

TO: Mayor and City Council
THROUGH: Krishna Namburi, City Manager
FROM: Kristin Retherford, Community Planning and Development Director

SUBJECT:

This report provides City Council and the community an update on the proposed data center at Mill Creek Corporate Center, including the current status of the proposal, activities to date, anticipated review process, and planned public engagement opportunities.

Ward(s): Ward 3

Councilor(s): Councilor Matthews

Neighborhood(s): SEMCA – Southeast Mill Creek Association

Result Area(s): Result Areas – Good Governance; Natural Environment Stewardship; Safe and Healthy Community; Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy; Welcoming and Livable Community.

SUMMARY:

The company, Verrus, began its exploration of Salem as a site for a data center sometime around March 2025. In late March 2025, at the company's request, the City entered into a non-disclosure agreement (NDA) while the company evaluated Salem as a potential location for a data center. During this period, as part of the preliminary review process, Verrus worked with City staff to evaluate site feasibility, including transportation access, utility capacity, site design, and environmental considerations.

In late April 2026, Verrus shared a revised site plan with technical staff. In June 2026, after staff informed the City Manager that the company intended to move to the next stage of evaluation, City leadership took steps to seek the City's release from the NDA so information about the project could be shared publicly. The City was released from its NDA on July 8, 2026. At the next opportunity to address the City Council and the community in an open public forum, the City Manager publicly shared information about the proposal.

The purpose of this report is to explain:

- the current status of the proposal;
- activities to date;
- what decisions have and have not been made;
- the City's role in reviewing the proposal;
- opportunities for public engagement; and,

- potential next steps should the project move forward.

ISSUE:

Information only.

RECOMMENDATION:

Information only.

FACTS AND FINDINGS:

The purpose of this report is to provide City Council and the community with information regarding the proposed data center at Mill Creek Corporate Center. The report includes current status of the proposal and summarizes activities to date, explains the City's development review process, planned public engagement opportunities if the proposal proceeds, and outlines anticipated next steps.

Preparing Mill Creek Corporate Center for Industrial Use

In 2005, the [Mill Creek Urban Renewal Area](#) formed to prepare 650 acres of relatively flat land for industrial development in southeast Salem. Also in 2005, an Employment Center Zone was established for the area. In 2014, the Unified Development Code was adopted, which included data centers as an allowed use in Employment Center zones. Data centers are an [allowed use in land zoned for Employment Centers](#).

Initial Inquiry

When companies are evaluating potential locations for significant investments, they often request confidentiality during the early stages of discussions. This is a common practice in economic development because companies may be evaluating multiple locations while sharing proprietary information about their business plans, operations, technology, investment levels, and site requirements.

In late March 2025, at the request of the company, Verrus, the City of Salem entered into a non-disclosure agreement with a company that was evaluating Salem as a potential location for a data center at the Mill Creek Corporate Center. Non-disclosure agreements are commonly requested by companies or developers during their due diligence process while they determine project feasibility. While the NDA remained in effect, the City was contractually obligated not to disclose information provided by Verrus.

Preliminary Review: Evaluating Site for Proposed Use

The preliminary review process allows a prospective developer to determine whether a

site may be feasible for a proposed use. It also allows City staff to identify potential issues early in the process. Participation in this process does not indicate City support or approval of the proposal.

As part of the preliminary review process, the company submitted a pre-application with the City. During this stage, companies evaluate whether available land can meet their proposed need, whether the employment base is sufficient, and whether road, water, sewer, and electrical capacity are sufficient to support the development. Verrus had three preliminary technical conversations with staff about the development proposal, and one conversation about a proposal to establish a conservation easement on the property. A complete listing of conversations and materials received by the City is included in Attachment 1: Pre-Development Application Process: Data Center Proposal at Mill Creek Corporate Center.

These preliminary discussions were limited to evaluating project feasibility for the site. The City has not approved the proposal, negotiated development terms, committed City resources, nor made any decision regarding the project.

In June 2026, the City Manager was informed that the company intended to move the project into the next phase of evaluation. The City subsequently sought release from the non-disclosure agreement so information about the proposal could be shared publicly.

On July 8, 2026, the City was released from the non-disclosure agreement with [Verrus](#), the company exploring development of a potential data center to be located in the Mill Creek Corporate Center. The next opportunity for the City Manager to address the full Council as well as the community was in an open public forum at the July 13, 2026, Council meeting, where the City Manager informed the Council and the community about the project. On July 14, 2026, the City posted initial questions and answers regarding the data center proposal to its website.

Current Status of the Data Center Proposal

The proposal remains in the preliminary stages. Although the City has participated in preliminary technical discussions, no decisions have been made regarding approval of the project or commitments by the City.

At this time:

- No formal land use application has been submitted.
- No land use approval has been granted.
- No construction permits have been issued.
- No building permits have been issued.
- No development agreement has been executed.
- No Community Benefits Agreement has been negotiated or executed.

- No utility commitments have been made by the City.

The company, Verrus, has received approval for a standard three-year Enterprise Zone property tax exemption from Marion County under an existing state-authorized program.

It can take time — sometimes years — from a company's initial inquiry about locating in a community to proceeding through the development process. If Verrus submits a formal land use development application, the City will evaluate the proposal through its established planning, development, building, utility, and regulatory processes. Through these processes, together with community conversations, the City can evaluate whether the proposed development fits with community goals and whether potential benefits and impacts are appropriately addressed (see Attachment 2: Development and Community Benefits Agreement Process Steps).

Water demand estimates remain preliminary and will be evaluated through the City's development review process, if a formal application is submitted. Any final determination regarding water service requirements would be based on detailed engineering analysis and compliance with applicable City utility standards.

During the preliminary review process and pre-application stage, the developer typically works with the City to evaluate site feasibility, including initial site design, transportation access, early indications of anticipated energy and water needs, and other infrastructure considerations. The pre-application process is iterative based on feedback from technical staff from the City and other agencies, the landowner, and the developer.

To date, staff review has focused on preliminary technical issues, including:

- Transportation access
- Utility availability
- Water and wastewater infrastructure
- Electrical infrastructure
- Site design
- Environmental considerations
- Heritage oak tree preservation
- Conservation easement concepts

These discussions are intended to evaluate project feasibility and do not constitute project approval.

If the proposal moves forward and a formal development application is submitted, [the](#)

[status of a development application](#) will be available on the City's website. Verrus has identified the proposed project as [Oakline at Mill Creek](#).

Potential Investment and Employment. The investment and employment estimates discussed below are based on information provided by the developer and would depend on the project proceeding substantially as proposed.

Verrus's investment in our community is projected to be more than \$5 billion. The City's current tax base is approximately \$16.7 billion. The company's investment would be taxable, and after the first three years, those tax revenues would flow to the City's General Fund to help pay for City services like Police, Fire, and other services — as well as the Community Services Levy. Because the City is no longer collecting property tax increment revenue at the Mill Creek Urban Renewal Area, all property taxes collected from this development will be distributed to taxing districts such as the Salem-Keizer School District, Marion County, and Salem Area Mass Transit District (Cherriots).

A portion of the electric bill paid by the company would generate funds for General Fund services through the City's Franchise Fee, which assesses 5 percent to all utilities using the City's right of way. This fee is assessed on telephone, electricity, natural gas, cable providers, and City of Salem utilities (water, wastewater and stormwater). Verrus anticipates bringing 75 permanent new high-paying jobs to Salem.

Three-Year Property Tax Abatement. Verrus submitted their application for a three-year Enterprise Zone tax abatement to the Marion County Assessor on May 27, 2026. Their request was approved. A standard three-year enterprise zone application does not require Council approval.

New Tariffs Protect Residential Energy Customers. There are new tariffs specific to data centers. PGE, as the electric utility provider, is responsible for evaluating electrical service requirements and system capacity to serve customer demand. The Oregon Public Utility Commission recently approved PGE's request to establish a separate rate structure for large data centers. Under that decision, data center customers will see an average 29 percent increase in rates, while residential customers are expected to see an average 1.3 percent decrease. Verrus participated in the rate structure discussions and supported the changes.

Next Steps in Development Process

The City does not yet have a formal application for the proposed development.

If Verrus elects to move forward and submit an application, the proposal would move into a formal development application. The development proposal would be reviewed through the City's planning, development, building, utility and regulatory processes which includes protections for heritage oak trees. In the formal stage, [the status of a development application](#) is accessible on the City's website.

The review will include consideration of:

- Land use compliance
- Environmental regulations
- Transportation
- Water
- Wastewater
- Stormwater
- Infrastructure capacity
- Heritage oak tree protections
- Engineering standards
- Building code requirements

If Verrus's proposal meets the intent of the land use established in Salem Revised Code, this review remains administrative. Recent changes in State law restrict local governments from engaging in policy level review of this type of administrative land use application.

Opportunities for Community Engagement

Development Review. The development review process takes into account the City's land use regulations. The proposal will be reviewed through the City's planning, development, building, utility and regulatory processes which includes protections for heritage oak trees.

This process will provide an opportunity for public comment. Public notice is provided of a formal development application, in accordance with State law, to the Neighborhood Association and neighboring property owners. There is a 14-day comment period.

After a decision is issued, there is a 15-day appeal period during which an appeal could be filed, and then there would be a public hearing. Once they have a land use approval (the application is not appealed or all appeals are exhausted), the applicant would then need to obtain construction permits for infrastructure and site development, as well as building permits. Additional state and/or federal permits may be required prior to construction.

Community Input and Feedback. Staff and the City Council continue to remain available for feedback on this project proposal. City Council and staff are receiving comments and questions from constituents and the media. Answers to these questions are posted to our web page regularly. In addition to the development review process, there will be several opportunities to provide feedback on this project should it advance.

Verrus-led Community Conversations. Verrus has expressed a strong desire to

engage directly with the community and has indicated it intends to release a community engagement plan.

Community Benefits Agreement. Community benefits agreements are one tool that communities may use to secure commitments from developers for items of community interest. Should the proposal advance, the City will evaluate whether a community benefits agreement is an appropriate tool to establish accountability measures for the project. If the City determines a community benefits agreement is an appropriate tool and the proposal advances, such an agreement could establish clearly defined, legally binding commitments between the developer and the community. A community benefits agreement could address topics such as workforce development, employment opportunities, site improvements, residents' digital access, infrastructure investment, and other community priorities. Any such agreement would be evaluated based on the specific circumstances of the proposal, the community's interests, and the City's legal authority. The City has not committed to a Community Benefits Agreement at this stage.

Conservation Easement. Verrus has expressed interest in a conservation easement for the preservation of heritage oak trees on the site. An easement is permanently attached to the land itself rather than to a specific owner, meaning it "runs with the land" and automatically transfers to new owners if the property is sold.

BACKGROUND:

In late March 2025, at the request of the company, the City of Salem entered into a non-disclosure agreement with a company evaluating the Mill Creek Corporate Center as a potential location for a data center. During the preliminary review process, Verrus had three technical conversations with staff regarding the proposed development, and one conversation about a proposal to establish a conservation easement on the property. These discussions allowed the company to evaluate available land for their proposed need, whether the employment base was sufficient, and whether road, water, sewer and electrical capacity are sufficient to support the development.

In June 2026, after staff informed the City Manager that the company intended to move to the next stage of evaluation, the City took steps to seek the City's release from the non-disclosure agreement so information about the project could be shared publicly.

On July 8, 2026, the City was released from the non-disclosure agreement with Verrus, the company exploring development of a potential data center to be located in the Mill Creek Corporate Center. At the next opportunity to address the City Council and the community in an open public forum, the City Manager informed the Council about the proposal during the July 13, 2026, City Council meeting. On July 14, 2026, the City posted initial questions and answers regarding the data center proposal to its website and prepared to receive feedback at the July 27, 2026, City Council meeting.

Attachments:

1. Pre-Development - Data Center Proposal at Mill Creek Corporate Center. ?
2. Development and Community Benefits Agreement Process Steps.