



Oregon

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TO: House Committee on Housing,
House Committee on Human Services,
Senate Committee on Housing and Development,
Senate Committee on Human Services, Mental Health and Recovery



FROM: Jim Rue, Director

Leigh McIlvaine, Economic Development Specialist

RE: Report on Implementation of HB 2743 (2017) – Economic Development Pilot Program¹

Background

In 2017, the Oregon Legislature enacted HB 2743. The bill requires the Land Conservation and Development Commission (LCDC) to “establish and implement an economic development pilot program” and adopt rules to implement the program. The pilot program is intended to allow opportunities for economic development on land adjacent to an airport in a rural area. Specifically, HB 2743 authorizes LCDC to select one site adjacent to the urban growth boundary (UGB) of an eligible city for the economic development pilot program. This pilot program authorizes LCDC to establish an expedited process for amending urban growth boundaries to include the selected site. The bill provides objectives for the pilot program along with eligibility criteria² and site protection and reporting requirements.

At LCDC’s direction, the Department of Land Conservation and Development (DLCD or department) convened a rulemaking advisory committee (RAC) representing city and county stakeholders, economic development practitioners, advocacy groups, and Tribal and public interests. In July 2018, LCDC adopted the recommended rules under OAR 660-024-0075. Section 10 of OAR 660-024-0075 identifies additional economic impact metrics required by LCDC to track business and employment growth in the pilot site.

Eligibility criteria for participation in the program provide the site must be:

- (a) adjacent to the city’s existing urban growth boundary;
- (b) adjacent to an airport with an approved airport master plan;
- (c) near public facilities and services, including roadways; and
- (d) planned and zoned for commercial or industrial uses that are compatible with aviation uses, as determined by the commission.

Additional criteria were further provided by HB 4031 (2018), limiting eligible sites to those:

¹ Section 5 of HB 2743 requires the department to report to the 2022 Legislative Assembly committees relating to housing and human services during the legislative session. This memo constitutes that report.

² Proponents of the bill identified two issues with the site eligibility criteria, which were corrected by subsequent legislation (HB 4031 (2018)).

- (a) Whose urban growth boundary is at least 78 air miles from the urban growth boundary of any city with a population of 300,000 or more; and
- (b) That is located in a county with at least seven percent unemployment over the preceding five-year period.

DLCD opened the nomination process for economic development pilot program sites in November 2018. Narrowly defined eligibility criteria resulted in the submission of a single application for participation in the economic development pilot program by the City of Madras. The application requested approval for an expedited urban growth boundary amendment for the nominated Madras Airport pilot program site, a 1,089-acre site adjacent to the municipal airport. DLCD staff determined that Madras's Concept Plan for the site complied with administrative rule requirements outlined in OAR 660-024-0075. In January 2019, after hearing presentations from staff and representatives of Madras, the Commission approved the application.

Madras Urban Growth Boundary (UGB) Expansion

Following approval for participation in the economic development pilot program, the City of Madras provided notice to DLCD in April 2019, of its intent to approve an expansion of its UGB to include the pilot site. Jefferson County and the City of Madras submitted comprehensive plan amendments to the Department in compliance with administrative requirements provided in OAR 660-024-0075. DLCD determined that the city met all applicable standards for the approval of comprehensive plan amendments for a UGB expansion and implementation of an Airport Economic Development pilot project. Madras City Council adopted the UGB expansion on June 25, 2019.

Economic Impact

Under Section 10 of OAR 660-024-0075, Madras must report to DLCD on the economic impact of its UGB expansion to include the economic development pilot program site at the Madras airport. The City engaged consulting firm EcoNorthwest to research and assess the program impact on business, job, and investment growth within the pilot site. The period of evaluation for economic impact is defined as March 1, 2018, the effective date of the statute, to June 30, 2021.

Accurate reporting of economic impact is complicated by several factors. The COVID-19 pandemic had a huge impact on business growth and employment during this period. The recency of the period identified for economic impact analysis also presents a challenge, as typical economic data is released with a significant lag. This issue, when combined with the relatively compressed timeframe within which economic impact is assessed for the economic development pilot program, makes it difficult to conclude the impact of Madras's UGB expansion.

The below summary of economic data highlights key areas of potential economic impact of the economic development pilot program on Madras's local economy. Full metrics as required by Section 10 of OAR 660-024-0075 can be found in detail in Appendix A.³

³ EcoNorthwest Memo, Madras UGB Expansion Monitoring. January 14, 2022.

Jobs and Business Growth

Three private-sector businesses located in the pilot site before the expansion of the UGB:

- Daimler's High Desert Proving Grounds, a facility for testing new truck technology.
- Berg Air, an airplane maintenance company that also offers flight instruction.
- Cat-Ag, a business that does aerial spraying for agricultural purposes.

During the economic impact period, no new businesses have been established in the pilot site. Daimler is the only employer to have added jobs during the study period, doubling its number of employees from 6 to 12 between 2018 and 2021. Employment at Berg Air and Cat-Ag has held steady, at four and two jobs, respectively. Daimler reports strong wages with an average salary of \$90,000 in 2021.

The City of Madras and Jefferson County both demonstrate an increase in total business establishments during the study period with an inconsistent decrease in total employment numbers. The unemployment rate increased in both Madras and Jefferson County during the study period. Rising unemployment and the decrease in total jobs may be attributable to the COVID-19 pandemic.

Property Sales

Both the number and price of residential dwellings for sale demonstrate a significant increase between March 2018, and June 2021. However, this increase is likely attributable to factors unrelated to the economic development pilot program. Seasonality of real estate offerings, pandemic effects on the housing market, and Madras' Housing Action Plan have impacted local home sales. Based on a small sample size, the price per acre of industrial land has held relatively steady in Madras.

Investment

In total, Daimler has invested \$12.8 million in its facilities on the pilot site between 2019 and 2021. The company has expressed intent to increase its investment in the future. No other businesses have made investments during the study period in the pilot site.

Economic Growth Assessment

The local and regional economies of Madras and Jefferson County have followed state and national economic trends during the study period, making it challenging to identify the effects of the economic development pilot program on local jobs and businesses.

Next Steps

The Department will continue to support economic development efforts by the City of Madras through technical assistance.