

# City, county disagree over splitting \$4 million

Each will benefit from SIP payments, data centers

By **JADE MCDOWELL**  
STAFF WRITER

Umatilla County and the city of Umatilla are at odds over how payments from new Amazon data centers should be divided.

The county wants to give the city about one fourth of a \$4 million-per-year payment in lieu of property taxes, but City Manager Russ Pelleberg wants half.

“The city has spent millions on these developments,” he said. “The county has done nothing.”

In August, the county signed a Strategic Investment Program (SIP) agreement with Vadata, a data center development subsidiary of Amazon, allowing the company to forgo paying some property taxes for 15 years on three new developments in exchange for other types of payments to the county and local taxing districts. One provision of the agreement gives the county a \$4 million per year “additional annual improvement payment” — which Pelleberg says the city deserves half of based on what he estimates is about \$6 million the city has spent recruiting and supporting two of the developments covered in the agreements.

The SIP agreement covers a total of three developments: one off Westland Road currently under construction south of Hermiston, one building added to the campus off Beach Access Road in Umatilla and one new development between Lind Road and Old River Road that Umatilla annexed into the city last year. According to Pelleberg, that means “two-thirds” of the deal is located in city limits, meaning the city is being generous by offering to take only half of the \$4 million.

The county doesn’t see it that way.

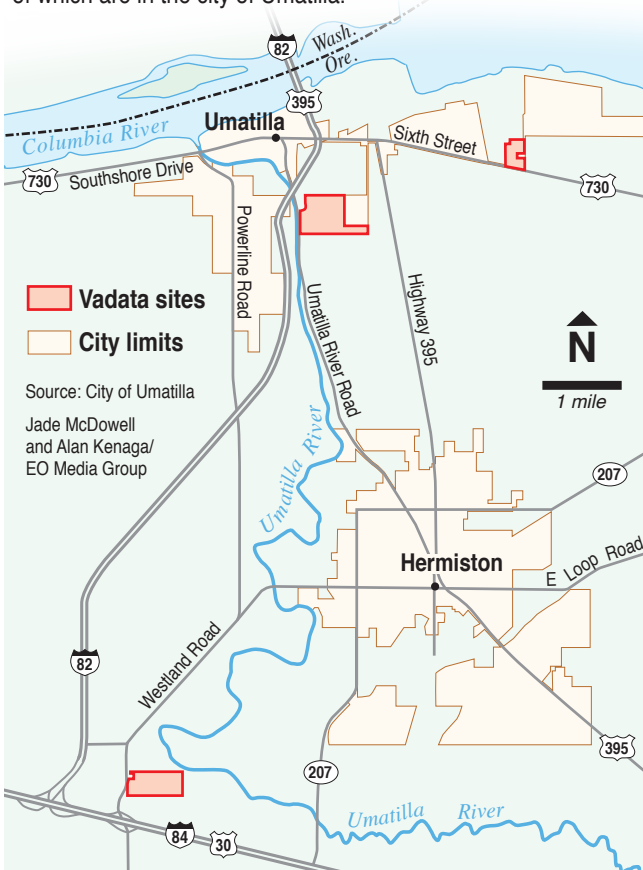
Based on the fact that all three developments are



Jesse Soto (hammering) and Mario Sanchez of C & C Construction work on a building that is part of Vadata’s data center campus near Two Rivers Correctional Institution.

## SIP development sites

A Strategic Investment Program agreement negotiated between Vadata and Umatilla County covers three development sites, two of which are in the city of Umatilla.



STAFF PHOTO BY KATHY ANEY

*“The city has spent millions on these developments. The county has done nothing.”*

**Russ Pelleberg,**  
Umatilla city manager

not expected to be of equal size or value, the county has offered a formula based on the percentage of the three developments’ assessed value that falls within Umatilla’s city limits. That percentage of the \$4 million would then be split evenly between city and county.

Umatilla County counsel Doug Olsen said Umatilla would likely receive about \$1 million of the \$4 million per year under that arrangement, in addition to other

revenue generated from different parts of the deal with the developer (non-disclosure agreements prevent Pelleberg and Olsen from naming the developer but various publicly available records tie the projects to Amazon).

The Strategic Investment Program allows counties to offer a 15-year property tax break to companies as an incentive to build there. Under state statute, the first \$25 million in real market value of the project is taxed at the usual rate and distributed to taxing districts such as cities, school districts and fire districts. A flat community service fee of \$500,000 per year is also assessed, to be divided between the districts. Additional “annual improvement payments” from the company can also be negotiated as desired, which is where the \$4 million comes from.

“The terms of the statute are fairly broad (on the

annual improvement payments),” Olsen said.

He said the county’s offer was according to previous arrangements on SIP and enterprise zones, which offer property tax breaks to companies building in certain pre-approved zones.

However, Pelleberg pointed to a recent enterprise zone deal with Lamb Weston, where the county and city of Hermiston will evenly split annual \$1 million payments by Lamb Weston in lieu of property taxes, even though Lamb Weston’s new \$250 million expansion is outside Hermiston city limits. While laws governing SIP agreements and enterprise zones are different, Pelleberg says the basic principal should be the same: a 50/50 split.

He estimates the city has spent roughly \$6 million accommodating Vadata, including new water and sewer infrastructure built or in the works, roads, mainte-

nance, attorney fees, studies and staff time in departments such as the planning department. One recent expenditure he pointed to was \$300,000 for engineering studies for a planned extension of water to the Lind Road area. A 50 percent split on the \$4 million could help reimburse the city for expenditures like that.

“\$2 million a year for the next 15 years is a pretty big deal to this community,” he said.

Olsen said the SIP agreement with the developer was negotiated using a team of county staff. Pelleberg contends the city should have had a seat at the table for the original negotiations. Olsen said the reason the city was not initially included is it did not annex in the Lind Road property until after the SIP agreement was submitted and that the county was not immediately aware of the annexation.

The city signed off on the SIP agreement with Amazon and the county, but the agreement states that “Dis-

tribution of the proceeds shall be governed by a separate agreement between the county and the city.” That agreement has not yet been signed, and the city recently submitted a public records request for a variety of documents pertaining to the drafting of that agreement after Pelleberg said the county has not been forthcoming about its reasoning behind the agreement (Olsen contends the county has had multiple meetings with Pelleberg on the subject).

In this particular SIP agreement, according to a report to the Oregon Business Development Commission by business incentives coordinator Art Fish, the three new data center projects in Umatilla County could potentially reach a total value of \$2.75 billion at full build-out. The package negotiated between the county and Amazon, Fish reported in a “very rough, general estimate,” could save Vadata about \$176 million in taxes over the course of the agreement.

## BTW

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**Scott Johnson**, a physician assistant, rejoined **Hermiston Family Medicine and Urgent Health Care** clinic this winter.

“I jumped at the opportunity to come back to work here and to come back to the area,” he said.

Johnson first worked at the clinic in the early 2000s, then leaving to work in Salem and to serve in Afghanistan and Iraq as a member of the National Guard. His first job out of school was working as a provider at the old demilitarization site at the Umatilla Army Depot.

Johnson will be a full-time provider at the facility, which is located at 236 E. Newport Ave., Hermiston.

The **Hermiston Farmer’s Market** won’t start until June, but when it does, it will be at a brand-new location on a new day of the week.

The market, featuring local growers and crafts, has had several homes, including McKenzie Park and downtown. But starting June 7 the market will be at the currently-under-construction **Maxwell Pavilion**, 255 S First Place across from **Bi-Mart**.

The market — which will be adding features like craft beer and live music — will run every Thursday from June 7 to Oct. 4

from 4-8 p.m. with a special kick-off event on Saturday, June 2.

Look for more information about the new **Maxwell Pavilion** and area farmers’ markets in an upcoming edition of the *Hermiston Herald*.

**Kathleen Gamble** of the **Umatilla Police Department** will graduate from the **Oregon Public Safety Academy** during a Friday ceremony at 10 a.m. in Salem.

Gamble and her classmates in the **Basic Police Class 377** participated in a 16-week course through the Oregon Department of Public Safety Standards and Training. **Chief Jon Sassaman** of the Corvallis Police Department is the guest speaker. A reception will follow the ceremony.

The Oregon DPSST provides training to more than 25,000 students each year throughout Oregon and at the academy campus in Salem. For more information, visit [www.oregon.gov/dpsst](http://www.oregon.gov/dpsst).

For a royal time, stop by the **SAGE Center** this weekend to meet **Oregon Dairy** princess ambassadors.

The **SAGE Saturday** event, which runs from 10 a.m. to 1 p.m., offers free admission and activities for children and their parents. Kids can make a special “My Plate” placemat, which highlights the importance of including dairy,

fruits, vegetables, protein and grains for proper nutrition. The **SAGE Center** is located at 101 Olson Road, Boardman. The princess ambassadors will be on hand from 11 a.m. to 1 p.m. to share about Oregon’s dairy industry.

For more information, call 541-481-7243 or visit [www.visitsage.com](http://www.visitsage.com).

Looking for a good way to celebrate Mother’s Day? The annual **Elks Mother’s Day Service** at the **Hermiston Elks Lodge** features music by the **Coffey** family.

The public is invited to the free event Sunday at 10 a.m. at 480 E. Main St. People are encouraged to linger afterwards and enjoy a champagne brunch at 11 a.m. The meal costs \$8 per person. For more information, call **Jim Voss** at 541-571-5116 or the lodge at 541-567-6923.

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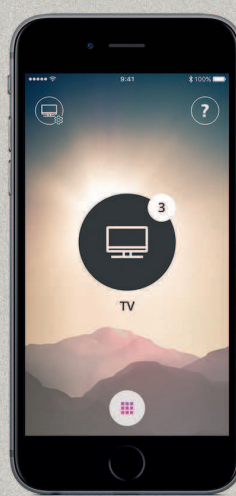


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