

OREGON
ECONOMIC & COMMUNITY DEVELOPMENT DEPARTMENT

MEMORANDUM

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MAR 11 2008

DEPARTMENT OF STATE LANDS

March 11, 2008

TO: Douglas Parker, Asset Manager
Department of State Lands

FROM: Bev Thacker, Industrial Lands Specialist 

RE: Rail Served & Large Industrial Sites

Summary

In order to address a state-wide need, the Department of Economic and Community Development supports the addition of large industrial sites, especially those of 100 to 200 net contiguous developable acres, to the state's industrial land inventory providing they meet the following criteria:

- Local ordinances restrict the ability of landowners to subdivide these larger sites into parcels of less than 100 acres,
- The sites are contiguous to an existing Urban Growth Boundary and have ready access to local utilities such as sewer, water and energy,
- Transportation access is not constrained,
- The site owners and the city agree to meet the requirements for certification under the state's Certified Industrial Site program.
- If the site does not currently meet the above conditions, OECDD would support the project provided there is a plan in place to address any issues.

Background

Large, ready to go industrial sites have been the state's most significant development challenge and one of the most noticeable changes in real estate trends in last few years. This change in demand and the changing nature of OECDD's account base clearly document that global business trends have emerged as key elements in Oregon's economy.

Global projects share a common platform made up of capital intense applications,

economies of scale and mass market demands. Time to market is more important than ever with ever shrinking product life cycles and faster turns in the market cycle. We see a uniform demand for ready to go sites, superior multi-modal transportation connectivity and large structures coupled with ever shortening site selection time lines. For example, the average size warehouse facility in 1999 was around 150,000 sf and is now over 375,000 sf with average clear interior height increasing from 28 ft to 32-36 ft.

In order to meet demand for large, ready-to-go sites, in 2003 the State instituted its Certified Industrial Sites program. Certified sites undergo a stringent process to ensure that they are project ready and building can begin within 180 days of a development decision. Issues related to environmental clearances, zoning, utilities and transportation have been addressed and state and local regulatory agencies have confirmed the site's readiness to proceed. While 57 sites have been certified statewide, only 12 of these sites were over 100 acres. Of these, eight are still undeveloped. However, these sites are constrained by their locations in rural areas off the major interstates and lack of sufficient workforce.

Global accounts have tended to be very attractive to the state and community bringing leading edge technology, large capital investments, labor intensive and higher wage rate employment opportunities. While the chart is not a comprehensive record, it does show that the demand for larger sites has increased in the measurement period and that employment has moved to higher employment densities. The shortage and even lack of large sites is now resulting in opportunity loss to our communities and the state.

OECD documents that the demand for the large sites has increased over time and the nature of the utilization now reflects the impacts of Globalization as shown in our "rough" outline of large projects since 1996:

	Project	Location	Lot Size (est.)	Building Size (est.)	Type
1996	Target	Albany, Or	175 acres	1.3 mm SF	Distribution
1997	Wal-Mart	Hermiston, Or	200 acres	1.3 mm sf	Distribution
2002	Dollar-Tree	Ridgefield, Wa	75 acres	800,000 sf	Distribution
2002	Familian (Plumbing)	Tri-Cities, Wa	75 acres	500,000 sf	Distribution
2002	Wal-Mart (Cold Storage)	Granview, Wa	100 + acres	900,000 sf	Distribution
2004	Lowes ¹	Lebanon, Or	204 acres	1.3 mm to 2.2 mm sf	Distribution
2004	Olympic (Vanity Fair)	Shafter, Ca (back 12/27/07)	100 + acres	900,000 sf	Distribution
2005	EADS	Portland Area	100 +	2.5 million	Aerospace
2006	October (cold storage)	Salem, Or (STALLED)	145 + acres	1 mm sf	Distribution
2006	NOAH-PepsiCo	Albany	204 acres	2.5 mm sf	Manufacture
2006	Private Project (Technology)	Northern Oregon I-5	100+	1 million	Manufacture
2006	Project GoForth	Salem Area	75-100	1 million	Distribution
2006	Genentech	Hillsboro	100	500,000	Man/Dist
2006	SolarWorld	Hillsboro	100	1 million	Man/Tech
2006	Jindo	Oregon	100		Manufacture
2006	Apricus	N-Oregon	250	Very large	Man/Tech
2007	Crystal	Millersberg	100		Man/Tech
2007	HOT	Northern Oregon	100		Man/Tech
2007	Gold Rush	E-Oregon	930	Very large	Man
2007	Navitas	Oregon	150/200		Man/Tech
2007	NN2	Hillsboro	150	1.5 million	Man/Tech
2007	Tahoe	Oregon	150		Man/Tech

Central Oregon

Central Oregon has the workforce and educational infrastructure to be attractive and support large parcel projects and the area's Economic Development plan has targeted sectors that will require larger sites. Central Oregon's targeted key industries are

Secondary Wood Products, Aerospace/Aviation, High Technology, Light Industrial/manufacturing, Research & Development and Recreational Vehicles.

The following chart that shows the range of site demand associated with these key industries.

Key Industry	Minimum Site Size	Predicted Site Size
Secondary wood Products	5 acres	50 acres
Aerospace/Aviation	2.5 acres	150 acres
High Technology	2.5 acres	250 acres
Light Industrial	2.5 acres	50 acres
Light Manufacturing	2.5 acres	75 acres
Research & Development	.5 acres	10 acres
Recreation Vehicle Manufactures	5 acres	100 acres

The department's Central Oregon Business Development Officer, working with community ED partners, developed the following list of Central Oregon sites for sale with or near rail access. There are three possible sites in the market area measuring over 100 acres in size. Two of these sites are potentially close to being shovel ready. However they have issues related to transportation and utilities that will require expensive fixes. Our analysis would indicate that the shortage of larger, ready to go industrial sites in Central Oregon will soon emerge as a significant constraint to the areas economic growth.

The largest rail served site (potential service) is the 200-acre Williams property in Prineville. Currently, 30 acres of the site is in escrow for a pending sale. The next largest site is the Juniper Ridge site in Bend that measures 120 acres. There is one large non-rail served sites in Redmond that has significant readiness challenges.

Regional large site inventory breaks down as follows:

Prineville:

Hooker Creek property is 37 acres and has rail access.

Rhoden Property: 33 acres and has a rail stub to the site.

Williams Property: 200 acres, with 30 acres currently in escrow for a pending sale. The property is adjacent to the Prineville Short line Rail Road line, and does not currently have rail access, but the railroad has indicated that it would be possible to install a spur track to serve the site. 78 acres of this site is a State Certified Industrial Site.

Prineville Railroad Property: 32 acres, and has full rail access. The site is a full service trans-load, reload, and warehousing facility.

Shrum property: 27 acres without rail access, but it does have a right-of-way for rail to serve the site through the adjoining Williams property.

2590 NW Lamota Road site: about 14 acres. The property is adjacent to the Prineville Railroad line, and does not currently have rail access. A spur track could be installed to serve the site.

Stafford property: 30-40 acres, a former LP mill site with an existing rail spur

Contact Lumber site: 12-20 acres, behind their existing mill with rail access.

Culver:

Genmar (former Sea Swirl Boats) property: 29 acres, and has rail access.

Bend:

Hooker Creek (former Korpine Mill) property: 23 acres with two rail spurs.

Juniper Ridge: 120 acres rail served. This site is ready to go and has excellent rail service.

LaPine:

Former PAC Equities Property, and Crown Pacific mill site: 35 acres near a 2-acre site with rail access owned by Deschutes County for off loading (trans-load) with a short haul to the site.

Deschutes County Property: 80 acres near rail access, but across the tracks from the 2-acre County-owned site with rail access. That rail access could be used for a trans-load with a short haul to the site, or a spur could be added to the 80-acre site. State Certified Industrial Site

LaPine would be difficult to get the owners' of the mainline, BN & UP, to serve. The large railroads do not like to stop trains for switching unless it is for a large number of rail cars to be moved onto a siding.

Redmond:

Maynard Alves property (former Crown Pacific Mill): 70 acres and has rail access that includes four rail spurs.

Desert Rise site: Up to 200-acre site that appears to have utility service challenges.

Madras:

No large properties are currently for sale with rail access.

The Department of State Lands Property

The Department of State Lands (DSL) is proposing to add approximately 980 acres to the City of Redmond's Urban Growth Boundary. Their plans call for approximately 670 acres of this to be zoned industrial. Because of the location of the site and its proximity to existing utility services and transportation corridors this site could be an important addition to the state's large site inventory. It is also consistent with the state's strategic economic development plan, provided DSL and the City of Redmond pursue certification under the state's Certified Industrial Site program and that restrictions be placed on the site to preclude sub-dividing it in the future.

It will also be important for DSL to continue working with state and local officials to resolve transportation issues surrounding access to State Highway 97 and the railroad. Access to city water and sewer services will need to be provided which will require the extension of existing lines. Current restraints on power availability must be addressed to ensure that the site is marketable.