

WEDA Economic Development Project of the Year submission: Ostrom Mushroom Farms, Yakima County

Contact:	Joe Schmitt, Economic Development Manager Yakima County Development Association (YCDA) 10 N. 9 th Street, Yakima WA 9891 509-575-1140 or Joe@YCDA.com
Category: Project Name: Challenge:	 (1) Business Retention/Expansion: Ostrom Mushroom Farms, Sunnyside, Washington. Bring it Back to Washington Washington based company required more space to expand. Current location was not viable. The company had selected a site in Umatilla County, Oregon, a highly competitive county with inexpensive land and strategic incentives.
Retention:	Ostrom Mushroom Farm had already chosen a site in Umatilla County, Oregon. By working together (see attached letter from Thurston County EDC) the project was brought back to Washington retaining all jobs within the state.
Jobs:	The State of Washington retained 220+ jobs.
Partnerships:	Washington State Legislature, Washington State Department of Commerce (Commerce), Washington State Department of Ecology, Yakima County, City of Sunnyside, Port of Sunnyside (Port), Yakima Regional Clean Air Agency, Yakima County Development Association.
Outcomes:	After a four year process, Ostrom Mushroom Farm's sited its expansion on 43 acres in the Port of Sunnyside, keeping the company headquarters in state and retaining 220 jobs.
Impact:	Capital investment: \$40,000,000
	220 year round jobs, annual payroll \$8,800,000
	\$979,651 in local taxes, \$2.2 million in state taxes
	Project directly and indirectly supports 323 jobs with a total payroll of \$12,780,610.
	Project supports a population of 744 people and 241 households in local communities.
Completion:	Estimated completion date of phase one is spring 2020. This phase is partially operational and currently employs over 80 people.
Innovation:	The new facility is a state-of-the-art, European designed plant featuring 48 grow rooms
	and composting facilities (visit <u>https://www.ostrommushrooms.com/</u> to view a video of
	the project). It is the first purpose-built mushroom growing facility in the United States.
	The Port of Sunnyside recently received \$1,000,000 (\$500,000 grant/\$500,000 loan)
	funding through Yakima County's .09 sales tax funding program to recover and convey
	biogas generated at the Port's industrial wastewater treatment facility. The gas will be
	used to power Ostrom's boilers as well as other uses.

Narrative

Ostrom Mushroom Farms is a Washington company that is family owned since 1928. Ostrom's supplies crimini mushrooms to Oregon, Washington, Alaska, and Hawaii and is the largest mushroom grower in Washington State. In 2014 it had outgrown its facility in Lacey, Washington and worked closely with the Thurston County Economic Development Council and the Washington State Department of Commerce

to find a new 40+ acre industrial site near Lacey. In addition to needing more space to expand production, urban encroachment had begun to challenge the local compatibility of the industry in what had become a suburban neighborhood. The challenges of locating such a large operation in a more densely populated part of the state led Ostrom Mushroom Farms to begin looking for a new home in rural Oregon along Interstate 84.

By early 2016, the company had identified a site in Umatilia County, OR and was working on permitting and water rights. About that same time, the Department of Commerce sent all of the Associate Development Organizations (ADOs) the "Projects Report" listing the projects that Commerce was working on. The Ostrom's project was categorized on that list as a cold project.

With a strong agricultural economy, YCDA thought it would be a good fit for Yakima County and reached out to Commerce to learn more. The company had only been interested in sites in the immediate area of Lacey and Olympia and after a thorough search had moved on to looking at sites in Oregon. YCDA reached out to Thurston EDC and asked if it would be okay to reach out to the company and pursue the project.

YCDA put together sites in Yakima County and sent them to Ostrom's CEO David Knudsen. He responded with interest in the Port of Sunnyside site due to it being shovel ready and having access to an industrial wastewater treatment facility. He invited the Port and YCDA to Lacey to meet and tour the facility.

At the meeting, Mr. Knudsen informed the group that the company had already identified a site in Oregon that the company was working towards but wanted to keep options open for Washington locations too. YCDA expressed gratitude for the tour and the opportunity to answer the RFP. Although it seemed unavoidable the state would lose Ostrom Mushroom Farms to Oregon, YCDA continued working on the project. Commerce even received permission to forward the project to all ADOs in Eastern Washington.

Over the next year we would check the Eastern Oregonian newspaper and read articles on the project's progress in Umatilia County. Public meetings were held, and a conditional use permit for the site had been obtained. Just when it seemed like the deal was done, the Port of Sunnyside notified YCDA that David Knudsen had expressed a renewed interest in evaluating the Sunnyside Site.

YCDA organized a meeting with the Yakima Regional Clean Air Agency and local utility providers to discuss the project and address any concerns. Within a month, Ostrom's Mushroom Farm purchased a 43-acre site in the Port of Sunnyside for their new state of the art facility and headquarters. But there were still hurdles to overcome.

Due to rising construction costs the project needed an extra boost to pencil, and local and state leadership rose to the challenge to bring the project to fruition. Representative Bruce Chandler, R-Granger, and Senator Jim Honeyford, R-Sunnyside, sponsored bills seeking to waive sales tax on equipment, materials, and labor in constructing the plant. These bills did not make it to the floor but the state ultimately put \$1 million in the state's supplemental capital budget to support infrastructure improvements at the Port in order to offset some of Ostrom's relocation costs.

Keeping Ostrom's in Washington was a multi-agency, coordinated effort sustained over many years. Without the help from local agencies, the Port of Sunnyside, the Department of Commerce, Representative Chandler, Senator Honeyford, and the rest of the legislators, this project may have never materialized.

Phase one of the new facility is scheduled for completion in spring, 2020. The company currently employs over 200 people, with 80 of them being at the new Sunnyside site. The facility will directly and indirectly support a population of 744 people and 241 households in rural Washington. These numbers represent real working people and their families, and a significant win for the state of Washington.

Related Press (copies of these articles are included in this submission packet)

https://www.chooseyakimavalley.com/2017/06/19/new-industry-coming-to-sunnyside-will-bring-200new-jobs/

https://www.thepacker.com/article/ostrom-mushroom-secures-funding-production-facility

https://www.yakimaherald.com/news/business/local/economic-development-cranking-up-in-lower-valley-after-years-of/article_56b7a0f4-e2ef-11e7-a6d1-07822a361ed0.html

https://www.yakimaherald.com/news/business/local/million-in-tax-money-earmarked-to-helpmushroom-company-set/article_77d5ba1e-268d-11e8-8212-0fd7760b7ac4.html

https://www.capitalpress.com/state/washington/washington-mushroom-farm-gets-state-aid-to-exitsuburbia/article_5189ead7-870c-5444-94d5-eaba64c470aa.html

https://www.eastoregonian.com/news/agriculture/mushroom-compost-facility-pulls-out-oforegon/article_2019d6e2-f747-5fd1-b897-a527643b504d.html

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January 7, 2019

 Washington Economic Development Association (WEDA)

 Attn:
 Awards Committee

 RE:
 Submittal of Nomination, Ostrom's Mushroom Farms, Yakima County

Development Association; project of the year

Dear WEDA Awards Committee,

Thank you for the opportunity to provide comment on the above referenced nomination. This letter will serve as our hearty endorsement of the above referenced project for recognition.

By way of context, Ostrom's Mushroom Farms had been one of the longest operating private businesses in Thurston County being established in what is now known as the city of Lacey in the early 1900s. They had been a stable employer and one that supported the community that grew up around them. The company provided a history of wages and commerce that is incalculable over the span of about 100 years in the region. For years, it was by itself the largest employer in terms of total employed in Thurston County. The company and the product it produced spawned numerous community festivals that supported the charities and non-profit agencies that provided much of the social and youth activities of the region.

It was with deep regret that the community could no longer be the home of this well regarded company. Ostrom's had a history of leadership in the community's economic and civic development efforts and will be missed. Our organization had worked very hard to find a location in the region that would serve the company's needs for the next century – as we had for the past century. As this was just not feasible and possible, it is very gratifying to see the company locate into the Yakima community. While Thurston County will be lesser for their relocation, Washington State and Yakima County will be the beneficiary of this quality employer and agricultural producer.

I thank you in advance for your consideration of this nomination by the Yakima County Development Association.

Sincerely,

Michael Cade Executive Director

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Mushroom compost facility pulls out of Oregon

OregonCoastThisWeek.com

George Plaven Jun 20, 2017 🗣 0

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After months of flirting with development in Umatilla County, Ostrom's Mushroom Farms has decided instead to build its new mushroom compost facility across state lines in Sunnyside, Washington, partially blaming regulatory hurdles in Oregon.

The company, based in Olympia, Washington, had proposed a location for the facility on Sand Hollow Road between Adams and Athena, going so far as to obtain a conditional use permit from the county. But on June 16, the *Yakima Herald-Republic* reported that Ostrom's instead signed an agreement with the Port of Sunnyside to purchase 25 acres south of Interstate 82.

David Knudsen, president and CEO of Ostrom's, did not return calls for comment, but Umatilla County planning director Tamra Mabbott confirmed the news Tuesday.

"It was unfortunate," Mabbott said. "It would have really been a nice complement to all of the other types of agriculture we have here."

Knudsen met with local landowners in February during a community meeting at Athena Elementary School, where he described how the specialized composting process works and how the building design would mitigate for odor. The plant was expected to produce 180 tons of mushroom compost — or substrate — every week, though the material would have had to be shipped to another farm where Ostrom's would grow and harvest the actual mushrooms.

The deal with Sunnyside allows Ostrom's to construct both the compost and mushroom growing facilities on the same site, which Mabbott said they were not able to do near Athena without access to natural gas.

Mabbott, who met with Knudsen last week, said regulatory issues also played a role in Ostrom's decision to pull out of Oregon. First, the water right turned out to be a larger gamble than expected after the Oregon Water Resources Department placed additional regulations on groundwater wells in the Walla Walla subbasin, declaring a Serious Water Management Problem Area on May 11.

The declaration means no new agricultural wells will be approved in the 30,000-acre subbasin in order to curb groundwater declines, even though Mabbott said the facility would use relatively little water — roughly equivalent to four residential homes.

Ostrom's also faced the highest level of public scrutiny possible to secure a composting permit through the Oregon Department of Environmental Quality. Jamie Jones, natural resource specialist with DEQ, said the agency assigned the permit as a "Category 4," or the same risk level as a landfill.

Composting permits take into account things like surface water and groundwater contamination, as well as off-site odor. The higher the risk category, the more the public has the chance to weigh in and provide comments.

"We wanted to make sure everybody had the ability to participate before we started drafting the permit," Jones said.



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About 15 people attended a community meeting on June 6 in Athena, hosted by DEQ, to discuss the Ostrom's proposal. Jones said most questions at the meeting centered on odor. Ostrom's has since notified DEQ they no longer intend to pursue a permit at this time.

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While Mabbott said odor is a subjective and nebulous thing, she had previously visited the Ostrom's farm in Olympia and found the smell to be mild.

"It's nothing compared to even a small feedlot," Mabbott said.

Despite the recent agreement with the Port of Sunnyside, Mabbott said she holding out hose that the county may still be able to lure Ostrom's back with the right incentives.

The \$25 million Sunnyside development is expected to bring 200 new jobs to the area, according to the *Herald-Republic*.

Contact George Plaven at gplaven@eastoregonian.com or 541-966-0825.

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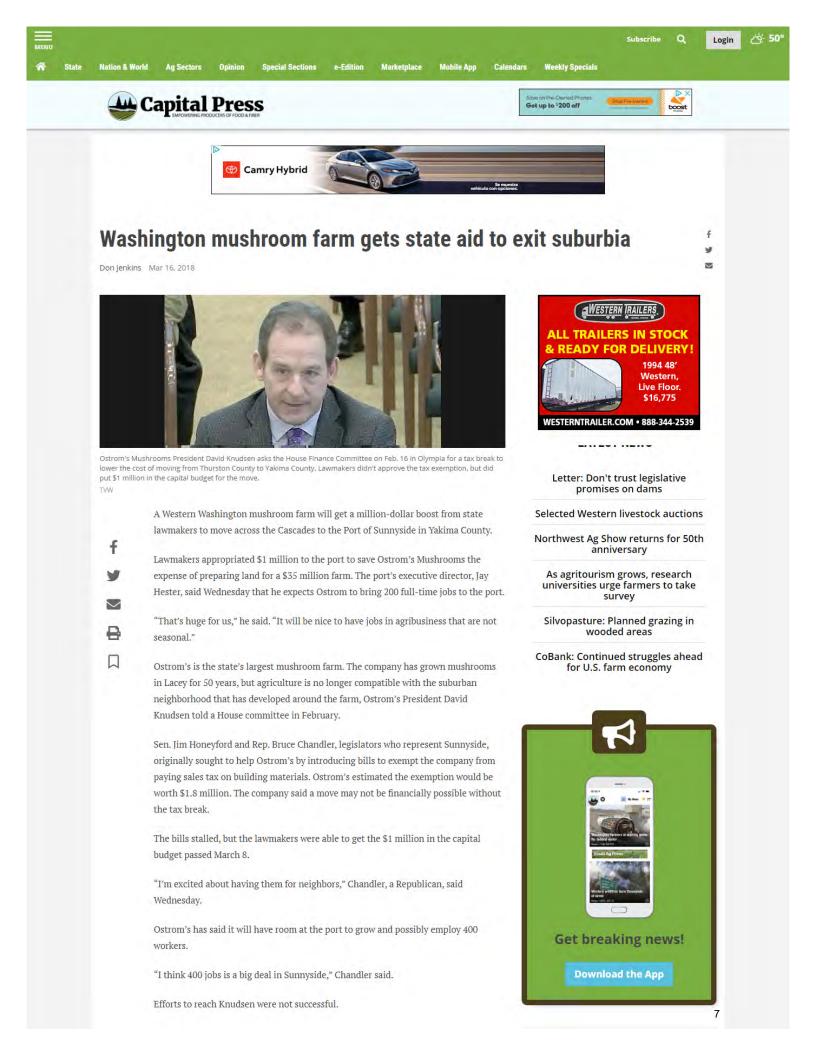
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Hester said the \$1 million will be used to stabilize the ground. He said that he anticipates the work could be done within 60 days.

Knudsen has said his company is poised to start construction. He said the project should take about a year.

The state Department of Agriculture supported Ostrom's at the House hearing. A department official said urban growth was preventing the company from expanding and updating its farm.

The farm grows mushrooms indoors, but neighbors have complained about smells from outdoor compost piles.

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Ostrom Mushroom secures funding for production facility

Chris Koger June 6, 2018 04:51 PM

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Ostrom Mushrooms has secured \$45 million to fund an expansion project. (File photo)

Ostrom Mushroom Farms LLC has secured \$45 million in financing to build a composting and production facility in Sunnyside, Wash.

The Olympia, Wash.-based grower-shipper's plans include "design principles and technology well-proven in Europe and elsewhere around the world, but will be among the first installations in the U.S." Ostrom Mushroom president and CEO David Knudsen said in the release.

The facility will expand production, improve mushroom quality and improve the company's operating efficiencies, Knudsen said in the release.



Funding was handled by Ascendant Partners Inc., a value-added investment firm for agriculture and food industries, according to a news release.

"This process brought together two complimentary partners truly committed to the industry and the success of this venture," said Ascendant Partners' Mark Warren, in the release. "We're extremely pleased to complete

this funding so Ostrom can now fully focus on the development and implementation of this exciting new mushroom production operation."

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\$1 million in tax money earmarked to help mushroom company set up Sunnyside plant

By Donald W. Meyers

dmeyers@yakimaherald.com Mar 13, 2018 오



Cut and cleaned White Button mushrooms wait for shipping in 2007 at Ostrom's in Lacey. (Tony Overman/The Olympian)



Mushroom grower secures \$45 million in funding for new Sunnyside plant SUNNYSIDE, Wash. – Ostrom Mushrooms has secured funding for construction of its new facility in Sunnyside.

MORE INFORMATION



Sen. Honeyford seeks tax exemption for mushroom growing company planning



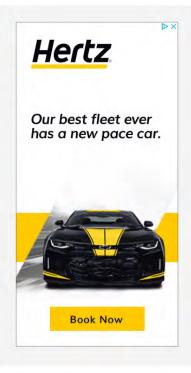
SUNNYSIDE, Wash. -- A westside mushroom grower is getting help from the state to relocate.

Rep. Bruce Chandler, R-Granger, said the state's supplemental capital budget includes \$1 million for the Port of Sunnyside to offset the construction of Ostrom's Mushroom Farms growing facility in the Lower Valley economic development district.

Chandler and Sen. Jim Honeyford, R-Sunnyside, had sponsored bills seeking to waive sales tax on equipment, materials and labor in constructing the \$25 million plant.

Instead, the state is putting \$1 million toward infrastructure at the port, which Chandler said will help offset some of Ostrom's costs in relocating there.





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Port of Sunnyside sells property to fertilizer distribution company

Deal will bring \$25 million mushroom facility to Sunnyside



"The total number is a little less, but it should be enough for the Port of Sunnyside and Ostrom's," Chandler said.

David Knudsen, president and CEO of the Olympia-based company, said the state's contribution will aid the company's efforts to expand into Sunnyside.

"We're that much closer to bringing it in," Knudsen said of plans to purchase land at the port and build the facility.

He said the company is still in the process of lining up financing for the effort.

Ostrom's is planning to replace an older facility in Everson, 5 miles south of the Canadian border, with the Sunryside facility. Its farm in Lacey is hemmed in by homes and stores, making it difficult to expand, Knudsen said

During committee hearings, Ostrom's officials said currency rates were driving up the cost of equipment from Europe, and state assistance would allow the company to stay in business.

Chandler said the plant would be a boon to the Lower Valley, as it would provide at least 200 full-time, year-round agricultural jobs in an area where many people work seasonally

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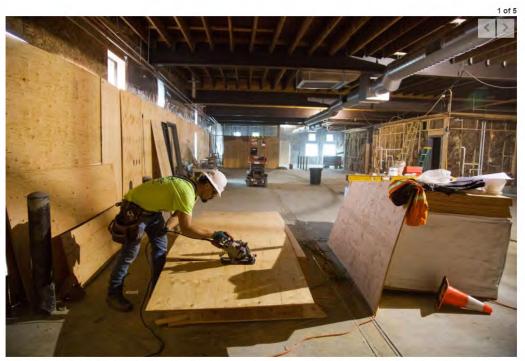
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Economic development cranking up in Lower Valley after years of investment through ports

By Mai Hoang maihoang@yakimaherald.com Dec 18, 2017 🗪 📕 4 min to read



DJ Quigley, a carpenter for Chervenell Constuction, Inc., cuts a piece of plywood during construction of Varietal Beer Co.'s new brewery in Sunnyside, Wash., Friday, Dec. 15, 2017. The Port of Sunnyside purchased the location, formerly Funny Farm Liquor Store, a few years ago and is now converting it into a business incubator. (SHAWN GUST/Yakima Herald-Republic)

Sunnyside and Grandview are small cities, but they're generating big buzz for recent economic development success.

Case in point: This year's biggest recruitment success for the Yakima Valley arguably came in Sunnyside, population 15,858.

In September, Olympia-based Ostrom's Mushrooms Farms announced plans to build a \$25 million plant that would bring 200 new jobs to town when it opens in 2019.

Just 8 miles down Interstate 82, the Port of Grandview has made a spate of announcements regarding companies that have purchased industrial property owned by the port. Those businesses include out-of-town firms — such as Henningsen Cold Storage Co. in Hillsboro, Ore., and Indian River Transport in Winter Haven, Fla. — that are building new facilities in the area.



The two cities - and the port districts that work on economic development efforts there - make up a sizable portion of the 18 successful economic development projects in the Lower Valley, said Jonathan Smith of the Yakima County Development Association, the county's economic development arm. In a time where there's plenty of talk about how to generate economic development in struggling rural and non-urban areas, the recent successes in Grandview and Sunnyside are noteworthy.

"People around the state, my counterparts point to the success of the Port of Grandview and the Port of Sunnyside," Smith said. "Those (agencies) are doing great things."

Economic development officials in both cites, however, emphasize that success came after sizable investment - millions of dollars - over a long period of time.

"When we look back over the history of the port, it's been a long time coming," said Jim Sewell, Port of Grandview chairman. "We had to carefully plan and put our resources in acquiring and developing land. It takes a long time."

Laying groundwork

Not all rural and non-urban areas in the U.S. are the same, but in general these types of areas by their nature face an uphill battle in generating economic development activity, said Mark M. Sweeney, senior principal at McCallum Sweeney, a Greenville, S.C., firm offering site selection services for companies nationwide.

Such areas have fewer available and skilled workers, fewer industrial and commercial properties with sufficient utilities and road access, as well as a lack of amenities, such as restaurants and entertainment venues, that would draw prospective residents.



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Not having a sufficient amount of any of those characteristics may make it less appealing for a company or a private developer looking to invest millions to build in a new community, Sweeney said. Many simply opt for a suburban or urban area where amenities are more plentiful.

But there are reasons a company may be enticed to consider a rural and nonurban area, even if there are concerns, he said.

For example, a convenient location can neutralize some objections. Sunnyside and Grandview are located off a major interstate highway and are within a short driving distance to more densely populated areas - Yakima and the Tri-Cities offering amenities such as shopping, restaurants and entertainment. Other rural cities and towns the same size are not so fortunate.

"They can create advantages over other rural communities in their broad multistate region," Sweeney said.

Another key advantage is that each community has a port district, which provides taxing authority to generate funds that can be devoted to economic development efforts.

The port districts in Sunnyside and Grandview generate \$590,000 and \$315,000, respectively, in tax revenue annually, which means millions of dollars available for economic development efforts over the tenure of the ports. The Port of Grandview, which is the youngest among port districts statewide, was established nearly 30 The Dest of Ou tale uses and blink and in 1000

years ago. The Port of Sunnyside was established in 1964.

Yakima area residents voted against a port district in 2002.

"That really set them apart," said Smith of the Yakima County Development Association, about how the port districts benefit the two communities. Creating a taxing district is not the only method a community may use to generate funds for economic development, but it is a way to provide a steady source of revenue enabling communities to finance the upfront costs, such as adding utilities to a vacant property or paying for a city or county environmental review, needed to draw private business investment, Sweeney said.



That's because private developers expect a relatively quick return — within a few months or a year — on their investments in the form of leases, property sales or other revenue, he said. They are not going to be the first to jump on property in a non-urban area, especially if it requires spending money on new utilities or other site work necessary to make it ready for new construction.

For example, the Port of Sunnyside was able to charge just \$1,500 — or 25 cents a square foot — for one year to Varietal Beer Co. for a 6,000-square-foot building — once home to a liquor store — in downtown Sunnyside. That's several times below the market price for a similar building in town. But Port of Sunnyside executive director Jay Hester said the port is looking at the long-term. By giving a break on the lease, the brewery can spend its money on developing the business.

"We're doing what a lot of private developers won't do," Hester said.

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Meanwhile, the Port of Grandview will end up spending upward of \$150,000 to receive certification that its four business parks are ready for new business development. Through the certification process, the properties received a thorough examination for issues, such as wetlands or even a weather event, that could affect a business' ability to build on the property. The port also gained extensive documentation on the properties, which it can provide to prospective businesses.

The site certification cost is in addition to several million dollars spent on adding roads and other utilities to those properties, Sewell said. This upfront investment by the port means a potential business locating in one of the parks would only need to get a building permit.



"The immediate impact is that it gives you assets to market and create interest," Sweeney said.

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said. For every success story Grandview or Sunnyside has seen recently, there likely are numerous examples of businesses passing the two communities over, despite offering competitive lease prices or other incentives, Sweeney said.

"You can do everything right in recruiting a business and still not win," he said.

More than the money

While a port district provides a steady stream of income earmarked for economic development, the funds alone aren't going to attract a new business. Sewell points out that the Port of Grandview travels to a number of agriculture-based trade shows and events to let people know about what the port is doing. And officials from both ports say they depend on larger economic development organizations, such as the Yakima County Development Association, to help market the community's offerings to prospective businesses.

"We may not always have the resources to go to a trade show but (the Yakima County Development Association does)," Sewell said. "They share their information with us and carry our message."

Meanwhile, Hester often talks about Port of Sunnyside projects when he attends Rotary meetings and other community events. Those conversations sometimes lead to a call from a property owner wanting to sell. In fact, that's exactly how he learned about the former liquor store site that will soon house Varietal Beer Co.

"It still takes a lot of hard work," Sweeney said. "And a little bit of luck."

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Sunnyside, Grandview port districts take different paths to success Sunnyside and Grandview share some common traits. For example, agriculture is a major indust...

By the numbers

Top employers in Sunnyside:

- Seneca Foods Corp. (formerly Independent Food Processors), 575 employees
- Johnson Foods, 300
- Walmart, 300
- Astria Sunnyside Hospital, 260
- Valley Manufactured Housing, 260
- Top employers in Grandview:
- Walmart Distribution Center, 608 employees
- Conrad & Adams fruit packing house, 400
- Sunfair Marketing, 250
- Wyckoff Farms Shop, 200
- Yakima Valley Farm Workers Clinic, 150
- FruitSmart, 145

Labor force in Sunnyside and Grandview areas (residents working or looking for work): 18,038

Median household income in Lower Valley (including Grandview, Sunnyside and Mabton):

- **2010:** \$34,285
- a 2015: \$37,253

Top industries in Sunnyside and Grandview as of the third quarter of 2017 (workers; annual average wages)

- Agriculture: 3,609 workers (\$38,865)
- Health care and social assistance: 2,384 (\$45,929)
- Educational services: 1,812 (\$40,927)



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About



Ostrom Mushroom Farms, located in Olympia WA, and the Port of Sunnyside have announced that the company will be opening a new farm in Sunnyside.

Ostrom reached an agreement with the Port to purchase 25 acres with the option to purchase up to 20 additional acres if necessary based on an approved site plan.

David Knudsen, Ostrom President and CEO, explained the new farm is being built in Sunnyside to replace production that was tost when the company's Everson. WA farm closed. "This is a strategic expansion that will enable us to replace lost production with a more technologically advanced and efficient farm. The site in Sunnyside is large enough to accommodate future growth as well."

Ostrom has been growing mushrooms including white, crimini, and portabella since 1928 and employs 300 growers, pickers, and packers at their Olympia farm. The mushrooms are handpicked daily, refrigerated, and shipped fresh to consumers all over the Pacific Northwest. Alaska, and Hawaii.

"This expansion represents a significant investment by Ostrom in our community and will have a positive economic impact throughout out Valley," said Jay Hester. Executive Director for the Port of Sunnyside.

Ostrom will spend over 25 million dollars constructing 48 grow rooms and a new compost facility at the site.

"Ostrom isn't just a new company opening shop in our Valley," said Hester, "it's an entirely new industry."

Yakima County Development Association (YCDA) Executive Director Jonathan Smith worked closely with the Port of Sunnyside after receiving the project lead from the Washington State Department of Commerce.

"We immediately thought what a great fit the Yakima Valley would be for Ostrom," said Smith. "We have a strong agricultural sector with a trained workforce."

Ostrom reviewed several sites throughout the county but eventually settled on the Port of Sunnyside location. "Sunnyside was just a good all-around fit for what we were looking for." said Knudsen.

"When in full production, Ostrom will create over 200 new jobs and be one of the largest employers in the County," said Smith. "We are very excited that Ostrom chose Yakima Valley. This expansion is a perfect example of why we do what we do"

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