[Council President Hardin called the regular meeting to order at 7:02pm. Present were Councilors Peterson, Primmer, Davis, Myers, Barron, Spicerkuhn, and Duron. In attendance were Municipal Court Judge Creasing, and City staff to include: Assistant City Manager Mark Morgan, Chief Edmiston, Finance Director Mark Krawczyk, Planning Director Clint Spencer, and City Recorder Lilly Alarcon-Strong. The meeting was streamed live on YouTube. The pledge of allegiance was given.

Council President Hardin stated the agenda would be amended to hear Hermiston School District updates.

Presentation- Hermiston School District Updates

Athletics & Activities Director Larry Usher gave Hermiston School District (HSD) updates to include: the 164 safety guidelines that must be met for children to return to limited in-person instruction, the HSD will be announcing their return to school plan later this month, recent parent survey, athletics, and the bond project moving forward with elementary school bids.

There were questions regarding seniors, college scholarship and admission concerns that were addressed by Mr. Usher.

Council President Hardin informed and reminded the audience that the HSD presentation, discussion and questions were intended for the Council, however they would have an opportunity to speak during Citizen input.

Recognition- Mark Rose, Library Director- Umatilla County Special Library District

Assistant City Manager Mark Morgan gave recognition information from the Umatilla County Special Library District regarding the work Library Director Mark Rose has implemented at the Hermiston Public Library.

The Council thanked Mr. Rose and Library staff for their efforts.

Citizen Input on Non-Agenda Items

Steve Warr, Monica Todd, Allen Aichele, and Marilee Cottrell thanked the City for community grants that have helped local businesses and stated they understand that the community does not see how the City is working behind the scenes, but the City needs to inform the community what is being done to "open Hermiston back up". They expressed frustration with the City for not doing more to support local businesses and suggested that the City follow what other states and communities are doing by not following mandates and "Open Hermiston completely". Some suggested that COVID is not as serious of an illness as it is being portrayed to be and they are tired of wearing masks as they do not work. They stated they appreciate the work elected officials do and do not want them to feel like they are being chastised, however they are frustrated and need the Council to help their community and answer their questions. (There was applause from the audience).

Assistant City Manager Mark Morgan stated "Citizen Input" is an opportunity for the public to address the Council, it is not an engagement of back and forth communication, this is why we ask speakers to supply their address so we can contact them after the meeting.

DRAFT

Councilor Barron stated he is also tired of the pandemic, however the City cannot overrule state and federal mandates and asked that the community continue to follow these guidelines.

Council President Hardin thanked citizens for attending the meeting and addressing the Council and stated the City and County are working diligently trying to open up as much as possible.

Consent Agenda Items

Councilor Primmer moved and Councilor Myers seconded to approve Consent Agenda items A-B to include:

A. Replat- Hunsaker 4N2811CB TL 1500 - 235 NE 3rd St
B. Minutes of the December 14, 2020 City Council regular meeting

Motion carried unanimously.

Public Hearing: Annexation- Smith 4N2816 Tax Lot 1400- 1030 SW 17th St (Ord 2315)

After hearing no declarations of conflict of interest from the Council, Planning Director Clint Spencer read the hearing guidelines and Council President Hardin opened the hearing at 7:40pm.

Mr. Spencer presented information regarding the applicants Robert and Victoria Smith who would like to annex 1.38 acres of land located at 1030 SW 17th Street to connect to city services as detailed in the City Council agenda packet.

There were no Proponents, Opponents or Neutral parties who wished to testify and the Hearing was closed at 7:42pm.

After some discussion, Councilor Barron moved and Councilor Primmer seconded to approve the Findings of Fact as presented by Planning Director Spencer in the agenda packet. Motion carried unanimously.

Public Hearing: Comp Plan Amendment & Annexation -EO Development LLC 4N2802CD TL 500- 455 E Elm Ave (Ord 2316 & Ord 2317)

After hearing no declarations of conflict of interest from the Council, Planning Director Clint Spencer read the hearing guidelines and Council President Hardin opened the hearing at 7:47pm.

Mr. Spencer presented information regarding the applicant, Steve Richards, of Eastern Oregon Development LLC, who has submitted two applications for property located at 455 E Elm Ave. The first is to amend the comprehensive plan map designation from Medium Density Residential to Commercial and amend the zoning designation from Multi-Family Residential to Neighborhood Commercial Overlay, and the second is to annex the property with the NCO zoning designation to develop a portion of the site into a mini-storage facility, similar to the one at 1330 W. Highland Ave and the remaining portion of the property would be reserved for additional commercial development as detailed in the City Council agenda packet.

Proponents

Applicant, Steve Richards, thanked the Planning Department for always being helpful, professional and courteous and asked that the Council consider approving the amendment and annexation to build a larger mini-storage facility similar to the one he built on W. Highland Ave as Mr. Spencer explained.

There were no Opponents or Neutral parties who wished to testify and the Hearing was closed at 7:56pm.

After some discussion, Councilor Davis moved and Councilor Myers seconded to approve the Findings of Fact as presented by Planning Director Spencer in the agenda packet. Motion carried unanimously. Councilor Davis moved and Councilor Myers seconded to also impose conditions of approval as outlined in the agenda packet and explained by Mr. Spencer. Motion carried unanimously.

Council President Hardin asked School District Superintendent Dr. Trisha Mooney if she wanted to add any comments to the School District updates previously given by Mr. Usher as she had just joined the meeting. Dr. Mooney stated no, but asked if there were any questions the Council had of her. Hearing none, the Council President Hardin continued with the agenda.

Ordinance No. 2315 Annexing 4N2816 Tax Lot 1400, 1.38 acres- 1030 SW 17th St

Council President Hardin stated this ordinance was presented during the public hearing and requested that the first reading be by title only. Hearing no opposition, City Attorney Gary Luisi read the ordinance by title only. Council President Hardin requested that the ordinance be put on for final adoption at this meeting and that the second reading be by title only. After City Attorney Gary Luisi read the ordinance by title only for the second reading. Councilor Primmer moved and Councilor Spicerkuhn seconded that Ordinance 2315 be adopted and become effective 30-days after adoption by the City Council. 8 votes for; none against. Motion carried unanimously.

Ordinance No. 2316 Amending the Comprehensive Plan Map and Zoning Map for 4N2802CD TL 500, 11.5 acres- 455 E Elm Ave

Council President Hardin stated this ordinance was presented during the public hearing and requested that the first reading be by title only. Hearing no opposition, City Attorney Gary Luisi read the ordinance by title only. Council President Hardin requested that the ordinance be put on for final adoption at this meeting and that the second reading be by title only. After City Attorney Gary Luisi read the ordinance by title only for the second reading. Councilor Davis moved and Councilor Barron seconded that Ordinance 2316 be adopted and become effective 30-days after adoption by the City Council. 8 votes for; none against. Motion carried unanimously.

Ordinance No. 2317 Annexing 4N2802CD TL 500, 11.5 acres- 455 E Elm Ave

Council President Hardin stated this ordinance was presented during the public hearing and requested that the first reading be by title only. Hearing no opposition, City Attorney Gary Luisi read the ordinance by title only. Council President Hardin requested that the ordinance be put on for final adoption at this meeting and that the second reading be by title only. After City Attorney Gary Luisi read the ordinance by title only for the second reading. Councilor Duron moved and Councilor Primmer seconded that Ordinance 2317 be adopted and become effective 30-days after adoption by the City Council. 8 votes for; none against. Motion carried unanimously.

Fiscal Year 2021 2nd Quarter Investment Report

After presenting the Fiscal Year 2021 2nd Quarter Investment Report as reported in the agenda packet, Finance Director Mark Krawczyk asked that the Council consider continuing to allow the City another six

months of non-compliance, from the City's Investment Policy, in the municipal bonds category to allow for continued growth that is being seen.

Councilor Davis moved and Councilor Duron seconded to continue the municipal bonds category as-is for the next six months as suggested by Finance Director Krawczyk. Motion carried unanimously. Councilor Spicerkuhn moved and Councilor Davis seconded to accept the FY 2021 2nd Quarter Investment Report as presented. Motion carried unanimously.

Goal Setting Report Update

Assistant City Manager Mark Morgan gave an update to the 2020 City Council Goals and asked that the Council and public remember that the Goals were established in January 2020, prior to COVID-19, the City is continuing to work on all goals as established, to include:

- Building a steering committee for long range visioning, engaging the community, and improving City facilities;
- Fiscal Prudence, Finance Director continues to keep the City on track and informed, SDC consultant has been hired to review these fees as the last time they were updated was in 1998;
- Housing, working with an investment group to stimulate housing with more information coming this spring and the senior housing project neat the Recycled Water plant;
- Business growth, City continues to work on South Hermiston Industrial Park (SHIP);
- Transportation, revenue is down as this is funded through gas tax and many people aren't driving as much as the previously were; and
- Access to Justice, Municipal Court has obtained improved software and is continuing to work on retaking A Misdemeanors.

There was some discussion regarding the continued effort from the City and Railroad to improve the Harper and Geer Road intersection.

Elect Council President, Two-Year Term

Councilor Myers moved and Councilor Davis seconded to nominate Councilor Primmer as Council President for the two-year term through 2022. Motion carried unanimously.

Committee Reports

Parks & Recreation Committee: Councilor Davis and Myers reported the Committee will meet this week after six months of not meeting due to COVID.

Council President Report

Council President Hardin encouraged the public to participate in the virtual Martin Luther King, Jr. Zoom Panel presented by the Hermiston Cultural Awareness Coalition on January 18, at 12:00pm.

Council Reports

Councilor Duron thanked the Police Department, Umatilla Electric Coop, and all those who came together to make the 53rd Year of Christmas Express a success, and expressed excitement in representing the Council in the various Committees she has been assigned. Councilor Duron also thanked previous councilors, including Mr. McCarthy, for all the work they did to continue to make Hermiston a great place.

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Councilors Spicerkuhn, Peterson, and Barron thanked the public for attending the meeting and expressing their thoughts and stated they understand their frustration as they live in the community as well and asked that the community continue to pull together.

Manager's Report

Assistant City Manager Mark Morgan spoke regarding:

- The Economic Review Report (attached), and
- Encouraged the public to participate the in the HB 2001 and 2003 Updates and Virtual Open House via the City's website at: https://www.hermiston.or.us/bc-pc/page/hb-2001-and-hb-2003-updates-virtual-open-house

Adjournment

There was no other business and Council President Hardin adjourned the meeting at 8:41pm.

SIGNED:

Rodney Hardin, Council President

ATTEST:

Lilly Alarcon-Strong, CMC, City Recorder

DRAFT

MEMORANDUM

TO: Mayor & Council
FROM: Mark Morgan, Assistant City Manager
DATE: January 11, 2021
SUBJ: 2020 Year-End Economic Review

I recently participated in the Chamber of Commerce's "Lunch & Learn" video series (available for playback on their Facebook page), where I gave a recap of the current state of Hermiston's economy, with a specific focus on local data. I felt that this local look was important, because if there's one thing that we have learned through the COVID-19 induced recession, it's that it was very 'spiky,' with some communities and households financially devastated, while many others experienced no financial difficulties and in fact saw their incomes rise significantly.

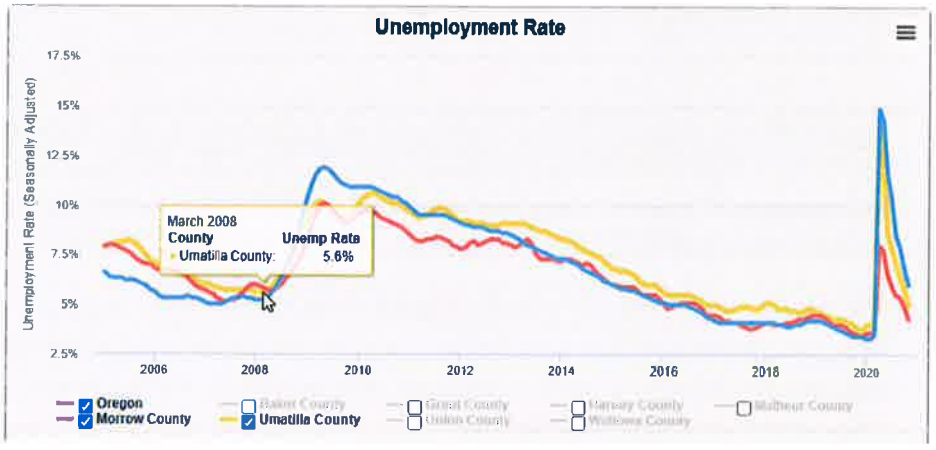
Mayor Drotzmann asked that I synopsize my presentation in to memo format for all of you. I hope that you all find this information to be useful in making policy decisions in to 2021. If any of you have any questions after reading this, I am more than happy to discuss them with you.

Hermiston Fared *Relatively* Well in 2020

I mentioned the 'spiky' nature of the COVID-19 recession's impact on different communities and households. It's important to note that most of what I outline here is specific to the Hermiston community as a whole; recognizing that, even in Hermiston, individual households likely had very different outcomes.

Local Unemployment Rate is Historically Good (Through November)

Umatilla County's unemployment rate in November, 2020, which included the return of some of the most stringent economic restrictions from the Governor, was 5.0%. That is historically an incredibly good number for Umatilla County. In a case of, "how quickly we forget," I just point out the graph below which is from the Oregon Employment Department, and charts unemployment back to 2005. Although Umatilla County clocked an astonishing 3.7% UE rate in December, 2019, I think many of us forget that the County didn't come down to 5.0% (where we are currently) until January, 2017. When we look further back in time, that's when we can see the historical context of our current UE rate.



Umatilla County's best unemployment figure in the lead-up to the "Great Recession," was 5.6% in March, 2008. Put another way, in the data window that we have available, back to 2005, our community had never experienced an unemployment rate as good as it is now (5.0%) for the 12 years between 2005 and 2017.

Total Jobs Holding Steady

Any discussion of the unemployment rate immediately triggers the valid response that the UE Rate doesn't account for "discouraged workers," which are those people who have given up looking for work. Although that is certainly a real phenomenon that the UE Rate only counts those people who are out of work, but are actively searching, I would argue that even with that, we are still able to use the UE Rate for valid comparisons over time. Since the 'discouraged worker' phenomenon is always there, we are able to discount that, and still show that the current UE Rate is historically good.

To account for 'discouraged workers,' we have to look at Total Non-Farm Employment during a time of similar unemployment, and during the same time of year to off-set seasonal variations in employment. So when we look at total employment in November, 2020, county-wide we had 27,800 jobs; that's compared to November, 2016, when the UE was just a shade over 5.0%, when county-wide jobs totaled 28,200, for a deviation of approximately 400 jobs, or about 1.4% reduction in total employment. However, I believe a major factor at play has less to do with people unable to find work, and more to do with the fact that they cannot work because they have to stay home with children doing distance-learning.

Hermiston-Area Unemployment Rate is likely better than the County-Wide figure

The most refined "real-time" data that we have is only reported on a county-wide basis, so there is no way to break-out Hermiston's November, 2020 unemployment rate individually. However, I believe that the west-end of Umatilla County is likely experiencing an unemployment rate closer to Morrow County's. The west-end of the county simply shares much more similar characteristics with Morrow County, in value-added ag processing, than it does with the rest of Umatilla County. Additionally, the largest individual employer in Umatilla County, Wildhorse Resort & Casino, with well over 1,000 employees, is located well outside of the Hermiston area, and exists in an industry which bore one of the worst effects of the necessary closures to slow the spread of the virus.

Unemployment Rates			
	Umatilla County	**Morrow County**	**Oregon**
April, 2020	13.9%	8.0%	14.9%
November, 2020	5.0%	4.3%	6.0%

Hermiston Benefitted from Low Exposure to "Hospitality"

Many of you have probably heard my low opinion of focusing too much economic development resources on hospitality & tourism. My main reason to be averse to it is that our 'opportunity cost' is simply way too high because we lack truly catalyst-level tourism assets (i.e. a ski resort, a navigable lake, a major tribal casino, etc.) while we are very lucky to have high-value crops which require local processing, excellent rail/highway infrastructure, access to two trans-continental gas pipelines, immediate access to the PNW Fiber Optic backbone, and many others. While the cost of trying to develop a catalytic tourism asset is high, the real cost in directing resources that way is in the missed opportunities from not directing resources to our real existing assets.

My second reason to be wary of tourism had always been that it compounds the local negative effects during a recession. What's the first thing households cut from their budgets when things get tight? Dining out, family vacations, etc. So this dynamic means that if you're experiencing an economic contraction un-related to tourism, you'll soon get hit with a "second wave" as households pull back on that type of spending.

NAICS Classifications Show Low Exposure to "Hospitality"

Although the Unemployment Rate is reported quickly, but on a broad county-wide level, we are able to dig more granularly in to other economic figures which lag behind by a couple of years. The US Census reports data on a zip code level basis, with the latest data available for 2018. Specifically, what I looked at early in the Pandemic was how much exposure Hermiston had to the hospitality industry by looking at how many jobs are here in that industry.

The North American Industry Classification System (NAICS) is an extremely robust numbering system for all job classifications in the United States. For this analysis, my shorthand for the "hospitality industry" is really combining the two NAICS clusters of, "Accommodation and Food Services," and "Arts, Entertainment, and Recreation."

I developed the table below by lumping together the Hermiston/Umatilla/Stanfield zip codes to generally describe the "Hermiston Area." However, I only pulled out the Pendleton Zip Code for comparison because individually it is actually geographically larger than the three West-End code areas, and due to that size/distance, it didn't seem comparable to lump in places like Pilot Rock or Athena/Weston in to Pendleton's figures.

Hospitality Industry Economic Risk Exposure by Area

	% All Jobs "Tourism" Related*		Total All Jobs in All Industries	
Area	2008	2018	2008	2018
Umatilla County- Total	10.8%	11.6%	28,790	31,057
Hermiston/Umatilla/Stanfield Zips	7.5%	8.1%	13,110	15,193
Pendleton Zip	16.1%	19.1%	11,250	11,006
Oregon- Total	10.6%	11.4%	1,668,000	1,904,000

**"Tourism" related jobs determined as all jobs classified in the NAICS categories of "Accomodation & Food Services," and "Arts, Entertainment, & Recreation."*

The figures above show us many things, but the simple fact of the matter is that Hermiston, with only 8.1% of all jobs being in the two hospitality industry segments, has about 40% fewer jobs in the "Hospitality" industry than if we were closer to the statewide average of 11.4% of jobs in hospitality. When I saw Umatilla County's exposure at 11.6% in hospitality, despite nearly half of all jobs county-wide being in the Hermiston area, that's when I looked at the Pendleton zip code to see how much it was truly dragging that figure up. I was startled to see that nearly 1 in 5 jobs in the Pendleton zip code (which includes Wildhorse) are in hospitality. This means that workers and businesses in Pendleton were almost 2.5 times more likely to be directly impacted by disruptions in restaurants, hotels, etc.

Hermiston "Hospitality Industry" Is Actually Growing

Despite my negative attitude toward hospitality as an economic development tool, I will say that I do think that it has it's place; we just have to be realistic about what that means for Hermiston, and try to maintain a healthy balance to maintain a diversified economy. So with that said, the numbers above actually do show overall growth in Hermiston's Hospitality figures; it's just that we added 2,000 jobs between 2008 and 2018, so the gains in hospitality alone don't stand out as much. Several hospitality related developments which occurred in the 2008-2018 timeframe were addition of Comfort Inn & Suites (2008), expansion of 16 rooms at Travelodge (2016), completion of Eastern Oregon Trade & Event Center (2016), opening of Holiday Inn Express (2018), opening of Maxwell Event Center (2018), along with a number of restaurant additions.

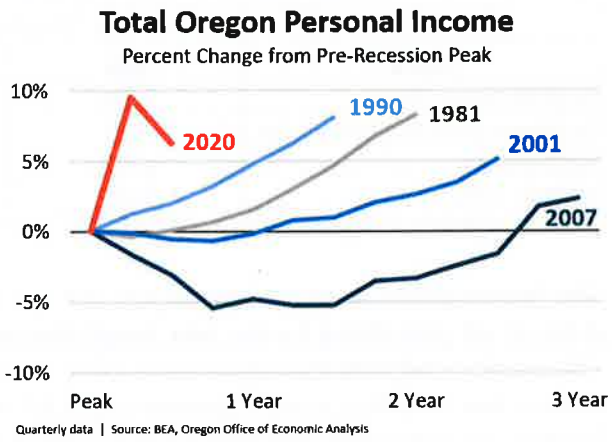
COVID-19 Economic Response from the City

City Staff, and I'm sure many of you, have been pressed by constituents about what the City's response to the economic impacts of COVID has been. Ultimately, from a very early stage of the pandemic, it became clear that the economic impacts to Hermiston would be *relatively* small (see above), and also that (despite whatever your favorite cable-tv talking head says) the Federal Government and Federal Reserve's responses have been so swift, massive, and blunt that it completely dwarfs anything that local taxpayers could do through the resources that the City has at our disposal.

$600/Week Extra Federal Unemployment Benefit

The CARES Act in the Spring included additional payments of $600 per week to those experiencing unemployment on top of what those benefits would have already been. That's $600 per week extra regardless of whether you were earning $11/hr minimum wage in Hermiston, or $100/hr managing a hotel in Manhattan. This is one of the points about the 'bluntness' of the Federal Response.

Each state has different calculations for how unemployment benefits are paid, with some states having more generous or less generous benefits. When I calculated the impact of an additional $600/week in to Oregon's unemployment calculation, it meant that a laid-off worker was breaking even if they earned $18.25/hr prior to the layoff. For a sense of what that means, Umatilla County's 2019 Average Annual Wage works out to $19.99/hr. This means that if the average worker in Hermiston did happen to get laid off, they had nearly all of their income replaced through unemployment, and in fact a large percentage of laid off workers earned more than before they were laid off.



Laid off workers earning more than before they were laid off is just one explanation for this mind-blowing graph from the Oregon State Economist from December, which shows that personal incomes in Oregon were actually still UP 6% over the year after spiking by 10% in June, which he attributes almost entirely to the triple Federal Aid package policies for unemployment, Stimulus, and the Paycheck Protection Program.

$1,200 and $600 Stimulus Payments

In another incredibly blunt (and deceptively massive) policy, the CARES Act in the Spring, and the federal aid package approved in December provided most taxpayers with direct cash payments of $1,200 and $600 per taxpayer. Again, those figures were bluntly applied across the country, regardless of any local cost of living differences. This means that a theoretical 2-person household received $3,600 in direct cash payments from the two payments. When you consider that Hermiston's Median Household Income is $58,000 per year, and the fact that a very large number of households in Hermiston experienced either no job loss, or had their income fully replaced with the unemployment supplement, that median household saw their income jump 6.2%.

The numbers above show how blunt the stimulus payments were, but it was also deceptively massive in terms of cost. To scale it to estimate what that means for Hermiston, I know that there are 7,000 households in the city limits of Hermiston, our average household size is 2.7 people, and only about 5%

of the population earns above the $150,000 income phase-out to receive the benefit. I also know that dependent children counted for $500 each in the CARES Act, and $600 each in the December stimulus. Taking all of that together, I think a conservative estimation would be to assume the average household received $3,600 between the two programs. That figure allows us to let the 0.7 average dependents offset the fact that 5% of households received a scaled version, or nothing at all.

Using my assumption of an average of $3,600 per household, I believe the 7,000 households in Hermiston received a cumulative total of approximately $25 million in stimulus cash in 2020. Extrapolating that out a bit, based on the population of 40,000 people living within a 10-mile radius of downtown, I estimate that the greater Hermiston area received a cumulative total of approximately $52 million in direct stimulus payments.

Direct Local Tax/Rate-Payer Assistance from the City?

Bringing this all back to the question of what was the City's response to help households during the pandemic; I think you can see that anything the City could have done would have been a drop in the bucket compared to the Federal response. The Stimulus Program alone cost Federal taxpayers $25 million just in the city limits of Hermiston. For context, the entire City of Hermiston General Fund is $15 million, while the entire Utility Fund is $10 million. For the City to provide something equivalent to just the federal stimulus, we would have had to saddle the future tax and rate payers with debt equal to 100% of our annual budget.

Direct Business Assistance From "the City"

The City did engage in a very targeted form of direct assistance by using funds directly from the CARES Act. We, along with all other cities in Umatilla County, partnered with the County in June to offer $5,000 business assistance grants. The County allocated $600,000 to businesses from the 97838 Zip Code, and the City of Hermiston pledged $180,000 to that program. We worked with the County to have them draw from their allocation first, with the City's contribution coming in behind to cover any applications which weren't covered by the County's. In the end, we received 110 applications from the 97838 zip code, and awarded all but one, for a total of $545,000. This meant that the City was able to "keep our powder dry" to focus our resources to the hardest hit businesses.

I had been having conversations with both the movie theater and the bowling alley since the early Spring. The movie theater in particular was extremely pessimistic about his ability to survive the closures. Once we made it through the general business assistance grant cycle, I re-contacted the theater and bowling alley about more significant assistance. Ultimately what we settled on was to provide each with cash equal to their previous year's property tax bills ($103,000 total), and to purchase $30,000 of gift certificates from each of them. We have since been pushing those gift certificates out through the Library and Parks & Rec as incentives for participation in various programs. Both businesses have been very appreciative of the assistance, and I hear positive feedback that our strategy of leveraging gift certificates to both market the businesses and drive exponential utilization is working.

Surely our strategy of providing $163,000 to just two businesses will be questioned by some, but I still believe that, in contrast to the Federal programs, this was the most economically efficient use of targeting our limited resources for maximum long-range return. The bowling alley and movie theater are unquestionably our two largest private sector "recreation/leisure" businesses that we have in the community. I believe that they truly function as an "anchor" economic asset which helps to support local restaurants and retailers much more than any individual restaurant does the other way around. This is because without one, or both, of those amenities, it simply provides one more reason for Hermiston

households to make a day out of going up to the Tri-Cities to watch a hockey game, go to a movie, etc., and while they're there, they'll also go shopping at Target, and have a meal at a restaurant there. Simply put, keeping the movie theater and bowling alley helps us limit the "leakage" of local dollars to restaurants and retailers in the Tri-Cities and keeps those dollars here.

2021 Economic Forecast for Hermiston

Locally, as the data shows above, the Hermiston area is basically already "back" to where we were in the two years prior to the pandemic. I think as vaccination rates increase, K-12 education will return to in-person learning, and that will result in a significant bounce-back simply from education-related services alone (i.e. bus drivers, meal-prep, etc.), and the return to the workforce of people who have chosen to stay home with children during comprehensive distance learning.

Meyer Distributing (160,000 Square Foot Warehouse)

I've been working with Meyer Distributing since July, 2017, and while they have been very good partners, they have been very methodical. I am very happy to report that they are now in to detailed site-planning and permitting for the first phase of their master-planned warehousing operation. This first phase will be 160,000 square feet, with the overall site capable of accommodating a future build-out to 600,000 square feet. I'm hopeful that we will see ground breaking on this warehouse sometime in the first half of 2021.

This operation is very much a "warehouse" versus a "Distribution Center." Those terms are my distinctions so that people scale their expectations. This operation distributes vehicle and RV parts to various customers across the country, and those types of products have much longer "shelf life" than products which go out of the Wal-Mart DC, for example. So this means that employment and truck traffic will both be smaller than the Wal-Mart DC, even if/when it reaches 600Ksf, which is half the size of the Wal-Mart DC.

This operation is expected to employ about 50-60 warehouse workers in the first phase, which could scale up to as many as 200 at the full 600Ksf build-out. Additionally, this operation is likely to only see about 10 outbound trucks per day in the first phase; which is exponentially fewer than the Wal-Mart DC, and should hardly be noticeable from a traffic standpoint.

This operation is not receiving any kind of Enterprise Zone property tax incentives. I have already been critically questioned about this by another local taxing jurisdiction, and I'm sure that when the announcement of ground-breaking makes the newspaper you will hear constituents incorrectly complain to you about tax incentives. Simply put, Meyer Distributing never asked about tax incentives, so I never offered any.

Cloud Computing (In Hermiston)

As you are all aware, we have an approved Enterprise Zone agreement in place with a $2B cloud computing investment, which will be constructed within the City Limits. Unfortunately, due to a combination of the company's extreme secrecy and market conditions, I still have no real definitive information for when ground will be broken. However, I doubt that it will be in calendar year 2021, but we are getting indications that work is likely to begin in earnest in 2021 on site development planning and engineering.

Cloud Computing (Regionally)

The Cloud Computing industry continues to expand regionally, and that is having a direct and noticeable impact on employment and wages. Based on the multiple data sources that I have available, it appears that direct Data Center Technicians located in the Boardman-Hermiston-Umatilla region now stands in the ballpark of 400-500 jobs. That figure does not include things like construction, security, etc. The wages paid for those positions is beginning to move the needle in our local data. According to numbers released for 2019, the average county-wide wage in Umatilla County rose by 4% in 2019. A big driver of that was the addition of approximately $25 million in total payroll in the "Information" sector, which is basically Data Centers. I anticipate, between the facilities in Boardman, Umatilla, and Hermiston, that we will see between 50 and 100 more data center technician positions come online in 2021.

Housing Boom

Hermiston saw our highest single-year of new single-family home construction since 2006 in 2020, with 101 new homes. For context, that's compared to around 70-80 the previous few years, and around 30-50 per year in 2012-2016. Similar to my points about anything that we can do locally to assist households through the COVID recession being exponentially small, the action of the Federal Reserve with regard to interest rates is probably 80% responsible for our housing boom in 2020.

For context, average 30 year fixed-rate mortgages in December, 2019 were 3.72%, and have fallen to 2.77% in November, 2020. If you account for that on the average home sale price in Hermiston ($249,000), it works out to a savings of $139 per month for the buyer, or roughly $50,000 over the life of the mortgage. Meanwhile, if we did something like Morrow County had done recently and gave home-buyers $5,000 to reduce their cost, that would only decrease their monthly mortgage cost by $24. Additionally, when we recognize that there are approximately 300 new and existing home sales each year in the City, a program of $5,000 incentives on each home purchase would cost local taxpayers approximately $1.5 million per year. Sometimes we have to just accept that we are at the will of much more powerful forces in the world of global finance.

I say interest rates are 80% responsible for the housing boom because I believe that the work that Council and staff have done over the past 4 years to ensure an adequate supply of development-ready land existed with interested developers in the pipeline has allowed us to "strike while the iron's hot" and let the private sector respond when the conditions are right.

Housing "In the Pipeline"

Although I can't tell what the Fed will do with interest rates in 2021, I feel that we are likely to remain on-track to see new housing development in the range of 70 to 100 new housing units in 2021, and for the next few years at least; if conditions remain good.

- Highland Summit: Monte Vista Homes appears to be nearly complete in finishing the last two phases of this subdivision. There appears to be only 5-10 incomplete/un-sold homes in there, with active building taking place. These homes appear to be priced at the higher-range of the current market with a 3 bed, 2 bath 1,600SF home going in the range of $280,000.

- Theater Park: Monte Vista Homes claims to have the first half of this 50-unit subdivision completely sold-out, with significant building taking place. I anticipate heavy building to continue through 2021, with the entire subdivision nearly built out by the end of 2021. These homes appear to be priced slightly lower than their Highland Summit development, with the same home listing closer to $260,000.

- Cimmaron Terrace (Townhomes): This development off of E. Theater & NE 8th continues to construct new 4-plex townhomes which appear to all be for the rental market. The development appears to still have approximately 16 units (4 buildings) remaining in it's currently approved phase, and we are likely to see those built in 2021.

- Cimmaron Terrace (Single Family Homes): Olin Homes has purchased most of the finished lots in this 100-home subdivision south of E. Theater, and currently has about six homes in various stages of completion. These homes appear to be priced a bit higher than Monte Vista's two subdivisions, with the same home going for closer to $300,000.

- Wolf Run: Frank Gehring is nearly built-out in this subdivision off of Gettman Road, which has been under construction for a year or two now, and has broken ground on the second and final phase, which will include 10-15 homes. These homes appear to be priced similar to Olin Homes, with the typical home being in the $300,000 range.

- Desert Sky Estates: Paul Burns continues to build 5-10 homes per year in this subdivision off of S 1st place. There appears to be 10-20 un-built lots remaining, although there has been interest in developing an additional significant phase soon. These homes appear to be priced similar to Olin Homes, and Wolf Run, with the typical home being in the $300,000 range.

- Santiago Estates: This 205 home manufactured home park has been doing site-work on their property off of Diagonal, which includes the former Head Start Bus Barn, since the Fall. The developer appears to be more interested in cost containment than in speed. So although this development has been very methodical, I think it is absolutely progressing toward seeing new homes begin going in there mid-to-late 2021. This development is certainly what I would consider to be market-rate affordable housing. The developer will charge space rent, but has the equivalent of covenants which ensure that a product similar to what comes out of Marlette Homes goes in there. He expects the cost of the typical home to be approximately $90,000 (not accounting for monthly rent for the space). This business model has really picked up in Hermiston since about 2016 when financing restrictions on manufactured homes appear to have changed. We have seen approximately 10-20 manufactured homes placed in parks similar to this each year since about 2016, with the existing parks nearing capacity. I would anticipate this development to fill that market for the foreseeable future, with probably 20-30 homes placed each year for upwards of 10 years.

- Highland Meadows: This 30 home subdivision recently broke ground on the first 18-home phase off of SE 9th & E Highland. The developer is closely related to the developer of Wolf Run, and all indications are that the product and timing of build-out will be very similar to Wolf run. I believe we will see flatwork completed this Spring, with a handful of homes constructed in 2021.

- Legacy Crossing: This 100 home subdivision off of NE 4th & Punkin Center is being developed by Monte Vista Homes (see Highland Summit and Theater Park). The developer is finalizing approvals for their first 30-home phase, and I anticipate seeing them break ground on that phase this Spring, with homes being constructed rapidly in 2021. Depending on the speed of closing-out their Theater Park development, and the uptake of the first phase, I wouldn't be surprised if we also see ground broken on an additional phase of this subdivision before the end of 2021.

- Diamond Run: This 147 home subdivision bounded by Elm, Diagonal, and NE 10th is being developed by Lloyd Piercy, and continues to work it's way through the civil engineering approval process. Based on the pace of progress to date, it is hard to say whether this development will actually break ground in 2021, or will be marketed as an approved subdivision awaiting a home-builder to buy the lots. But it is good to have a development of this scale this far along in the development process.

- Skyline Ridge: This 140 home subdivision off of W. Punkin Center and Geer Road made it's way through the development approvals process a couple years ago, and now appears to just be looking for a home-builder to buy the development. Again, it's hard to say whether this development will actually break ground in 2021, but it is good to have this development in the pipeline for when market conditions and the price being asked finally match-up.

- Grouse Ridge: This massive 955 home mega subdivision is being planned for the 353-acre former C&B Livestock site in SW Hermiston near the intersection of Feedville & Highway 207. City staff has been working with the current owners/developers since 2012, as the developers wrestled with how to make the development pencil-out, due to the major utility extension needs. We gained significant traction in 2020 when the City partnered with the developers to hire FCS Consulting, a major consulting firm which works with many cities in the Northwest to develop System Development Charges and other development impact fees. This effort has finally yielded a concrete plan for the required off-site utility improvements necessary, and has resulted in a menu of viable financing options; most of which rely on the City helping to share the risk of development by public-private partnership. As the developers finish digesting the final recommendation with their investors, I hope to bring some more detail for Council to consider sometime in 2021 with regard to financing partnerships with this development.

cc: Byron Smith, City Manager
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