont Pioneer facility, holds a corn tassel outside the facility near Hermiston in August.

EO FILE PHOTO

### Tax-free investment

Cities can give businesses tax breaks for three or more years for new projects in "enterprise zones." Below are the exemptions granted by Hermiston and Pendleton since 2009 and the total value of each project.

#### Hermiston Enterprise Zone exemptions

Company	Project cost (\$ millions)	Year begun	Year expired
Pioneer Hi-Bred	\$35	2009	2015
Pioneer Hi-Bred	13.9	2013	2019
Dupont Pioneer	2.6	2013	2019
Shearer's Foods	3.1	2010	2014
Shearer's Foods	25	2011	2015
Shearer's Foods	3.5	2014	2018
Eastern Oregon Telecom	2	2017	2021
Lamb Weston*	225	2018	2033

#### Pendleton Enterprise Zone exemptions, 2013-2021

Company	Project cost (\$ millions)	Year begun	Year expired
Keystone RV	\$0.75	2013	2015
Keystone RV	0.25	2014	2016
Keystone RV	0.2	2015	2017
Rocky Mountain Colby Pipe	1.5	2016	2018
Rocky Mountain Colby Pipe	4.2	2017	2019
Rocky Mountain Colby Pipe (pending)	4.5	2019	2021
Hill Meat	1.2	2013	2015
Hill Meat	6.5	2016	2018
Pendleton Woolen Mills	0.35	2016	2018
Oregon Grain Growers	0.15	2017	2019

\*\$1 million per year to be paid instead of property taxes.

Sources: Cities of Hermiston and Pendleton

EO Media Group graphic

ple, Eastern Oregon Telecom was recently given an enterprise zone exemption on a \$2 million investment, represented by the new building it broke ground on in September. But Morgan said he would guess roughly \$400,000 of that investment would represent things like engineering and construction management, bringing the actual building's appraised value to less than \$2 million. Then there are formulas to calculate depreciation over time.

"It's actually very hard to estimate how much the companies have saved on their tax bills based on the enterprise zone applications ... these companies always list what they intend to invest, but the actual taxable value may be totally different," he wrote in an email.

Morgan said it's important to remember that once Hermiston got permission

from the state to set up the enterprise zone, the regular exemption of three to five years (depending on jobs created) is automatic if a company turns in an application and has fulfilled all the requirements.

"If a company meets all of the requirements for a basic exemption, then it's simply an administrative approval to check that they meet all of the requirements," he said.

Proponents of the enterprise zone argue that a company simply won't locate or expand anywhere that they can't get a tax break, so a city that refuses to offer one will miss out on the jobs and other growth brought by the investment. A report compiled by Morgan at the end of the 2016-2017 fiscal year before the EOT and Lamb Weston tax breaks estimated the enterprise zone had resulted in

## Federal commission confirms UEC's authority to build Wheatridge transmission line

By **JADE MCDOWELL**  
HERMISTON HERALD

The Federal Energy Regulatory Commission ordered Umatilla Electric Cooperative to provide wholesale transmission service to a Wheatridge Wind Energy project, rejecting a protest by Heppner-based Columbia Basin Electric Cooperative that the action would encroach on its exclusive service territory.

The proposed wind farm, broken up into two areas a few miles north of Heppner, would include up to 292 turbines and generate up to 500 megawatts of energy. The project's developers have been working with UEC on a plan for UEC to construct a 230-kilovolt transmission line connecting the project to Bonneville Power Administration's Morrow Flat substation in UEC's service territory.

The wind farm is in Columbia Basin's service territory, and the cooperative argued that the proposed transmission line would violate Oregon law barring electric utilities from making retail sales of electricity within other utilities' exclusive service territory. It filed a complaint with the Oregon Public Utility Commission on Jan. 13, 2017.

According to a news release by UEC, in response to the complaint Wheatridge and UEC filed an application with the Federal Energy Regulatory Commission to confirm the transmission line was sub-

ject to federal jurisdiction, not state, and requesting that the commission order UEC to provide transmission service to the project. Columbia Basin filed a protest against it, again stating that the project would illegally violate its exclusive service territory.

Although the stated purpose of the transmission line would be for wholesale and not retail sales, the FERC ruling shows Columbia Basin argued that its retail service would be directly affected because the cooperative would either have to rely on Umatilla Electric's transmission line or construct a duplicate line at a cost to its members. It stated that it was willing to provide transmission service from the Wheatridge site to the edge of its territory, at which point UEC could pick up transmission.

On Thursday, the Federal Energy Regulatory Commission issued a final order in UEC's favor, stating that the transmission line was solely to facilitate wholesale sales and would not violate Columbia Basin's exclusive service territory. It ordered UEC to provide "the requested interconnection and transmission services" for Wheatridge.

"We're thrilled with the ruling," Robert Echenrode, UEC general manager and CEO said in a statement Friday. "We have maintained all along that this is a federal issue rather than a state issue, so we are gratified that FERC affirmed that in its decision."

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<p style="font-size: 8px; color: #0070C0; font-weight: bold;">2008 BMW X5 4X4</p> <p style="font-size: 8px;">Leather, Moonroof, 3rd Seat</p> <div style="text-align: center;"> <p style="font-size: 12px; font-weight: bold; color: red;">\$14,888</p> <p style="font-size: 8px;">T5864PA</p> </div>	<p style="font-size: 8px; color: #0070C0; font-weight: bold;">2016 FORD FIESTA ST</p> <p style="font-size: 8px;">4 Cyl, 6 Spd, 15k Miles</p> <div style="text-align: center;"> <p style="font-size: 12px; font-weight: bold; color: red;">\$14,999</p> <p style="font-size: 8px;">T2253A</p> </div>	<p style="font-size: 8px; color: #0070C0; font-weight: bold;">2017 DODGE CHARGER AWD</p> <p style="font-size: 8px;">SXT, 26k Miles, Must See!</p> <div style="text-align: center;"> <p style="font-size: 12px; font-weight: bold; color: red;">\$22,879</p> <p style="font-size: 8px;">T5835P</p> </div>	<p style="font-size: 8px; color: #0070C0; font-weight: bold;">2006 DODGE RAM 2500 4X4</p> <p style="font-size: 8px;">162k Miles, Auto</p> <div style="text-align: center;"> <p style="font-size: 12px; font-weight: bold; color: red;">\$23,777</p> <p style="font-size: 8px;">T2139B</p> </div>

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