



125 SW "E" Street  
Madras, OR 97741  
541-475-2344  
[www.ci.madras.or.us](http://www.ci.madras.or.us)

Joint City & County Planning Commission  
City Hall, Council Chambers  
126 SW E Street

October 19, 2016  
5:30 p.m.

## AGENDA

I. Call to Order

II. Public Hearing, City of Madras and Jefferson County Comprehensive Plan Amendments and City of Madras Zoning Ordinance Amendments (No. 864), (City File No. PA-16-2, County File No. 16-PA-02).

(Legislative)

A. Declaration of Conflicts of Interest: Does any council/planning commission member have an actual economic conflict of interest to disclose? If yes, the Planning Commissioner will refrain from participating in the deliberations and voting on the issue.

B. Staff Reports

Nicholas Snead, Community Development Director, City of Madras  
Jeff Spencer, Planning Director, Jefferson County  
Bob Parker, Consultant, EcoNorthwest

C. Public Testimony

D. Staff Comments

E. Deliberation (*If Necessary*)

F. Motion to recommend approval, modification or denial of the request. (*If Necessary*)

III. Adjourn

Pursuant to ORS 192.640, this agenda includes a list of the principal subjects anticipated to be considered at the above referenced meeting; however, the agenda does not limit the ability of the Planning Commission to consider additional subjects. Meetings are subject to cancellation without notice. This meeting is open to the public and interested citizens are invited to attend. This is an open meeting under Oregon Revised Statutes, not a community forum; audience participation is at the discretion of the City Planning Commission. **Anyone wishing to address the Commission will need to register prior to the meeting.** The meeting will be audio taped; minutes of this and all public meetings are available for review at the Madras City Hall. The meeting place is handicapped accessible; those needing assistance please contact the City of Madras Community Development prior to the meeting.

# MEMORANDUM

**DHC Planning**  
2525 NE Halsey Street  
Portland, OR 97232

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**DATE:** October 11, 2016

**TO:** City of Madras and Jefferson County Planning Commissions

**THROUGH:** Nicholas Snead, Director  
Madras Community Development

**FROM:** Daniel “DJ” Heffernan

**SUBJECT:** Draft Staff Report for Property Rezone by Legislative Action

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The City of Madras is proposing to rezone a portion of Jefferson County Tax Lot 11-13-01-0001610. The property is located northeast of the intersection of NE “B” Street and SE City View Street. The property is inside the city limits and is owned by the Bean Foundation. Exhibit 1 is a vicinity map that shows the proposed area to be rezoned.

The tax lot is bisected into two parcels that lie north and south of a North Unit Irrigation Canal. The entire property currently is zone Public Facility Open Space (PFOS). Staff proposes that the 3.12 acre portion of the property south of the NUIC be rezoned to R1 – Residential. The remaining 13.48 acres north of the canal would retain its PFOS zoning.

The purpose for this action is to correct what in essence is a mapping irregularity that occurred when all Bean Foundation holdings were zoned PFOS in keeping with the Foundation’s mission to develop its land holdings for the benefit of the community. The parcel in question poses development constraints because the small irregularly shaped parcel located south of the canal is cut off from the parent parcel by the canal, is too small and oddly shaped to effectively be developed for a PFOS use, and if left zone PFOS creates planning and development challenges for the adjoining R1 zoned properties. The rezone would allow development planning south of the canal to make full use of all the property for housing and local circulation.

Given the small amount of land involved, staff has not discovered any significant land use or regulatory hurdles associated with this action. The matter was raised with DLCD’s Field Representative. The Department did not see that the change posed any land use hurdles from a state perspective. The adjoining property owners have been notified about the change and have not raised any concerns. The acreage involved is so small that development for residential use would have no measurable impact on planned transportation or utility system improvements.

Finally, given the nearby presence of Juniper Hills Community Park, Cowden Neighborhood Park, the Aquatics Center, Jefferson County Middle School and the Madras Education Center, there is little need for more recreation or educational investment in this area. The remaining PFOS land in the area could be called into question but addressing

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that question is a much bigger issue. Addressing this very limited mapping irregularity is one thing that can be done now to resolve a geographic anomaly and produce a land use map that makes more efficient use of available urban land resources.

The rezone would be accomplished using a legislative plan amendment initiated by the City on behalf of the Foundation at the same time that City Council takes up legislative amendments related to establishing a large lot industrial zone district near the airport. These amendments to the Comprehensive Plan would be accomplished in a single action. Notice of this proposed action included with the notices for the plan amendments related to the large lot industrial amendments.

Attached to this report are three exhibits. Exhibit 1 is a vicinity map showing the property in question and the area that would be rezoned. Exhibit 2 is the County Assessor's Summary Report for the property. Exhibit 3 is draft compliance findings in support of the rezone.

# JEFFERSON County Assessor's Summary Report

## Real Property Assessment Report

FOR ASSESSMENT YEAR 2016

October 11, 2016 8:23:26 pm

**Account #** 874  
**Map #** 111301-00-01610  
**Code - Tax #** 0020-874

**Tax Status** ASSESSABLE  
**Acct Status** ACTIVE  
**Subtype** NORMAL

**Legal Descr** Metes & Bounds - See legal report for full description.

**Mailing Name** BEAN FOUNDATION INC

**Deed Reference #** See Record

**Agent**

**Sales Date/Price** See Record

**In Care Of** GLENN, REEDER, GASSNER & CARL, LLP

**Appraiser** JEAN MCCLOSKEY

**Mailing Address** 205 5TH ST  
 MADRAS, OR 97741

**Prop Class** 100      **MA**   **SA**   **NH**   **Unit**  
**RMV Class** 100      01   05   001   1680-1

<b>Situs Address(s)</b>	<b>Situs City</b>
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Value Summary					
Code Area	AV	RMV	MAV	RMV Exception	CPR %
0020    Land		30,910		Land	0
Impr.		0		Impr.	0
<b>Code Area Total</b>	4,670	30,910	4,670		0
<b>Grand Total</b>	4,670	30,910	4,670		0

Land Breakdown											
Code Area	ID#	RFD	Ex	Plan Zone	Value Source	TD%	LS	Size	Land Class	Irr Class	Irr Size
0020	1	R		OS	Market	123	A	13.66			
<b>Grand Total</b>								13.66			0.00

Improvement Breakdown											
Code Area	ID#	Yr Built	Stat Class	Description	TD%	Total Sq. Ft.	Ex% MS Acct #	Trended RMV			
<b>Grand Total</b>							0	0			

**CITY OF MADRAS**

***Compliance Findings related to Residential Zone Change -***

**Section A** – Findings related to Statewide Land Use Planning Requirements related to a legislative plan amendment that rezones 3.5 acres of land from Public Facility/Open Space (PFOS) to Residential (R1).

**Statewide Land Use Planning Goals**

Goal 1 – Citizen Involvement
Response: The Madras Comprehensive Land Use Plan (Plan) includes acknowledged procedures for involving citizens in land use planning decisions. Madras and Jefferson followed those procedures in developing the proposed amendments to zoning map. Detailed findings regarding local requirements and the process followed are provided in Section B below.
Goal 2 – Land Use Planning
Response: The Madras Comprehensive Land Use Plan (Plan) includes acknowledged procedures for amending the Plan. Madras followed those procedures in developing the proposed zoning map amendment, which complies with requirements for a Post Acknowledgement Plan Amendment (PAPA) per OAR 660-018-0000. See below.
Goals 3, 4, 5, 6, 7, 8, and 9
Response: The proposed amendments are unrelated to Agriculture, Forest Land, Open Space and Natural Areas, Air and Water Resources, Natural Hazards, Recreation, the Economy of the State. These goals are addressed in other acknowledged elements of the Plan and are unaffected by the proposed amendment.
Goal 10 - Housing
Response: The proposed amendment increases the inventory of land planned and zoned for housing by 3.12 acres. Given the small amount of acreage involved, the change has no material effect on the City’s ability to meet housing needs. The purpose for the change is to establish a consistent rational urban zoning plan for land south of the North Unit Irrigation Canal (NUIC).
Goal 11 – Public Facilities
Response: The proposed amendments have no effect on the City’s acknowledged public facility plan or its ability to serve land inside the Urban Growth Boundary (UGB). Public facility plans for residential zoned land south of the NUIC zone have been prepared. The addition of this small acreage will have no effect on those plans

<p>because at the margin the additional demand is within the margin of error for system capacity to serve the area and has no effect on municipal service demand in this part of the UGB.</p>
<p><b>Goal 12 - Transportation</b></p>
<p>Response: The proposed change in zoning will have no significant effect on the City's Transportation System. The City is in the process of updating its Transportation System Plan (TSP) and the proposed zone change is reflected in the land use assumptions for the updated plan. Assuming the land develops to the maximum density allowed for the R1 zone, the 3.12 acres could be expected to allow for ~12 homes, which would generate a total of 120 daily trips. At the margin this level of traffic increase is insignificant.</p>
<p><b>Goal 13 - Energy</b></p>
<p>Response: The proposed amendments have no significant effect on the acknowledged Plan's Energy element.</p>
<p><b>Goal 14 - Urbanization</b></p>
<p>Response: The proposed amendments have no effect on the acknowledged Plan's UGB or urban development pattern. The proposed zoning is consistent with the zoning for other land south of the NUIC. The inventory and distribution of residential inside the UGB is not significantly altered by the proposed change. No expansion of the UGB is proposed and the change is does not affect the City's ability to meet forecast housing needs not to meet the need for public facility and open space.</p>

**OAR 660-12-000 Transportation Planning Rule (TPR)**

Compliance findings related to the TPR are not necessary in this instance because the City is in the process of updating its TSP. This fact and the small acreage involved render the need for detailed TPR finding unnecessary. The proposed change does not alter the serviceability of classification of existing transportation facilities. Its effect on future system needs is being addressed through the TSP update.

**OAR 660-018-000 Post Acknowledgement Plan Amendments**

<p>660-0018-0020 Notice of a Proposed Plan or Land Use Regulation (1) Before a local government adopts a change to an acknowledged comprehensive plan or a land use regulation, unless circumstances described in OAR 660-018-0022 apply, the local government shall submit the proposed change to the department, including the information described in section (2) of this rule. The local government must submit the proposed change to the director at the</p>
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<p>department’s Salem office at least 35 days before holding the first evidentiary hearing on adoption of the proposed change.</p>
<p>Response: City staff reviewed the proposed change with DLCDC staff on numerous occasions. Notice of the proposed change was included with the PAPA notice sent to the Department on September 15, 2016.</p>
<p>(2) The submittal must include applicable forms provided by the department, be in a format acceptable to the department, and include all of the following materials: (a) The text of the proposed change to the comprehensive plan or land use regulation implementing the plan, as provided in section (3) of this rule; (b) If a comprehensive plan map or zoning map is created or altered by the proposed change, a copy of the relevant portion of the map that is created or altered; (c) A brief narrative summary of the proposed change and any supplemental information that the local government believes may be useful to inform the director and members of the public of the effect of the proposed change; (d) The date set for the first evidentiary hearing; (e) The notice or a draft of the notice required under ORS 197.763 regarding a quasi-judicial land use hearing, if applicable; and (f) Any staff report on the proposed change or information that describes when the staff report will be available and how a copy may be obtained.</p>
<p>Response: The change does not alter any zoning regulations. It alters the zoning on a 3.12 acre parcel of land to be consistent with the urban zoning south of the NUIC . Madras continues to provide information to the DLCDC Field Representative on the status of the proceedings.</p>
<p>(3) The proposed text submitted to comply with subsection (2)(a) of this rule must include all of the proposed wording to be added to or deleted from the acknowledged plan or land use regulations. A general description of the proposal or its purpose, by itself, is not sufficient. For map changes, the material submitted to comply with Subsection (2)(b) must include a graphic depiction of the change; a legal description, tax account number, address or similar general description, by itself, is not sufficient. If a goal exception is proposed, the submittal must include the proposed wording of the exception.</p>
<p>Response: This rule is not applicable to the map amendment that is proposed.</p>
<p>(4) If a local government proposes a change to an acknowledged comprehensive plan or a land use regulation solely for the purpose of conforming the plan and regulations to new requirements in a land use statute, statewide land use planning goal, or a rule implementing the statutes or goals, the local government</p>

<p>may adopt such a change without holding a public hearing, notwithstanding contrary provisions of state and local law, provided:</p> <p>(a) The local government provides notice to the department of the proposed change identifying it as a change described under this section, and includes the materials described in section (2) of this rule, 35 days before the proposed change is adopted by the local government, and</p> <p>(b) The department confirms in writing prior to the adoption of the change that the only effect of the proposed change is to conform the comprehensive plan or the land use regulations to the new requirements.</p>
<p>Response: This rule is not applicable to the map amendment that is proposed.</p>
<p>(5) For purposes of computation of time for the 35day notice under this rule and OAR 6600180035(1)(c), the proposed change is considered to have been “submitted” on the day that paper copies or an electronic file of the applicable notice forms and other documents required by section (2) this rule are received or, if mailed, on the date of mailing. The materials must be mailed to or received by the department at its Salem office.</p>
<p>Response: The materials were submitted electronically and hard copies delivered to the Salem office prior to the 35-day limitation.</p>
<p>660-18-0021 Joint Submittal of Notices and Changes</p> <p>(1) Where two or more local governments are required by plan provisions, coordination agreements, statutes or goals to agree on and mutually adopt a change to a comprehensive plan agreements, statutes or goals to agree on and mutually adopt a change to a comprehensive plan or land use regulation, the local governments shall jointly submit the notice required in OAR 660-018-0020 and, if the change is adopted, the decision and materials required by OAR 660-018-0040. Notice of such proposed changes must be jointly submitted at least 35 days prior to the first evidentiary hearing. For purposes of notice and appeal, the date of the decision is the date of the last local government’s adoption of the change.</p>
<p>Response: This rule is not applicable to the map amendment that is proposed.</p>
<p>(2) For purposes of this rule, a change to a comprehensive plan or land use regulation that requires two or more local governments to agree on and mutually adopt the change includes, but is not limited to, the establishment or amendment of an urban growth boundary or urban reserve by a city and county in the manner specified in Goal 14.</p>
<p>Response: This rule is not applicable to the map amendment that is proposed.</p>

**Section B - Compliance with Local Land Use Planning Requirements**

**City of Madras Land Use Planning Requirements**

<p>Goal 1 - Citizen Involvement - To develop a Citizen Involvement program that insures the opportunity for all citizens to be involved in all phases of the planning process.                  Policy: The City shall insure an adequate citizen involvement in all phases of the planning process. To that end, the citizen involvement program is spelled out on Page <u>5</u> of this plan.</p>
<p>Response:                  See findings below that respond to the subject requirements.</p>
<p>The City shall publicize the opportunities for citizen involvement by the following methods:</p> <p>A. The City shall post notices of Planning Commission meetings, outlining the date, time, place and topics to be discussed, on public bulletin boards within the City. This would include the City Hall, the County Courthouse, and local markets.</p>
<p>Response:                  The City took the following actions in responses to these requirements:                  ???</p>
<p>B. There are two newspapers serving the area--the Madras Pioneer (a weekly), and The Bulletin (a Bend daily). Both papers have indicated a willingness to publish articles announcing meetings and general discussions of Planning Commission topics including any decisions that are rendered.</p>
<p>Response:                  Notice of the joint City and County Planning Commission public hearing was published in the September 28, 2016 Madras Pioneer Newspaper</p>
<p>C. Madras has a local television weather channel that allows placement of local notices. This is anticipated to provide an excellent method of notification go the general public.</p>
<p>Response:                  No notice of the public hearing was broadcasted on any of the local television stations.</p>
<p>D. Local service organizations and clubs shall be informed on Planning Commission progress and discussion topics. These organizations include the Lions, Kiwanis, Chamber of Commerce, Epsilon Sigma Alpha Sorority, and the Jaycees.</p>

<p>Response: Staff has not discussed the proposed zone change with any of the local service clubs to ensure all issues and concerns were identified and resolved in the public hearings.</p>
<p>E. Technical assistance shall be provided to the Planning Commission and the general public by a planning consultant retained by the City. In addition, technical assistance is available from the City Manager's office. As Madras is the County Seat of Jefferson County, both the County Planner and the County Extension Agent have indicated a willingness to assist in the planning process and to provide assistance to interested citizens.</p>
<p>Response: The City retained expert land use planning expertise in the development of compliance findings for this map amendment. DHC Planning provided technical assistance through an on-call service agreement with the City related to land use planning needs.</p>
<p><b>GOAL 2</b> - To establish a land use planning process and policy framework as a basis for all decisions and actions related to the use of the land and to insure an adequate factual base for such decisions and actions.</p> <p>POLICIES: A. The City shall insure that the Comprehensive Plan serves as a basis for future land use decision.</p>
<p>Response: The change in zoning does not materially alter the factual basis in the Comprehensive Plan. The basis for making this change is to recognize the physical limit imposed by the NUIC on PFOS zoned land to the north of the canal and to enable a more rational development pattern south of the canal. In this context, the physical geography of the area being planned provides the factual and contextual basis for the change.</p>
<p>B. The City shall be responsive to the changes in needs and conditions over time and amend the plan accordingly. The amendment process is discussed in the Land Use element.</p>
<p>Response: See proposed change results for recognition that the zoning for the subject property, which had been applied to the entire tax lot, was implacable south of the NUIC. The zoning on the tax lot area south of the canal will enable planning for the use of this property that is consistent with the zoning for adjacent properties.</p>
<p><u>Goal 2 – Land Use Planning</u> A major revision to this Plan is defined as a policy making change in the text or plan map that will have widespread and significant impact through the planning area. The proposed change will be considered as a legislative action and will require the following procedure:</p>
<p>Response:</p>

<p>The proposed amendment is not significant but it does involve a change to the Comprehensive Plan map. The City proposes to take this legislative action to address a technical flaw in the current plan map.</p>
<p>A. The City Council or Planning Commission may initiate the proposed change.</p>
<p>Response: The Madras City Council initiated this change.</p>
<p>B. The adopted citizen and agency involvement programs shall be utilized to stimulate the public interest and participation in the amendment process.</p>
<p>Response: Madras Planning Commission is the designated Citizen Involvement Committee for land use action in the City. The Planning Commission was involved in reviewing the proposed amendment.</p>
<p>C. A public hearing shall be conducted by the Planning Commission.</p>
<p>Response: The Planning Commission considered the proposed zone change at an advisory hearing on October 19, 2016.</p>
<p>D. At least 21 days notice to the public of the hearing shall be published in a local newspaper of general circulation.</p>
<p>Response: The general public was notified about the hearing in the Madras Pioneer on September 28, 2016 and [REDACTED]. In addition, individual property owners directly affected by the proposed land use changes were notified directly per requirements for a Measure 54 notice.</p>
<p>E. In order to submit a favorable recommendation for the proposed change to the City Council, the Planning Commission shall establish the compelling reasons and make a finding of fact for the proposed change. These include:</p> <ol style="list-style-type: none"><li>1. The proposed change will be in conformance with statewide planning goals.</li><li>2. There is a demonstrated need for the proposed change.</li></ol>
<p>Response: Responses to statewide planning requirements above demonstrate compliance with the goals.</p>
<p>F. The City Council, upon receipt of the Planning Commission recommendation, may adopt, reject, or modify the recommendations or may conduct a second public hearing on the proposed change.</p>

Response: Awaiting action.
G. In all proposed amendment actions, the City Council must make the final decision to adopt or deny the proposed change.
Response: Awaiting action.
Goal 3 - Agriculture
Response: No city policies related to this goal are applicable to the proposed action.
Goal 4 - Forestry
Response: No city policies related to this goal are applicable to the proposed action.
Goal 5 - Open Space, Natural and Cultural Resources
Response: This zone change would reduce the City's Open Space/Public Facility land inventory by 3.12 acres. The property that this parcel is part of, which is owned by the Bean Foundation, encompasses 17.7 acres. After the change, the other 14.58 acres that lies north of the NUIC will retain its OS/PF zoning. This change is insignificant for several reasons. First and foremost, the 3.12 acres that lies south of the canal is too small and irregularly shaped to provide a functional park or OS facility. It is cut off and isolated from the remainder of the property that lies north of the canal. Second, the Bean Foundation has largely fulfilled the mission it set out to perform by providing to the city a recently constructed major OP/PF facilities including a middle school, a community education center, a community aquatics and recreation center, Juniper Hill Community Park. These facilities are all within 1 mile of the subject site. Crowden Neighborhood Park lies less than ¼ mile to the west. In effect, this part of the urban area has more open space land than the city has need for. The land is not listed in the County inventory of significant Goal 5 resource sites. .
Goal 6 - Air, Noise and Water Quality
Response: No city policies or plans related to this goal are effected by the proposed action.
Goal 7 - Natural Hazards
Response: No city policies related to this goal are applicable to the proposed action.
Goal 8 - Recreation
Response: This zone change would reduce the City's Open Space/Public Facility land inventory by 3.12 acres. The northeast part of Madras, where the land is located, has an abundance

<p>of park and recreation facilities. The City’s Park System Master Plan does not identify this site as a future park nor is another neighborhood or community park needed in this area. In effect, the donations of land and improvement by the Bean Foundation have enriched this part of the City. The zone change will have no effect on the City’s ability to meet recreation needs in this area of the UGB. Rezoning it to R1 is an insignificant change.</p>
<p>Goal 9 – Economic Development</p>
<p>Response: No city policies or plans related to this goal are effected by the proposed action.</p>
<p>Goal 10 – Housing</p>
<p>Response: The proposed 3.12 acre rezone from OS/PF to R1 will have no significant effect on the City’s inventory of residential. The rezone does not affect the City’s ability to provide a sufficient inventory of land to meet needed housing types. The parcel is simply too small an area and too irregularly shaped to impact residential land inventories in any meaningful way. The one beneficial effect of the change is that development planning south of the NUIC will be able to include all the land to the canal easement, which may make the layout for streets and development lots more rational and efficient. In effect, however, the change is not significant. Given the R1 district’s 7500 sq. ft. minimum lot size and assuming that development achieves an 80% net buildable conversion ratio, it will result in an additional 12 building lots over the City’s current inventory. This is considered a trivial increase compared with a 20 year need for more than 2930 additional dwellings that the 2007 Housing Needs analysis forecast the City would need to build through 2027 (Source: Madras Urbanization Report, Table 4.5).</p>
<p>Goal 11 – Public Facilities</p>
<p>Response: No city policies or plans for public facilities are affected by the proposed action. The proposed uses in the rezone add miniscule demand to the area’s water, sewer, and transportation systems. The overall increase is well below the margin of error for the demand forecasts used to establish capital facility needs for these systems. No significant change is expected in service demand for other public and private utility services related to this action.</p>
<p>Goal 12 – Transportation</p>
<p>Response: City transportation plans and policies are not affected by the proposed action. At most, the zone change could result in ~12 new dwellings and 120 new daily trips when the land is built out. The City is in the process of updating its Transportation System Plan and this zone change is reflected in the land use assumptions related to that planning effort. The effect is insignificant.</p>
<p>Goal 13 – Energy</p>

Response: No city policies related to this goal are impacted by the proposed action.
Goal 14 - Urbanization
Response: No city policies related to this goal are impacted by the proposed action. The rezone does not alter the UGB or affect the City's ability to meet urban land development needs in the 20-year planning horizon.



125 SW "E" Street  
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541-475-2344  
[www.ci.madras.or.us](http://www.ci.madras.or.us)

## **STAFF REPORT TO PLANNING COMMISSION**

**HEARING DATE:** October 19, 2016

**APPLICATION NO.:** PA-16-2

**APPLICANT:** City of Madras  
125 SW E Street  
Madras, OR 97741

**AGENT:** Nicholas Snead,  
City of Madras Community Development Director  
125 SW E Street  
Madras, OR 97741

**NOTICE TO DLCD:** September 15, 2016

**NEWSPAPER NOTICE:** September 28, 2016 2016 (Madras Pioneer Newspaper)

**MAILED NOTICE:** October 6, 2016 (by first class letter)

**LEGAL DESCRIPTION:** Parcels: 10-13-26-500,10-13-27-100,10-13-27-101,  
10-13-28-400,10-13-28-401,10-13-33-100,10-13-33-101,  
10-13-34-100,10-13-34-101,10-13-35-100

**PROPOSAL SUMMARY:** The City of Madras is proposing to expand the Madras Urban Growth Boundary (UGB) by include approximately 414 acres to include existing runways, land with future development potential at the airport, and the City's wastewater treatment lagoons. Refer to Proposal & Purpose below.

## **PROPOSAL & PURPOSE:**

The City of Madras is proposing an Urban Growth Boundary (UGB) amendment and subsequent annexation for an airport and wastewater treatment facilities at the Madras Airport (2028 NW Berg Drive) to include the runways and supporting structures and wastewater facilities within the Madras UGB. The site is part of the Madras Airport and is owned by the City of Madras. The site is surrounded by other portions of the Madras Airport. The proposal will be to revise the UGB to include the subject parcel (refer to applicant's map in Exhibit 1).

The City Planning Commission and County Planning Commission will be holding a joint hearing on the proposed UGB amendment on October 19, 2016.

The proposal will need to be heard by the County Board of Commissioners and the City Council before it can be formally approved. The intent – after the UGB expansion is approved - is to annex the site into the City of Madras and zone it to Airport Operations.

## **PROPOSAL in APPLICATION FORM:**

The proposed amendment is described in graphic and text form and is attached as Exhibit 1. The Exhibit is entitled "Findings for a Boundary Amendment for the Madras Airport." The Exhibit includes an explanation of the proposal, findings addressing the applicable criteria, a traffic/transportation planning rule analysis, and a map showing the proposed site to be added to the UGB.

## **AGENCY COMMENTS:**

The Planning Department has not received any written comments (other than the proposal from the City of Madras) from agencies as of October 12, 2016.

## **PUBLIC COMMENTS:**

The Planning Department has not received any written comments from the public as of October 12, 2016.

**FINDINGS OF FACT AND CONCLUSIONS OF LAW:**

***Zoning Ordinance: Section 803.2 – Map Amendments***

- A. The zoning designation will conform to the Comprehensive Plan Map designation;*

**FINDING:**

The Jefferson County Comprehensive Plan Map designation for the Madras Airport is Urban and Urbanizable Land. On completion of the UGB expansion process, the airport and public facilities will be annexed into the City of Madras and remain in the Airport Operations zone. The County Comprehensive Plan map designation will not require amendment as a result of this action. See page 37 of Exhibit 1 for the findings that address this criterion.

*B – F criteria*

**FINDING:**

Findings for criteria B through F are found in the applicant’s burden of proof (Exhibit 1). There are no significant impacts on adjacent or nearby property as a result of the proposed UGB amendment. The proposal complies with the criteria B through F of section 803.2. See pages 37 through 39 of Exhibit 1 for the findings that address these criteria.

***Comprehensive Plan Amendments (part 5)***

- 1. Comply with applicable Statewide Planning Goals, Oregon Revised Statutes and Administrative Rules . . .*
- 2. Comply with all applicable Comprehensive Plan goals and policies; and*

**FINDING:**

Findings for the above criteria are found in the applicant’s burden of proof. The proposal complies with the criteria above. See page 37 of Exhibit 1 for the findings that address these criteria.

## ***Urban Growth Area Management Agreement (UGAMA)***

*The UGAMA contains responsibilities for each jurisdiction (the City and County) for amendments to the UGB and other land use actions. The UGAMA contains procedures for reviewing UGB amendments.*

### **FINDING:**

The City complied with the UGAMA by submitting the application to the County, and for conducting a City Planning Commission public hearing on October 19, 2016. The applicant's burden of proof demonstrates compliance with the UGAMA.

### **CONCLUSION**

Based on the findings stated above, the proposal meets all the relevant criteria for the proposed UGB amendment.

### **RECOMMENDATION**

Planning Staff recommends that the Planning Commission recommend approval of the proposed UGB amendment file PA16-2 to the Madras City Council. The City Council will then hear the proposed request and make a decision. The City Council hearing date is not yet set.

### **ATTACHMENTS:**

Exhibit 1: Findings for a Boundary Amendment for the Madras Airport." from the City of Madras

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# Findings for a Boundary Amendment for the Madras Airport

October 2016

Prepared for:

City of Madras and Jefferson County

***DRAFT REPORT***

**ECONorthwest**  
ECONOMICS • FINANCE • PLANNING

KOIN Center  
222 SW Columbia Street  
Suite 1600  
Portland, OR 97201  
503.222.6060

ECONorthwest prepared this report for the City of Madras. ECONorthwest and the City of Madras developed the Findings for a Airport Boundary Amendment in Madras.

**City of Madras**

Nicholas Snead, Community Development Director

**Consulting Staff**

Beth Goodman, Project manager, ECONorthwest

Bob Parker, Project Director, ECONorthwest

For over 40 years ECONorthwest has helped its clients make sound decisions based on rigorous economic, planning, and financial analysis. For more information about ECONorthwest: [www.econw.com](http://www.econw.com). For more information about this report, please contact:

Nicholas Snead  
Community Development Director  
City of Madras  
125 SW "E" Street  
Madras, OR, 97741  
Phone: 541-323-2916  
[nsnead@ci.madras.or.us](mailto:nsnead@ci.madras.or.us)

Beth Goodman  
ECONorthwest  
222 SW Columbia, Suite 1600  
Portland, OR 97201  
503-222-6060  
[goodman@econw.com](mailto:goodman@econw.com)

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# 1. Introduction

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The City of Madras is proposing an Urban Growth Boundary (UGB) amendment and subsequent annexation for a large-lot industrial site and to bring public facilities at the Airport for the purposes of developing a vehicle test facility operated by Daimler Corporation. The City proposes the UGB amendment for two reasons:

- (1) to provide a large-lot industrial site for employment development, consistent with the findings of the *Central Oregon Large Lot Industrial Land Needs Analysis* (November 20, 2012) and OAR 660-024-0045; and
- (2) to bring Airport and public wastewater treatment facilities into the UGB to give the City more direct control of management of the City's airport facilities.

**This findings document only addresses the Airport and public wastewater treatment facility portion of the proposal.**

Under the Oregon land use system, the justification for a UGB amendment is a two-step process: (1) demonstrate land need; and (2) analyze potential boundary locations. Local governments must address both parts in the UGB application and associated findings. Moreover, the City must address applicable City and County criteria. The findings in this report address all of these requirements.

The proposal includes an amendment to the *Madras Comprehensive Plan Map* and the Jefferson County *Comprehensive Plan Map*, which amends the Madras UGB, expanding it by approximately 414 acres. The proposed boundary expansion includes lands that currently is used as the Madras Airport and the City of Madras wastewater treatment lagoons.

This amendment was initiated by the Madras Planning Commission. This findings document justifies the City's action through applicable Goal 14 need/boundary location analysis standards.

The findings in this Report address the relevant legal standards in State statutes, goals and administrative rules that are applicable to Madras' UGB proposal to include portions of the Madras Airport in the Madras UGB (UGB proposal). The format of the findings uses *italics* to present the pertinent text of the statutes, goals and rules followed by findings in normal text. Many of the provisions in the statutes, goals and rules are very similar, so the findings may cross-reference other findings to minimize duplication.

## 1.1 Nature of the Proposal

The City of Madras owns and operates the Madras Airport located in the Northwest portion of the city. The major air transportation facility in Jefferson County is the Madras City-County Airport, located in the Madras Industrial area about three miles northwest of the city center. This field was first used by the U. S. Army during World War II as a training center for the B-17. The airport has four surfaced runways: two 8,000 foot runways, one 10,000-foot runway, and a

3,800-foot lighted runway. In addition, there are hangar and tie-down facilities for storage of light planes and a shop hangar for major aircraft repairs.

At the present time, Oregon Air Service (a commercial carrier) provides scheduled passenger service daily at the Madras City/County Airport. The airline provides direct connections with Eugene. A fixed base operator at the field offers charter flight service for air express, freight, and passenger transportation. Air service for light private planes, flight instruction, crop dusting, fertilizing, fire-fighting and aircraft maintenance are also provided at this facility. According to the 2010 Madras Airport Master Plan:

1. Madras Municipal Airport is owned and operated by the City of Madras.
2. The Airport is located approximately 3 miles northwest of Madras, West of U.S. Highway 26. Surface access to the Airport is provided by NW Cherry Lane, which connects to Highway 26.
3. The Airport consists of approximately 2,091 acres. The Airport is located partially within the Madras city limits and urban growth boundary (UGB).
4. The Airport is included in the National Plan of Integrated Airport System (NPIAS), making it eligible for federal funding through the Federal Aviation Administration (FAA).
5. The Airport has a “Local General Aviation” service level designation in the current Oregon State Aviation System Plan.
6. The Airport has two paved runways, with the primary runway (16/34) oriented in a north-south direction and the secondary runway (4/22) oriented in a northeast-southwest direction. Runway 16/34 (5,089 feet x 75 feet) is paved and lighted, and has basic (visual) markings. Runway 16/34 is served by a full-length parallel taxiway located on its east side. Runway 4/22 (2,701 feet x 50 feet) is paved with basic (visual) markings. Runway 4/22 is not lighted.

The airport site also includes about 118 acres that are currently in use as the City’s wastewater treatment lagoons. The City proposes to include portions of the Madras Airport in the UGB to (1) reflect current activities on the site, (2) facilitate future improvements, including the Daimler vehicle testing facility, and (3) add critical public facilities (the wastewater treatment lagoons). Additional details regarding the application include:

- A. The entire airport site is zoned Airport Management (A-M) in the Jefferson County Comprehensive Plan. The A-M zone is a non-resource zone.
- B. The City will apply the Airport Development (AD) zone or overlay zone to protect and maintain the site for airport purposes.
- C. The City has determined that it is feasible to extend sewer and water to the proposed site (Exhibit F).

## 1.2 Rationale for the Proposal

The City's rationale for this application is as follows:

1. The existing airport facilities, as well as supporting infrastructure such as roads, constitute a public facility under Goal 12 and OAR 660-012. The City initiated development of the Madras Airport in 1938. The lands used for the Madras Airport, including the runways and supporting structures, have been committed to urban public facility uses since their development. As urban facilities, these lands should be included within the Madras UGB.
2. As described in the transportation element of the Madras Comprehensive Plan and the Madras Transportation System Plan, the airport facilities are critical facilities for both current and future residents and businesses of Madras.
3. The City of Madras has established policy that encourages future expansion of the Madras Airport. Policy F of the Economic Element of the Madras Comprehensive Plan states "The City shall seek opportunities to expand airport facilities."
4. The City of Madras wastewater treatment lagoons are a critical public facility as defined by Goal 11 and OAR 660-011-0005(5) and (7)(b). As a critical public facility that requires ongoing operations and maintenance, the City would benefit from the inclusion of the facility in the Madras UGB.
5. The proposal intends to increase certainty of development of the airport facilities and for the City. Including the land in the UGB and city limits assures the City control over the process and increases certainty.

## 1.3 Summary of Proposed Action

This application includes an amendment to the City of Madras Urban Growth Boundary and city limits to include approximately 414 acres to include existing runways, land with future development potential at the airport, and the City's wastewater treatment lagoons. The land needs are summarized in Table 1.

**Table 1. Summary of Land Needs**

Site Characteristic	Description
Site Acreage	Total Airport site: 2,091 acres Proposed Airport Operations Expansion Area: 296 acres Proposed Wastewater Treatment Lagoons: 118 acres Total Proposed Expansion Area: 414 acres
Site Dimensions, Slope, Unique Features	The airport is approximately 10,000 feet from North to South, and 8,000 feet from East to West The longest runway is approximately 1 mile in length The proposed expansion is in several parts and is approximately 414 acres The site has gentle slopes (<0% to 3%) Unique site features: <ul style="list-style-type: none"> <li>⑩ Adjacent to City of Madras North Wastewater Treatment Plant</li> <li>⑩ Wastewater treatment lagoons</li> <li>⑩ Drainage ditches</li> <li>⑩ Delineated wetlands*</li> </ul>
Current Development Status	Developed as Madras Airport - runway and other improvements; portions developed as Madras North Wastewater Treatment Plan water treatment lagoons
Current Ownership	Property entirely owned by the City of Madras
Location of site in relation to existing UGB	<ul style="list-style-type: none"> <li>⑩ The entire Airport site is approximately 8,000 by 10,000 ft.</li> <li>⑩ The property located between the existing UGB and is used for aircraft operations as specified by the City’s Airport Master Plan (2010).</li> <li>⑩ The entire Madras Airport site is currently zoned Airport Management (AM) on the Jefferson Co. Zoning Map.</li> </ul>

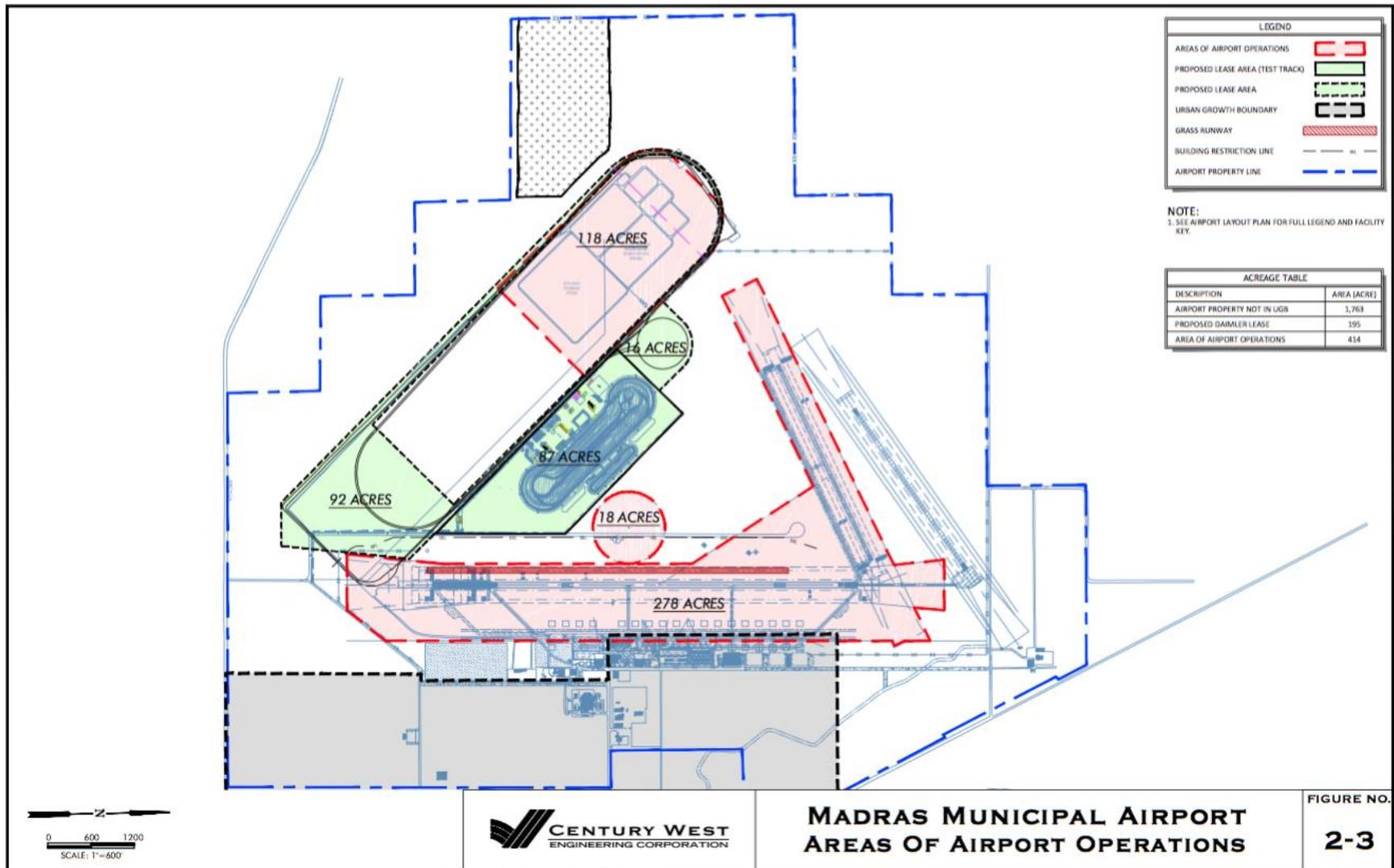
\* No improvements are proposed on delineated wetland areas

The subject site is zoned Airport Management (AM) under Section 313 of the Jefferson County Development Code. According to Section 313.1 of the Jefferson County Development Code “The purpose of the Airport Management (AM) zone is to encourage and support continued operation and vitality of airports in the county by allowing uses that are compatible with aviation activities. The AM zone implements ORS 836.600 through 836.630, OAR 660-013 and Statewide Planning Goal 12.”

The AM zone has been granted an exception to Goals 3 and 4 – it is not a resource zone. Thus, the proposal does not require a goal exception. Moreover, OAR 660-024-0020(1)(a) states “the exceptions process in Goal 2 and OAR chapter 660, division 4, is not applicable unless a local government chooses to take an exception to a particular goal requirement.”

Map 1 shows the proposed areas to be included as part of the Airport Expansion as well as the Regional Large Lot Industrial site (the RLLI site is addressed as a separate action).

Map 1. Proposed areas for Airport UGB expansion, Madras Airport



## 2. Authority and Criteria

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The authority, review procedures, and locally adopted criteria for the amendments are provided in the *Comprehensive Plan* as specified below. Criteria for the amendments are also provided in applicable state law. Those criteria are addressed together with the local criteria, which are similar to applicable state law, in Section 5 of this application.

### 2.1 State Criteria

State law that governs the locational analysis and needs for the UGB amendment include the following:

- Statewide Planning Goal 14 (OAR 660-015-0000(14))
- Goal 14 Administrative Rule (OAR 660 Division 24)

Statewide planning Goal 14 (Urbanization) requires that urban growth boundary amendments be a cooperative process:

*“Establishment and change of urban growth boundaries shall be a cooperative process among cities, counties and, where applicable, regional governments. An urban growth boundary and amendments to the boundary shall be adopted by all cities within the boundary and by the county or counties within which the boundary is located, consistent with intergovernmental agreements...”*

Goal 14 breaks the UGB amendment process into two parts: (1) Land Need; and (2) Boundary Location. Local governments must address both parts in the UGB application and associated findings.

#### Goal 14: Urbanization

##### Land Need

*Establishment and change of urban growth boundaries shall be based on the following:*

*(1) Demonstrated need to accommodate long range urban population, consistent with a 20-year population forecast coordinated with affected local governments; and*

*(2) Demonstrated need for housing, employment opportunities, livability or uses such as public facilities, streets and roads, schools, parks or open space, or any combination of the need categories in this subsection*

*In determining need, local government may specify characteristics, such as parcel size, topography or proximity, necessary for land to be suitable for an identified need. Prior to expanding an urban growth boundary, local governments shall demonstrate that needs cannot reasonably be accommodated on land already inside the urban growth boundary.*

The City must also conduct an alternatives analysis. OAR 660-024-0065 requires the City establish a study area to evaluate land for inclusion in the UGB and OAR 660-024-0067 to evaluate the priority of land in the study area for inclusion in the UGB. The requirements for each are presented below.

## **Establishment of Study Area to Evaluate Land for Inclusion in the UGB - 660-024-0065**

*(1) When considering a UGB amendment to accommodate a need deficit identified in OAR 660-024-0050(4), a city outside of Metro must determine which land to add to the UGB by evaluating alternative locations within a “study area” established pursuant to this rule. To establish the study area, the city must first identify a “preliminary study area” which shall not include land within a different UGB or the corporate limits of a city within a different UGB. The preliminary study area shall include:*

*(a) All lands in the city’s acknowledged urban reserve, if any;*

*(b) All lands that are within the following distance from the acknowledged UGB:*

*(A) For cities with a UGB population less than 10,000: one-half mile;*

*(B) For cities with a UGB population equal to or greater than 10,000: one mile;*

*(c) All exception areas contiguous to an exception area that includes land within the distance specified in subsection (b) and that are within the following distance from the acknowledged UGB:*

*(A) For cities with a UGB population less than 10,000: one mile;*

*(B) For cities with a UGB population equal to or greater than 10,000: one and one-half miles;*

*(d) At the discretion of the city, the preliminary study area may include land that is beyond the distance specified in subsections (b) and (c).*

*(2) A city that initiated the evaluation or amendment of its UGB prior to January 1, 2016, may choose to identify a preliminary study area applying the standard in this section rather than section (1). For such cities, the preliminary study area shall consist of:*

*(a) All land adjacent to the acknowledged UGB, including all land in the vicinity of the UGB that has a reasonable potential to satisfy the identified need deficiency, and*

*(b) All land in the city’s acknowledged urban reserve established under OAR chapter 660, division 21, if applicable.*

*(3) When the primary purpose for expansion of the UGB is to accommodate a particular industrial use that requires specific site characteristics, or to accommodate a public*

*facility that requires specific site characteristics, and the site characteristics may be found in only a small number of locations, the preliminary study area may be limited to those locations within the distance described in section (1) or (2), whichever is appropriate, that have or could be improved to provide the required site characteristics. For purposes of this section:*

*(a) The definition of “site characteristics” in OAR 660-009-0005(11) applies for purposes of identifying a particular industrial use.*

*(b) A “public facility” may include a facility necessary for public sewer, water, storm water, transportation, parks, schools, or fire protection. Site characteristics may include but are not limited to size, topography and proximity.*

*(4) The city may exclude land from the preliminary study area if it determines that:*

*(a) Based on the standards in section (7) of this rule, it is impracticable to provide necessary public facilities or services to the land;*

*(b) The land is subject to significant development hazards, due to a risk of:*

*(A) Landslides: The land consists of a landslide deposit or scarp flank that is described and mapped on the Statewide Landslide Information Database for Oregon (SLIDO) Release 3.2 Geodatabase published by the Oregon Department of Geology and Mineral Industries (DOGAMI) December 2014, provided that the deposit or scarp flank in the data source is mapped at a scale of 1:40,000 or finer. If the owner of a lot or parcel provides the city with a site-specific analysis by a certified engineering geologist demonstrating that development of the property would not be subject to significant landslide risk, the city may not exclude the lot or parcel under this paragraph;*

*(B) Flooding, including inundation during storm surges: the land is within the Special Flood Hazard Area (SFHA) identified on the applicable Flood Insurance Rate Map (FIRM);*

*(C) Tsunamis: the land is within a tsunami inundation zone established pursuant to ORS 455.446;*

*(c) The land consists of a significant scenic, natural, cultural or recreational resource described in this subsection:*

*(A) Land that is designated in an acknowledged comprehensive plan prior to initiation of the UGB amendment, or that is mapped on a published state or federal inventory at a scale sufficient to determine its location for purposes of this rule, as:*

*(i) Critical or essential habitat for a species listed by a state or federal agency as threatened or endangered;*

*(ii) Core habitat for Greater Sage Grouse; or*

*(iii) Big game migration corridors or winter range, except where located on lands designated as urban reserves or exception areas;*

*(B) Federal Wild and Scenic Rivers and State Scenic Waterways, including Related Adjacent Lands described by ORS 390.805, as mapped by the applicable state or federal agency responsible for the scenic program;*

*(C) Designated Natural Areas on the Oregon State Register of Natural Heritage Resources;*

*(D) Wellhead protection areas described under OAR 660-023-0140 and delineated on a local comprehensive plan;*

*(E) Aquatic areas subject to Statewide Planning Goal 16 that are in a Natural or Conservation management unit designated in an acknowledged comprehensive plan;*

*(F) Lands subject to acknowledged comprehensive plan or land use regulations that implement Statewide Planning Goal 17, Coastal Shoreland, Use Requirement 1;*

*(G) Lands subject to acknowledged comprehensive plan or land use regulations that implement Statewide Planning Goal 18, Implementation Requirement 2;*

*(d) The land is owned by the federal government and managed primarily for rural uses.*

*(5) After excluding land from the preliminary study area under section (4), the city must adjust the area, if necessary, so that it includes an amount of land that is at least twice the amount of land needed for the deficiency determined under OAR 660-024-0050(4) or, if applicable, twice the particular land need described in section (3). Such adjustment shall be made by expanding the distance specified under the applicable section (1) or (2) and applying section (4) to the expanded area.*

*(6) For purposes of evaluating the priority of land under OAR 660-024-0067, the “study area” shall consist of all land that remains in the preliminary study area described in section (1), (2) or (3) of this rule after adjustments to the area based on sections (4) and (5), provided that when a purpose of the UGB expansion is to accommodate a public park need, the city must also consider whether land excluded under subsection (4)(a) through (c) of this rule can reasonably accommodate the park use.*

*(7) For purposes of subsection (4)(a), the city may consider it impracticable to provide necessary public facilities or services to the following lands:*

*(a) Contiguous areas of at least five acres where 75 percent or more of the land has a slope of 25 percent or greater, provided that contiguous areas 20 acres or more that are less than 25 percent slope may not be excluded under this subsection. Slope shall be measured as the increase in elevation divided by the horizontal distance at maximum ten-foot contour intervals;*

*(b) Land that is isolated from existing service networks by physical, topographic, or other impediments to service provision such that it is impracticable to provide necessary facilities or services to the land within the planning period. The city's determination shall be based on an evaluation of:*

*(A) The likely amount of development that could occur on the land within the planning period;*

*(B) The likely cost of facilities and services; and,*

*(C) Any substantial evidence collected by or presented to the city regarding how similarly situated land in the region has, or has not, developed over time.*

*(c) As used in this section, "impediments to service provision" may include but are not limited to:*

*(A) Major rivers or other water bodies that would require new bridge crossings to serve planned urban development;*

*(B) Topographic features such as canyons or ridges with slopes exceeding 40 percent and vertical relief of greater than 80 feet;*

*(C) Freeways, rail lines, or other restricted access corridors that would require new grade separated crossings to serve planned urban development;*

*(D) Significant scenic, natural, cultural or recreational resources on an acknowledged plan inventory and subject to protection measures under the plan or implementing regulations, or on a published state or federal inventory, that would prohibit or substantially impede the placement or construction of necessary public facilities and services.*

*(8) Land may not be excluded from the preliminary study area based on a finding of impracticability that is primarily a result of existing development patterns. However, a city may forecast development capacity for such land as provided in OAR 660-024-0067(1)(d).*

*(9) Notwithstanding OAR 660-024-0050(4) and section (1) of this rule, except during periodic review or other legislative review of the UGB, the city may approve an application under ORS 197.610 to 197.625 for a UGB amendment to add an amount of land less than necessary to satisfy the land need deficiency determined under OAR 660-024-0050(4), provided the amendment complies with all other applicable requirements.*

## **Evaluation of Land in the Study Area for Inclusion in the UGB; Priorities - 660-024-0067**

*(1) A city considering a UGB amendment must decide which land to add to the UGB by evaluating all land in the study area determined under OAR 660-024-0065, as follows*

*(a) Beginning with the highest priority category of land described in section (2), the city must apply section (5) to determine which land in that priority category is suitable to satisfy the need deficiency determined under OAR 660-024-0050 and select for inclusion in the UGB as much of the land as necessary to satisfy the need.*

*(b) If the amount of suitable land in the first priority category is not sufficient to satisfy all the identified need deficiency, the city must apply section (5) to determine which land in the next priority is suitable and select for inclusion in the UGB as much of the suitable land in that priority as necessary to satisfy the need. The city must proceed in this manner until all the land need is satisfied, except as provided in OAR 660-024-0065(9).*

*(c) If the amount of suitable land in a particular priority category in section (2) exceeds the amount necessary to satisfy the need deficiency, the city must choose which land in that priority to include in the UGB by applying the criteria in section (7) of this rule.*

*(d) In evaluating the sufficiency of land to satisfy a need under this section, the city may use the factors identified in sections (5) and (6) of this rule to reduce the forecast development capacity of the land to meet the need.*

*(e) Land that is determined to not be suitable under section (5) of this rule to satisfy the need deficiency determined under OAR 660-024-0050 is not required to be selected for inclusion in the UGB unless its inclusion is necessary to serve other higher priority lands.*

*(2) Priority of Land for inclusion in a UGB:*

*(a) First Priority is urban reserve, exception land, and nonresource land. Lands in the study area that meet the description in paragraphs (A) through (C) of this subsection are of equal (first) priority:*

*(A) Land designated as an urban reserve under OAR chapter 660, division 21, in an acknowledged comprehensive plan;*

*(B) Land that is subject to an acknowledged exception under ORS 197.732; and*

*(C) Land that is nonresource land.*

*(b) Second Priority is marginal land: land within the study area that is designated as marginal land under ORS 197.247 (1991 Edition) in the acknowledged comprehensive plan.*

*(c) Third Priority is forest or farm land that is not predominantly high-value farm land: land within the study area that is designated for forest or agriculture uses in the acknowledged comprehensive plan and that is not predominantly high-value farmland as defined in ORS 195.300, or that does not consist predominantly of prime or unique soils, as determined by the United States Department of Agriculture Natural Resources Conservation Service (USDA NRCS). In selecting which lands to include to satisfy the need, the city must use the agricultural land capability classification system or the cubic foot site class system, as appropriate for the acknowledged comprehensive plan designation, to select lower capability or cubic foot site class lands first.*

*(d) Fourth Priority is agricultural land that is predominantly high-value farmland: land within the study area that is designated as agricultural land in an acknowledged comprehensive plan and is predominantly high-value farmland as defined in ORS 195.300. A city may not select land that is predominantly made up of prime or unique farm soils, as defined by the USDA NRCS, unless there is an insufficient amount of other land to satisfy its land need. In selecting which lands to include to satisfy the need, the city must use the agricultural land capability classification system to select lower capability lands first.*

*(3) Notwithstanding section (2)(c) or (d) of this rule, land that would otherwise be excluded from a UGB may be included if:*

*(a) The land contains a small amount of third or fourth priority land that is not important to the commercial agricultural enterprise in the area and the land must be included in the UGB to connect a nearby and significantly larger area of land of higher priority for inclusion within the UGB; or*

*(b) The land contains a small amount of third or fourth priority land that is not predominantly high-value farmland or predominantly made up of prime or unique farm soils and the land is completely surrounded by land of higher priority for inclusion into the UGB.*

*(4) For purposes of categorizing and evaluating land pursuant to subsections (2)(c) and (d) and section (3) of this rule,*

*(a) Areas of land not larger than 100 acres may be grouped together and studied as a single unit of land;*

- (b) Areas of land larger than 100 acres that are similarly situated and have similar soils may be grouped together provided soils of lower agricultural or forest capability may not be grouped with soils of higher capability in a manner inconsistent with the intent of section (2) of this rule, which requires that higher capability resource lands shall be the last priority for inclusion in a UGB;*
- (c) Notwithstanding subsection (4)(a), if a city initiated the evaluation or amendment of its UGB prior to January 1, 2016, and if the analysis involves more than one lot or parcel or area within a particular priority category for which circumstances are reasonably similar, these lots, parcels and areas may be considered and evaluated as a single group;*
- (d) When determining whether the land is predominantly high-value farmland, or predominantly prime or unique, "predominantly" means more than 50 percent.*
- (5) With respect to section (1), a city must assume that vacant or partially vacant land in a particular priority category is "suitable" to satisfy a need deficiency identified in OAR 660-024-0050(4) unless it demonstrates that the land cannot satisfy the specified need based on one or more of the conditions described in subsections (a) through (g) of this section: Existing parcelization, lot sizes or development patterns of rural residential land make that land unsuitable for an identified employment need; as follows:*
- (A) Parcelization: the land consists primarily of parcels 2-acres or less in size, or*
- (B) Existing development patterns: the land cannot be reasonably redeveloped or infilled within the planning period due to the location of existing structures and infrastructure."*
- (b) The land would qualify for exclusion from the preliminary study area under the factors in OAR 660-024-0065(4) but the city declined to exclude it pending more detailed analysis.*
- (c) The land is, or will be upon inclusion in the UGB, subject to natural resources protections under Statewide Planning Goal 5 such that that no development capacity should be forecast on that land to meet the land need deficiency.*
- (d) With respect to needed industrial uses only, the land is over 10 percent slope, or is an existing lot or parcel that is smaller than 5 acres in size, or both. Slope shall be measured as the increase in elevation divided by the horizontal distance at maximum ten-foot contour intervals.*
- (e) With respect to a particular industrial use or particular public facility use described in OAR 660-024-0065(3), the land does not have, and cannot be improved to provide, one or more of the required specific site characteristics.*

*(f) The land is subject to a conservation easement described in ORS 271.715 that prohibits urban development.*

*(g) The land is committed to a use described in this subsection and the use is unlikely to be discontinued during the planning period:*

*(A) Public park, church, school, or cemetery, or*

*(B) Land within the boundary of an airport designated for airport uses, but not including land designated or zoned for residential, commercial or industrial uses in an acknowledged comprehensive plan.*

*(6) For vacant or partially vacant lands added to the UGB to provide for residential uses:*

*(a) Existing lots or parcels one acre or less may be assumed to have a development capacity of one dwelling unit per lot or parcel. Existing lots or parcels greater than one acre but less than two acres shall be assumed to have an aggregate development capacity of two dwelling units per acre.*

*(b) In any subsequent review of a UGB pursuant to this division, the city may use a development assumption for land described in subsection (a) of this section for a period of up to 14 years from the date the lands were added to the UGB.*

*(7) Pursuant to subsection (1)(c), if the amount of suitable land in a particular priority category under section (2) exceeds the amount necessary to satisfy the need deficiency, the city must choose which land in that priority to include in the UGB by first applying the boundary location factors of Goal 14 and then applying applicable criteria in the acknowledged comprehensive plan and land use regulations acknowledged prior to initiation of the UGB evaluation or amendment. The city may not apply local comprehensive plan criteria that contradict the requirements of the boundary location factors of Goal 14. The boundary location factors are not independent criteria; when the factors are applied to compare alternative boundary locations and to determine the UGB location the city must show that it considered and balanced all the factors. The criteria in this section may not be used to select lands designated for agriculture or forest use that have higher land capability or cubic foot site class, as applicable, ahead of lands that have lower capability or cubic foot site class.*

*(8) The city must apply the boundary location factors of Goal 14 in coordination with service providers and state agencies, including the Oregon Department of Transportation (ODOT) with respect to Factor 2 regarding impacts on the state transportation system, and the Oregon Department of Fish and Wildlife (ODFW) and the Department of State Lands (DSL) with respect to Factor 3 regarding environmental consequences. "Coordination" includes timely notice to agencies and service providers and consideration of any recommended evaluation methodologies.*

*(9) In applying Goal 14 Boundary Location Factor 2 to evaluate alternative locations under section (7), the city must compare relative costs, advantages and disadvantages of alternative UGB expansion areas with respect to the provision of public facilities and services needed to urbanize alternative boundary locations. For purposes of this section, the term “public facilities and services” means water, sanitary sewer, storm water management, and transportation facilities. The evaluation and comparison under Boundary Location Factor 2 must consider:*

*(a) The impacts to existing water, sanitary sewer, storm water and transportation facilities that serve nearby areas already inside the UGB;*

*(b) The capacity of existing public facilities and services to serve areas already inside the UGB as well as areas proposed for addition to the UGB; and*

*(c) The need for new transportation facilities, such as highways and other roadways, interchanges, arterials and collectors, additional travel lanes, other major improvements on existing roadways and, for urban areas of 25,000 or more, the provision of public transit service.*

*(10) The adopted findings for UGB amendment must describe or map all of the alternative areas evaluated in the boundary location alternatives analysis.*

## **2.2 Local Criteria**

UGB amendments must comply with applicable local criteria as outlined in the City of Madras *Comprehensive Plan and Development Code*, as well as the Jefferson County *Comprehensive Plan and Development Code*.

### **City of Madras Criteria**

The City process for expanding the UGB may be initiated by the City of Madras or Jefferson County, or other governmental agencies or private individuals. A UGB expansion must mutually agreed upon and adopted by both the City of Madras and Jefferson County. The Madras City Planning Commission must conduct a public hearing about the proposed boundary amendment.

Madras requires that notice of the public hearing must be provided at least 21 days before the hearing and that the notice must be published in a local newspaper of general circulation. Individual notices must be mailed to property owners within 250 feet of the area subject to the proposed change, least 21 days before the hearing.

The criteria for an Urban Growth Boundary revision from Madras’ *Comprehensive Plan* is as follows:

- A. *The proposed amendment to the Urban Growth Boundary may be initiated by the City of Madras or Jefferson County, or other governmental agencies or private individuals. Cost for notification and advertising shall be borne by the applicant.*

- B. *The Madras City Planning Commission shall conduct a public hearing concerning the proposed boundary amendment. Notice of public hearing requirements shall be the same as those outlined in the quasi-judicial process of the Comprehensive Plan.*
- C. *Citizen and Agency Involvement Programs shall be utilized to stimulate public interest and participation in the amendment process.*
- D. *In order to make a favorable recommendation on the boundary revision, the Planning Commission shall make its recommendation based upon the consideration of the following factors:*
  - 1. *Demonstrated need to accommodate long-range urban population growth requirements consistent with Statewide Planning Goals.*
  - 2. *Need for housing, employment opportunities, and livability.*
  - 3. *Orderly and economic provision for the public facilities and services.*
  - 4. *Maximum efficiency of land uses within and on the fringe of the existing urban area.*
  - 5. *Environmental, energy, economic, and social consequences.*
  - 6. *Retention of agricultural land as defined, with Class I being the highest priority for retention and Class VI the lowest priority.*
  - 7. *Compatibility of the proposed urban uses with nearby agricultural activities.*

## **Jefferson County Criteria**

The County process for expanding the UGB for one property may be initiated by the owner of the property. The Jefferson County Planning Commission must conduct a public hearing about the proposed boundary amendment. In the case of a proposed change in an urban growth boundary, the Planning Commission may hold one or more joint hearings with the City Planning Commission. The Planning Commission will make a written recommendation to the Board of Commissioners to approve or deny the amendment. The Board of Commissioners will hold a de novo public hearing to review the Planning Commission recommendation.

Jefferson County requires that notice of the public hearing must be provided in accordance with statutory requirements. For a legislative amendment, Jefferson County's Zoning Ordinance requires that notice of land use change be mailed to each owner whose property would have to be rezoned in order to comply with the amended plan at least 20 days prior to the hearing or ten days before the first hearing if there will be two or more hearings.

In the Jefferson County Comprehensive Plan, a legislative amendment requires:

- 1. Comply with applicable Statewide Planning Goals, Oregon Revised Statutes and Administrative Rules, or comply with requirements for an exception to the goal(s);
- 2. Comply with all applicable Comprehensive Plan goals and policies; and

The Jefferson County Zoning ordinance requires:

- A. The zoning designation will conform to the Comprehensive Plan Map designation;

- B. The amendment is consistent with other Zoning Ordinance requirements including, but not limited to, wildlife habitat, bird habitat and riparian protection standards;
- C. The amendment will cause no significant adverse impact to other properties in the vicinity due to factors such as water quality, drainage, air quality or noise;
- D. The amendment will not force a significant change in or significantly increase the cost of farming or forest practices on surrounding resource land;
- E. Adequate public safety, fire protection, sanitation, water and utility facilities and services are available or will be provided to serve uses allowed in the proposed zone;
- F. The uses allowed in the proposed zone will not significantly affect a transportation facility identified in an adopted Transportation System Plan by:
  - 1. Changing the functional classification of an existing or planned transportation facility;
  - 2. Allowing types or levels of land uses which would result in levels of travel or access which are inconsistent with the functional classification of a transportation facility; or
  - 3. Reducing the performance standards of the facility below the minimum acceptable level identified in the Transportation System Plan (LOS C).
  - 4. A Traffic Impact Study in accordance with Section 421 may be required to show compliance with this standard.

## 3. Summary of Evidence

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The City provides the following evidence in support of the application.

- The City of Madras public hearings are documented by **Will be added to the final Findings**. (Exhibit A)
- The City of Madras notice of the public hearings are documented by **Will be added to the final Findings**. (Exhibit B)
- Transportation Planning Rule Analysis related to Partial Mitigation Options (Exhibit C)
- City of Madras' documentation of the capacity of existing water and sewer systems and their ability to serve a potential large lot industrial parcel from the City's Public Works Director and City Engineer. (Exhibit F)

## 4. Procedure

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The City of Madras took the following steps in reviewing the proposed UGB amendment for the Airport expansion.

- A. **Adopt Airport Master Plan.** The Madras Municipal Airport Master Plan Update was completed in December 2010 by Century West Engineering. The City adopted the plan **DATE, Ordinance**
- B. **Division 24 and ORS 197A.320 findings.** ECONorthwest and the City of Madras developed Findings (this document). The City of Madras Planning Commission and Jefferson County Planning Commission held a joint hearing on October 19, 2016 and made **RECOMMENDATION**. The City of Madras City Council held a hearing on **DATE** and made **RECOMMENDATION**.
- C. **County coordination.** The Urban Growth Area Management Agreement (UGAMA) between the City of Madras and Jefferson County requires the City and County coordinate on a UGB Expansion. The UGAMA requires that the City and County Planning Commissions each conduct a public hearing regarding the application and allows that hearing to take place in a joint hearing. The UGAMA requires that the Jefferson County Board of County Commissioners conduct a public hearing and make a final decision about the proposed amendment to the UGB.

The City of Madras Planning Commission and Jefferson County Planning Commission held a joint hearing on October 19, 2016. The Jefferson Board of County Commissioners held a hearing on **DATE** and made **RECOMMENDATION**.

## 5. Findings

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This section presents findings addressing key elements of state land use policy pertaining to UGB expansions. Applicable state goals, statutes and administrative rules for the Urban Growth Boundary (UGB) amendment include:

- Goal 1: Citizen Involvement
- Goal 2: Land Use Planning
- Goal 14: Urbanization
  - ORS 197.298: Priority of land to be included within urban growth boundary
  - OAR 660-024: Urban Growth Boundaries

### 5.1 Goal 1: Citizen Involvement

The intent of Goal 1 is to ensure that citizens have meaningful opportunities to participate in land use planning decisions. As stated in the Goal, the purpose is:

*To develop a citizen involvement program that insures the opportunity for citizens to be involved in all phases of the planning process.*

Goal 1 has five stated objectives that are relevant to the UGB boundary amendment:

*Citizen Involvement -- To provide for widespread citizen involvement.*

*Communication -- To assure effective two-way communication with citizens.*

*Citizen Influence -- To provide the opportunity for citizens to be involved in all phases of the planning process.*

*Technical Information -- To assure that technical information is available in an understandable form.*

*Feedback Mechanisms -- To assure that citizens will receive a response from policy-makers.*

**Finding: Satisfied.** The City of Madras Planning Commission and Jefferson County Planning Commission held a joint hearing on October 19, 2016 to discuss the proposed action, where public testimony was allowed. The City provided property owner notification prior to the first evidentiary hearing consistent with requirements of the Madras Comprehensive Plan (Section IV) for Urban Growth Boundary Revisions. The City of Madras held a hearing with the City Council on **DATE** to discuss the proposed action, where public testimony was allowed. Jefferson County held a hearing with the County Board of Commissioners on **DATE** to discuss the proposed action, where public testimony was allowed.

## 5.2 Goal 2: Land Use

Goal 2 requires all incorporated cities to establish and maintain comprehensive land use plans and implementing ordinances. It also requires cities to coordinate with other affected government entities in legislative land use processes. The purpose of Goal 2 is:

*To establish a land use planning process and policy framework as a basis for all decision and actions related to use of land and to assure an adequate factual base for such decisions and actions.*

**Finding: Satisfied.** Madras has an established land use process and policy framework. That process, as outlined in the Madras Comprehensive Plan and Development Code was followed throughout this action.

With respect to coordination, Jefferson County is the only other affected government entity. Since UGB boundary amendments require both city and county approve, the City consulted with County staff throughout this process. Madras' Comprehensive Plan requires that the Jefferson County Planning Commission review the UGB expansion proposal and make recommendations to the Madras City Council. The City's Comprehensive Plan requires the City Council to forward its findings about the proposed UGB expansion to the Jefferson County Board of Commissioners, who must conduct a public hearing about the proposed amendment. The Madras City Council and Jefferson County Board of Commissioners must approve the UGB amendment.

## 5.3 Goal 14: Urbanization

The Goal 14 findings are broken out by specific criteria. Goal 14 provides two 'Need Factors' and four 'Location Factors.' Goal 14 and the related statutes and rules establish a specific method and hierarchy for boundary review.

### Goal 14 Need Criteria

Goal 14 notes that establishment and change of urban growth boundaries shall be based on the following:

*Goal 14 Need Factor 1: Demonstrated need to accommodate long range urban population growth, consistent with a 20-year population forecast coordinated with affected local governments.*

*Goal 14 Need Factor 2: Demonstrated need for housing, employment opportunities, livability or uses such as public facilities, streets and roads, schools, parks or open space.*

**Finding: Satisfied.** The next two sections describe how the proposal complies with Goal 14 need factors 1 and 2.

## Goal 14 Need Factor 1

In 2015, the Population Research Center at Portland State University issues the official coordinated population forecasts for Region 1, which includes Jefferson County.<sup>1</sup> Based on the PSU forecasts, Madras will grow from 7,598 persons in 2016, to 9,921 persons in 2036—an increase of 2,437. This provides a 20-year forecast to support the UGB proposal consistent with the requirements of OAR 660-024-0040(2).<sup>2</sup>

**Table 2. Population forecast, Madras, 2015 to 2036**

<b>Year</b>	<b>Population</b>
2015	7,484
2016	7,598
2020	8,070
2025	8,700
2030	9,268
2035	9,815
2036	9,921
<b>Change, 2016-2036</b>	
Number	2,437
Percent	32%
AAGR	1.34%

Source: Population Research Center at Portland State University; Official Coordinated Population Forecasts for Jefferson County. 2016 and 2036 interpolations done using the PSU interpolation calculator.

The City makes the following findings about the population forecast:

1. The population forecast is a coordinated forecast. The Oregon Population Forecast Program described in OAR 577- 050- 0050 establishes Portland State University as the official entity developing coordinated population forecasts for Oregon municipalities. Madras is relying on the official PSU forecast for this action.
2. The City intends to complete work on the UGB proposal in 2016. As such, the required planning period is 2016-2036.
3. The City constructed the airport to serve Madras residents and to facilitate commerce in the region. The development of airport facilities is based on

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<sup>1</sup> <http://www.pdx.edu/prc/region-1-documents>

<sup>2</sup> OAR 660-024-0040(2) states: “If the UGB analysis or amendment is conducted as part of a periodic review work program, the 20-year planning period must commence on the date initially scheduled for completion of the appropriate work task.” Because the proposed expansion is in excess of 50 acres, the City must follow the process “in the manner of periodic review” as required by OAR 660-024-0080.

existing population and expected population growth consistent with Goal 14 requirements.

## Goal 14 Need Factor 2

Goal 14 Need Factor 2 addresses specific types of land need. For this proposal, the City intends to meet the demonstrated need for **public facilities, parks and open space**. The proposal to meet specific types of land need is allowable under OAR 660-024-0040(3):

*“A local government may review and amend the UGB in consideration of one category of land need (for example, housing need) without a simultaneous review and amendment in consideration of other categories of land need (for example, employment need).”*

## Need for Improvements to Airport Facilities

The public facility need derive from the following factors:

- A. The existing airport, as well as supporting structures and infrastructure such as roads, constitute a transportation facility under Goal 12 and OAR 660-012. The City initiated development of the Madras Airport in 1938. The lands used for the Madras Airport, including the roads have been committed to urban transportation facility uses since their development. As urban facilities, these lands should be included within the Madras UGB.
- B. Statewide Planning Goal 12 and OAR 660-012 require municipalities to: (1) address transportation facilities in local comprehensive land use plans, and (2) adopt functional plans for transportation facilities. The Transportation Element of the *Madras Comprehensive Plan* addresses transportation facilities. Section 9 of the 1998 Madras TSP addresses the Airport:

**GOAL 4:** *Enhance the role of the Madras Airport as an important part of the health, safety and welfare of the area.*

### **Objectives:**

- A. *Improve emergency medical air access by providing instrument approach.*
  - B. *Continue runway improvements.*
  - C. *Improve access to the airport.*
  - D. *Continue to seek matching funds for state and federal funds.*
- C. The Madras Airport is key to the local and regional economy. This is reflected in the 1998 TSP:

*Because the airport is governed by its own Master Plan, recommendations for its improvement do not fall into the scope of this TSP. However, the airport is an essential*

*part of the economy of the area. It is necessary to include the airport when considering future development proposals for the surrounding land.*

Moreover, the City of Madras has established policy that encourages future expansion of the Madras Airport. Policy F of the Economic Element of the Madras Comprehensive Plan states “The City shall seek opportunities to expand airport facilities.”

- D. Given the level of public investment involved in improvements to the airport, the City desires control over the permitting and construction process for future facilities and improvements.

## Need for Water Storage and Treatment Facilities

The public facility need (e.g., wastewater treatment lagoons) derive from the following factors:

- A. The existing wastewater treatment facilities, as well as supporting infrastructure, constitute a public facility under Goal 11 and OAR 660-011-0005(7)(a). The lands used for the Madras North Wastewater Plant and treatment lagoons have been committed to urban public facility uses since their development. As urban facilities, these lands should be included within the Madras UGB.
- B. Statewide Planning Goal 11 and OAR 660-006-0020 through 0030 require municipalities to: (1) address public facilities in local comprehensive land use plans, and (2) adopt functional plans for public facilities. The *Madras Comprehensive Plan* addresses public facilities. Moreover, the Public Facilities Element includes policies to address them:
  - 1. The City shall assure urban services (water, sewer and storm drainage services and transportation infrastructure) to residential, commercial and industrial lands within the City's Urban Growth Area as these lands are urbanized.
  - 2. To minimize the cost of providing public services and infrastructure, the City shall discourage inefficient development without adequate public services and promote efficient use of urban and urbanizable land within the City's urban growth boundary, including requiring all urban development to be served by full urban services.
  - 3. The City shall support development that is compatible with the City's ability to provide adequate public facilities and services.
  - 4. The City shall prioritize development of land serviced by utilities and require the extension of water, sewer and storm drainage facilities for all urban level development within the UGB.
  - 5. The City shall coordinate provision of public services with annexation of land outside the City limits, as part of a future action.

## Establishment of Study Area to Evaluate Land for Inclusion in the UGB – OAR 660-024-0065

The boundary alternatives analysis is required by Goal 14; the process is defined in OAR 660-024-0065. Madras has a population less than 10,000 so the provision of OAR 660-0024-0065(1)(b)(A)(c) apply.

*(1) When considering a UGB amendment to accommodate a need deficit identified in OAR 660-024-0050(4), a city outside of Metro must determine which land to add to the UGB by evaluating alternative locations within a “study area” established pursuant to this rule. To establish the study area, the city must first identify a “preliminary study area” which shall not include land within a different UGB or the corporate limits of a city within a different UGB. The preliminary study area shall include:*

*(a) All lands in the city’s acknowledged urban reserve, if any;*

*(b) All lands that are within the following distance from the acknowledged UGB:*

*(A) For cities with a UGB population less than 10,000: one-half mile;*

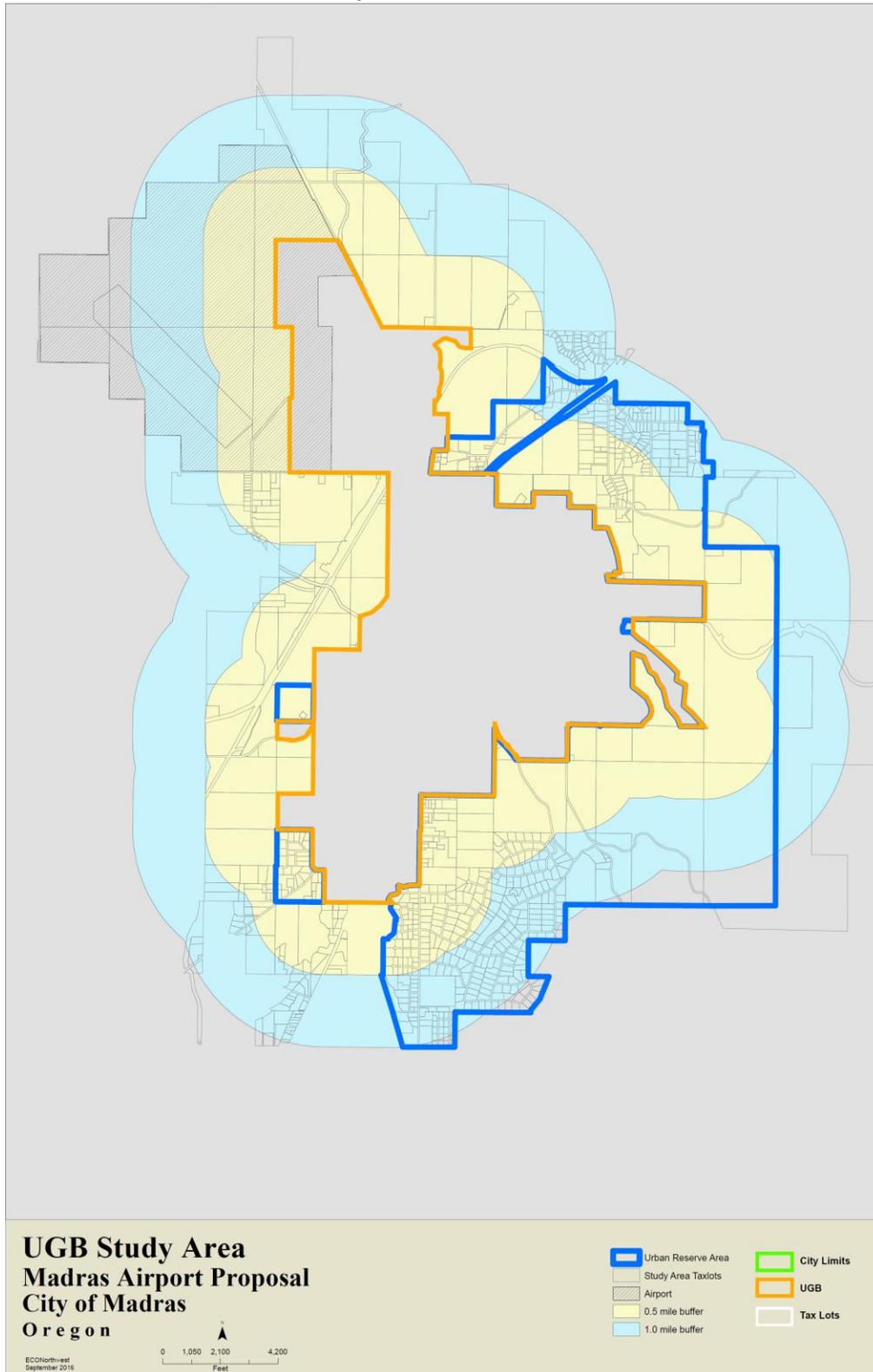
*(c) All exception areas contiguous to an exception area that includes land within the distance specified in subsection (b) and that are within the following distance from the acknowledged UGB:*

*(A) For cities with a UGB population less than 10,000: one mile;*

In short, the City is required to establish a study area that includes:

- All lands in the established urban reserve; all lands with urban reserves (OAR 660-024-0065(1)(a))
- All lands within one-half mile of the existing UGB (OAR 660-024-0065(1)(b)(A))
- All exception lands contiguous to an exception area within one mile of the UGB.
- Map 1 shows lands included within the Madras Airport UGB study area. The remainder of OAR 660-024-0065 describes provides for excluding additional lands from the study area. Madras did not exclude any additional lands from the study. Instead, the City chose to evaluate all of the lands shown in Map 1.

Map 1. Madras Airport UGB Study Area



**Finding: Satisfied.** The study area in Map 1 meets the requirements of OAR 660-024-0065 for determining the Study Area to Evaluate Land for Inclusion in the UGB for airport and wastewater facilities.

## **Evaluation of Land in the Study Area for Inclusion in the UGB; Priorities – OAR 660-024-0067**

The next step is to look at lands by priority. OAR 660-024-0067 outlines the procedures for evaluating land in the study for inclusion in the UGB and establishes a priority scheme. OAR 660-024-0067(2) establishes the first priority:

*(2) Priority of Land for inclusion in a UGB:*

*(a) First Priority is urban reserve, exception land, and nonresource land. Lands in the study area that meet the description in paragraphs (A) through (C) of this subsection are of equal (first) priority:*

*(A) Land designated as an urban reserve under OAR chapter 660, division 21, in an acknowledged comprehensive plan;*

*(B) Land that is subject to an acknowledged exception under ORS 197.732; and*

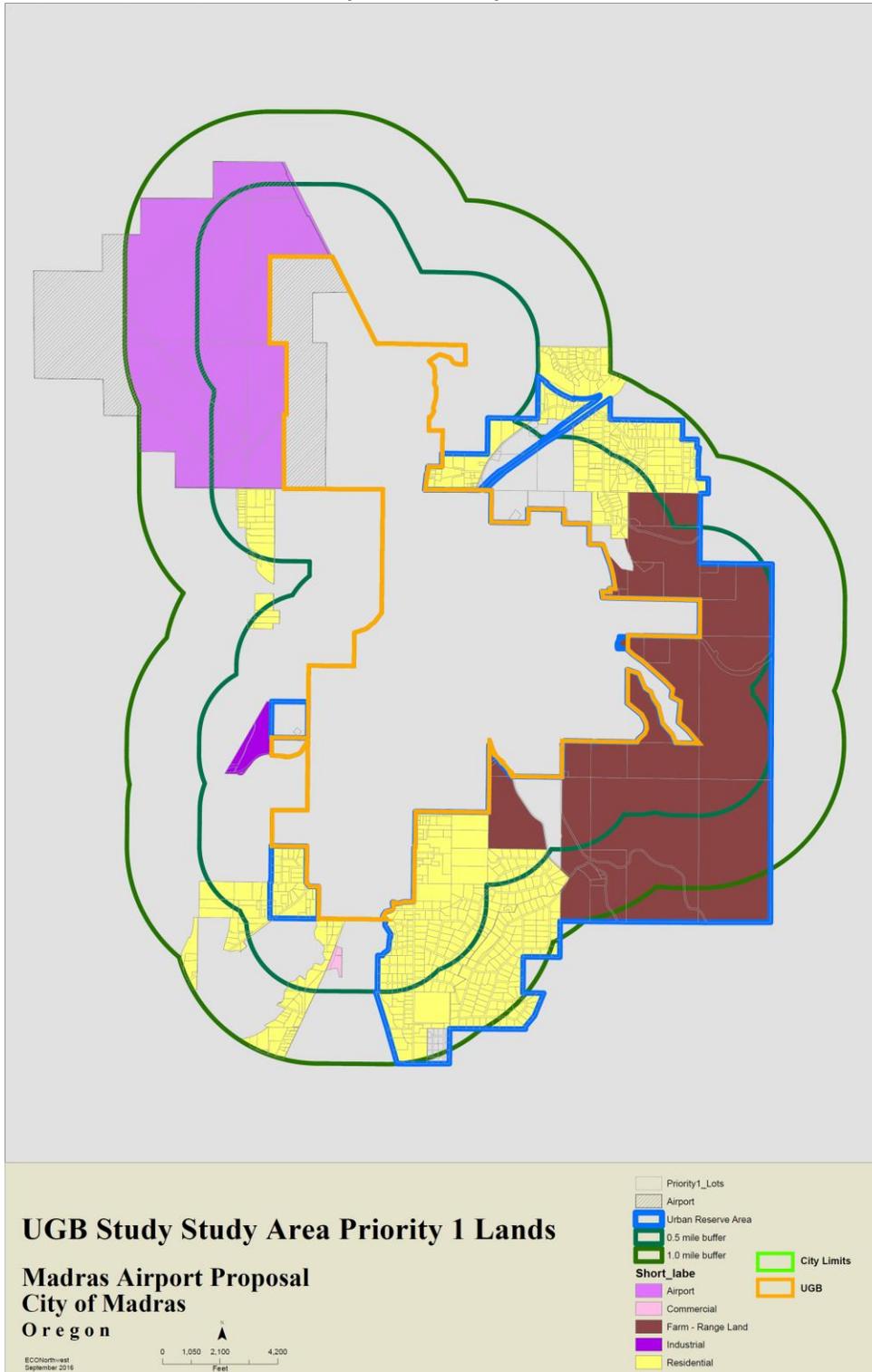
*(C) Land that is nonresource land.*

Map 2 and Map 3 show priority 1 lands over 100 acres in size. The maps show that Madras has:

- A total of 5,613 acres of land in 907 tax lots of priority 1 lands.
- In parcels of priority 1 land larger than 100 acres, Madras has 2,381 acres in 10 parcels:
  - **Exceptions areas zoned for airport uses.** There are four tax lots larger than 100 acres, for a total of 1,129 acres. Two of these parcels are less than 199 acres, with a 161-acre parcel and a 173-acre parcel. These areas are all exceptions lands.
  - **Exceptions areas zoned for residential uses.** There are no exceptions areas zoned for residential uses with tax lots larger than 100 acres.
  - **Urban reserves zoned for residential uses.** There is one parcel larger than 100 acres, at 128 acres (in the urban reserve). These areas are either exceptions lands or in the urban reserve.
  - **Urban reserves zoned for rangeland uses.** There are five parcel larger than 100 acres, at 894 acres. Two of these parcels are less than 199 acres, with a 111-acre parcel and a 121-acre parcel. These areas are all in urban reserves.

**Finding:** The City finds that the amount of suitable priority 1 land exceeds the amount necessary to satisfy Madras' need for a 414-acre airport and public facility expansion site. Madras has 10 tax lots larger than 100 acres within the required study area. Of those, six parcels are smaller than 199 acres. Two of the ten parcels in airport zoning meet the size criteria.

Map 2. Airport Expansion Study Area Priority 1 Lands over 100 acres in size



Consistent with OAR 660-024-00667(1)(c) the City makes a determination that the amount of priority 1 land exceeds the land need.

*(c) If the amount of suitable land in a particular priority category in section (2) exceeds the amount necessary to satisfy the need deficiency, the city must choose which land in that priority to include in the UGB by applying the criteria in section (7) of this rule.*

The next step is to evaluate lands consistent with OAR 660-024-0067(7):

*(7) Pursuant to subsection (1)(c), if the amount of suitable land in a particular priority category under section (2) exceeds the amount necessary to satisfy the need deficiency, the city must choose which land in that priority to include in the UGB by first applying the boundary location factors of Goal 14 and then applying applicable criteria in the acknowledged comprehensive plan and land use regulations acknowledged prior to initiation of the UGB evaluation or amendment. The city may not apply local comprehensive plan criteria that contradict the requirements of the boundary location factors of Goal 14. The boundary location factors are not independent criteria; when the factors are applied to compare alternative boundary locations and to determine the UGB location the city must show that it considered and balanced all the factors. The criteria in this section may not be used to select lands designated for agriculture or forest use that have higher land capability or cubic foot site class, as applicable, ahead of lands that have lower capability or cubic foot site class.*

Table 1 describes the siting criteria for the airport site, based on the site characteristics requirements for an airport facility. Table 1 provides information about priority 1 lands in tax lots 500 acres and larger.

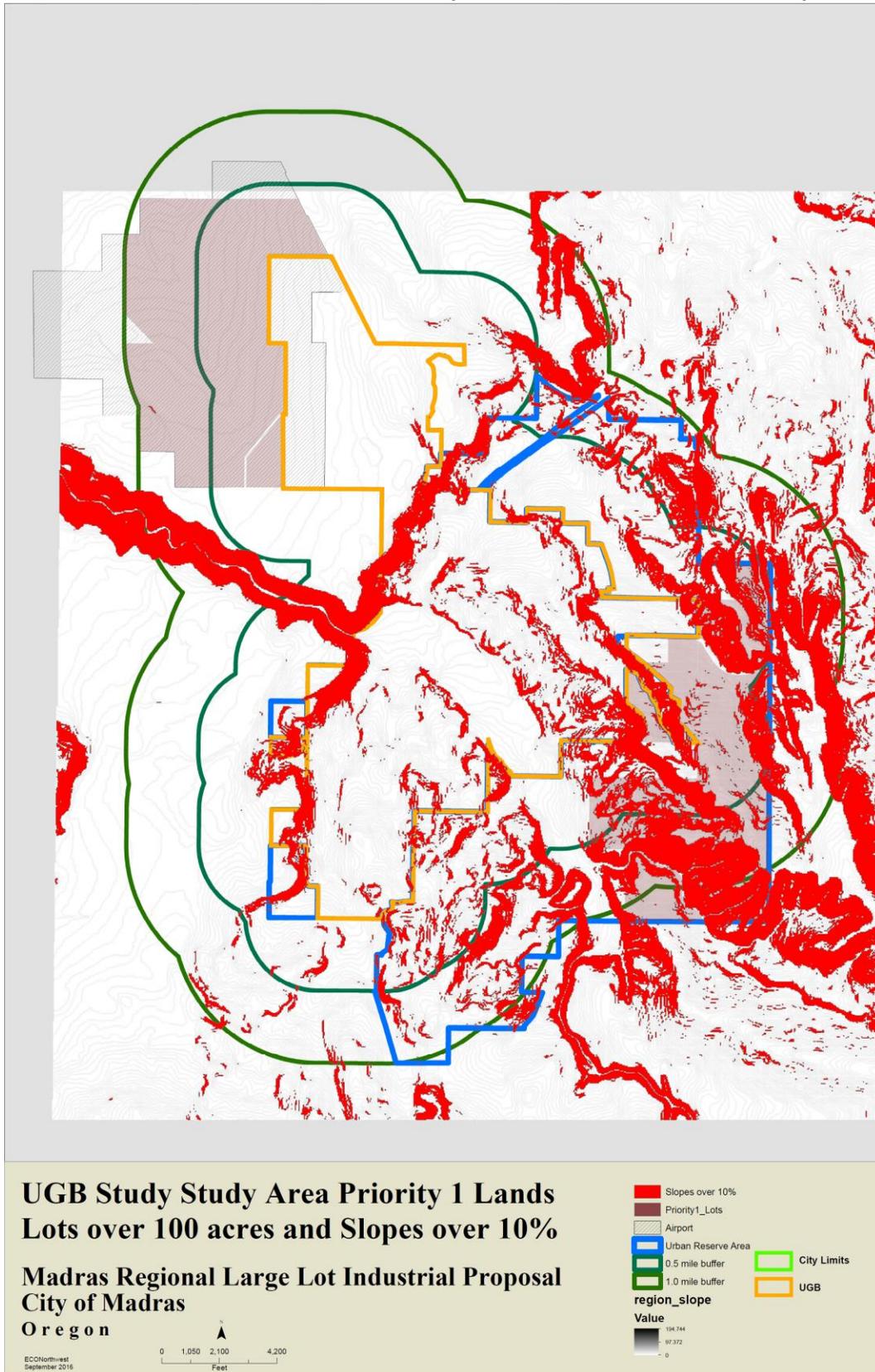
**Table 1. Siting criteria and evaluation of Priority 1 Lands for an airport site**

Siting Criteria	Areas in tax lots 200 acres and larger
<p>1. <b>Size.</b> An airport will require runways between 5,000 and 10,000 feet in length. This translates to a total site size between 640 and 2,000 or more acres.</p>	<p><b>Exceptions areas zoned for airport uses:</b> The total airport site is nearly 2,100 acres. The largest parcel on the site is 515 acres.</p> <p><b>Urban reserves zoned as rangeland:</b> There are three tax lots in rangeland zoning over 500 acres. They include a 278-acre tax lot, a 313-acre tax lot, and a 1,009-acre tax lot.</p>
<p>2. <b>Ownership.</b> The airport site must be in public ownership.</p>	<p><b>Exceptions areas zoned for airport uses:</b> All of the land at the Madras Airport is owned by the City of Madras.</p> <p><b>Urban reserves zoned as rangeland:</b> The 302 acre tax lot is owned by the City of Madras. The 278-acre tax lot and 313-acre tax lot are owned by Morrow properties. The Morrow properties are adjacent to each other.</p>

Siting Criteria	Areas in tax lots 200 acres and larger
<p>3. <b>Topography.</b> The site must be relatively flat, with a slope across the site of not more than 5%. The site cannot have significant bumps or valleys, especially those that cannot be removed through grading.</p>	<p><b>Exceptions areas zoned for airport uses:</b> The airport lands are relatively flat, with slopes of 0%-3%.</p> <p><b>Urban reserves zoned as rangeland:</b> Considerable areas of the urban reserves are in slopes over 10%. The largest relatively flat area is on the City-owned land and is approximately 5,000 feet in length and 240 acres in area. The area has some areas with slopes over 10% that would need to be filled to meet the identified land needs.</p>
<p>4. <b>Transportation access.</b> The site must have unimpeded truck freight access to a state highway or other principal arterial that is designated as a freight route. The site should be located within two miles of a state highway.</p>	<p><b>Exceptions areas zoned for airport uses:</b> The airport lands are within 3,000 feet from Highway 26. Access is through industrial lands.</p> <p><b>Urban reserves zoned as rangeland:</b> The airport lands are within 7,500 foot distance from Highway 26. Access is through residential areas of Madras. No road network exists internal to the urban reserve lands which are significantly higher in elevation that Highway 26 through downtown Madras.</p>
<p>5. <b>Water and wastewater access.</b> City services should be directly accessible to the site, including sanitary sewer, and municipal water.</p>	<p><b>Exceptions areas zoned for airport uses:</b> The City can provide water and wastewater services capable of serving the airport sites, as documented in Exhibit F.</p> <p><b>Urban reserves zoned as rangeland:</b> The current 1996 Wastewater Master Plan does not include provisions for wastewater service west of the north-south runway at the Madras Airport. The properties proposed to be included in the UGB are not located in the City's water service district. They are served by Deschutes Valley Water Irrigation District.</p> <p>According to the City of Madras "Urban Reserve Area Report" (January 2008), providing water and sewer facilities to the urban reserve areas over 100 acres would cost about \$3 million to \$3.7 million, depending on portion of the urban reserve under consideration.</p>

Map 4 shows slopes over 10% on priority 1 lands. The map shows that the airport does not have any significant areas with slopes exceeding 10%. In fact, according to the 2010 Madras Airport Master Plan, slopes on the 2,100-acre airport site average 0% to 3%. The slope data also show that the rangeland lots over 100 acre acres within the Madras Urban Reserve have considerable areas of slope over 10%.

Map 3. Madras Airport UGB Expansion Study Area, Slopes over 10% on Priority 1 lands



## Evaluation of Urban Reserves (Rangelands)

Map 2 and Map 3 show that Madras' urban reserves zoned for rangeland uses are located to the east of the city. Map 4 shows slopes over 10% on the same areas shown on Map 3. There are three parcels in urban reserves zoned for rangelands that are larger than 500 acres, two of which are in the same ownership. The City finds that urban reserves zoned for rangeland are unsuitable to meet airport and wastewater facilities land need for the following reasons:

- The topography in the urban reserve area is very hilly. Map 4 shows that significant areas are in slopes over 10%. The largest area with slope less than 10% is about 240 acres.
- These parcels are located about 1.5 miles from a state highway. The roads connecting the sites to the state highway are local streets that run through residential areas. The local road network that gets to the sites is not suitable for freight transport or heavy truck traffic.
- No road system exists in the urban reserve areas.
- These parcels are not serviced with City water or wastewater services. Proving water and sewer facilities to the urban reserve areas over 100 acres would cost about \$3 million to \$3.7 million, depending on portion of the urban reserve under consideration.

**Finding:** The City finds that urban reserves in rangeland zoning are unsuitable to meet the airport and public facility land need.

## Evaluation of Urban Reserves (Residential lands)

Map 2 shows Madras' urban reserves zoned for residential lands uses (lands in yellow). The City finds that urban reserves zoned for residential are unsuitable to meet the airport land need for the following reasons:

- The urban reserves zoned for residential uses include no parcels 100 acres or larger. There are no contiguous parcels with 100 acres or more of land in the same ownership. There are no urban reserves zoned for residential lands in parcels with a binding agreement for aggregation of the parcels for airport and wastewater facilities uses.
- The topography in the urban reserve area is hilly and is not suitable for airport operations.

**Finding:** The City finds that urban reserves residential zoning are unsuitable to meet the airport and public facility land need.

## Evaluation of Nonresource Lands (Residential lands)

Map 2 and Map 3 show that Madras' nonresource lands are generally located to the west and to the north of the city. The City finds that nonresource lands are unsuitable to meet the airport and wastewater facilities land need for the following reasons:

- The nonresource lands within one-half mile of Madras' UGB include no parcels 500 acres or larger. There are no contiguous parcels with 100 acres or more of land in the

same ownership. There are no nonresource lands in parcels with a binding agreement for aggregation of the parcels for airport and wastewater facilities uses.

- The majority of nonresource lands are predominantly residential and already developed. They offer no opportunities for airport and wastewater facilities development

**Finding:** The City finds that nonresource lands are unsuitable to meet the airport and public facility land need.

### Evaluation of Exceptions Lands (Airport)

Map 3 shows that Madras' has the following exceptions lands by zoning designation within one mile of the City's UGB:

- **Airport.** The Madras Airport is an exceptions area of about 2,100 acres (about 1,292 acres are in the study area) owned by the City of Madras, with 414 acres in use for public facilities of the Airport or the City of Madras Wastewater Treatment Plant. The Airport site has four tax lots larger than 100 acres within the study area, for a total of 1,129 acres. The Airport site is owned by the City of Madras and is currently developed and in airport operational use.
- **Industrial.** There is one industrial parcel in exceptions areas within one mile of the UGB. It is 40 acres in size and owned by the City of Madras.
- **Commercial.** There are six commercial parcels in exceptions areas within one mile of the UGB. They are a total of 5.6 acres in size and in private ownership.

The City finds that industrial and commercial lands are unsuitable to meet the airport land need because these lands are not 200 acres or larger. There is not enough of either type of land to aggregate a 414-acre site.

The City finds that the Airport site provides an opportunity to meet the airport site needs for the following reasons:

- The Airport is currently developed as an airport and is in use as an airport.
- The Airport has one owner, the City of Madras, who is actively planning to improve airport facilities.
- The total airport site is about 2,100 acres, with 1,292 acres inside the UGB study area, including all of the areas proposed to be included in the UGB.
- The Airport's lands are relatively flat, where slopes generally do not exceed 3%.
- The Airport is located within about 0.7 miles of Highway 26, with unimpeded truck freight access to Highway 26.
- The Airport has water and wastewater services at the Airport terminal. Those services can be extended to the large lot industrial site. (Exhibit F)

**Finding:** The City finds that exceptions land at the Madras Airport meets the airport land need.

## Goal 14 Boundary Location Factors (factors 1-4)

Goal 14 establishes four boundary location factors that must be considered when reviewing alternative boundaries:

*The location of the urban growth boundary and changes to the boundary shall be determined by evaluating alternative boundary locations consistent with ORS 197.298 and with consideration of the following factors:*

- (1) Efficient accommodation of identified land needs;*
- (2) Orderly and economic provision of public facilities and services;*
- (3) Comparative environmental, energy, economic and social consequences; and*
- (4) Compatibility of the proposed urban uses with nearby agricultural and forest activities occurring on farm and forest land outside the UGB.*

The following sections provide a preliminary evaluation of the Priority 1 lands.

**Based on the preceding analysis, Madras Airport site is the only suitable site to accommodate the propose Airport and public facility UGB expansion of approximately 414 acres.** The following sections evaluate the proposed UGB expansion area against the four Goal 14 locational factors.

### Goal 14 Location Factor 1: Efficient accommodation of identified land need

The proposed expansion provides the most efficient accommodation of the identified land need due to the existing uses at the Madras Airport. The Madras Airport was established in 1938 and Madras has spent considerable resources developing and improving facilities since then. The 2010 Madras Airport Master Plan identifies further improvements to the facility. Moreover, the Madras North Wastewater Treatment Plan lagoons are located on the Airport site. Moving the facilities would simply move the impact of the facilities from the existing location to a new location.

### Goal 14 Location Factor 2: Orderly and economic provision of public facilities and services

The proposed expansion provides the most orderly and economic provision of public facilities and services. The City has made considerable investment in airport, water and wastewater services at the Madras Airport. The existing roads that provide access from the Airport to Highway 26 provide sufficient transportation access for the Airport facilities. Locating the Airport at another site would be costly to the City.

### Goal 14 Location Factor 3: Comparative environmental, energy, economic and social consequences

Locating the airport facilities another Priority 1 site would have larger negative impacts than the proposed development at the Madras Airport. Moreover, no other Priority 1 sites are large enough or have the appropriate site characteristics to for an airport site. Slope on the other priority 1 sites is a particular problem.

### Goal 14 Location Factor 4: Compatibility of the proposed urban uses with nearby agricultural and forest activities occurring on farm and forest land outside the UGB.

Including portions of the airport facilities in the UGB does not create any inherent compatibility issues with airport activities. The airport has co-existed with nearby farm uses since 1938 with no apparent conflicts.

### City of Madras

The factors that the Madras Planning Commission makes its recommendations on are listed below, with the findings about each factor.

The following sections provide an evaluation of the Priority 1 lands.

**Based on the preceding analysis of City of Madras criteria, Madras Airport site is the only suitable site to accommodate the propose Airport and public facility UGB expansion of approximately 414 acres.**

### Demonstrated need to accommodate long-range urban population growth requirements consistent with Statewide Planning Goals.

In 2015, the Population Research Center at Portland State University issues the official coordinated population forecasts for Region 1, which includes Jefferson County.<sup>3</sup> Based on the PSU forecasts in Table 2, Madras will grow from 7,598 persons in 2016, to 9,921 persons in 2036—an increase of 2,437. This provides a 20-year forecast to support the UGB proposal consistent with the requirements of OAR 660-024-0040(2).<sup>4</sup>

The City makes the following findings about the population forecast:

1. The population forecast is a coordinated forecast. The Oregon Population Forecast Program described in OAR 577-050-0050 establishes Portland State University as the

---

<sup>3</sup> <http://www.pdx.edu/prc/region-1-documents>

<sup>4</sup> OAR 660-024-0040(2) states: “If the UGB analysis or amendment is conducted as part of a periodic review work program, the 20-year planning period must commence on the date initially scheduled for completion of the appropriate work task.” Because the proposed expansion is in excess of 50 acres, the City must follow the process “in the manner of periodic review” as required by OAR 660-024-0080.

official entity developing coordinated population forecasts for Oregon municipalities. Madras is relying on the official PSU forecast for this action.

2. The City intends to complete work on the UGB proposal in 2016. As such, the required planning period is 2016-2036.
3. The City constructed the airport to serve Madras residents and to facilitate commerce in the region. The development of airport facilities is based on existing population and expected population growth consistent with Goal 14 requirements.

### Need for housing, employment opportunities, and livability.

The Madras Airport and Wastewater facility contribute to supporting employment opportunities and livability in Madras.

### Orderly and economic provision for the public facilities and services.

Locating the airport facilities and wastewater facilities on another Priority 1 site would have larger negative impacts than the proposed development at the Madras Airport. Moreover, no other Priority 1 sites are large enough or have the appropriate site characteristics to for an airport site. Slope on the other priority 1 sites is a particular problem.

### Maximum efficiency of land uses within and on the fringe of the existing urban area.

The airport and wastewater facilities are located on the Madras Airport site. The Airport site is already uses for airport operations.

### Environmental, energy, economic, and social consequences.

Locating the airport and wastewater facilities on another Priority 1 site would have larger negative impacts than the proposed development at the Madras Airport. The other Priority 1 sites that are large enough to for the airport and wastewater facilities are to the east of the City and would require development of roads capable of accommodating truck freight to provide connections to a State highway. Development of these roads would have greater negative environmental, economic, and energy consequences than the Madras Airport site.

### Retention of agricultural land as defined, with Class I being the highest priority for retention and Class VI the lowest priority.

The airport and wastewater facilities are located on the Madras Airport site, which is an exceptions area. The airport and wastewater facilities will not be developed on agricultural lands, which will protect other Priority 1 agricultural lands, such as the rangelands to the east of Madras.

## Compatibility of the proposed urban uses with nearby agricultural activities.

Including portions of the airport facilities and the wastewater facilities in the UGB does not create any inherent compatibility issues with airport activities. The airport has co-existed with nearby farm uses since 1938 with no apparent conflicts.

## Jefferson County Comprehensive Plan

This section reviews the proposed UGB expansion against Jefferson County criteria for legislative amendments from the Jefferson County Comprehensive Plan.

### Comply with applicable Statewide Planning Goals, Oregon Revised Statutes and Administrative Rules, or comply with requirements for an exception to the goal(s)

**Finding: Satisfied.** The analysis complies with Goal 1, Goal 2, Goal 14, and OAR 660-024, as demonstrated in the prior sections of this analysis.

### Comply with all applicable Comprehensive Plan goals and policies

**Finding: Satisfied.** The analysis complies Jefferson County's requirements to Comprehensive Plan Amendments.

## Jefferson County Zoning Ordinance (803.2 Map Amendments)

This section reviews the proposed UGB expansion against Jefferson County criteria for changes to the zoning map.

### A. The zoning designation will conform to the Comprehensive Plan Map designation;

**Finding: Satisfied.** The action involves the 414 acres of land at the Madras Airport, shown in red shading in Map 1. The Jefferson County Comprehensive Plan Map designation for the Madras Airport is Urban and Urbanizable Land. On completion of the UGB expansion process, the airport and public facilities will be annexed into the City of Madras and remain in the Airport Operations zone, as part of a future action.

### B. The amendment is consistent with other Zoning Ordinance requirements including, but not limited to, wildlife habitat, bird habitat and riparian protection standards;

**Finding: Satisfied.** The airport and public facilities are part of the Madras Airport site, which has existing airport-related uses. The property does not have any significant wetlands, waterways, wildlife habitat areas, or other areas of biological significance. On completion of the UGB expansion process, the airport and public facilities will be annexed into the City of Madras (as part of a future action) and remain in the Airport Operations zone. The property will meet City of Madras zoning and Comprehensive Plan requirements.

- C. The amendment will cause no significant adverse impact to other properties in the vicinity due to factors such as water quality, drainage, air quality or noise;

**Finding: Satisfied.** The airport and public facilities are part of the Madras Airport site. The amendment will cause no significant adverse impacts to properties in the vicinity, which area also part of the Madras Airport. The Madras Airport is connected with City water and wastewater services. Exhibit F documents the City's capacity to serve the large lot industrial parcel with water and wastewater service. The level of noise from Airport operations will not change as result of this proposal.

- D. The amendment will not force a significant change in or significantly increase the cost of farming or forest practices on surrounding resource land;

**Finding: Satisfied.** The airport and public facilities are part of the Madras Airport site. The amendment and inclusion of the property into the City's UGB will no increase the cost of farming practices on surrounding lands. Inclusion of the parcel into the UGB will need the need for a regional large lot industrial site. The surrounding farm practices will not be significantly impacted.

- E. Adequate public safety, fire protection, sanitation, water and utility facilities and services are available or will be provided to serve uses allowed in the proposed zone;

**Finding: Satisfied.** Exhibit F documents the City's capacity to serve the airport and public facilities are part with water and wastewater service. The City of Madras will provide public safety and fire protection services to the Madras Airport.

F. The uses allowed in the proposed zone will not significantly affect a transportation facility identified in an adopted Transportation System Plan by:

1. Changing the functional classification of an existing or planned transportation facility;
2. Allowing types or levels of land uses which would result in levels of travel or access which are inconsistent with the functional classification of a transportation facility; or
3. Reducing the performance standards of the facility below the minimum acceptable level identified in the Transportation System Plan (LOS C).

A Traffic Impact Study in accordance with Section 421 may be required to show compliance with this standard.

**Finding: Satisfied.** The existing roads that provide access from the Airport to Highway 26 provide sufficient transportation access for the Airport. Bringing the airport and public facilities into the UGB will not impact transportation facilities because the activities at the airport and public facilities will not change as a result of proposed action.



## MEMORANDUM

---

Date: September 12, 2016

Project #: 19331

To: Nicholas Snead, City of Madras

Cc: Beth Goodman, ECONorthwest

From: Matt Kittelson, PE

Project: Madras Urban Growth Boundary Expansion

Subject: Transportation Planning Rule Analysis

---

The City of Madras is proposing to expand its Urban Growth Boundary (UGB) by 195 acres to accommodate land that would be designated as a Regional Large Lot Industrial Site and future expansion areas. An additional 414 acres that is currently developed as either Madras public facilities or the nearby airport is also part of the proposed UGB expansion. This memorandum documents the potential transportation impacts of these actions in relation to OAR 660-012-0060 Section 11.

### BACKGROUND

The proposed UGB expansion would occur near the existing Airport Industrial site west of US 26 in the vicinity of Cherry Lane. The expansion would include 87 acres for the planned development of the Daimler Trucks North America test site and 108 acres that would consist of a 92 acre parcel and 16 acre parcel that would allow for possible future expansion of that facility. This 108 is not expected to be part of a development application in the short-term and would be reserved for future tracks (not operation centers) as needed. In total, 195 acres of potential large lot industrial land is part of this application.

This proposed expansion would build towards the identified large lot industrial needs identified in the Central Oregon Large Lot Industrial Land Needs Analysis. Specifically, this proposal would accommodate the need for one of the two 100-200 acres sites recommendation within Central Oregon as part of that study.

An additional 414 acres is also part of the proposed UGB expansion. This land is currently developed by either Madras public facilities or the Madras Airport. No additional development is proposed as part of this application. The purpose of bringing this land into the UGB is to maintain City of Madras facilities within city limits and to provide continuous land connections to the proposed UGB expansion areas.

A site layout showing the location of the 87 acre parcel, 16 acre parcel, and 92 acre parcel is included in Appendix A. These lands are shown in green highlights. The 414 acres are also shown and highlighted in red.

## SITE DISCUSSION

The purpose of large lot industrial sites is to provide an adequate sized parcel to accommodate the needs of a corresponding use. In this instance, Daimler requires a large parcel to construct a truck test track where Daimler will be able to drive their vehicles. This test track is expected to comprise the majority of the 87 acres that are part of the initial development application and all of the future 108 acre expansion. Remaining space on the site will be used for vehicle storage and site operations. Because of this layout and use, the site is not expected to generate a large number of trips. Rather, the overall trip generation for the site is expected to be quite low relative to the overall parcel size.

The low trip generation expected is confirmed by 30 full time equivalent employees expected to be employed on site. In addition, the City of Madras assumes the site will generate 32 p.m. peak hour trips based on transportation system development charge calculations.

As noted, the 414 acres designated for public facilities are currently developed and are not expected to generate additional trips as a result of this application.

## INDUSTRIAL READINESS PLAN

The site is located within the Madras Airport and near a key industrial area of Madras that is located generally west of US 26 and north of Depot Road. This area is the subject of an ongoing planning effort that is identifying the necessary infrastructure improvements (including transportation, waters, wastewater, stormwater, and other utility services) necessary to support continued industrial development.

The Daimler site will utilize the transportation infrastructure being planned as part of the Industrial Readiness Plan, including highway access points. Because of the low level of trip generation expected from the Daimler site, no additional transportation planning beyond the Industrial Readiness Plan is expected to be necessary.

## TRANSPORTATION PLANNING RULE

The transportation evaluation required to support this analysis is defined the OAR 660-012-0060 Section 11. This OAR is known as the Transportation Planning Rule (TPR). Section 11 was incorporated into the TPR to allow for economic development without mitigating the full effect on traffic if specific criteria are met. The Daimler application meets these requirements. Specifically:

- The application is within a city with a population less than 10,000 (Madras has a population of about 6,500) and outside a Metropolitan Planning Organization.
- The application would result in land for “Prime Industrial Land” as refined in OAR 660-009-005.
- The application is outside the Willamette Valley as defined by ORS 215.010

Because these criteria are met, a local government may accept partial mitigation of the effects on traffic of an application if it is determined that the benefits outweigh the potential impacts on the transportation system. This is generally referred to as the “on balance” test.

In this instance, the effects on the transportation system are expected to be very low due to the low number of trips expected from the site. In addition, transportation improvements are being planned as part of the ongoing Industrial Readiness Plan that will benefit the site.

The economic benefits of the site are expected to be high given that the application would partially meet the identified need for regional large lot industrial sites in Central Oregon.

The text of Section 11 of the TPR is included in Appendix B for reference.

## SUMMARY OF FINDINGS

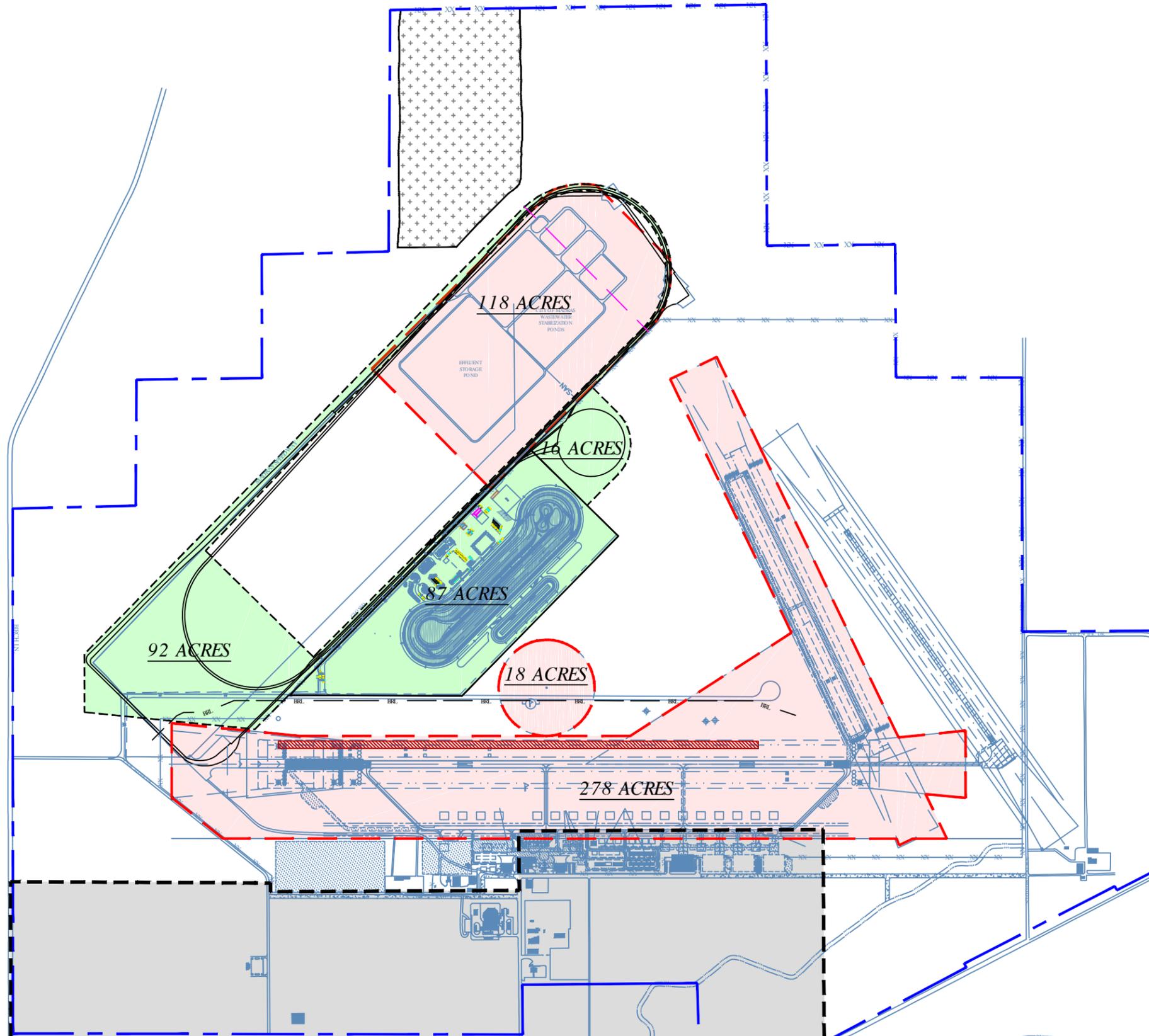
Below is a summary of key findings from our evaluation:

- The Daimler Truck site would consist of 87 acres and construct a truck test track within the Madras Airport area. 105 additional acres would be reserved for expansion of the test track facility.
- The 195 total acres partially meet the identified needs for regional large lot industrial sites as documented by the 2012 Central Oregon Large Lot Industrial Need Analysis.
- Since most of the site would be dedicated to truck testing operations, the overall trip generation of the site is expected to be low relative to the overall site size. This number of trips was assessed at 32 p.m. peak hour trips based on City of Madras transportation system development charge calculations.
- The site would be served by the transportation improvements being planned as part of the ongoing Industrial Readiness Plan.

- Criteria for the application of Section 11 of the TPR are met by the site.
- The “on balance” test is met by this site in that the economic benefits of the site are high and the potential transportation impacts are low.
- 414 acres that is currently developed by Madras public facilities or the Madras airport would also be brought into the UGB as part of this application. No current or future development is proposed or expected.

Please let us know if you questions or comments on the content of this memorandum. We can be reached at 541-312-8300.

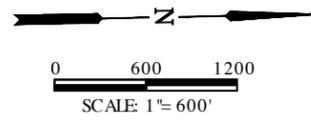
Appendix A  
Site Layout



LEGEND	
AREAS OF AIRPORT OPERATIONS	
PROPOSED LEASE AREA (TEST TRACK)	
PROPOSED LEASE AREA	
URBAN GROWTH BOUNDARY	
GRASS RUNWAY	
BUILDING RESTRICTION LINE	
AIRPORT PROPERTY LINE	

NOTE:  
1. SEE AIRPORT LAYOUT PLAN FOR FULL LEGEND AND FACILITY KEY.

ACREAGE TABLE	
DESCRIPTION	AREA (ACRE)
AIRPORT PROPERTY NOT IN UGB	1,763
PROPOSED DAIMLER LEASE	195
AREA OF AIRPORT OPERATIONS	414



# Madras Municipal Airport Areas Of Airport Operations

FIGURE NO.  
**2-3**

Appendix B  
TPR Section 11

(11) A local government may approve an amendment with partial mitigation as provided in section (2) of this rule if the amendment complies with subsection (a) of this section, the amendment meets the balancing test in subsection (b) of this section, and the local government coordinates as provided in subsection (c) of this section.

(a) The amendment must meet paragraphs (A) and (B) of this subsection or meet paragraph (D) of this subsection.

(A) Create direct benefits in terms of industrial or traded-sector jobs created or retained by limiting uses to industrial or traded-sector industries.

(B) Not allow retail uses, except limited retail incidental to industrial or traded sector development, not to exceed five percent of the net developable area.

(C) For the purpose of this section:

(i) "Industrial" means employment activities generating income from the production, handling or distribution of goods including, but not limited to, manufacturing, assembly, fabrication, processing, storage, logistics, warehousing, importation, distribution and transshipment and research and development.

(ii) "Traded-sector" means industries in which member firms sell their goods or services into markets for which national or international competition exists.

(D) Notwithstanding paragraphs (A) and (B) of this subsection, an amendment complies with subsection (a) if all of the following conditions are met:

(i) The amendment is within a city with a population less than 10,000 and outside of a Metropolitan Planning Organization.

(ii) The amendment would provide land for "Other Employment Use" or "Prime Industrial Land" as those terms are defined in OAR 660-009-0005.

(iii) The amendment is located outside of the Willamette Valley as defined in ORS 215.010.

(E) The provisions of paragraph (D) of this subsection are repealed on January 1, 2017.

(b) A local government may accept partial mitigation only if the local government determines that the benefits outweigh the negative effects on local transportation facilities and the local government receives from the provider of any transportation facility that would be significantly affected written concurrence that the benefits outweigh the negative effects on their transportation facilities. If the amendment significantly affects a state highway, then ODOT must coordinate with the Oregon Business Development Department regarding the economic and job creation benefits of the proposed amendment as defined in subsection (a) of this section. The requirement to obtain concurrence from

a provider is satisfied if the local government provides notice as required by subsection (c) of this section and the provider does not respond in writing (either concurring or non-concurring) within forty-five days.

(c) A local government that proposes to use this section must coordinate with Oregon Business Development Department, Department of Land Conservation and Development, area commission on transportation, metropolitan planning organization, and transportation providers and local governments directly impacted by the proposal to allow opportunities for comments on whether the proposed amendment meets the definition of economic development, how it would affect transportation facilities and the adequacy of proposed mitigation. Informal consultation is encouraged throughout the process starting with pre-application meetings. Coordination has the meaning given in ORS 197.015 and Goal 2 and must include notice at least 45 days before the first evidentiary hearing. Notice must include the following:

(A) Proposed amendment.

(B) Proposed mitigating actions from section (2) of this rule.

(C) Analysis and projections of the extent to which the proposed amendment in combination with proposed mitigating actions would fall short of being consistent with the function, capacity, and performance standards of transportation facilities.

(D) Findings showing how the proposed amendment meets the requirements of subsection (a) of this section.

(E) Findings showing that the benefits of the proposed amendment outweigh the negative effects on transportation facilities



## MEMO

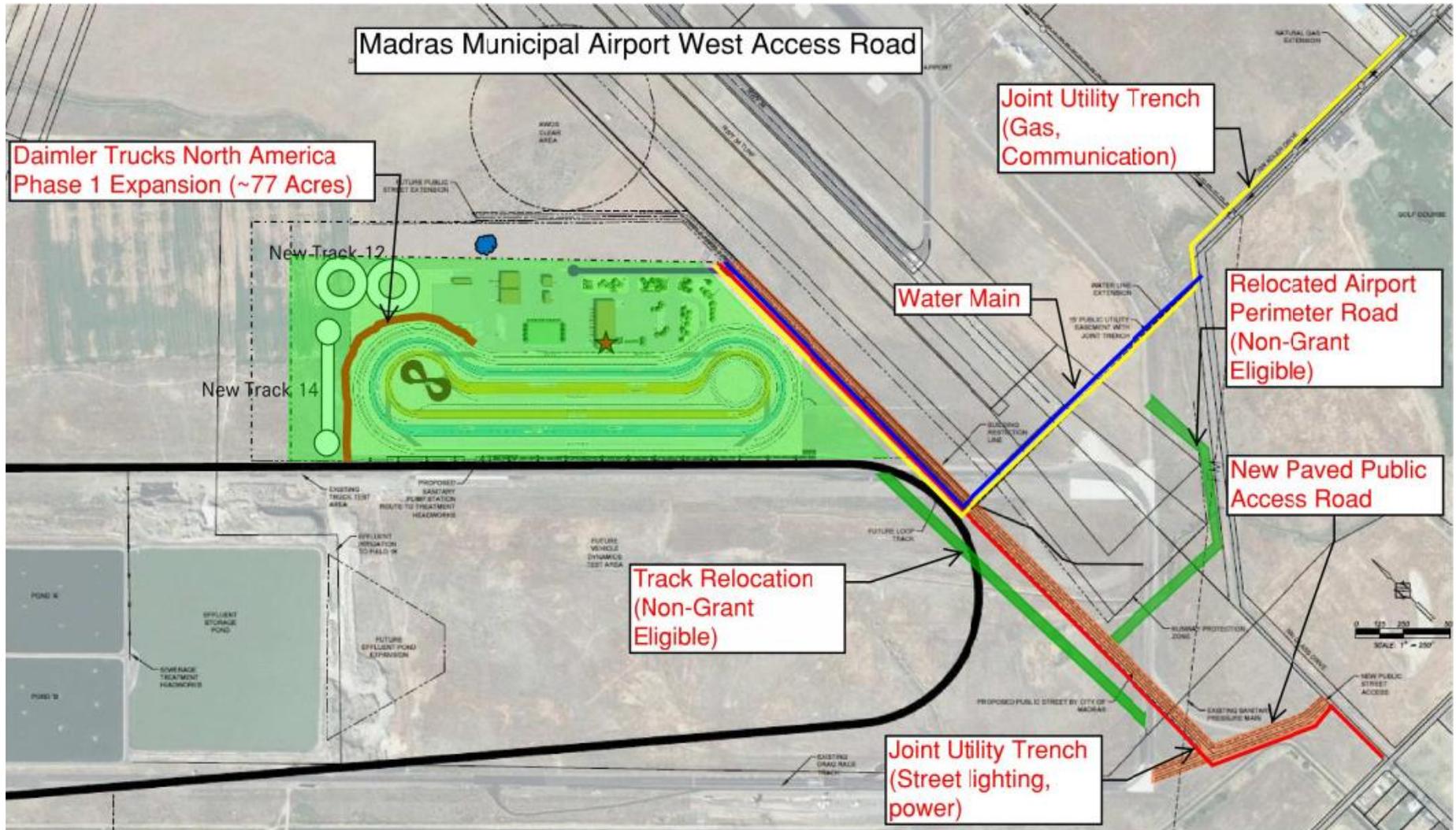
---

TO: Nick Snead, Community Development Director  
CC: Jeff Hurd, Director of Public Works  
FROM: Wen Jou, City Engineer  
DATE: September 3, 2015  
SUBJECT: Large Lot Industrial  
Water and Sewer Availability Preliminary Analysis

In response to your request to review the capacity of the existing water and sewer systems and their ability to serve a potential large lot industrial parcel, I have prepared the following preliminary analysis.

Water: Deschutes Valley Water District (DVWD) provides water to the Madras Airport industrial area. The existing 8-inch diameter waterline along Glass Drive is closest to the proposed development. This line, approximately 1,850 feet east of the south corner of the parcel, is part of the 8-inch and 14-inch looped water distribution mains serving the airport industrial area. A recent hydrant flow test conducted by DVWD in November 2014 on the hydrant at the intersection of Glass Drive and Birch Lane indicates a potential system capacity of 1,442 gpm at 85 psi residual pressure with a static pressure being 130 psi. Preliminary analysis concludes that the existing water system with a property sized water main extension as shown on the attached sketch should be capable of serving the parcel.

Sewer: This parcel is intended to be served by the existing North Wastewater Treatment Plant which is located on City property outside of the Urban Growth Boundary. The property can be served by an on-site wastewater pump station with a pressure service line discharging into the existing treatment plant headworks which is approximately 1,250 feet from the northwest corner of the parcel. The estimated wastewater flow from the proposed development would be approximately 525 gallons per day. The North Wastewater Treatment Plant has a capacity of 0.5 million gallons per day and is operating at 50% capacity. Preliminary analysis concludes the plant has sufficient capacity to serve the proposed development.



# Madras Municipal Airport West Access Road

Daimler Trucks North America  
Phase 1 Expansion (~87 Acres)

Limits of Public  
Road and Utility  
Improvements.

Joint Utility Trench  
(Gas,  
Communication)

Water Main

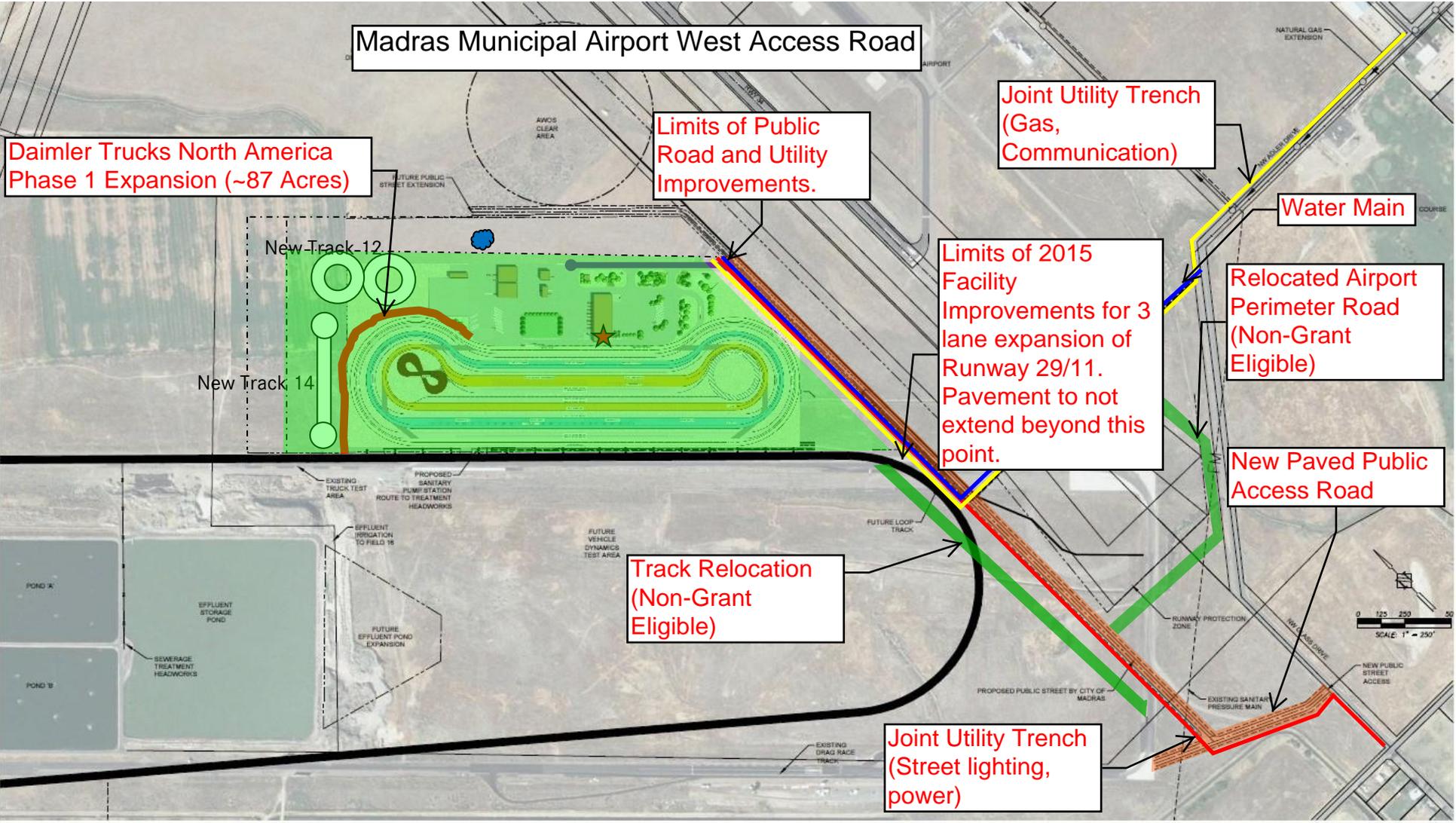
Limits of 2015  
Facility  
Improvements for 3  
lane expansion of  
Runway 29/11.  
Pavement to not  
extend beyond this  
point.

Relocated Airport  
Perimeter Road  
(Non-Grant  
Eligible)

New Paved Public  
Access Road

Track Relocation  
(Non-Grant  
Eligible)

Joint Utility Trench  
(Street lighting,  
power)





125 SW "E" Street  
Madras, OR 97741  
541-475-2344  
[www.ci.madras.or.us](http://www.ci.madras.or.us)

## **STAFF REPORT TO PLANNING COMMISSION**

**HEARING DATE:** October 19, 2016

**APPLICATION NO.:** PA-16-2

**APPLICANT:** City of Madras  
125 SW E Street  
Madras, OR 97741

**AGENT:** Nicholas Snead,  
City of Madras Community Development Director  
125 SW E Street  
Madras, OR 97741

**NOTICE TO DLCD:** September 15, 2016

**NEWSPAPER NOTICE:** September 28, 2016 (Madras Pioneer Newspaper)

**MAILED NOTICE:** October 6, 2016 (by first class letter)

**LEGAL DESCRIPTION:** Parcels: 10-13-26-500,10-13-27-100,10-13-27-101,  
10-13-28-400,10-13-28-401,10-13-33-100,10-13-33-101,  
10-13-34-100,10-13-34-101,10-13-35-100

**PROPOSAL SUMMARY:** The City of Madras is proposing to expand the Madras Urban Growth Boundary (UGB) by 195 acres to meet a Regional Large Lot Industrial land need. Refer to Proposal & Purpose below.

## **PROPOSAL & PURPOSE:**

The City of Madras is proposing an Urban Growth Boundary (UGB) amendment and subsequent annexation for a large-lot industrial site at the Madras Airport (2028 NW Berg Drive) for the purposes of developing a vehicle test facility operated by Daimler Corporation. The site is part of the Madras Airport and is owned by the City of Madras. The site is surrounded other portions of the Madras Airport. The proposal will be to revise the UGB to include the subject parcel (refer to applicant's map in Exhibit 2).

The proposed boundary expansion includes lands that will host a truck testing facility for Daimler Trucks North America (Daimler). The facility will be a vehicle proving grounds for testing commercial trucks ranging from delivery trucks to dump trucks to tractor trailers (e.g., 18-wheelers).

The City Planning Commission and County Planning Commission will be holding a joint hearing on the proposed UGB amendment on October 19, 2016.

The proposal will need to be heard by the County Board of Commissioners and the City Council before it can be formally approved. The intent – after the UGB expansion is approved - is to annex the site into the City of Madras and re-zone it to the City's new Large Lot Industrial zone.

## **PROPOSAL in APPLICATION FORM:**

The proposed amendment is described in graphic and text form and is attached as Exhibit 2. The Exhibit is entitled "Findings for a Regional Large Lot Industrial Boundary Amendment in Madras." The Exhibit includes an explanation of the proposal, findings addressing the applicable criteria, a traffic/transportation planning rule analysis, and a map showing the proposed site to be added to the UGB.

## **AGENCY COMMENTS:**

The Planning Department has not received any written comments (other than the proposal from the City of Madras) from agencies as of October 12, 2016.

**PUBLIC COMMENTS:**

The Planning Department has not received any written comments from the public as of October 12, 2016.

## **FINDINGS OF FACT AND CONCLUSIONS OF LAW:**

### ***Zoning Ordinance: Section 803.2 – Map Amendments***

- A. *The zoning designation will conform to the Comprehensive Plan Map designation;*

#### **FINDING:**

The Jefferson County Comprehensive Plan Map designation for the Madras Airport is Urban and Urbanizable Land. On completion of the UGB expansion process, the large lot industrial property will be annexed into the City of Madras and rezoned to the Large Lot Industrial Zone. The Comprehensive Plan map designation will not require amendment as a result of this action. See page 43 of Exhibit 2 for the findings that address this criterion.

*B – F criteria*

#### **FINDING:**

Findings for criteria B through F are found in the applicant's burden of proof (Exhibit 2). There are no significant impacts on adjacent or nearby property as a result of the proposed UGB amendment. The proposal complies with the criteria B through F of section 803.2. See pages 43 through 44 of Exhibit 2 for the findings that address these criteria.

### ***Comprehensive Plan Amendments (part 5)***

1. *Comply with applicable Statewide Planning Goals, Oregon Revised Statutes and Administrative Rules . . .*
2. *Comply with all applicable Comprehensive Plan goals and policies; and*

#### **FINDING:**

Findings for the above criteria are found in the applicant's burden of proof. The proposal complies with the criteria above. See page 43 of Exhibit 2 for the findings that address these criteria.

## ***Urban Growth Area Management Agreement (UGAMA)***

*The UGAMA contains responsibilities for each jurisdiction (the City and County) for amendments to the UGB and other land use actions. The UGAMA contains procedures for reviewing UGB amendments.*

### **FINDING:**

The City complied with the UGMA by submitting the application to the County, and for conducting a City Planning Commission public hearing on October 19, 2016. The applicant's burden of proof demonstrates compliance with the UGMA.

### **CONCLUSION**

Based on the findings stated above, the proposal meets all the relevant criteria for the proposed UGB amendment.

### **RECOMMENDATION**

Planning Staff recommends that the Planning Commission recommend approval of the proposed UGB amendment file PA-16-2 to the Madras City Council. The City Council will then hear the proposed request and make a decision. The City Council hearing date is not yet set.

### **ATTACHMENTS:**

Exhibit 2: Findings for a Regional Large Lot Industrial Boundary Amendment in Madras

---

# Findings for a Regional Large Lot Industrial Boundary Amendment in Madras

October 2016

Prepared for:

City of Madras and Jefferson County

***DRAFT REPORT***

**ECONorthwest**  
ECONOMICS • FINANCE • PLANNING

KOIN Center  
222 SW Columbia Street  
Suite 1600  
Portland, OR 97201  
503.222.6060

ECONorthwest prepared this report for the City of Madras. ECONorthwest and the City of Madras developed the Findings for a Regional Large Lot Industrial Boundary Amendment in Madras.

**City of Madras**

Nicholas Snead, Community Development Director

**Consulting Staff**

Beth Goodman, Project manager, ECONorthwest

Bob Parker, Project Director, ECONorthwest

For over 40 years ECONorthwest has helped its clients make sound decisions based on rigorous economic, planning, and financial analysis. For more information about ECONorthwest: [www.econw.com](http://www.econw.com). For more information about this report, please contact:

Nicholas Snead  
Community Development Director  
City of Madras  
125 SW "E" Street  
Madras, OR, 97741  
Phone: 541-323-2916  
[nsnead@ci.madras.or.us](mailto:nsnead@ci.madras.or.us)

Beth Goodman  
ECONorthwest  
222 SW Columbia, Suite 1600  
Portland, OR 97201  
503-222-6060  
[goodman@econw.com](mailto:goodman@econw.com)

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# 1. Introduction

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The City of Madras is proposing an Urban Growth Boundary (UGB) amendment and subsequent annexation for a large-lot industrial site and to bring public facilities at the Airport for the purposes of developing a vehicle test facility operated by Daimler Corporation. The City proposes the UGB amendment for two reasons:

- (1) to provide a large-lot industrial site for employment development, consistent with the findings of the *Central Oregon Large Lot Industrial Land Needs Analysis* (November 20, 2012) and OAR 660-024-0045; and
- (2) to bring Airport and public wastewater facilities into the UGB to give the City more direct control of management of the City's airport and public wastewater facilities.

**This findings document only addresses the Regional Large Lot Industrial portion of the proposal.** The airport expansion is being reviewed as a separate land use action and will have set of findings specific to that action.

Under the Oregon land use system, the justification for a UGB amendment is a two-step process: (1) demonstrate land need; and (2) analyze alternative boundary locations. Local governments must address both parts in the UGB application and associated findings. Moreover, the City must address applicable City and County criteria. The findings in this report address all of these requirements.

The proposal includes an amendment to the *Madras Comprehensive Plan Map* and the Jefferson County *Comprehensive Plan Map*, which amends the Madras UGB, expanding it by approximately 195 acres. The proposed boundary expansion includes lands that will host a truck testing facility for Daimler Trucks North America (Daimler). The facility will be a vehicle proving grounds for testing commercial trucks ranging from delivery trucks to dump trucks to tractor trailers (e.g., 18-wheelers). Once the facility is built, truck testing will occur in two shifts per day, six days per week. The vehicle proving grounds will include the following facilities:

- **Campus** that includes office space, shop space, a truck wash, ballasting building with truck scales (to load the trucks with weight for testing), outdoor truck testing event area, storage yard for truck parts, and other facilities needed to support testing of the trucks. The campus must include enough room to maneuver the trucks through the shop and other facilities in the campus area.
- **Durability test track** that is one mile long with features such as bumps and cobbles to test the durability of the trucks.
- **Vehicle dynamics area** to test the handling, steering, acceleration, stopping, active and passive safety systems, and truck systems. The vehicle dynamics area will include a circle for driving the trucks and acceleration lanes. The circle will have a radius of 150 feet, with room for future expansion to a 350 feet radius circle.
- **Three-mile-long high-speed test track** to test drive the trucks.

This amendment was initiated by the Madras Planning Commission. The large lot is justified under the Regional Large Lot Industrial (RLLI) rule (OAR 660-024-0045) which involves a multi-step process that requires review by Central Oregon Intergovernmental Council (COIC), both city and county hearings and approval, as well as acknowledgement by the state.

This findings document justifies the City's action in two ways: (1) applicable Goal 14 need/boundary location analysis standards; and (2) compliance with the Regional Large Lot Industrial program as outlined in OAR 600-024-0045.

The findings in this Report address the relevant legal standards in State statutes, goals and administrative rules that are applicable to Madras' UGB proposal for a Regional Large Lot Industrial expansion (UGB proposal). The format of the findings uses *italics* to present the pertinent text of the statutes, goals and rules followed by findings in normal text. Many of the provisions in the statutes, goals and rules are very similar, so the findings may cross-reference other findings to minimize duplication.

## 1.1 Nature of the Proposal

The City of Madras seeks to designate the Daimler Heavy Truck Testing Facility as a Region Large Lot Industrial Site. Daimler Trucks North America (Daimler) has tested trucks at the Madras Airport since the 1970s. Over the years the amount of testing conducted at the Madras Airport has grown. Daimler has closed their truck testing facility in Indiana and will construct a new facility in Madras. The Heavy Truck Testing Facility will support Daimler's management and engineering efforts in Portland on Swan Island.

Daimler needs a large lot industrial site for the Heavy Truck Testing Facility. Daimler needs a 195-acre site to accommodate the facility and development will occur in phases. The proposed UGB expansion would occur near the existing Airport Industrial site west of US 26 in the vicinity of Cherry Lane. The expansion would include 87 acres for the planned development of the Daimler Trucks North America test site and 108 acres that would consist of a 92-acre parcel and 16-acre parcel that would allow for possible future expansion of that facility. The City of Madras has recently executed a lease with Daimler to lease 87 acres of City property at the Madras Airport to for the first phase of development of the Heavy Truck Testing Facility (Exhibit A).

The City of Madras proposes to designate 195 acres of land at the Madras Airport as a Regional Large Lot Industrial site for use as the Daimler truck testing facility. This is consistent with Figure 29 (pg. 60) of the *Central Oregon Large Lot Industrial Needs Analysis* which identifies that in the short-term, two (2) 100-200 acre sites may be designated within the participating cities.

Additional details regarding the application include:

- A. Land that is included in a Regional Large Lot Industrial boundary amendment will be annexed as part of a future action.
- B. The City will develop a regional large-lot industrial zone or overlay zone to protect and maintain the site for regional large lot purposes, consistent with the requirements in OAR 660-024-0045(9).
- C. The City has determined that it is feasible to extend sewer and water to the proposed site (Exhibit F).
- D. The City has satisfied the Transportation Planning Rule Analysis related to Partial Mitigation Options (Exhibit I)

## 1.2 Rationale for the Proposal

The City's rationale for this application is as follows:

1. Expansion of the UGB to include the site with the Daimler Heavy Truck Testing Facility into the UGB will support Madras' vision for economic development of promoting family wage job growth and supporting expansion of existing businesses. Madras' economic development goals include seeking opportunity for economic expansion in the transportation testing industry, as documented in the Madras Economic Opportunities Analysis (EOA). The City's goals for economic development include diversifying Madras' economic base and supporting economic development through pursuing designation of a regional large lot industrial site. The City adopted the EOA on **DATE** through Ordinance **#**.
2. Expansion of the UGB to include the site will support Daimler's development of the Heavy Truck Testing Facility. Daimler's development of the site will result in investment of over \$18 million to develop the new truck durability testing facility. Development of the Facility will result in creation of about 30 new full-time equivalent jobs in operations of the Heavy Truck Testing Facility and increase the City's tax base through Daimler's investment.
3. Expansion of the UGB to include the site will simplify provision of services and development permitting for development of the Heavy Truck Testing Facility. Currently, the site is owned by the City but within Jefferson County. The City would like to extend water and wastewater services to support development of the Heavy Truck Testing Facility. These improvements are not possible if the lands are not within the UGB, without an exception to Goal 11. The County provides development permitting for the site. Bringing the site into the UGB will simplify the development process and allow for extension of water and wastewater infrastructure, which is important as Daimler continues development of the Heavy Truck Testing Facility.

## 1.3 Summary of Proposed Action

This application includes an amendment to the City of Madras Urban Growth Boundary and city limits. As shown in Table 1 and Map 1, the City of Madras is proposing to designate a 195 acre Regional Large Lot Industrial Site at the Madras Airport. Table 1 below describes the proposed site in greater detail. The City proposes to designate 195 acres of land that it owns as a Regional Large Lot Industrial site. Daimler’s Phase I development encompasses 87 acres. An additional 108 acres is needed to accommodate Daimler’s additional development interests.

**Table 1. Site Description**

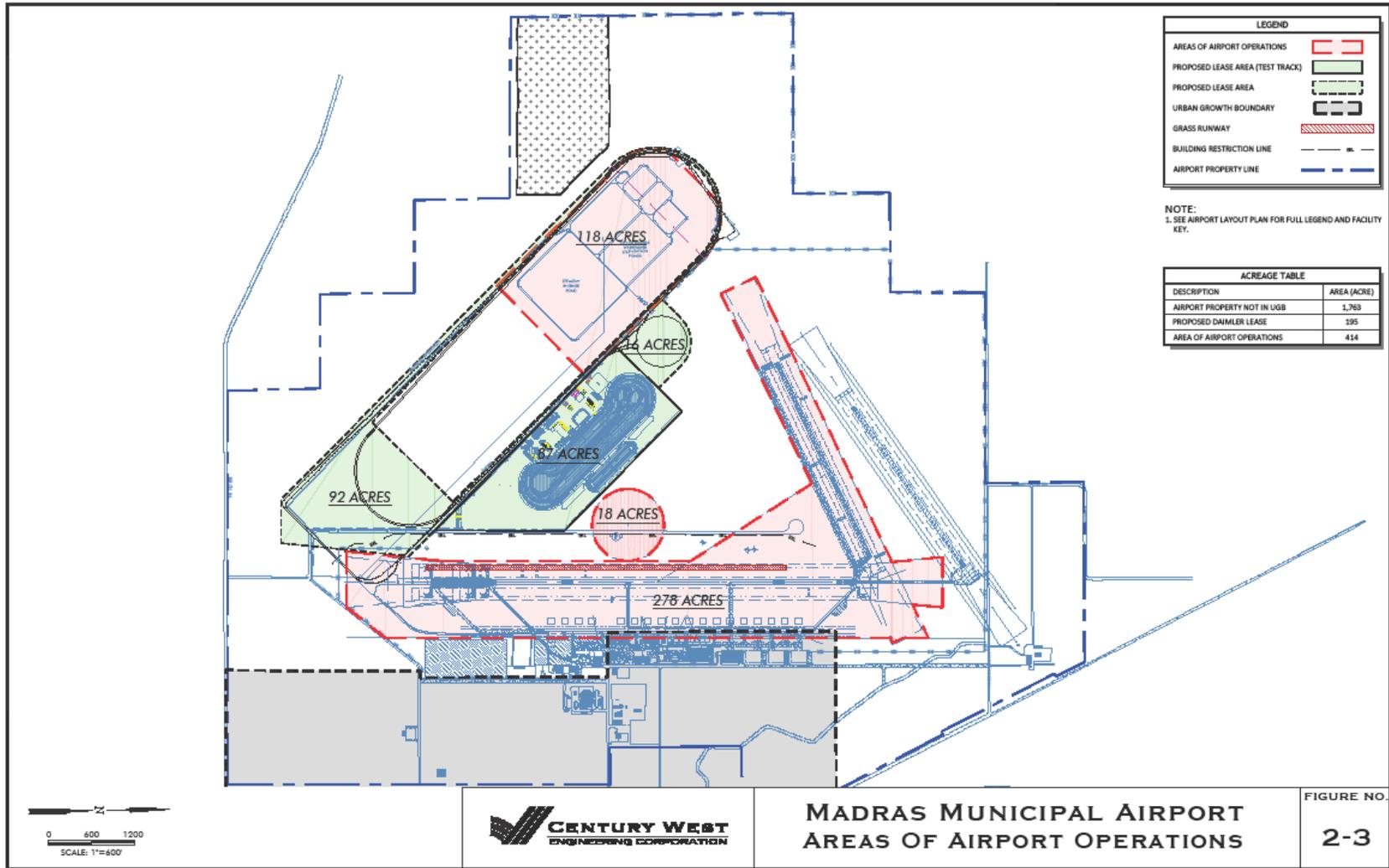
Site Characteristic	Description
Site Acreage	~199 acres
Site Dimensions, Slope, Unique Features	<ul style="list-style-type: none"> <li>• The Heavy Truck Durability Testing Facility is approx. 3,732 feet by 1,344 feet (87 acres).</li> <li>• The Vehicle Dynamics Area (VDA) is approx. 1,620 feet by 4,062 (112 acres).</li> <li>• Total site area = 199</li> <li>• The site has gentle slopes (&gt;5%).</li> <li>• Unique Site Features:               <ul style="list-style-type: none"> <li>○ Adjacent to City of Madras North Wastewater Treatment Plan</li> <li>○ Adjacent to Turf Runway and Runway 16-34</li> <li>○ Drainage ditches</li> <li>○ Delineated wetlands*</li> </ul> </li> </ul>
Current Development Status	Undeveloped with native grass and plants
Current Zoning	Airport Development (Jefferson Co. Zoning Map)
Current Ownership	Property entirely owned by the City of Madras
Location of Site in Relation to Existing UGB	<ul style="list-style-type: none"> <li>• The site is approximately 1,620 feet.</li> <li>• The property located between the existing UGB and the eastern side of the proposed Regional Large Lot Industrial site has development restrictions and is used for aircraft operations as specified by the City’s Airport Master Plan (2010).</li> <li>• The Madras Airport is currently zoned Airport Management (AM) on the Jefferson Co. Zoning Map.</li> <li>• While formally designating the Regional Large Lot Industrial site, the City will also rezone the property located between the existing UGB and the eastern side of the Regional Large Lot Industrial site as Open Space/Public Facility on the City’s Zoning Map based on the provisions of the City’s 2010 Airport Master Plan.</li> </ul>

\*Phase I development has received approval from the Oregon Department of State Lands.

Note: Further analysis of slope on the site shows that slopes on the site are less than 5%.

Map 1 shows the proposed area for the large lot UGB expansion at the Madras Airport.

Map 1. Proposed areas for Large Lot UGB expansion, Madras Airport



Source: City of Madras

The subject site is zoned Airport Management (AM) under Section 313 of the Jefferson County Development Code. According to Section 313.1 of the Jefferson County Development Code “The purpose of the Airport Management (AM) zone is to encourage and support continued operation and vitality of airports in the county by allowing uses that are compatible with aviation activities. The AM zone implements ORS 836.600 through 836.630, OAR 660-013 and Statewide Planning Goal 12.”

The AM zone has been granted an exception to Goals 3 and 4 – it is not a resource zone. Thus, the proposal does not require a goal exception. Moreover, OAR 660-024-0020(1)(a) states “the exceptions process in Goal 2 and OAR chapter 660, division 4, is not applicable unless a local government chooses to take an exception to a particular goal requirement.”

## 2. Authority and Criteria

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The authority, review procedures, and locally adopted criteria for the amendments are provided in the *Madras Comprehensive Plan* and *Jefferson County Comprehensive Plan* as specified below. Criteria for the amendments are also provided in applicable state law. Those criteria are addressed together with the local criteria, which are similar to applicable state law, in Section 5 of this application.

### 2.1 State Criteria

State law that governs the locational analysis and needs for the UGB amendment include the following:

- Statewide Planning Goal 14 (OAR 660-015-0000(14))
- Goal 14 Administrative Rule (OAR 660 Division 24)

Statewide planning Goal 14 (Urbanization) requires that urban growth boundary amendments be a cooperative process:

*“Establishment and change of urban growth boundaries shall be a cooperative process among cities, counties and, where applicable, regional governments. An urban growth boundary and amendments to the boundary shall be adopted by all cities within the boundary and by the county or counties within which the boundary is located, consistent with intergovernmental agreements...”*

#### Goal 14: Urbanization

Goal 14 is implemented through the Goal 14 Administrative Rule in OAR 660 Division 24. OAR 660-024 includes provisions for cities in Central Oregon, which includes Jefferson County, to designate land to meet a Regional Large Lot Industrial land need, in OAR 660-024-0045. Based on the provisions of OAR 660-024-0045, the unmet need for large lot industrial sites was identified in the *Central Oregon Large Lot Industrial Land Need Analysis* (November 20, 2012).

OAR 660-024-0045 gives participating cities in Central Oregon an alternative means of establishing the need for Regional Large Lot Industrial sites. Madras is a participating city in the Regional Large Lot Industrial land need based on the provisions of OAR 660-024-0045, as demonstrated in Section V and in the Intergovernmental Agreement for the Large Long Industrial Lands Program in Central Oregon (Exhibit C). The specific requirements of OAR 660-024-0045 are presented below.

While the Regional EOA established need, the City must still conduct an alternatives analysis. OAR 660-024-0065 requires the City establish a study area to evaluate land for inclusion in the UGB and OAR 660-024-0067 to evaluate the priority of land in the study area for inclusion in the UGB. The requirements for each are presented below.

## Regional Large Lot Industrial Land – OAR 660-024-0045

(1) *Local governments in Crook, Deschutes or Jefferson Counties may determine a need for large lot industrial land in the region and provide sites to meet that need in accordance with this rule.*

(2) *In addition to the definitions in OAR 660-024-0010, the following definitions apply to this rule:*

(a) *“Analysis” means the document that determines the Regional Large Lot Industrial land need within Crook, Deschutes, or Jefferson County that is not met by the participating local governments’ comprehensive plans at the time the analysis is adopted. The analysis shall also identify necessary site characteristics of needed land.*

(b) *“COIC” means the Central Oregon Intergovernmental Council.*

(c) *“Intergovernmental Agreement (IGA)” means the document adopted by the three counties and any participating city to implement the provisions of the analysis.*

(d) *“Participating city” means a city within Crook, Deschutes, or Jefferson County that has adopted the analysis and entered into the intergovernmental agreement to implement the provisions of the analysis.*

(e) *“Participating local government” means Crook, Deschutes, and Jefferson Counties, and participating cities.*

(f) *“Regional large lot industrial land need” means the need for a specific type of 20-year employment land need, as described in OAR 660-024-0040(1) and (5), that is determined based upon the analysis.*

(g) *“Site” means land in the region that:*

(A) *Provides the site characteristics necessary for traded sector uses as set forth in the analysis;*

(B) *Is 50 acres or larger as provided in section (3) of this rule; and*

(C) *Is determined to be “available,” as that term is defined in OAR 660-009-0025(7), for regional large-lot industrial users and for purposes identified by the analysis.*

(h) *“Site characteristics” has the meaning given that term in OAR 660-009-0005(1).*

(i) *“Traded Sector use” has the meaning given that term in ORS 285B.280.*

(3) *For purposes of subsection (2)(g) of this rule, a large lot is at least 50 acres if it is:*

(a) *A single lot, parcel that is at least 50 acres,*

(b) *An aggregation of existing lots or parcels under the same ownership that comprises at least 50 acres, or*

- (c) An aggregation of existing lots or parcels not in the same ownership created and maintained as a unit of land comprising at least 50 acres through a binding agreement among the owners.*
- (4) Participating local governments may adopt the analysis and implement its provisions. The analysis may demonstrate a need for six vacant, suitable and available sites in the region, and up to three additional sites that may be designated in order to replace one of the original six sites that is developed or committed to development as provided in section (12) of this rule. The original six sites must include two sites of at least 100 acres and not more than 200 acres, and one site more than 200 acres.*
- (5) If a participating city adopts the analysis, it is deemed to provide an adequate factual basis for the determination of Regional Large Lot Industrial land need for that city provided:*
- (a) The city and other participating local governments have entered into an intergovernmental agreement with the COIC, and*
  - (b) The analysis is adopted by Crook, Deschutes and Jefferson Counties.*
- (6) Participating cities may adopt the analysis and enter into the intergovernmental agreement without amending the Economic Opportunities Analysis adopted by the city prior to the adoption of the analysis.*
- (7) The intergovernmental agreement shall describe the process by which the COIC shall coordinate with participating local governments in:*
- (a) The determination of a qualifying site that a participating city may designate in order to satisfy the Regional Large Lot Industrial land need; and*
  - (b) The allocation of the qualifying sites among the participating cities in accordance with section (4) of this rule.*
- (8) A participating city may amend its comprehensive plan and land use regulations, including urban growth boundaries (UGB), in order to designate a site in accordance with the requirements of this rule, other applicable laws and the intergovernmental agreement, as follows:*
- (a) A participating city must show whether a suitable and available site is located within its existing UGB. If a participating city determines that a suitable site already exists within the city's urban growth boundary, that site must be designated to meet the regional industrial land need. Cities shall not be required to evaluate lands within their UGB designated to meet local industrial land needs.*
  - (b) If a site is not designated per subsection(a), then a participating city may evaluate land outside the UGB to determine if any suitable sites exist. If candidate sites are found, the city may amend its UGB in accordance with Goal 14, other applicable laws and the intergovernmental agreement.*

(9) *A participating city that designates a site shall apply a regional large-lot industrial zone or overlay zone to the site in order to protect and maintain the site for regional large lot purposes. The zone or overlay zone must:*

*(a) Include development agreements and other provisions that prevent redesignation of the site for other uses for at least 10 years from the time the site is added to the city's comprehensive plan to meet Regional Large Lot Industrial land needs;*

*(b) Prohibit division or separation of lots or parcels within the site to new lots or parcels less than the minimum size of the site need until the site is developed with a primary traded sector use requiring a large lot; and*

*(c) Limit allowed uses on the site to the traded sector uses, except as provided in section (10) of this rule.*

(10) *The zone or overlay zone established under section (9) may allow:*

*(a) Subordinate industrial uses that rely upon and support the primary traded sector use when a site is occupied by a primary traded sector use; and*

*(b) Non-industrial uses serving primarily the needs of employees of industrial uses developed on the site provided the zone includes measures that limit the type, size and location of new buildings so as to ensure such non-industrial uses are intended primarily for the needs of such employees;*

(11) *If a participating city adds a site to its plan pursuant to this rule, it must consider the site in any subsequent urban growth boundary evaluation conducted to determine local industrial land needs and the adequacy of land available to meet local industrial land needs.*

(12) *A site may be considered developed or committed to industrial development if a large-lot traded sector user demonstrates a commitment to develop the site by obtaining land use approvals such as site plan review or conditional use permits, and*

*(a) Obtaining building permits; or*

*(b) Providing other evidence that demonstrates at least an equivalent commitment to industrial development of the site as is demonstrated by a building permit.*

(13) *The participating local governments shall review the analysis after the regional supply of six sites has either been replenished by three additional sites or after ten years, whichever comes first.*

### **Establishment of Study Area to Evaluate Land for Inclusion in the UGB - 660-024-0065**

(1) *When considering a UGB amendment to accommodate a need deficit identified in OAR 660-024-0050(4), a city outside of Metro must determine which land to add to the UGB by evaluating alternative locations within a "study area" established pursuant to this rule. To establish the study area, the city must first identify a "preliminary study area" which shall not include land within a different UGB or the corporate limits of a city within a different UGB. The preliminary study area shall include:*

- (a) *All lands in the city's acknowledged urban reserve, if any;*
  - (b) *All lands that are within the following distance from the acknowledged UGB:*
    - (A) *For cities with a UGB population less than 10,000: one-half mile;*
    - (B) *For cities with a UGB population equal to or greater than 10,000: one mile;*
  - (c) *All exception areas contiguous to an exception area that includes land within the distance specified in subsection (b) and that are within the following distance from the acknowledged UGB:*
    - (A) *For cities with a UGB population less than 10,000: one mile;*
    - (B) *For cities with a UGB population equal to or greater than 10,000: one and one-half miles;*
  - (d) *At the discretion of the city, the preliminary study area may include land that is beyond the distance specified in subsections (b) and (c).*
- (2) *A city that initiated the evaluation or amendment of its UGB prior to January 1, 2016, may choose to identify a preliminary study area applying the standard in this section rather than section (1). For such cities, the preliminary study area shall consist of:*
- (a) *All land adjacent to the acknowledged UGB, including all land in the vicinity of the UGB that has a reasonable potential to satisfy the identified need deficiency, and*
  - (b) *All land in the city's acknowledged urban reserve established under OAR chapter 660, division 21, if applicable.*
- (3) *When the primary purpose for expansion of the UGB is to accommodate a particular industrial use that requires specific site characteristics, or to accommodate a public facility that requires specific site characteristics, and the site characteristics may be found in only a small number of locations, the preliminary study area may be limited to those locations within the distance described in section (1) or (2), whichever is appropriate, that have or could be improved to provide the required site characteristics. For purposes of this section:*
- (a) *The definition of "site characteristics" in OAR 660-009-0005(11) applies for purposes of identifying a particular industrial use.*
  - (b) *A "public facility" may include a facility necessary for public sewer, water, storm water, transportation, parks, schools, or fire protection. Site characteristics may include but are not limited to size, topography and proximity.*
- (4) *The city may exclude land from the preliminary study area if it determines that:*
- (a) *Based on the standards in section (7) of this rule, it is impracticable to provide necessary public facilities or services to the land;*
  - (b) *The land is subject to significant development hazards, due to a risk of:*
    - (A) *Landslides: The land consists of a landslide deposit or scarp flank that is described and mapped on the Statewide Landslide Information Database for*

*Oregon (SLIDO) Release 3.2 Geodatabase published by the Oregon Department of Geology and Mineral Industries (DOGAMI) December 2014, provided that the deposit or scarp flank in the data source is mapped at a scale of 1:40,000 or finer. If the owner of a lot or parcel provides the city with a site-specific analysis by a certified engineering geologist demonstrating that development of the property would not be subject to significant landslide risk, the city may not exclude the lot or parcel under this paragraph;*

*(B) Flooding, including inundation during storm surges: the land is within the Special Flood Hazard Area (SFHA) identified on the applicable Flood Insurance Rate Map (FIRM);*

*(C) Tsunamis: the land is within a tsunami inundation zone established pursuant to ORS 455.446;*

*(c) The land consists of a significant scenic, natural, cultural or recreational resource described in this subsection:*

*(A) Land that is designated in an acknowledged comprehensive plan prior to initiation of the UGB amendment, or that is mapped on a published state or federal inventory at a scale sufficient to determine its location for purposes of this rule, as:*

*(i) Critical or essential habitat for a species listed by a state or federal agency as threatened or endangered;*

*(ii) Core habitat for Greater Sage Grouse; or*

*(iii) Big game migration corridors or winter range, except where located on lands designated as urban reserves or exception areas;*

*(B) Federal Wild and Scenic Rivers and State Scenic Waterways, including Related Adjacent Lands described by ORS 390.805, as mapped by the applicable state or federal agency responsible for the scenic program;*

*(C) Designated Natural Areas on the Oregon State Register of Natural Heritage Resources;*

*(D) Wellhead protection areas described under OAR 660-023-0140 and delineated on a local comprehensive plan;*

*(E) Aquatic areas subject to Statewide Planning Goal 16 that are in a Natural or Conservation management unit designated in an acknowledged comprehensive plan;*

*(F) Lands subject to acknowledged comprehensive plan or land use regulations that implement Statewide Planning Goal 17, Coastal Shoreland, Use Requirement 1;*

*(G) Lands subject to acknowledged comprehensive plan or land use regulations that implement Statewide Planning Goal 18, Implementation Requirement 2;*

*(d) The land is owned by the federal government and managed primarily for rural uses.*

*(5) After excluding land from the preliminary study area under section (4), the city must adjust the area, if necessary, so that it includes an amount of land that is at least twice the amount of land needed for the deficiency determined under OAR 660-024-0050(4) or, if applicable, twice the particular land need described in section (3). Such adjustment shall be made by expanding the distance specified under the applicable section (1) or (2) and applying section (4) to the expanded area.*

*(6) For purposes of evaluating the priority of land under OAR 660-024-0067, the “study area” shall consist of all land that remains in the preliminary study area described in section (1), (2) or (3) of this rule after adjustments to the area based on sections (4) and (5), provided that when a purpose of the UGB expansion is to accommodate a public park need, the city must also consider whether land excluded under subsection (4)(a) through (c) of this rule can reasonably accommodate the park use.*

*(7) For purposes of subsection (4)(a), the city may consider it impracticable to provide necessary public facilities or services to the following lands:*

*(a) Contiguous areas of at least five acres where 75 percent or more of the land has a slope of 25 percent or greater, provided that contiguous areas 20 acres or more that are less than 25 percent slope may not be excluded under this subsection. Slope shall be measured as the increase in elevation divided by the horizontal distance at maximum ten-foot contour intervals;*

*(b) Land that is isolated from existing service networks by physical, topographic, or other impediments to service provision such that it is impracticable to provide necessary facilities or services to the land within the planning period. The city’s determination shall be based on an evaluation of:*

*(A) The likely amount of development that could occur on the land within the planning period;*

*(B) The likely cost of facilities and services; and,*

*(C) Any substantial evidence collected by or presented to the city regarding how similarly situated land in the region has, or has not, developed over time.*

*(c) As used in this section, “impediments to service provision” may include but are not limited to:*

*(A) Major rivers or other water bodies that would require new bridge crossings to serve planned urban development;*

*(B) Topographic features such as canyons or ridges with slopes exceeding 40 percent and vertical relief of greater than 80 feet;*

*(C) Freeways, rail lines, or other restricted access corridors that would require new grade separated crossings to serve planned urban development;*

*(D) Significant scenic, natural, cultural or recreational resources on an acknowledged plan inventory and subject to protection measures under the plan or implementing regulations, or on a published state or federal inventory, that would prohibit or substantially impede the placement or construction of necessary public facilities and services.*

*(8) Land may not be excluded from the preliminary study area based on a finding of impracticability that is primarily a result of existing development patterns. However, a city may forecast development capacity for such land as provided in OAR 660-024-0067(1)(d).*

*(9) Notwithstanding OAR 660-024-0050(4) and section (1) of this rule, except during periodic review or other legislative review of the UGB, the city may approve an application under ORS 197.610 to 197.625 for a UGB amendment to add an amount of land less than necessary to satisfy the land need deficiency determined under OAR 660-024-0050(4), provided the amendment complies with all other applicable requirements.*

### **Evaluation of Land in the Study Area for Inclusion in the UGB; Priorities - 660-024-0067**

*(1) A city considering a UGB amendment must decide which land to add to the UGB by evaluating all land in the study area determined under OAR 660-024-0065, as follows*

*(a) Beginning with the highest priority category of land described in section (2), the city must apply section (5) to determine which land in that priority category is suitable to satisfy the need deficiency determined under OAR 660-024-0050 and select for inclusion in the UGB as much of the land as necessary to satisfy the need.*

*(b) If the amount of suitable land in the first priority category is not sufficient to satisfy all the identified need deficiency, the city must apply section (5) to determine which land in the next priority is suitable and select for inclusion in the UGB as much of the suitable land in that priority as necessary to satisfy the need. The city must proceed in this manner until all the land need is satisfied, except as provided in OAR 660-024-0065(9).*

*(c) If the amount of suitable land in a particular priority category in section (2) exceeds the amount necessary to satisfy the need deficiency, the city must choose which land in that priority to include in the UGB by applying the criteria in section (7) of this rule.*

*(d) In evaluating the sufficiency of land to satisfy a need under this section, the city may use the factors identified in sections (5) and (6) of this rule to reduce the forecast development capacity of the land to meet the need.*

*(e) Land that is determined to not be suitable under section (5) of this rule to satisfy the need deficiency determined under OAR 660-024-0050 is not required to be selected for inclusion in the UGB unless its inclusion is necessary to serve other higher priority lands.*

*(2) Priority of Land for inclusion in a UGB:*

*(a) First Priority is urban reserve, exception land, and nonresource land. Lands in the study area that meet the description in paragraphs (A) through (C) of this subsection are of equal (first) priority:*

*(A) Land designated as an urban reserve under OAR chapter 660, division 21, in an acknowledged comprehensive plan;*

*(B) Land that is subject to an acknowledged exception under ORS 197.732; and*

*(C) Land that is nonresource land.*

*(b) Second Priority is marginal land: land within the study area that is designated as marginal land under ORS 197.247 (1991 Edition) in the acknowledged comprehensive plan.*

*(c) Third Priority is forest or farm land that is not predominantly high-value farm land: land within the study area that is designated for forest or agriculture uses in the acknowledged comprehensive plan and that is not predominantly high-value farmland as defined in ORS 195.300, or that does not consist predominantly of prime or unique soils, as determined by the United States Department of Agriculture Natural Resources Conservation Service (USDA NRCS). In selecting which lands to include to satisfy the need, the city must use the agricultural land capability classification system or the cubic foot site class system, as appropriate for the acknowledged comprehensive plan designation, to select lower capability or cubic foot site class lands first.*

*(d) Fourth Priority is agricultural land that is predominantly high-value farmland: land within the study area that is designated as agricultural land in an acknowledged comprehensive plan and is predominantly high-value farmland as defined in ORS 195.300. A city may not select land that is predominantly made up of prime or unique farm soils, as defined by the USDA NRCS, unless there is an insufficient amount of other land to satisfy its land need. In selecting which lands to include to satisfy the need, the city must use the agricultural land capability classification system to select lower capability lands first.*

*(3) Notwithstanding section (2)(c) or (d) of this rule, land that would otherwise be excluded from a UGB may be included if:*

*(a) The land contains a small amount of third or fourth priority land that is not important to the commercial agricultural enterprise in the area and the land must be included in the UGB to connect a nearby and significantly larger area of land of higher priority for inclusion within the UGB; or*

*(b) The land contains a small amount of third or fourth priority land that is not predominantly high-value farmland or predominantly made up of prime or unique farm soils and the land is completely surrounded by land of higher priority for inclusion into the UGB.*

*(4) For purposes of categorizing and evaluating land pursuant to subsections (2)(c) and (d) and section (3) of this rule,*

- (a) Areas of land not larger than 100 acres may be grouped together and studied as a single unit of land;*
- (b) Areas of land larger than 100 acres that are similarly situated and have similar soils may be grouped together provided soils of lower agricultural or forest capability may not be grouped with soils of higher capability in a manner inconsistent with the intent of section (2) of this rule, which requires that higher capability resource lands shall be the last priority for inclusion in a UGB;*
- (c) Notwithstanding subsection (4)(a), if a city initiated the evaluation or amendment of its UGB prior to January 1, 2016, and if the analysis involves more than one lot or parcel or area within a particular priority category for which circumstances are reasonably similar, these lots, parcels and areas may be considered and evaluated as a single group;*
- (d) When determining whether the land is predominantly high-value farmland, or predominantly prime or unique, "predominantly" means more than 50 percent.*
- (5) With respect to section (1), a city must assume that vacant or partially vacant land in a particular priority category is "suitable" to satisfy a need deficiency identified in OAR 660-024-0050(4) unless it demonstrates that the land cannot satisfy the specified need based on one or more of the conditions described in subsections (a) through (g) of this section: Existing parcelization, lot sizes or development patterns of rural residential land make that land unsuitable for an identified employment need; as follows:*
- (A) Parcelization: the land consists primarily of parcels 2-acres or less in size, or*
- (B) Existing development patterns: the land cannot be reasonably redeveloped or infilled within the planning period due to the location of existing structures and infrastructure."*
- (b) The land would qualify for exclusion from the preliminary study area under the factors in OAR 660-024-0065(4) but the city declined to exclude it pending more detailed analysis.*
- (c) The land is, or will be upon inclusion in the UGB, subject to natural resources protections under Statewide Planning Goal 5 such that that no development capacity should be forecast on that land to meet the land need deficiency.*
- (d) With respect to needed industrial uses only, the land is over 10 percent slope, or is an existing lot or parcel that is smaller than 5 acres in size, or both. Slope shall be measured as the increase in elevation divided by the horizontal distance at maximum ten-foot contour intervals.*
- (e) With respect to a particular industrial use or particular public facility use described in OAR 660-024-0065(3), the land does not have, and cannot be improved to provide, one or more of the required specific site characteristics.*
- (f) The land is subject to a conservation easement described in ORS 271.715 that prohibits urban development.*

*(g) The land is committed to a use described in this subsection and the use is unlikely to be discontinued during the planning period:*

*(A) Public park, church, school, or cemetery, or*

*(B) Land within the boundary of an airport designated for airport uses, but not including land designated or zoned for residential, commercial or industrial uses in an acknowledged comprehensive plan.*

*(6) For vacant or partially vacant lands added to the UGB to provide for residential uses:*

*(a) Existing lots or parcels one acre or less may be assumed to have a development capacity of one dwelling unit per lot or parcel. Existing lots or parcels greater than one acre but less than two acres shall be assumed to have an aggregate development capacity of two dwelling units per acre.*

*(b) In any subsequent review of a UGB pursuant to this division, the city may use a development assumption for land described in subsection (a) of this section for a period of up to 14 years from the date the lands were added to the UGB.*

*(7) Pursuant to subsection (1)(c), if the amount of suitable land in a particular priority category under section (2) exceeds the amount necessary to satisfy the need deficiency, the city must choose which land in that priority to include in the UGB by first applying the boundary location factors of Goal 14 and then applying applicable criteria in the acknowledged comprehensive plan and land use regulations acknowledged prior to initiation of the UGB evaluation or amendment. The city may not apply local comprehensive plan criteria that contradict the requirements of the boundary location factors of Goal 14. The boundary location factors are not independent criteria; when the factors are applied to compare alternative boundary locations and to determine the UGB location the city must show that it considered and balanced all the factors. The criteria in this section may not be used to select lands designated for agriculture or forest use that have higher land capability or cubic foot site class, as applicable, ahead of lands that have lower capability or cubic foot site class.*

*(8) The city must apply the boundary location factors of Goal 14 in coordination with service providers and state agencies, including the Oregon Department of Transportation (ODOT) with respect to Factor 2 regarding impacts on the state transportation system, and the Oregon Department of Fish and Wildlife (ODFW) and the Department of State Lands (DSL) with respect to Factor 3 regarding environmental consequences. "Coordination" includes timely notice to agencies and service providers and consideration of any recommended evaluation methodologies.*

*(9) In applying Goal 14 Boundary Location Factor 2 to evaluate alternative locations under section (7), the city must compare relative costs, advantages and disadvantages of alternative UGB expansion areas with respect to the provision of public facilities and services needed to urbanize alternative boundary locations. For purposes of this section, the term "public facilities and services" means water, sanitary sewer, storm water*

*management, and transportation facilities. The evaluation and comparison under Boundary Location Factor 2 must consider:*

- (a) The impacts to existing water, sanitary sewer, storm water and transportation facilities that serve nearby areas already inside the UGB;*
- (b) The capacity of existing public facilities and services to serve areas already inside the UGB as well as areas proposed for addition to the UGB; and*
- (c) The need for new transportation facilities, such as highways and other roadways, interchanges, arterials and collectors, additional travel lanes, other major improvements on existing roadways and, for urban areas of 25,000 or more, the provision of public transit service.*

*(10) The adopted findings for UGB amendment must describe or map all of the alternative areas evaluated in the boundary location alternatives analysis.*

## **2.2 Local Criteria**

UGB amendments must comply with applicable local criteria as outlined in the City of Madras Comprehensive Plan and Development Code, as well as the Jefferson County Comprehensive Plan and Development Code.

### **City of Madras Criteria**

The City process for expanding the UGB may be initiated by the City of Madras or Jefferson County, or other governmental agencies or private individuals. A UGB expansion must mutually agreed upon and adopted by both the City of Madras and Jefferson County. The Madras City Planning Commission must conduct a public hearing about the proposed boundary amendment.

Madras requires that notice of the public hearing must be provided at least 21 days before the hearing and that the notice must be published in a local newspaper of general circulation. Individual notices must be mailed to property owners within 250 feet of the area subject to the proposed change, least 21 days before the hearing.

Madras signed the *Intergovernmental Agreement Between the Central Oregon Cities and Counties, and Central Oregon Intergovernmental Council for the Large Lot Industrial Lands Program in Central Oregon* on April 9, 2013 (Exhibit C). The Intergovernmental Agreement includes a process for cities to implement the RLLI program. Madras' actions to implement the RLLI program are documented in Section 5.

The criteria for an Urban Growth Boundary revision from Madras' Comprehensive Plan (Section VI, Establishment of Urban Growth Boundary) is as follows:

- A. *The proposed amendment to the Urban Growth Boundary may be initiated by the City of Madras or Jefferson County, or other governmental agencies or private individuals. Cost for notification and advertising shall be borne by the applicant.*

- B. *The Madras City Planning Commission shall conduct a public hearing concerning the proposed boundary amendment. Notice of public hearing requirements shall be the same as those outlined in the quasi-judicial process of the Comprehensive Plan.*
- C. *Citizen and Agency Involvement Programs shall be utilized to stimulate public interest and participation in the amendment process.*
- D. *In order to make a favorable recommendation on the boundary revision, the Planning Commission shall make its recommendation based upon the consideration of the following factors:*
  - 1. *Demonstrated need to accommodate long-range urban population growth requirements consistent with Statewide Planning Goals.*
  - 2. *Need for housing, employment opportunities, and livability.*
  - 3. *Orderly and economic provision for the public facilities and services.*
  - 4. *Maximum efficiency of land uses within and on the fringe of the existing urban area.*
  - 5. *Environmental, energy, economic, and social consequences.*
  - 6. *Retention of agricultural land as defined, with Class I being the highest priority for retention and Class VI the lowest priority.*
  - 7. *Compatibility of the proposed urban uses with nearby agricultural activities.*

## **Jefferson County Criteria**

The County process for expanding the UGB for one property may be initiated by the owner of the property. The Jefferson County Planning Commission must conduct a public hearing about the proposed boundary amendment. In the case of a proposed change in an urban growth boundary, the Planning Commission may hold one or more joint hearings with the City Planning Commission. The Planning Commission will make a written recommendation to the Board of Commissioners to approve or deny the amendment. The Board of Commissioners will hold a de novo public hearing to review the Planning Commission recommendation.

Jefferson County requires that notice of the public hearing must be provided in accordance with statutory requirements. For a legislative amendment, Jefferson County's Zoning Ordinance requires that notice of land use change be mailed to each owner whose property would have to be rezoned in order to comply with the amended plan at least 20 days prior to the hearing or ten days before the first hearing if there will be two or more hearings.

Jefferson County signed the *Intergovernmental Agreement Between the Central Oregon Cities and Counties, and Central Oregon Intergovernmental Council for the Large Lot Industrial Lands Program in Central Oregon* on April 10, 2013 (Exhibit C). The Intergovernmental Agreement includes a process for cities to implement the RLLI program. Jefferson County's actions to implement the RLLI program are documented in Section V.

In the Jefferson County Comprehensive Plan, a legislative amendment requires:

1. *Comply with applicable Statewide Planning Goals, Oregon Revised Statutes and Administrative Rules, or comply with requirements for an exception to the goal(s);*
2. *Comply with all applicable Comprehensive Plan goals and policies; and*

The Jefferson County Zoning ordinance (section 803.2) requires:

- A. *The zoning designation will conform to the Comprehensive Plan Map designation;*
- B. *The amendment is consistent with other Zoning Ordinance requirements including, but not limited to, wildlife habitat, bird habitat and riparian protection standards;*
- C. *The amendment will cause no significant adverse impact to other properties in the vicinity due to factors such as water quality, drainage, air quality or noise;*
- D. *The amendment will not force a significant change in or significantly increase the cost of farming or forest practices on surrounding resource land;*
- E. *Adequate public safety, fire protection, sanitation, water and utility facilities and services are available or will be provided to serve uses allowed in the proposed zone;*
- F. *The uses allowed in the proposed zone will not significantly affect a transportation facility identified in an adopted Transportation System Plan by:*
  1. *Changing the functional classification of an existing or planned transportation facility;*
  2. *Allowing types or levels of land uses which would result in levels of travel or access which are inconsistent with the functional classification of a transportation facility; or*
  3. *Reducing the performance standards of the facility below the minimum acceptable level identified in the Transportation System Plan (LOS C).*
  4. *A Traffic Impact Study in accordance with Section 421 may be required to show compliance with this standard.*

## 3. Summary of Evidence

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The City provides the following evidence in support of the application.

- On March 22, 2016 the City of Madras and Daimler entered into an Airport Ground Lease for Non-Aeronautical Use Improvements which demonstrate that the City's ability to comply with Section 3(H) of Exhibit C. (Exhibit A)
- The City of Madras requested authorization from the Central Oregon Intergovernmental Council to designate one of the Central Oregon Regional Large Lot industrial sites at the Madras Airport for Daimler Trucks of North America. (Exhibit B)
- The City of Madras entered into the IGA between the Central Oregon Cities and Counties and Central Oregon Intergovernmental County for the Large Lot Industrial Lands Program in Central Oregon on April 9, 2013 (Exhibit C) and in doing so understands the requirements of a Regional Large Lot Industrial site with respect to the limitations on the use, minimum lot size, selling price, etc.
- Jefferson County entered into the IGA between the Central Oregon Cities and Counties and Central Oregon Intergovernmental County for the Large Lot Industrial Lands Program in Central Oregon on April 10, 2013 (Exhibit C)
- The City has as issued a Letter of Intent to Daimler (Exhibit D) that identifies the general terms and conditions under which the City would lease land to Daimler for the construction and operation of a durability truck testing facility at the Madras Airport.
- Memorandum from ECONorthwest "Madras Large Lot Industrial Analysis." This memorandum (1) identifies the site requirements for a vehicle testing facility, and (2) analyzes the capacity of existing lands in the Madras UGB to accommodate the use. (Exhibit E)
- City of Madras' documentation of the capacity of existing water and sewer systems and their ability to serve a potential large lot industrial parcel from the City's Public Works Director and City Engineer. (Exhibit F)
- Roger Lee, Executive Director of EDCO and Clark Jackson of Business Oregon letter of support (Exhibit H) for the City's proposed Regional Large Lot Industrial Site for Daimler's Heavy Durability Truck Testing Facility.
- Bill Adams, former Jefferson County Planning Director has provided a letter demonstrating that the City and the County have thus far, and will continue, to coordinate the designation of the Regional Large Lot Industrial site. (Exhibit H)

- Transportation Planning Rule Analysis related to Partial Mitigation Options (Exhibit I)
- COIC resolution approving the Madras Airport Daimler Heavy Truck Testing Facility as a 100-200 Acre Site for the RLLI Program. (Exhibit J)
- The City of Madras public hearings are documented by **Will be added to the final Findings**. (Exhibit K)
- The City of Madras notice of the public hearings are documented by **Will be added to the final Findings**. (Exhibit L)

## 4. Procedure

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The City of Madras took the following steps in reviewing the proposed UGB amendment for a large lot industrial site:

1. **Adopt regional EOA (LLA).** Jefferson adopted the *Central Oregon Large Lot Industrial Land Need Analysis* on May 22, 2013 in Ordinance O-060-13.
2. **Develop and adopt IGA outlining RLLI framework.** COIC developed the *Intergovernmental Agreement Between the Central Oregon Cities and Counties, and Central Oregon Intergovernmental Council for the Large Lot Industrial Lands Program in Central Oregon*. COIC signed the agreement on April 4, 2013. Jefferson County signed the agreement on April 10, 2013.
3. **Local adoption of IGA.** Madras signed the *Intergovernmental Agreement Between the Central Oregon Cities and Counties, and Central Oregon Intergovernmental Council for the Large Lot Industrial Lands Program in Central Oregon* on April 9, 2013.
4. **Adopt relevant portions of LLA pertaining to short-term supply.** Madras will be adopting the *Central Oregon Large Lot Industrial Land Need Analysis* on **DATE** in Ordinance **#**.
5. **Submit 660-024-0045(2)(a) "Analysis".** The City of Madras submitted the Analysis to COIC on April 16, 2016.
6. **COIC review and adoption of Analysis.** The COIC reviewed the Analysis on May 5, 2016 and the COIC Board made a recommendation to approve the proposed Madras Regional Large Lot Industrial Site on May 5, 2016.
7. **Division 24 and ORS 197A.320 findings.** ECONorthwest and the City of Madras developed Findings (this document). The City of Madras Planning Commission and Jefferson County Planning Commission held a joint hearing on October 19, 2016 and made **RECOMMENDATION**. The City of Madras City Council held a hearing on **DATE** and made **RECOMMENDATION**.
8. **County coordination.** The Urban Growth Area Management Agreement (UGAMA) between the City of Madras and Jefferson County requires the City and County coordinate on a UGB Expansion. The UGAMA requires that the City and County Planning Commissions each conduct a public hearing regarding the application and allows that hearing to take place in a joint hearing. The UGAMA requires that the Jefferson County Board of County Commissioners conduct a public hearing and make a final decision about the proposed amendment to the UGB.

The City of Madras Planning Commission and Jefferson County Planning Commission held a joint hearing on October 19, 2016. The Jefferson Board of County Commissioners held a hearing on **DATE** and made **RECOMMENDATION**.

9. **Develop and apply industrial holding zone to site.** The City is developing the Large Lot Industrial Zone to regulate uses on this site and will not apply a holding zone for this site.
10. **Develop zoning regulations for site after annexation.** The City of Madras is developing the Large Lot Industrial Zone to regulate uses on the site. The City of Madras is planning to adopt this zone with adoption of the UGB expansion.
11. **Sign development agreement with property owner.** The City of Madras is the owner of the property. The City of Madras entered into a lease with Daimler Trucks North America LLC for the property on March 21, 2016.

## 5. Findings

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This section presents findings addressing key elements of state land use policy pertaining to UGB expansions. Applicable state goals, statutes and administrative rules for the Urban Growth Boundary (UGB) amendment include:

- Goal 1: Citizen Involvement
- Goal 2: Land Use Planning
- Goal 14: Urbanization
  - OAR 660-024: Urban Growth Boundaries

The findings are organized broadly around the Goal 14 Regional Large Lot Industrial program requirements as described in OAR 660-024-0045, and the relevant Goal 14 requirements pertaining to the alternatives analysis (OAR 660-024-0065 and OAR 660-024-0067). Other relevant state policy is referenced within this framework as applicable. The remainder of this section presents findings for each goal and related statute or administrative rule as well as applicable local criteria.

### 5.1 Goal 1: Citizen Involvement

The intent of Goal 1 is to ensure that citizens have meaningful opportunities to participate in land use planning decisions. As stated in the Goal, the purpose is:

*To develop a citizen involvement program that insures the opportunity for citizens to be involved in all phases of the planning process.*

Goal 1 has five stated objectives that are relevant to the UGB boundary amendment:

*Citizen Involvement -- To provide for widespread citizen involvement.*

*Communication -- To assure effective two-way communication with citizens.*

*Citizen Influence -- To provide the opportunity for citizens to be involved in all phases of the planning process.*

*Technical Information -- To assure that technical information is available in an understandable form.*

*Feedback Mechanisms -- To assure that citizens will receive a response from policy-makers.*

**Finding: Satisfied.** The City of Madras Planning Commission and Jefferson County Planning Commission held a joint hearing on October 19, 2016 to discuss the proposed action, where public testimony was allowed. The City provided property owner notification prior to the first

evidentiary hearing consistent with requirements of the Madras Comprehensive Plan (Section IV) for Urban Growth Boundary Revisions. The City of Madras held a hearing with the City Council on **DATE** to discuss the proposed action, where public testimony was allowed. Jefferson County held a hearing with the County Board of Commissioners on **DATE** to discuss the proposed action, where public testimony was allowed.

## 5.2 Goal 2: Land Use

Goal 2 requires all incorporated cities to establish and maintain comprehensive land use plans and implementing ordinances. It also requires cities to coordinate with other affected government entities in legislative land use processes. The purpose of Goal 2 is:

*To establish a land use planning process and policy framework as a basis for all decision and actions related to use of land and to assure an adequate factual base for such decisions and actions.*

**Finding: Satisfied.** Madras has an established land use process and policy framework. That process, as outlined in the Madras Comprehensive Plan and Development Code was followed throughout this action.

With respect to coordination, Jefferson County is the only other affected government entity. Since UGB boundary amendments require both city and county approve, the City consulted with County staff throughout this process. Madras' Comprehensive Plan requires that the Jefferson County Planning Commission review the UGB expansion proposal and make recommendations to the Madras City Council. The City's Comprehensive Plan requires the City Council to forward its findings about the proposed UGB expansion to the Jefferson County Board of Commissioners, who must conduct a public hearing about the proposed amendment. The Madras City Council and Jefferson County Board of Commissioners must approve the UGB amendment.

## 5.3 Goal 14: Urbanization

The Goal 14 findings are broken out by specific criteria. Goal 14 provides two 'Need Factors' and four 'Location Factors.' Goal 14 and the related statutes and rules establish a specific method and hierarchy for boundary review. The need part of the process is superseded by the Regional Large Lot Industrial program as described in OAR 660-024-0045.

The applicable process is described in OAR 660-024-0045 and the Intergovernmental Agreement (IGA). If the City completes the "analysis" required by OAR 660-024-0045(2) and submits it consistent with the process described in the IGA, then it has meet the justification of land need as stated in OAR 660-024-0035(5).

**Finding: Satisfied.** Madras The City submitted a proposal to COIC for the Daimler Heavy Truck Testing Facility to be considered a Regional Large Lot Industrial site through the Regional Large Lot Industrial Program on April 16, 2016. This proposal met the requirements of

a proposal for a Large Lot industrial site shown in Section 1. On May 5, 2016, the COIC approved Resolution No. 276.

A comprehensive list of steps for UGB expansion for Large Lot Industrial site is included in Section 4. The steps that follow pertain to requirements related to the needs analysis:

**ORAR 660-024-0045(2)(a)**

Submit the “analysis” described in ORAR 660-024-0045(2)(a) and IGA Item 3(f) to the Central Oregon Intergovernmental Council (COIC) for the proposed to be considered a Regional Large Lot Industrial site through the Regional Large Lot Industrial Program. Consistent with the ORAR 660-024-0045(2)(a) and the IGA section 3, cities must include documentation that the site complies with the LLA and related requirements, and the needed site characteristics. IGA section 3(N) outlines the requirements for the analysis:

Participating cities shall submit to COIC documentation that the proposed large lot site complies with the LLA and ORAR 660-024-0045. The site submission materials must include the information in Table 2:

**Table 2. Location of COIC submittal requirements within this application**

<b>Material</b>	<b>Location of Documentation</b>
Vicinity map and site map	Map 1. Proposed areas for Large Lot UGB expansion, Madras Airport
Site acreage	Appendix A, Page 2 of Madras’ submission to COIC, shown in Table 1. Site Description
Description of the site’s current development status and zoning	Appendix A, Page 2 of Madras’ submission to COIC, shown in Table 1. Site Description
Description of the site dimensions including slope and description of any unique geographic features	Appendix A, Page 2 of Madras’ submission to COIC, shown in Table 1. Site Description
A statement on the site’s infrastructure and utility serviceability	Appendix A, Page 3 of Madras’ submission to COIC
Description of the site in relation to the UGB	Appendix A, Page 2 of Madras’ submission to COIC, shown in Table 1. Site Description
If outside the UGB, the proposal must include an analysis documenting that other lands located within the UGB are not available and/or suitable for the Large Lot Industrial Program	Exhibit E, Suitability Inventory maps
Evidence that the property owner is a willing Large Lot Industrial program participant and will accept site restrictions	Appendix A, Page 3 of Madras’ submission to COIC
Letters of support from Economic Development for Central Oregon and Business Oregon	Exhibit H
Evidence of coordination with County	Exhibit H

**Finding: Satisfied.** The City of Madras’ submission to the COIC on April 16, 2016, in Appendix A, provides the documentation showing that the site meets all of these requirements.

## ORAR 660-009-0005(1)

ORAR 660-024-0045(2)(a) requires that the analysis must also identify needed site characteristics as defined in ORAR 660-009-0005(1). RLLI IGA (Exhibit C) requires the COIC to review Madras submission for the site to verify that it meets the following criteria defined in ORAR 660-024-0045:

**Table 3. Requirements for Regional Large Lot Industrial Sites**

Requirement	Location of Documentation
The proposed site is located in Crook, Deschutes or Jefferson Counties	The site is located Jefferson County  Appendix A, Page 1 of Madras' submission to COIC
The proposed site is 50 acres or larger in size. The site will be determined to be 50 acres or larger if it is: <ul style="list-style-type: none"> <li>a. A single lot or parcel that is at least 50 acres</li> <li>b. An aggregation of existing lots or parcels under the same ownership that comprises at least 50 acres, or</li> <li>c. An aggregation of existing lots or parcels not in the same ownership created and maintained as a unit of land comprising at least 50 acres through a binding agreement among the owners.</li> </ul>	The site is 195 acres  Appendix A, Page 2 of Madras' submission to COIC, shown in Table 1. Site Description
The proposed site is determined to be "available," as the term is defined in ORAR 660-009-0025(7)	The City owns the site.  Appendix A, Page 3 of Madras' submission to COIC  The City has issued a Letter of Intent to Daimler (Exhibit D)
The proposed site provides the site characteristics necessary for traded sector uses as set forth in the LLA.	The site is intended for development of a Daimler Heavy Truck Testing Facility. Daimler meets the definition of a traded-sector industry in ORS 285B.280 by selling "their goods or services into markets for which national or international competition exists."  The City has issued a Letter of Intent to Daimler (Exhibit D)
The city demonstrates that the site was identified through conducting an analysis consistent with requirements contained in ORAR 660-024-0045(8) (a) and (b).	Exhibit E shows that the City does not have a suitable site within the Madras UGB, meeting the requirement of ORAR 660-024-0045(8) (a).  The remainder of this analysis meets the requirements of ORAR 660-024-0045(8) (b) to evaluate land outside of the UGB to determine if a suitable site exists.

**Finding: Satisfied.** The City of Madras' submission to the COIC on April 16, 2016, in Appendix A, provides the documentation showing that the site meets all of these requirements.

## Establishment of Study Area to Evaluate Land for Inclusion in the UGB – OAR 660-024-0065

The boundary alternatives analysis is required by Goal 14; the process is defined in OAR 660-024-0065. Madras has a population less than 10,000 so the following provisions of OAR 660-0024-0065(1)(b)(A)(c) apply.

*(1) When considering a UGB amendment to accommodate a need deficit identified in OAR 660-024-0050(4), a city outside of Metro must determine which land to add to the UGB by evaluating alternative locations within a “study area” established pursuant to this rule. To establish the study area, the city must first identify a “preliminary study area” which shall not include land within a different UGB or the corporate limits of a city within a different UGB. The preliminary study area shall include:*

*(a) All lands in the city’s acknowledged urban reserve, if any;*

*(b) All lands that are within the following distance from the acknowledged UGB:*

*(A) For cities with a UGB population less than 10,000: one-half mile;*

*(c) All exception areas contiguous to an exception area that includes land within the distance specified in subsection (b) and that are within the following distance from the acknowledged UGB:*

*(A) For cities with a UGB population less than 10,000: one mile;*

In short, the City is required to establish a study area that includes:<sup>1</sup>

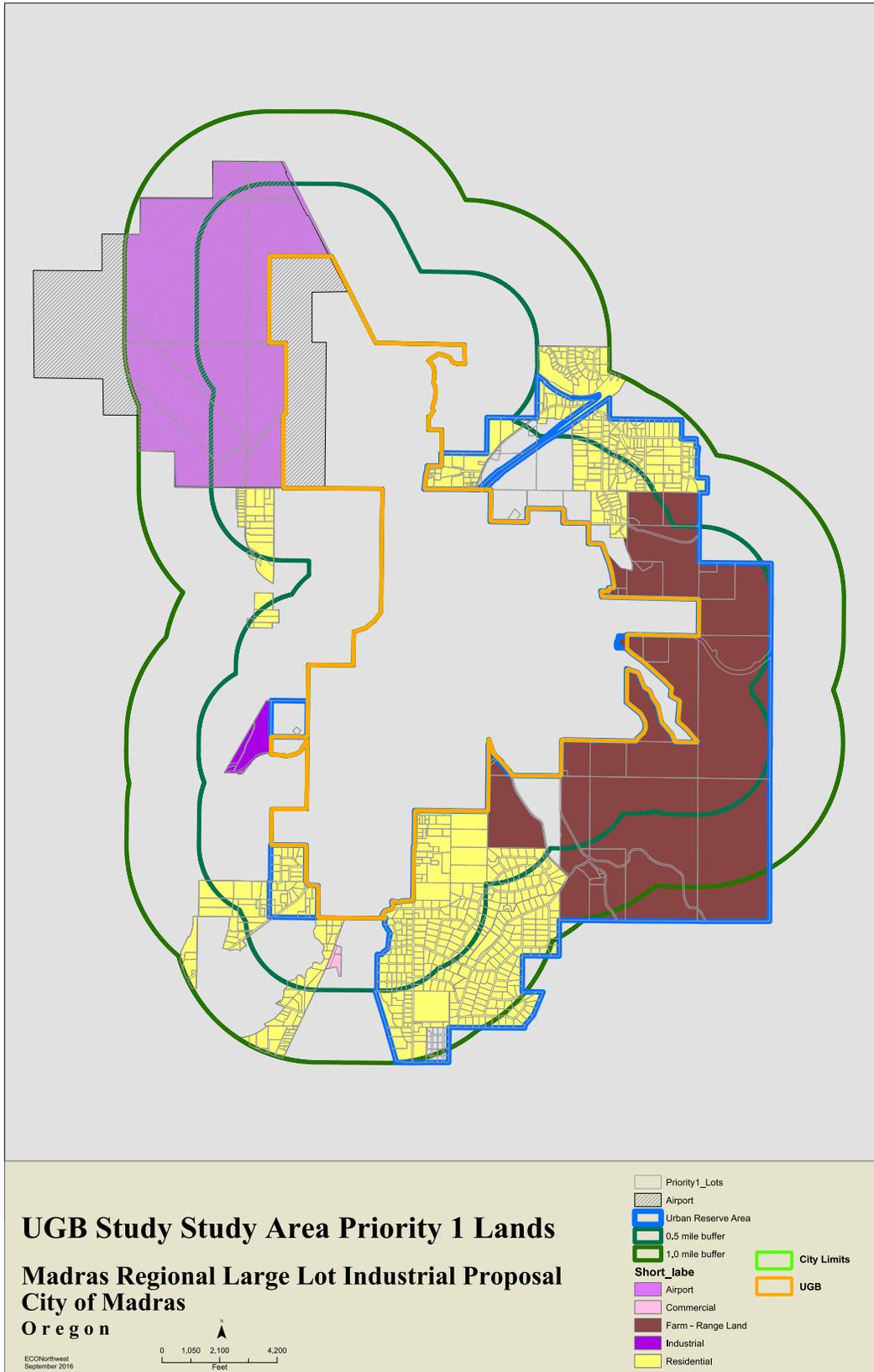
- All lands in the established urban reserve; all lands with urban reserves (OAR 660-024-0065(1)(a))
- All lands within one-half mile of the existing UGB (OAR 660-024-0065(1)(b)(A))
- All exception lands contiguous to an exception area within one mile of the UGB.

Map 2 shows lands included within the Madras RLLI UGB study area. The remainder of OAR 660-024-0065 describes provides for excluding additional lands from the study area. Madras did not exclude any additional lands from the study. Instead, the City chose to evaluate all of the lands shown in Map 2.

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<sup>1</sup> As part of its application for a regional large-lot industrial site to COIC, the City examined land within the UGB to determine whether there is land within the UGB to accommodate the need for a 100 to 200 acre regional large-lot industrial site. Exhibit E demonstrates that there is not a site with Madras’ UGB that needs the requirements for this regional large-lot industrial site.

Map 2. UGB Study Area



**Finding: Satisfied.** The study area in Map 2 meets the requirements of OAR 660-024-0065 for determining the Study Area to Evaluate Land for Inclusion in the UGB to meet the City of Madras' Large Lot Industrial land need.

## **Evaluation of Land in the Study Area for Inclusion in the UGB; Priorities – OAR 660-024-0067**

The next step is to look at lands by priority. OAR 660-024-0067 outlines the procedures for evaluating land in the study for inclusion in the UGB and establishes a priority scheme. OAR 660-024-0067(2) establishes the first priority:

*(2) Priority of Land for inclusion in a UGB:*

*(a) First Priority is urban reserve, exception land, and nonresource land. Lands in the study area that meet the description in paragraphs (A) through (C) of this subsection are of equal (first) priority:*

*(A) Land designated as an urban reserve under OAR chapter 660, division 21, in an acknowledged comprehensive plan;*

*(B) Land that is subject to an acknowledged exception under ORS 197.732; and*

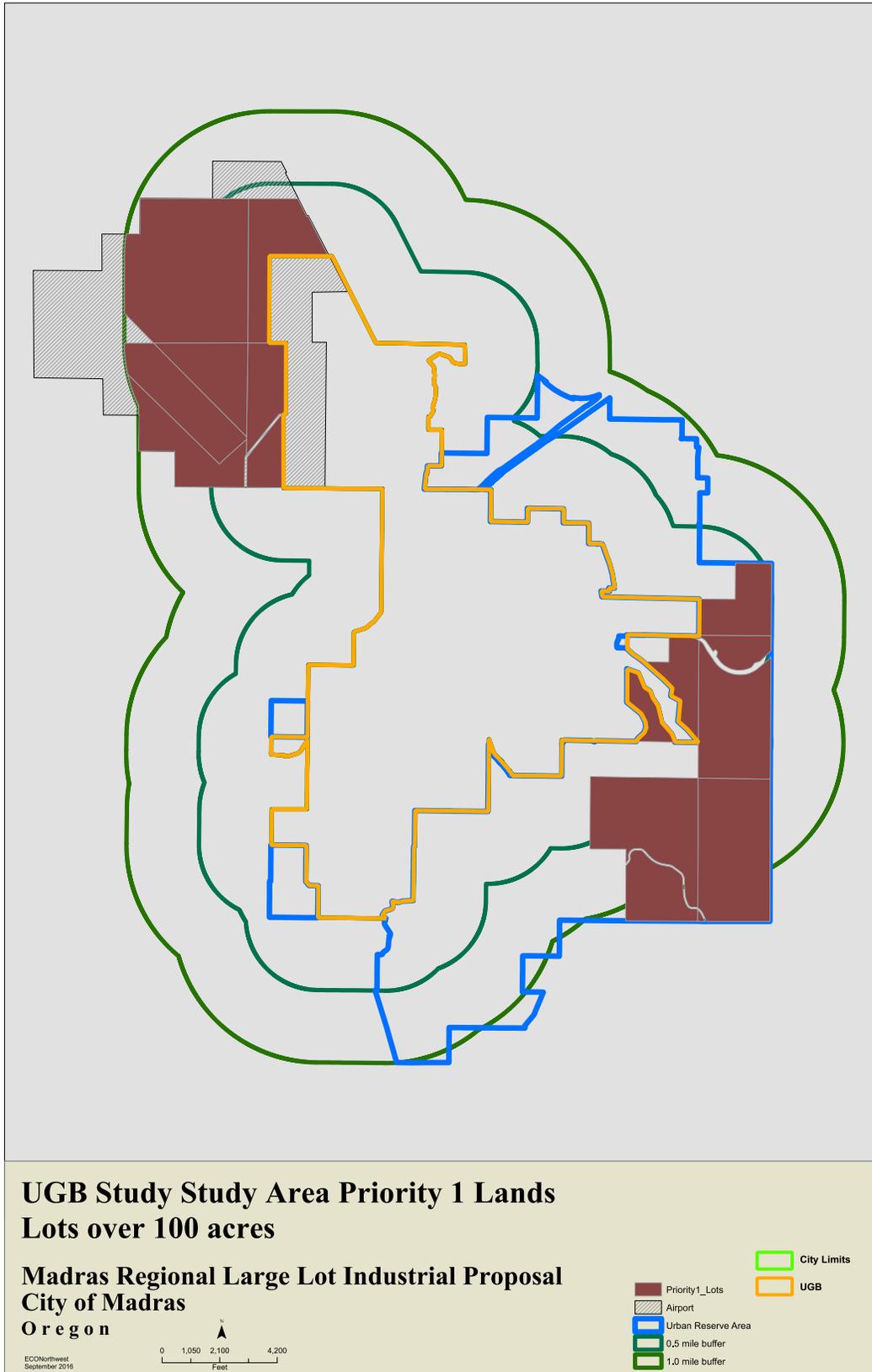
*(C) Land that is nonresource land.*

Map 2 shows priority 1 lands in Madras and Map 3 shows priority 1 lands over 100 acres in size and Map 4 shows slopes on these lands. The maps show that Madras has:

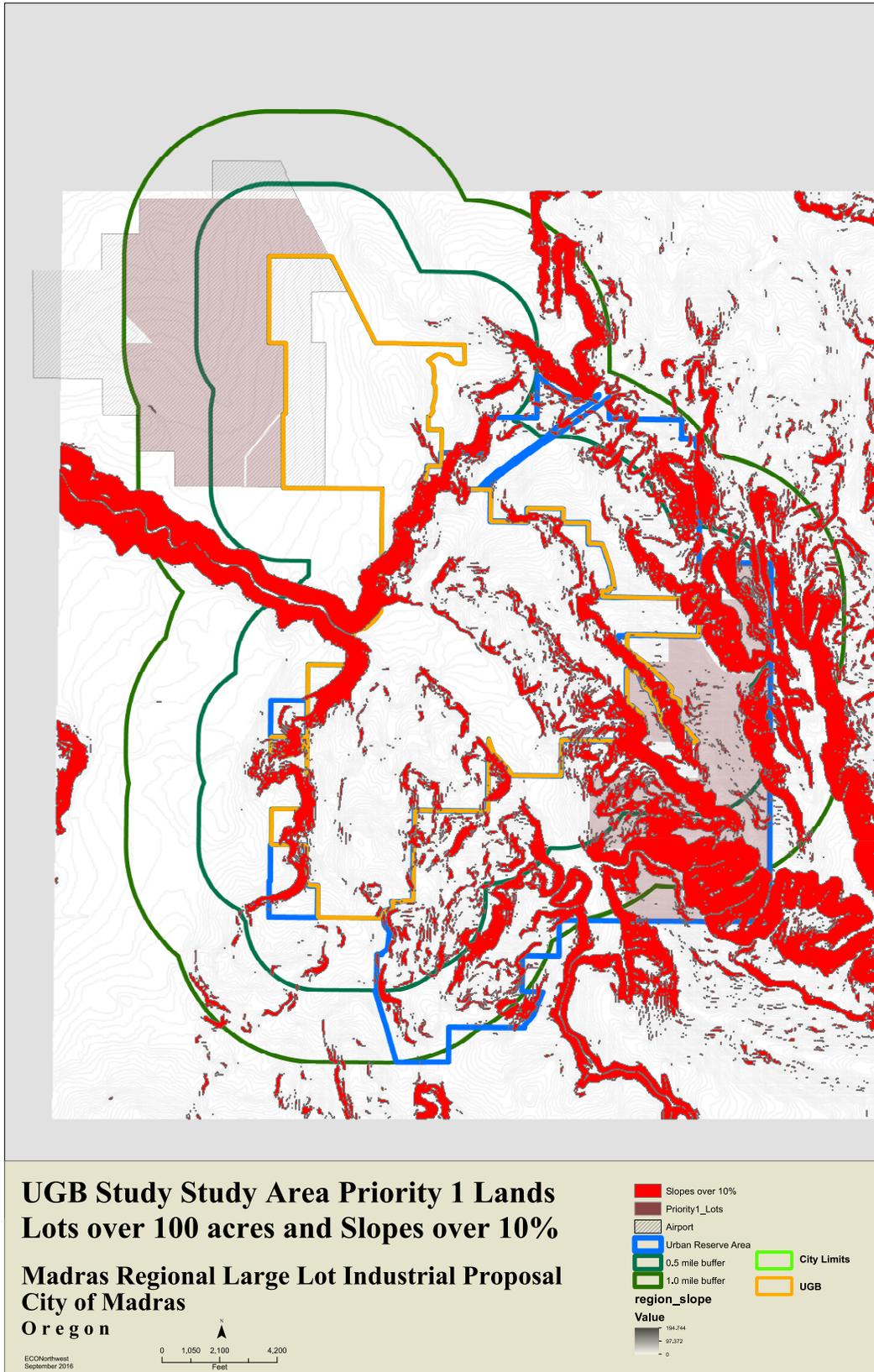
- A total of 5,613 acres of land in 907 tax lots of priority 1 lands.
- In parcels of priority 1 land larger than 100 acres, Madras has 2,381 acres in 10 parcels:
  - **Exceptions areas zoned for airport uses.** There are four tax lots larger than 100 acres, for a total of 1,129 acres. Two of these parcels are less than 195 acres, with a 161-acre parcel and a 173-acre parcel. These areas are all exceptions lands.
  - **Exceptions areas zoned for residential uses.** There are no exceptions areas zoned for residential uses with tax lots larger than 100 acres.
  - **Urban reserves zoned for residential uses.** There are no urban reserves zoned for residential uses with a parcel of 100 acres or larger.
  - **Urban reserves zoned for rangeland uses.** There are five parcel larger than 100 acres, at 894 acres. Two of these parcels are less than 195 acres, with a 111-acre parcel and a 121-acre parcel. These areas are all in urban reserves.

**Finding:** The City finds that the amount of suitable priority 1 land exceeds the amount necessary to satisfy Madras' need for a 195-acre large lot industrial site. Madras has 10 tax lots larger than 100 acres. Of those, six parcels are smaller than 195 acres. Four of the ten parcels, two in airport zoning and two in rangeland zoning meet the need for a 195-acre parcel.

Map 3. Priority 1 Lands over 100 acres in size



Map 4. Slopes on Priority 1 Lands over 100 acres in size



Consistent with OAR 660-024-00667(1)(c) the City makes a determination that the amount of priority 1 land exceeds the land need.

*(c) If the amount of suitable land in a particular priority category in section (2) exceeds the amount necessary to satisfy the need deficiency, the city must choose which land in that priority to include in the UGB by applying the criteria in section (7) of this rule.*

The next step is to evaluate lands consistent with OAR 660-024-0067(7):

*(7) Pursuant to subsection (1)(c), if the amount of suitable land in a particular priority category under section (2) exceeds the amount necessary to satisfy the need deficiency, the city must choose which land in that priority to include in the UGB by first applying the boundary location factors of Goal 14 and then applying applicable criteria in the acknowledged comprehensive plan and land use regulations acknowledged prior to initiation of the UGB evaluation or amendment. The city may not apply local comprehensive plan criteria that contradict the requirements of the boundary location factors of Goal 14. The boundary location factors are not independent criteria; when the factors are applied to compare alternative boundary locations and to determine the UGB location the city must show that it considered and balanced all the factors. The criteria in this section may not be used to select lands designated for agriculture or forest use that have higher land capability or cubic foot site class, as applicable, ahead of lands that have lower capability or cubic foot site class.*

Table 4 describes the siting criteria for the large lot industrial site, based on the requirements of OAR 660-0045 for regional large lot industrial sites and the site characteristics requirements from Madras’ submission to COIC (Exhibit E). Table 4 provides information about priority 1 lands in tax lots 195 acres and larger.

**Table 4. Siting criteria and evaluation of Priority 1 Lands for a large lot industrial site**

Siting Criteria	Areas in tax lots 195 acres and larger
<p><b>1. Size.</b> The large lot industrial site should be 195 acres.</p>	<p><b>Exceptions areas zoned for airport uses:</b> There are two tax lots in airport zoning over 195 acres. They include a 281-acre tax lot and a 515-acre tax lot.</p> <p><b>Urban reserves zoned as rangeland:</b> There are three tax lots in rangeland zoning over 195 acres. They include a 278-acre tax lot, a 313-acre tax lot, and a 302-acre tax lot.</p>
<p><b>2. Ownership.</b> According to OAR 660-0045(3), the land may be in: (1) a single-tax lot, (2) an aggregation of existing tax lots under the same ownership, or (3) an aggregation of existing tax lots with multiple owners if the owners have a binding agreement for aggregation of the tax lots.</p>	<p><b>Exceptions areas zoned for airport uses:</b> Both tax lots in airport zoning over 100 acres are owned by the City of Madras. In addition, the City also owns the two tax lots that are between 100 and 195 acres in size.</p> <p><b>Urban reserves zoned as rangeland:</b> The 302 acre tax lot is owned by the City of Madras. The 278-acre tax lot and 313-acre tax lot are owned by Morrow properties.</p>

Siting Criteria	Areas in tax lots 195 acres and larger
<p>3. <b>Topography.</b> The site must be relatively flat, with a slope across the site of not more than 5%. The site cannot have significant bumps or valleys, especially those that cannot be removed through grading.</p>	<p><b>Exceptions areas zoned for airport uses:</b> The airport lands are relatively flat, with of 0% to 3%. The proposed site for the Daimler large lot industrial site has slopes of 0% to 3%.</p> <p><b>Urban reserves zoned as rangeland:</b> The slopes of 10% or more in the urban reserve areas between 100 and 195 acres or larger account for from 31% to 67% of the sites. A small portion, less than 200 acres, of the site owned by City of Madras, is relatively flat (has a slope of less than 10%) but there are areas within this flat area with slopes in excess of 10%.</p>
<p>4. <b>Transportation access.</b> The site must have unimpeded truck freight access to a state highway or other principal arterial that is designated as a freight route. The site should be located within two miles of a state highway.</p>	<p><b>Exceptions areas zoned for airport uses:</b> The airport lands is 0.7 miles from Highway 26.</p> <p><b>Urban reserves zoned as rangeland:</b> The airport lands are within two miles from Highway 26 and Highway 97.</p>
<p>5. <b>Water and wastewater access.</b> City services should be directly accessible to the site, including sanitary sewer, and municipal water.</p>	<p><b>Exceptions areas zoned for airport uses:</b> The City can provide water and wastewater services capable of serving the airport sites, as documented in Exhibit F.</p> <p><b>Urban reserves zoned as rangeland:</b> The current 1996 Wastewater Master Plan does not include provisions for wastewater service west of the north-south runway at the Madras Airport. The properties proposed to be included in the UGB are not located in the City's water service district. They are served by Deschutes Valley Water Irrigation District.</p> <p>According to the City of Madras "Urban Reserve Area Report" (January 2008), providing water and sewer facilities to the urban reserve areas over 100 acres would cost about \$3 million to \$3.7 million, depending on portion of the urban reserve under consideration.</p>

### Evaluation of Urban Reserves (Rangelands)

Map 2 and Map 3 show that Madras' urban reserves zoned for rangeland uses are located to the east of the city. Map 4 shows slopes over 10% on priority 1 lands. There are three parcels in urban reserves zoned for rangelands that are larger than 195 acres, two of which are in the same ownership. The City finds that urban reserves zoned for rangeland are unsuitable to meet the regional large lot industrial land need for the following reasons:

- The topography in the urban reserve area ranges from flat to parcels with slopes of 10% or greater covering 31% to 67% of the parcels. The parcels that are 195 acres or larger have 10% or steeper slopes covering 30% to 67% of the parcels. The portion of the City of Madras parcel that is relatively flat is smaller than 195 acres and has some areas with slopes in excess of 10%.
- These parcels are located more than two miles from a state highway. The roads connecting the sites to the state highway are largely rural in nature.
- These parcels are not serviced with City water or wastewater services. Proving water and sewer facilities to the urban reserve areas over 100 acres would cost about \$3 million to \$3.7 million, depending on portion of the urban reserve under consideration.

**Finding:** The City finds that urban reserves in rangeland zoning are unsuitable to meet the regional large lot industrial land need.

### Evaluation of Urban Reserves (Residential lands)

Map 2 shows Madras' urban reserves zoned for residential lands uses. The City finds that urban reserves zoned for residential are unsuitable to meet the regional large lot industrial land need for the following reasons:

- The urban reserves zoned for residential uses include no parcels 195 acres or larger. There are no contiguous parcels with 100 acres or more of land in the same ownership. There are no urban reserves zoned for residential lands in parcels with a binding agreement for aggregation of the parcels for large lot industrial uses.

**Finding:** The City finds that urban reserves residential zoning are unsuitable to meet the regional large lot industrial land need.

### Evaluation of Exceptions (Residential lands)

Map 2 and Map 3 show that Madras' residential exceptions lands are generally located to the west and to the north of the city. The City finds that residential exceptions lands are unsuitable to meet the regional large lot industrial land need for the following reasons:

- The residential exceptions lands within one-half mile of Madras' UGB include no parcels 195 acres or larger. There are no contiguous parcels with 100 acres or more of land in the same ownership. There are no residential exceptions lands in parcels with a binding agreement for aggregation of the parcels for large lot industrial uses.

- The majority of residential exceptions lands are predominantly residential and already developed. They offer no opportunities for regional large lot industrial development

**Finding:** The City finds that residential exceptions lands are unsuitable to meet the regional large lot industrial land need.

### Evaluation of Exceptions Lands (Airport)

Map 3 shows that Madras' has the following exceptions lands by zoning designation within one mile of the City's UGB:

- **Airport.** The Madras Airport is an exceptions area of 1,292 acres owned by the City of Madras, with 414 acres in use for public facilities of the Airport or the City of Madras Wastewater Treatment Plant. The Airport site has four tax lots larger than 100 acres, for a total of 1,129 acres. Two of these parcels are less than 195 acres, with a 161-acre parcel and a 173-acre parcel. The Airport site is owned by the City of Madras.
- **Industrial.** There is one industrial parcel in exceptions areas within one mile of the UGB. It is 40 acres in size and owned by the City of Madras.
- **Commercial.** There are six commercial parcels in exceptions areas within one mile of the UGB. They are a total of 5.6 acres in size and in private ownership.

The City finds that industrial and commercial lands are unsuitable to meet the regional large lot industrial land need because these lands are not 195 acres or larger. There is not enough of either type of land to aggregate a 195-acre site.

The City finds that the Airport site provides an opportunity to meet the large lot industrial site for the following reasons:

- The Airport is 1,292 acres, with four tax lots larger than 100 acres, two of which are larger than 195 acres.
- The Airport has one owner, the City of Madras, who is willing to develop a large lot industrial site at the Airport.
- The Airport is already committed to a developed use and is an exception area.
- The Airport's lands are relatively flat, where slopes generally do not exceed 5%.
- The Airport is located within about 0.7 miles of Highway 26, with unimpeded truck freight access to Highway 26.
- The Airport has water and wastewater services at the Airport terminal. Those services can be extended to the large lot industrial site. (Exhibit F)

**Finding:** The City finds that exceptions land at the Madras Airport meets the regional large lot industrial land need.

## Goal 14 Boundary Location Factors (factors 1-4)

Goal 14 establishes four boundary location factors that must be considered when reviewing alternative boundaries:

*The location of the urban growth boundary and changes to the boundary shall be determined by evaluating alternative boundary locations consistent with ORS 197.298 and with consideration of the following factors:*

- (1) Efficient accommodation of identified land needs;*
- (2) Orderly and economic provision of public facilities and services;*
- (3) Comparative environmental, energy, economic and social consequences; and*
- (4) Compatibility of the proposed urban uses with nearby agricultural and forest activities occurring on farm and forest land outside the UGB.*

The following sections provide a preliminary evaluation of the Priority 1 lands.

**Based on the preceding analysis, Madras Airport site is the only suitable site for a large lot industrial site of 195 acres.** The following sections evaluate the proposed UGB expansion area against the four Goal 14 locational factors.

### Goal 14 Location Factor 1: Efficient accommodation of identified land need

The proposed expansion provides the most efficient accommodation of the identified land need due to the existing uses at the Madras Airport. Daimler has an existing (smaller) facility at the Madras Airport. Moving the facilities would simply move the impact of the facilities from the existing location to a new location.

### Goal 14 Location Factor 2: Orderly and economic provision of public facilities and services

The proposed expansion provides the most orderly and economic provision of public facilities and services. The City has made considerable investment in water and wastewater services at the Madras Airport. The existing roads that provide access from the Airport to Highway 26 provide sufficient transportation access for the Daimler facility. Locating the Daimler facility at another site would be costly to the City and would not provide Daimler with the access they need to a State highway.

### Goal 14 Location Factor 3: Comparative environmental, energy, economic and social consequences

Locating the large lot industrial site another Priority 1 site would have larger negative impacts than the proposed development at the Madras Airport. The other Priority 1 sites that are large enough to for the large lot industrial site are to the east of the City and would require development of roads capable of accommodating truck freight to provide connections to a State highway. Development of these roads would have greater negative environmental, economic, and energy consequences than the Madras Airport site.

## Goal 14 Location Factor 4: Compatibility of the proposed urban uses with nearby agricultural and forest activities occurring on farm and forest land outside the UGB.

The Daimler facility does not create any inherent compatibility issues with airport activities.

### City of Madras

The factors that the Madras Planning Commission makes its recommendations on are listed below, with the findings about each factor.

The following sections provide an evaluation of the Priority 1 lands.

**Based on the preceding analysis of City of Madras criteria, Madras Airport site is the only suitable site for a large lot industrial site of 195 acres.**

### Demonstrated need to accommodate long-range urban population growth requirements consistent with Statewide Planning Goals.

In 2015, the Population Research Center at Portland State University issues the official coordinated population forecasts for Region 1, which includes Jefferson County.<sup>2</sup> Based on the PSU forecasts, Madras will grow from 7,598 persons in 2016, to 9,921 persons in 2036—an increase of 2,437. This provides a 20-year forecast to support the UGB proposal consistent with the requirements of OAR 660-024-0040(2).<sup>3</sup>

**Table 5. Population forecast, Madras, 2015 to 2036**

<b>Year</b>	<b>Population</b>
2015	7,484
2016	7,598
2020	8,070
2025	8,700
2030	9,268
2035	9,815
2036	9,921
<b>Change, 2016-2036</b>	
Number	2,437
Percent	32%
AAGR	1.34%

Source: Population Research Center at Portland State University; Official Coordinated Population Forecasts for Jefferson County. 2016 and 2036 interpolations done using the PSU interpolation calculator.

<sup>2</sup> <http://www.pdx.edu/prc/region-1-documents>

<sup>3</sup> OAR 660-024-0040(2) states: “If the UGB analysis or amendment is conducted as part of a periodic review work program, the 20-year planning period must commence on the date initially scheduled for completion of the appropriate work task.” Because the proposed expansion is in excess of 50 acres, the City must follow the process “in the manner of periodic review” as required by OAR 660-024-0080.

The City makes the following findings about the population forecast:

1. The population forecast is a coordinated forecast. The Oregon Population Forecast Program described in OAR 577-050-0050 establishes Portland State University as the official entity developing coordinated population forecasts for Oregon municipalities. Madras is relying on the official PSU forecast for this action.
2. The City intends to complete work on the UGB proposal in 2016. As such, the required planning period is 2016-2036.
3. The Daimler Truck Testing Facility will employ approximately 30 people, some of whom will live in Madras, which supports the forecast of population growth.

#### Need for housing, employment opportunities, and livability.

The Daimler Truck Testing Facility will employ 30 people, providing employment opportunities for people who live in Madras.

#### Orderly and economic provision for the public facilities and services.

The Daimler Truck Testing Facility will be located on the Madras Airport site. This site has access to local roads that provide truck freight service and is 0.7 miles from Highway 26. The City can provide water and wastewater services capable of serving the airport sites, as documented in Exhibit F.

#### Maximum efficiency of land uses within and on the fringe of the existing urban area.

The Daimler Truck Testing Facility will be located on the Madras Airport site. The Airport site is already used for airport operations. The Daimler Truck Testing Facility will use an underutilized area of the Airport, maximizing efficiency of land already used for public facilities.

#### Environmental, energy, economic, and social consequences.

Locating the large lot industrial site another Priority 1 site would have larger negative impacts than the proposed development at the Madras Airport. The other Priority 1 sites that are large enough to for the large lot industrial site are to the east of the City and would require development of roads capable of accommodating truck freight to provide connections to a State highway. Development of these roads would have greater negative environmental, economic, and energy consequences than the Madras Airport site.

#### Retention of agricultural land as defined, with Class I being the highest priority for retention and Class VI the lowest priority.

The Daimler Truck Testing Facility will be located on the Madras Airport site, which is an exceptions area. The Daimler Truck Testing Facility will not be developed on land zoned for agricultural uses, which will protect other Priority 1 agricultural lands, such as the rangelands to the east of Madras.

### Compatibility of the proposed urban uses with nearby agricultural activities.

The Daimler Truck Testing Facility will be located on the Madras Airport site, which is an exceptions area. The Daimler Truck Testing Facility is compatible with existing uses at the Madras Airport. It is compatible with nearby agricultural activities, consistent with on-going Airport operations.

## Jefferson County Comprehensive Plan

This section reviews the proposed UGB expansion against Jefferson County criteria for legislative amendments from the Jefferson County Comprehensive Plan.

1. Comply with applicable Statewide Planning Goals, Oregon Revised Statutes and Administrative Rules, or comply with requirements for an exception to the goal(s)

**Finding: Satisfied.** The analysis complies with Goal 1, Goal 2, Goal 14, and OAR 660-024, as demonstrated in the prior sections of this analysis.

2. Comply with all applicable Comprehensive Plan goals and policies

**Finding: Satisfied.** The analysis complies Jefferson County's requirements to Comprehensive Plan Amendments.

Jefferson County signed the *Intergovernmental Agreement Between the Central Oregon Cities and Counties, and Central Oregon Intergovernmental Council for the Large Lot Industrial Lands Program in Central Oregon* on April 10, 2013. This analysis demonstrates compliance with the requirements of the IGA.

## Jefferson County Zoning Ordinance (803.2 Map Amendments)

This section reviews the proposed UGB expansion against Jefferson County criteria for changes to the zoning map.

- A. The zoning designation will conform to the Comprehensive Plan Map designation;

**Finding: Satisfied.** The action involves the 195 acres of land at the Madras Airport, shown in green shading in Map 1. The Jefferson County Comprehensive Plan Map designation for the Madras Airport is Urban and Urbanizable Land. On completion of the UGB expansion process, the large lot industrial property will be annexed into the City of Madras (as part of a future action ) and rezoned to the Large Lot Industrial Zone.

- B. The amendment is consistent with other Zoning Ordinance requirements including, but not limited to, wildlife habitat, bird habitat and riparian protection standards;

**Finding: Satisfied.** The large lot industrial site is on the Madras Airport site, which has existing airport-related uses. The property does not have any significant wetlands, waterways, wildlife habitat areas, or other areas of biological significance. On completion of the UGB expansion process, the large lot industrial property will be annexed into the City of Madras (as part of a future action) and rezoned to the Large Lot Industrial Zone. The property will meet City of Madras zoning and Comprehensive Plan requirements.

- C. The amendment will cause no significant adverse impact to other properties in the vicinity due to factors such as water quality, drainage, air quality or noise;

**Finding: Satisfied.** The large lot industrial site is on the Madras Airport site, which has existing airport-related uses and has been in airport use since 1938. Because these uses have co-existed for decades, the amendment will cause no significant adverse impacts to properties in the vicinity, which area also part of the Madras Airport. The Madras

Airport is connected with City water and wastewater services. Exhibit F documents the City's capacity to serve the large lot industrial parcel with water and wastewater service. The Daimler Truck Testing Facility will not cause more noise than Airport operations.

- D. The amendment will not force a significant change in or significantly increase the cost of farming or forest practices on surrounding resource land;

**Finding: Satisfied.** The large lot industrial site is on the Madras Airport site, which has existing airport-related uses. The amendment and inclusion of the property into the City's UGB will no increase the cost of farming practices on surrounding lands. Inclusion of the parcel into the UGB will need the need for a regional large lot industrial site. The surrounding farm practices will not be significantly impacted.

- E. Adequate public safety, fire protection, sanitation, water and utility facilities and services are available or will be provided to serve uses allowed in the proposed zone;

**Finding: Satisfied.** Exhibit F documents the City's capacity to serve the large lot industrial parcel with water and wastewater service. The City of Madras will provide public safety and fire protection services to the large lot industrial site.

- F. The uses allowed in the proposed zone will not significantly affect a transportation facility identified in an adopted Transportation System Plan by:

1. Changing the functional classification of an existing or planned transportation facility;
2. Allowing types or levels of land uses which would result in levels of travel or access which are inconsistent with the functional classification of a transportation facility; or
3. Reducing the performance standards of the facility below the minimum acceptable level identified in the Transportation System Plan (LOS C).

A Traffic Impact Study in accordance with Section 421 may be required to show compliance with this standard.

**Finding: Satisfied.** The existing roads that provide access from the Airport to Highway 26 provide sufficient transportation access for the Daimler facility. Exhibit I documents the City's transportation impacts of the regional large lot industrial site. This analysis concludes that the overall trip generation is expected to be low relative to the overall site size. It also concludes that the economic benefits of the site are high and potential transpiration impacts are low.

# Exhibits

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The following sections include the Exhibits to this report:

- **Exhibit 0:** City of Madras Regional Large Lot Industrial Site Application to the Central Oregon Intergovernmental Council Board.
- **Exhibit A:** Airport Ground Lease for Non-Aeronautical Use Improvements between Daimler and the City of Madras.
- **Exhibit B:** The City of Madras requested authorization from the Central Oregon Intergovernmental Council to designate one of the Central Oregon Regional Large Lot industrial sites at the Madras Airport for Daimler Trucks of North America
- **Exhibit C:** Intergovernmental Agreement between the Central Oregon Cities and Counties and Central Oregon Intergovernmental County for the Large Lot Industrial Lands Program in Central Oregon
- **Exhibit D:** Letter of Intent to Daimler from the City of Madras about intention of developing a truck testing facility.
- **Exhibit E:** Madras Large Lot Industrial Analysis by ECONorthwest in support of the City's application for a Regional Large Lot Industrial Site to the Central Oregon Intergovernmental Council Board.
- **Exhibit F:** City of Madras' documentation of the capacity of existing water and sewer systems and their ability to serve a potential large lot industrial parcel from the City's Public Works Director and City Engineer
- **Exhibit H:** Letters in support of the City's proposed Regional Large Lot Industrial Site for Daimler's Heavy Durability Truck Testing Facility.
- **Exhibit I:** Documentation about Transportation Planning Rule Analysis related to Partial Mitigation Options.
- **Exhibit J:** COIC resolution approving the Madras Airport Daimler Heavy Truck Testing Facility as a 100-200 Acre Site for the Regional Large Lot Industrial Program.
- **Exhibit K:** Documentation of City of Madras public hearings **FORTHCOMING**.
- **Exhibit L:** Documentation of City of Madras notice of public hearings **FORTHCOMING**.



125 SW "E" Street  
Madras, OR 97741  
541-475-2344  
[www.ci.madras.or.us](http://www.ci.madras.or.us)

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DATE: April 15, 2016  
TO: Central Oregon Intergovernmental Council Board  
CC: Andrew Spreadborough, Executive Director  
Gus Burrell, City Administrator  
FROM: Nicholas Snead, Community Development Director  
SUBJECT: City of Madras Regional Large Lot Industrial Site Application

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## **OVERVIEW**

The City of Madras seeks to designate the Daimler Heavy Truck Testing Facility as a Region Large Lot Industrial Site. Please allow this document and the associated attachments to serve as the City of Madras' requisite COIC Regional Large Lot Industrial Site application.

Daimler Trucks North America (Daimler) has tested trucks at the Madras Airport since the 1970s. Over the years the amount of testing conducted at the Madras Airport has grown. Daimler has closed their truck testing facility in Indiana and will construct a new facility in Madras. The Heavy Truck Testing Facility will support Daimler's management and engineering efforts in Portland on Swan Island. The City of Madras has recently executed a lease with Daimler to lease 87 acres of City property at the Madras Airport to develop a Heavy Truck Testing Facility (Exhibit A). The development that will occur on the aforementioned 87 acres is considered to be Phase I of Daimler's development intentions. Currently Daimler is in the process evaluating several test facility options. As such, Daimler is in need of more than 87 acres at the Madras Airport to accommodate their business interests.

The City of Madras has strong recognition of the adopted Central Oregon Large Lot Industrial Needs Analysis (2012). The City proposes to designate 199 acres of land at the Madras Airport as a Regional Large Lot Industrial site. This is consistent with Figure 29 (pg. 60) of the Central Oregon Large Lot Industrial Needs Analysis which identifies that in the short-term, two (2) 100-200 acre sites may be designated within the participating cities.

## **SUBMISSION LETTER**

The City of Madras is required to have a letter signed by the Mayor, City Council and/or City Administrator authorizing submission of candidate site to COIC for inclusion in the regional Large Lot Industrial program. Exhibit B provides a letter from the Mayor Royce Embanks authorizing the City of Madras to submit an application for a candidate site to COIC for inclusion in the Regional Large Lot Industrial program. Jefferson County has adopted the Central Oregon Regional Large Lot Industrial Needs Analysis into the Jefferson County Comprehensive Plan on May 22, 2013 (Ord. No. O-060-13).

**SITE DESCRIPTION**

As shown in Exhibit A, the City of Madras is proposing to designate a 199 acre Regional Large Lot Industrial Site at the Madras Airport. Table 1 below describes the proposed site in greater detail. The City proposes to designate up to 199 acres of land that it owns as a Regional Large Lot Industrial site. Daimler’s Phase I development encompasses 87 acres. An additional 112 acres is needed to: 1) accommodate Daimler’s additional development interests; and 2) allow flexibility in the location of Daimler’s future development interest to minimize impacts to wetlands<sup>1</sup>.

**Table 1. Site Description**

Site Characteristic	Description
Site Acreage	~199 acres
Site Dimensions, Slope, Unique Features	<ul style="list-style-type: none"> <li>• The Heavy Truck Durability Testing Facility is approx. 3,732 feet by 1,344 feet (87 acres).</li> <li>• The Vehicle Dynamics Area (VDA) is approx. 1,620 feet by 4,062 (112 acres).</li> <li>• Total site area = 199</li> <li>• The site has gentle slopes (&gt;5%).</li> <li>• Unique Site Features:               <ul style="list-style-type: none"> <li>○ Adjacent to City of Madras North Wastewater Treatment Plan</li> <li>○ Adjacent to Turf Runway and Runway 16-34</li> <li>○ Drainage ditches</li> <li>○ Delineated wetlands*</li> </ul> </li> </ul>
Current Development Status	Undeveloped with native grass and plants
Current Zoning	Airport Development (Jefferson Co. Zoning Map)
Current Ownership	Property entirely owned by the City of Madras
Location of Site in Relation to Existing UGB	<ul style="list-style-type: none"> <li>• The site is approximately 1,620 feet.</li> <li>• The property located between the existing UGB and the eastern side of the proposed Regional Large Lot Industrial site has development restrictions and is used for aircraft operations as specified by the City’s Airport Master Plan (2010).</li> <li>• The Madras Airport is currently zoned Airport Management (AM) on the Jefferson Co. Zoning Map.</li> <li>• While formally designating the Regional Large Lot Industrial site, the City will also rezone the property located between the existing UGB and the eastern side of the Regional Large Lot Industrial site as Open Space/Public Facility on the City’s Zoning Map based on the provisions of the City’s 2010 Airport Master Plan.</li> </ul>

\*Phase I development has received approval from the Oregon Department of State Lands.

<sup>1</sup> The City of Madras and Daimler have delineated wetlands on the proposed site in August of 2015 and March of 2016 in cooperation with the Oregon Dept. of State Lands.

## **PROPERTY OWNER STATEMENT**

The City of Madras entered into the IGA between the Central Oregon Cities and Counties and Central Oregon Intergovernmental County for the Large Lot Industrial Lands Program in Central Oregon on April 9, 2013 (Exhibit C) and in doing so understands the requirements of a Regional Large Lot Industrial site with respect to the limitations on the use, minimum lot size, selling price, etc. The City has as issued a Letter of Intent to Daimler (Exhibit D) that identifies the general terms and conditions under which the City would lease land to Daimler for the construction and operation of a durability truck testing facility at the Madras Airport. Finally, on March 22, 2016 the City of Madras and Daimler entered into an Airport Ground Lease for Non-Aeronautical Use Improvements which demonstrate that the City's ability to comply with Section 3(H) of Exhibit C.

## **SUITABLE LANDS INVENTORY**

EcoNorthwest has completed an analysis of suitable lands (Exhibit E) that identifies the site characteristics for the proposed used on the large lot industrial site and two maps that show existing large sites within the Madras UGB. Exhibit E satisfies the requirements Section 3(H) of Exhibit C.

## **RECONNAISSANCE-LEVEL ANALYSIS & SERVICING PROPOSAL**

The City of Madras Public Works Director has determined that it is feasible to extend sewer and water to the proposed site (Exhibit F). Furthermore the City of Madras has received grant fund from the Oregon Department of Transportation through the Immediate Opportunity Fund and the Business Oregon through the Infrastructure Finance Authority to construct \$2,506,902.00 of public improvements as generally shown in Exhibit G. Accordingly, the necessary public improvements will be constructed concurrent with Daimler's Phase I development.

## **LETTERS OF SUPPORT**

Roger Lee, Executive Director of EDCO and Clark Jackson of Business Oregon have written a letter of support (Exhibits H & I) for the City's proposed Regional Large Lot Industrial Site for Daimler's Heavy Durability Truck Testing Facility.

## **COUNTY COORDINATION**

Bill Adams, Jefferson County Planning Director has provided a letter (Exhibit J) demonstrating that the City and the County thus far, and will continue, to coordinate the designation of the Regional Large Lot Industrial site.

**AIRPORT GROUND LEASE  
FOR NON-AERONAUTICAL USE IMPROVEMENTS**

<sup>2016</sup>  
~~2015~~ This Airport Ground Lease for Non-Aeronautical Use Improvements (this "Lease") is dated January 15, ~~2015~~, but made effective for all purposes as of the Effective Date (as defined in Section 16.6 below), between the City of Madras, an Oregon municipal corporation ("Lessor"), whose address is 125 SW E Street, Madras, Oregon 97741, and Daimler Trucks North America LLC, a Delaware limited liability company ("Lessee"), whose address is 4747 Channel Avenue, Portland, Oregon 97217, Attention: Properties and Building Management.

RECITALS:

A. Lessor is the owner of certain unimproved real property located at the Madras Municipal Airport (the "Airport") consisting of approximately 87.13 acres (the "Land"), which Land is depicted and more particularly described on the attached Exhibit A. The Land is designated for non-aeronautical purposes under Lessor's Airport Layout Plan, which Airport Layout Plan has been approved by the Federal Aviation Administration ("FAA").

B. Lessee desires to lease the Land for the non-aeronautical purpose of developing, constructing, and operating certain vehicle research and testing facilities. Subject to the terms and conditions contained in this Lease, Lessee will lease the Land from the Lessor, and Lessor will lease the Land to Lessee.

AGREEMENT:

NOW, THEREFORE, in consideration of the parties' mutual obligations under this Lease, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. OCCUPANCY

1.1 Lease. Subject to the terms and conditions contained in this Lease, Lessor leases the Land to Lessee and Lessee leases the Land from Lessor. Subject to the terms and conditions contained in this Lease, Lessor and Lessee are each bound to this Lease in accordance with its terms from and after the Effective Date. Except as otherwise expressly provided in this Lease, there are no preconditions to the effectiveness of this Lease or the performance of its terms.

1.2 No Representations or Warranties. Lessee has entered into this Lease on the basis of its own examination and personal knowledge of the Airport, Land, and Legal Requirements (as defined below) and has not relied on any representations or warranties made by Lessor other than those expressly provided in this Lease. Except for the representations and warranties expressly provided in this Lease, Lessee accepts the Land in its AS IS condition as of the Effective Date. Lessor makes no representations or warranties, whether express or implied, with respect to the Land, except as expressly provided in this Lease. Lessor has made no promise or agreement to repair, alter, construct, and/or improve the Land, or any part thereof, except as expressly provided in this Lease.

### 1.3 Economic Development Incentives; Off Site Improvements; Relocation Work.

1.3.1 Lessee is seeking a property tax exemption for the Project under the Oregon Enterprise Zone program. Lessor will reasonably cooperate with Lessee's efforts to obtain the aforementioned tax exemption provided Lessor is not required to incur any costs or expenses in connection with such cooperation obligation unless Lessee specifically agrees in writing to reimburse Lessor for such costs and expenses immediately upon Lessor's demand.

1.3.2 Lessor has been awarded financial assistance from the State of Oregon to fund the construction of the Off Site Improvements (as defined below). This financial assistance consists of two separate grants, namely the Immediate Opportunity Fund ("IOF") and Infrastructure Finance Authority Special Public Works Fund ("IFA"), each in the amounts shown on the Madras Municipal Airport West Access Road Depiction and Utilities and Master Estimate dated September 25, 2015, all of which are attached hereto as Exhibit B (collectively, the "Master Estimate"). For purpose of this Lease, the term "Off Site Improvements" consist of the (a) extension of certain Utilities (as defined below) located on Glass Drive/Adler Street as of the Effective Date to the Land's eastern boundary entrance, and (b) construction of certain public road improvements from Glass Drive/Adler Street to the Land's eastern boundary, all of which are described and depicted in the Master Estimate; the term "Utilities" means the (y) water main, and (z) joint utility trench – conduit, trenching, and vault (vault for power only) for power, gas, and telecommunications.

1.3.3 Lessee will pay Lessee's Share (as defined below) in accordance with the cost allocation for the Off Site Improvements described in the Master Estimate and as provided in this Lease. Lessor will keep a record of all Costs (as defined below) related to the Off Site Improvements and refund any balance not spent to deliver the Off Site Improvements in accordance with the IOF and IFA grant applications/agreements. Lessee will pay Lessee's Share in accordance with the progress payment method described under Section 1.5.

1.3.4 In addition to the Off Site Improvements, Lessee desires to relocate a portion of the Land's existing (as of the Effective Date) test track and Airport perimeter road described and depicted on the attached Exhibit C from the runway protection zone for safety and compliance reasons (the "Relocation Work"). Lessee will pay Lessee's Share in accordance with the cost allocation for Relocation Work as described in the Master Estimate and as provided in this Lease. Lessor will keep a record of all Costs related to the Relocation Work. Lessee will pay Lessee's Share in accordance with the progress payment method described under Section 1.5.

1.3.5 Subject to Lessee's obligation to pay Lessee's Share as provided in this Lease, Lessor will be responsible to provide or cause to be provided and performed all testing, labor, equipment, services, materials, management, and work to design, permit, construct, and complete the Off Site Improvements and Relocation Work, all in a good and workmanlike manner, in conformance with all applicable Legal Requirements (including, without limitation, all requirements of the IOF and IFA grants), and in accordance with the Master Estimate and this Lease. Lessor agrees that the Off Site Improvements and Relocation Work will be performed in an expeditious manner in accordance with plans and specifications, Costs budget, and construction schedule each to be approved in writing in advance by Lessee (which approval will not be unreasonably withheld, conditioned, or delayed); provided that such approval will not operate to waive any obligation of Lessor hereunder with respect to the performance of the Off Site Improvements and Relocation Work or constitute Lessee's agreement

that the plans and specifications satisfy legal requirements or applicable design standards (which legal compliance and standards are Lessor's responsibility). Once approved, Lessor will not modify the plans and specifications, construction schedule or budget, or enter into any change orders with respect to such work that will in the aggregate exceed the contingency set forth in the approved budget, without Lessee's prior written approval in each instance. Lessee will have the right from time to time upon request, at Lessee's expense, to review and audit all contracts, agreements, pay applications, invoices, expense and cost records, inspection results, and all other documents and records in any way relating to the Off Site Improvements and Relocation Work.

1.3.6 During the Lease Term, Lessee will have a non-exclusive license to use the Off Site Improvements and Relocation Work improvements for their respective intended purposes. To the extent the Land does not have direct access to a public right-of-way, Lessor grants to Lessee a non-exclusive license to use during the Lease Term other Airport property as designated by Lessor for ingress, egress, access, and utility service for the Project for such areas intended purposes, subject to the terms of this Lease and any Legal Requirements. Lessor may change the location of such license areas if such changes do not materially and adversely interfere with Lessee's access to or use of the Land and Project.

#### 1.4 Lessee Due Diligence and other Contingencies; Termination.

1.4.1 Within ten (10) days after the Effective Date, Lessor will deliver to Lessee copies of the following documents to the extent existing and in the possession or control of Lessor and relating to or affecting all or any part of the Land (and to the extent not previously delivered to Lessee) (collectively, the "Land Documents"): (a) surveys (including ALTA, boundary, and topographic); (b) environmental reports and assessments, including any Phase I and Phase II environmental site assessments; (c) engineering, soils, wetlands, hydrological, archaeological, and other property reports; (d) site plans, utility plans, architectural plans, and construction drawings for any proposed improvements or development; (e) any other tests, studies, plans, and/or documents with respect to the Land or the potential use or development of the Land; (f) copies of any documents from city, county, state, federal, or other applicable authorities received by Lessor relating to or affecting the use, occupancy, or development of the Land; and (g) such other documentation Lessee may reasonably request with respect to the Land. Land Documents provided by Lessor to Lessee, if any, are provided without any representation or warranty whatsoever regarding the accuracy, completeness, and/or reliability, whether such Land Documents are provided before, on, and/or after the Effective Date.

1.4.2 Lessee will have one hundred twenty (120) days following the Effective Date (the "Inspection Period") to satisfy itself concerning the suitability of the Land for Lessee's intended purposes, including the legal, environmental, and physical condition thereof, the zoning and other Legal Requirements applicable to the Land, available access to public streets, utilities, and infrastructure, and the estimated total cost to Lessee of all proposed improvements (including Off Site Improvements). Subject to the terms and conditions contained in this Lease, Lessee may perform such inspections, tests, studies, and assessments on the Land as Lessee reasonably deems necessary or desirable (individually and collectively, "Testing"). Notwithstanding anything contained in this Lease to the contrary, Lessee must obtain Lessor's prior written consent prior to conducting any invasive Testing on the Land, which consent will not be unreasonably withheld, conditioned, and/or delayed. Lessee will provide Lessor, at no cost and expense to Lessor, true and complete copies of all final studies, reports, and analyses relating to the Testing and/or the Land's physical condition provided that such documents will be

delivered without any representation or warranty whatsoever by Lessee regarding the accuracy, completeness, and/or reliability thereof. All Testing will be at Lessee's sole cost and expense.

1.4.3 Lessee will conduct the Testing in a safe, neat, and orderly fashion and in a manner that will minimize dust and noise. Lessee will ensure that the Testing does not interfere and/or disrupt Airport operations and/or Airport tenants, invitees, and/or contractors. In connection with the Testing, Lessee will keep and maintain the Land, at Lessee's cost and expense, in a good, safe, and attractive condition. Lessee will remove any and all garbage, debris, tools, and/or equipment placed on the Land by Lessee or its agents in connection with such Testing prior to the termination of this Lease pursuant to Section 1.4.4. Lessee will be liable for any and all damage, destruction, injury, and/or death caused to person or property as a result of the Testing. If Lessee and/or Lessee's Agents (as defined below) disturb and/or damage all or any part of the Land in connection with the Testing and Lessee terminates the Lease pursuant to Section 1.4.4, Lessee will promptly restore and/or repair the Land to its condition existing as of the Effective Date. Lessee will perform all Testing, and will cause all Lessee's Agents to perform all Testing, subject to and in compliance with this Lease and the Legal Requirements.

1.4.4 If Lessee, in Lessee's sole and absolute discretion, determines that the Land is not satisfactory to Lessee for its intended purposes (as contemplated by this Lease) for any reason or no reason, Lessee may, at any time prior to expiration of the Inspection Period, terminate this Lease by giving written notice thereof to Lessor. If Lessee terminates this Lease under this Section 1.4.4, neither party will have any further rights or obligations under this Lease except for (a) Lessee's obligation under this Lease to pay Lessee's Share to the extent incurred or committed and unpaid as of the date of termination, (b) Lessee's obligation to deliver copies of reports, studies, etc. under Section 1.4.2, (c) Lessee's removal, cleanup, and restoration obligations under Section 1.4.3, and (d) the Surviving Provisions (as defined in Section 1.4.6 below).

1.4.5 Subject to Lessee's sole and absolute discretion with respect to the Entitlements (as defined below) and improvements required by Lessee (including the right from time to time to alter, supplement, or modify such improvements subject to and in accordance with this Lease), Lessee will make application for all necessary construction and building permits (and any other necessary permits) with reasonable promptness and will prosecute the application of such permits diligently, expeditiously, and in good faith, including making prompt payment of any and all application, permit, and processing fees. If necessary, Lessor will join in the application of any necessary permits or other Entitlements, provided that Lessor is not required to incur any costs or expenses in connection with such joinder unless Lessee specifically agrees in writing to immediately reimburse Lessor therefor.

1.4.6 Notwithstanding anything contained in this Lease to the contrary, and in addition to the termination right provided under Section 1.4.4, if Lessee does not obtain all Entitlements on or before the expiration of the Inspection Period (the "Outside Entitlement Date"), Lessee may terminate this Lease by providing Lessor written notice thereof on or before the Outside Entitlement Date. If Lessee terminates this Lease under this Section 1.4.6, neither party will have any further rights or obligations under this Lease except for (a) Lessee's obligation under this Lease to pay Lessee's Share to the extent incurred or committed and unpaid as of the date of termination, (b) Lessee's obligation to deliver copies of reports, studies, etc. under Section 1.4.2, (c) Lessee's removal, cleanup, and restoration obligations under Section 1.4.3, and (d) the Surviving Provisions. For purposes of this Lease, the term "Entitlements" means all governmental and third party permits, approvals, authorizations, agreements, and consents (including the absence of any conditions, limitations, and/or restrictions thereto) that

Lessee in its sole and absolute discretion deems necessary or desirable for its intended improvements, operation, and/or use of the Land and Project, including any necessary approvals from the FAA and Jefferson County; the term "Surviving Provisions" means Sections 11.6, 11.7, 15.2, 16.1, 16.2, 16.3, and 16.6.

1.5 Payment of Contract Sum and Lessee's Share; Progress Payments.

1.5.1 Lessee will pay Lessor Lessee's Share in accordance with the terms and conditions provided under this Lease. For purposes of this Lease, the term "Contract Sum" means all the Costs of the Relocation Work and Off-Site Improvements; the term "Costs" mean all actual hard and soft costs and expenses incurred to design, permit, perform, and complete the Relocation Work and Off-Site Improvements, including without limitation, costs and expenses for labor, professional fees, design fees, materials, temporary facilities, transportation, delivery, insurance, bond premiums, taxes, tools, supplies, equipment rentals, subcontractors, materialmen, and permits; the term "Lessee's Share" means the portion of the Costs of the Off Site Improvements and Relocation Work allocated to Developer (or Daimler) as shown on the Master Estimate, but excluding all Excluded Costs (as defined below). For purposes of this Lease, the term "Excluded Costs" means any Costs to the extent (a) in excess of \$1,200,000.00, (b) attributable to errors, omissions, defects (whether in design, construction, or otherwise), mismanagement, delays, and cost overruns, in each case caused by or within the reasonable control of Lessor, (c) Costs or change orders not approved by Lessee as provided herein (except for change orders that, in the aggregate, do not exceed the contingency provided in the budget approved by Lessee), or (d) uninsured loss, unused contingency, and Lessor's default under any agreements relating to the Off Site Improvements or Relocation Work (including the IOF or IFA grant agreements); in each of the aforementioned situations except to the extent caused by Lessee. Lessor will be responsible to pay all Excluded Costs.

1.5.2 Lessee will pay Lessor Lessee's Share in single, monthly progress payments ("Progress Payments") based on the work performed during the preceding month corresponding to a Schedule of Values and consistent with the allocation set forth in the Master Estimate, less (a) any work or funds to be provided by Lessor or pursuant to the IOF and IFA grants (as set forth on the Master Estimate), and (b) retainage in the amount of the greater of the retainage provided in the general construction contract or required by the IOF or IFA grant agreement (the "Retainage"). Lessor will prepare and deliver to Lessee each month a written invoice for each Progress Payment (each an "Invoice"). Notwithstanding the foregoing, on or about the Effective Date, Lessor may present an Invoice for the initial progress payment covering all work performed prior to the Effective Date. Each Invoice will be accompanied by a summary of all Costs applicable to the Invoice, a copy of the Schedule of Values, an itemization of each activity for which payment is requested (including approved budget, prior disbursements, current request, and balance), general description of work accomplished and materials incorporated in that work, and identification of all other funding applied to the work. Lessee's payment of each Invoice in full to Lessor is due and payable not later than fifteen (15) days after Lessor's delivery of the applicable Invoice and supporting information identified in this Section 1.5.2.

1.5.3 Lessee will pay the final Invoice to Lessor not more than fifteen (15) days after the later of receipt of such Invoice and the date the Relocation Work and/or Off Site Improvements is/are Substantially Completed (as defined below). For purposes of this Lease, the term "Substantially Completed" means the point or date upon which performance and completion of the Relocation Work (or designated portion thereof) and/or Off Site Improvements is sufficiently complete for its/their

intended use and purposes and such use is lawfully permitted. The existence of minor construction work and/or adjustments that do not affect the intended use of such improvements will not delay a determination that the Relocation Work and/or Off Site Improvements is/are Substantially Completed. Upon final completion of all such work (including any minor work, adjustments, or so-called "punch list" items), Lessor will deliver to Lessee an Invoice for Lessee's Share of the Retainage, which will be due and payable within fifteen (15) days after receipt of such Invoice.

1.6 FAA Approval – Airport Layout Plan. Lessor has requested that FAA approve (the "FAA Approval") a certain amendment to Lessor's airport layout plan to accommodate, in part, Lessee's use of the Land for the Permitted Use. Notwithstanding anything contained in this Lease to the contrary, if Lessor does not obtain the FAA Approval on or before the Outside Entitlement Date, Lessee or Lessor may terminate this Lease by providing the other party written notice thereof on or before the Outside Entitlement Date. If either party terminates this Lease under this Section 1.6, neither party will have any further rights or obligations under this Lease except for (a) Lessee's obligation to deliver copies of reports, studies, etc. under Section 1.4.2, (b) Lessee's removal, cleanup, and restoration obligations under Section 1.4.3, and (c) the Surviving Provisions. The FAA Approval condition provided under this Section 1.6 is for the benefit of Lessor and Lessee and may be waived, in whole or in part, by either party.

## 2. TERM; RENEWAL

2.1 Lease Term. Subject to the terms and conditions contained in this Lease, the term of this Lease will commence on the Effective Date and will continue for a period equal to the Project Construction Period (as defined below) plus twenty (20) years immediately thereafter (the "Initial Lease Term"), unless sooner terminated or extended as provided in this Lease. For purposes of this Lease, the term "Lease Term" means the Initial Lease Term and any extensions or renewals thereof; the term "Project Construction Period" means the period from the Effective Date until the date Lessee receives a certificate of occupancy from the applicable governmental authority permitting use and occupancy of the Project. Lessor and Lessee will sign a written acknowledgement identifying the Project Construction Period within thirty (30) days after the end of the Project Construction Period.

2.2 Lease Term Renewal. If Lessee is not then in default under this Lease, Lessee will have the option (each an "Extension Option") to renew and extend the Initial Lease Term for three (3) consecutive additional terms of ten (10) years each (each an "Extended Term"), subject to the following terms and conditions:

2.2.1 Lessee will exercise an Extension Option by providing Lessor written notice (the "Notice of Extension") not less than one hundred fifty (150) days prior to the last day of the then expiring Initial Lease Term or Extended Term (as the case may be). Subject to the terms and conditions contained in this Lease, giving of the Notice of Extension will be sufficient to make this Lease binding for the applicable Extended Term without further act of the parties. Each Extended Term will commence on the day immediately following the expiration of the Initial Lease Term or Extended Term (as the case may be). The terms and conditions for each Extended Term will be identical with the Initial Lease Term except for Base Rent (as defined below), L/A Fee (as defined below), and Lessee will no longer have any Extension Option that has been exercised.

2.2.2 Base Rent for the first twelve-month period of each Extended Term (and increased annually thereafter pursuant to the terms of this Lease) will be equal to the then-fair market rental rate of the Land, which amount Lessor and Lessee will reasonably seek to determine by mutual agreement. If Lessor and Lessee are unable to agree on the then-fair market rental rate of the Land within sixty (60) days after Lessor's receipt of the Notice of Extension (the "Rent Negotiation Period"), the fair market rental rate of the Land will be determined as follows:

(a) Not later than thirty (30) days after the end of the Rent Negotiation Period or five (5) days after the appraiser is appointed if appointed after such 30-day period, each party will submit in confidence to the appraiser selected below its written evaluation of the fair market rental rate of the Land. At the same time, the parties will attempt in good faith to appoint a mutually acceptable, independent, qualified appraiser. Not later than thirty (30) days after the appraiser is appointed, the appraiser will choose one of the two proposals as the fair market rental rate of the Land, which determination will be final and binding. Each party's written evaluation will be accompanied by a discussion of the facts, considerations, and opinions on which the evaluation is based.

(b) If the parties cannot agree on an appraiser, then each party will appoint a qualified, independent appraiser not later than forty-five (45) days after the end of the Rent Negotiation Period. The appraisers appointed by each party will agree upon and select a qualified, independent appraiser (the "Third Party Appraiser") within fifteen (15) days thereafter. The Third Party Appraiser will choose one of the two proposals as the fair market rental rate for the Land within thirty (30) days of his or her appointment, which determination will be final and binding. If a party fails to timely appoint a qualified appraiser, then the one appraiser timely appointed will determine the fair market rental rate of the Land by choosing one of the two proposals, which determination will be final and binding. If a party fails to timely submit its evaluation of the fair market rental rate, then the timely submitted evaluation will be the final and binding fair market rental rate of the Land.

(c) Each party will bear one-half (50%) of the expense of the mutually appointed appraiser and the entire expense of any appraiser appointed by the party individually. Each appraiser retained or selected under this Section 2.2 must have at least five years' commercial real estate appraisal experience in Central Oregon. For all purposes under this Section 2.2, the fair market rental rate for the Land will be based on the assumption that the Land is vacant, unimproved, not leased (i.e., without regard to any value attributable to the Lease or any improvements on the Land) and subject to all applicable Legal Requirements.

2.2.3 During each year of each Extended Term upon the anniversary of the commencement of the Extended Term, Base Rent will increase by one and one-half percent (1.5%) over Base Rent for the immediately preceding twelve-month period.

### 3. POSSESSION; MADRAS AIR SHOW

3.1 Possession. Lessee's right to exclusive possession of the Land, subject to the terms and conditions of this Lease, will commence on the Effective Date.

3.2 Airshow of the Cascades. Lessee's construction and/or operation of the Project may not interfere with the operation and/or activities of The Airshow of the Cascades (the "Airshow") during the Airshow Days (as defined below). To this end, Lessee will cease all use and operations on the Land

and/or Project (including any construction activities) for the Airshow Days to accommodate Airshow activities and/or operations. Lessor will not be in default (and Lessee will not receive any Rent abatements and/or other concessions) under this Lease if Lessee's construction and/or operation of the Project and/or use of the Land is disrupted by Airshow operations and/or activities during the Airshow Days provided Lessor (a) provides Lessee not less than ninety (90) days' advance written notice of the three (3) consecutive days in August that the Airshow will be held (the "Airshow Days") during the applicable year, and (b) consults with Lessee concerning any potential commercially reasonable measures that may be taken to minimize the disruption the Airshow may have on Lessee's construction and/or operation of the Project. Lessor will use reasonable efforts to obtain the following agreements from the Central Oregon Airshow, Inc. ("Corporation"), the Oregon nonprofit corporation responsible for operation of the Airshow: (x) that Corporation permit Lessee to place an advertisement display each year during the Airshow at an acceptable location on the Airport property, at no cost and expense to Lessee, subject to the Airshow Regulations (as defined below); (y) that Corporation name Lessee as an additional insured/loss payee (as applicable) on all liability and property insurance policies maintained by Corporation with respect to the Airshow, and (z) that Corporation include Lessee, its officers, members, employees, and agents as indemnified and protected parties under any indemnification and defense provisions in any agreement(s) by or between Corporation and Lessor with respect to the Airshow. Lessor will promptly provide Lessee with a copy of all such agreements and policies relating to clauses (y) and (z) above if and to the extent obtained. Lessor will have no liability whatsoever to Lessee under this Section 3.2 if and to the extent Corporation does not agree to any or all of clauses (x), (y), and/or (z) under this Section 3.2.

3.3 Airshow Regulations. Lessee will comply with all reasonable rules and regulations concerning the Airport and/or Land that Lessor may adopt from time to time concerning the Airshow (the "Airshow Regulations"). Lessee will not perform (or caused to be performed) any acts or carry on any practice prohibited by the Airshow Regulations. Lessor is permitted to amend the Airshow Regulations (or adopt new Airshow Regulations) from time to time as Lessor reasonably determines necessary or appropriate. Any permitted adoption or amendment to the Airshow Regulations will be effective thirty (30) days after Lessor provides Lessee notice of such adoption or amendments.

#### 4. BASE RENT; ADDITIONAL RENT

4.1 Base Rent. Subject to the terms and conditions contained in this Lease, commencing on the Rent Start Date (as defined below), Lessee will pay Lessor minimum rent ("Base Rent"), without offset, in the amount of \$12,633.85 per month (which is calculated based on 87.13 acres (per survey attached hereto as Exhibit A) multiplied by \$145.00 per acre, per month). Lessee's first payment of Base Rent will be on the Rent Start Date. Lessee will pay all other payments of Base Rent monthly in advance on the first day of each month. Lessee may, in Lessee's discretion, make annual Base Rent payments in advance of each twelve-month rental period. For purposes of this Lease, the term "Rent Start Date" means the earliest to occur of the following: (a) completion of the Project (as evidenced by issuance of a valid occupancy permit issued by the applicable governmental authority permitting Lessee's use and occupancy of the Project); (b) the first year anniversary of the Effective Date; or (c) January 1, 2017.

4.2 Additional Rent. All taxes, insurance costs, utility charges (e.g., electricity, telephone, water, etc.), the L/A Fee (as defined below), and any other sums Lessee is required to pay Lessor or any third-party under this Lease (other than Base Rent) is deemed "Additional Rent." Additional Rent will be due and payable to the applicable payee commencing on the Effective Date; provided, however, the L/A

Fee will not be payable until the Rent Start Date. For purposes of this Lease, "Rent" means both Base Rent and Additional Rent.

4.3 Rent Payments; Escalation. Base Rent and the L/A Fee will be payable without deduction or offset to the order of Lessor at the address first shown above or at such other address as may be designated from time to time by Lessor. All costs, expenses, and obligations imposed on Lessee under this Lease during the Lease Term relating to the Land and/or Project will be paid by Lessee, except as otherwise provided herein. Commencing on the first year anniversary of the Rent Start Date, and continuing each year thereafter during the Lease Term (including each Extended Term), except for Base Rent for the first year of each Extended Term which will be determined in accordance with Section 2.2, Base Rent and the L/A Fee will escalate (increase) by one and one-half percent (1.5%) over the amount applicable for the immediately preceding twelve-month period. Subject to the terms and conditions contained in this Agreement, Rent will be prorated on a daily basis with respect to any partial month in which the Lease Term commences and ends.

4.4 Lighting and Access Fee. Commencing on the Rent Start Date, in addition to any other fees, charges, and/or expenses provided under this Lease, Lessee will pay Lessor a lighting and access fee of \$275.91 per month (the "L/A Fee"). The L/A Fee will be increased (escalated) annually in accordance with Section 4.3, above.

## 5. USE OF LAND

### 5.1 Permitted Use.

5.1.1 Except as may be permitted with Lessor's prior written consent as provided herein, Lessee may use the Land only for the following purposes (collectively, the "Permitted Use"): (a) the Construction (as defined below) of the Project (as provided in Section 7); and (b) the operation and administration of a vehicle research and testing facility, including vehicle inspection and re-inspection, disassembly, and reassembly (including of various trim, aerodynamic panels, hood and cab, and axle components), test track operations over various surfaces and testing events (for ten (10) or more vehicles at a time at all hours and days), test activities (including brake testing, noise testing, vehicle lighting testing, powertrain performance and integration testing, ride and handling tests, and active and passive safety system tests), customer and/or employee demonstrations (sometimes with large groups and many vehicles), vehicle reliability and/or durability testing, data collection for vehicle development purposes, other tests that are not appropriate for public roads, wireless coverage (802.11g) for most of the paved areas, licensed business band radios for vehicle-to-vehicle and vehicle-to-base communications on the site, general vehicle maintenance and servicing, associated administrative offices and shop, and other uses incidental to the foregoing. Lessor acknowledges that the Permitted Use includes a test track, drag strip, durability track, and other activities involving the use, testing, and operations of medium- and heavy-duty trucks, including continuous and simultaneous operation of multiple trucks twenty-four (24) hours per day, seven (7) days per week, operated at various speeds and conditions and on varying surfaces. Lessor further acknowledges that these activities may produce noise (including engine, braking and roadway noise), odors, fumes (including exhaust fumes), dust, smoke, vapor, vibrations, lighting, and other potential disturbances or objectionable conditions inherent in such activities. Lessee will not use the Land for any purpose other than the Permitted Use without first obtaining Lessor's prior written consent, which consent will not be unreasonably withheld, conditioned, and/or delayed. Lessee will conduct the Permitted Use subject to and in accordance with

this Lease and all applicable Legal Requirements; provided that in making the foregoing and similar covenants herein Tenant is expressly relying upon Lessor's representation and warranty set forth in Section 5.1.2.

5.1.2 Provided that Lessor and Lessee receive the FAA Approval, Lessor represents and warrants to Lessee that, to Lessor's actual knowledge as of the Effective Date, the Permitted Use is consistent and compatible with aeronautical activities at the Airport and is an acceptable and permitted use of the Land under applicable Airport Requirements (defined herein) in effect on the Effective Date. As used herein, "Airport Requirements" means airport-related federal statutes and rules, Lessor's federal obligations (including Grant Assurances), and FAA policy.

5.2 Lessor's Right of Entry. Lessor reserves the right to enter the Land and all improvements located thereon for the purpose of investigating compliance with the terms of this Lease, general safety inspections, and for any other reasonable purpose that Lessor finds necessary for the operation of the Airport. Except in the case of an emergency, Lessor will provide not less than forty-eight (48) hours' prior written notice to Lessee prior to entering the Land for any such purposes. Any Lessor entry on the Land will be conducted in a manner so as to minimize interference with the Permitted Use and may be subject to such security and safety conditions or protocols as may be reasonably required by Lessee, provided such security and safety conditions or protocols do not unreasonably interfere with Lessor's right of entry.

5.3 Reservation for Aeronautical Use. Notwithstanding anything contained in this Lease to the contrary, Lessee will conduct all activities on the Land in a manner that will not adversely affect or interfere with Airport-related flight operations or contribute to flight hazards, including the following: (a) emitting electronic interference with aircraft radio communications or electronic navigational aids; (b) inhibiting pilot visibility through, among other things, emission of smoke or vapor, the use of glaring lights, the use of lights that resemble a layout or color of a landing area, or the use of search lights or flash-type advertising signs; (c) creation of hazards which are dangerous to the safety of aircraft or flying in the vicinity of the Airport; and/or (d) creating attractants of birds or wildlife that are hazardous to aircraft, all as determined by Lessor in its reasonable discretion. Any exterior construction activities on or at the Land must be approved (i.e., must receive a "no objection" determination) by the FAA through the notice of proposed construction review process, submittal of FAA Form 7460-1, and will be subject to all applicable Legal Requirements. Lessee acknowledges that the requirements of the preceding sentence may result in construction delays to the Project. Lessor will make commercially reasonable efforts and work in good faith with Lessee to facilitate the submission and processing of the aforementioned FAA Form 7460-1.

5.4 Use Restrictions. The particular manner in which Lessee conducts the Permitted Use on the Land will at all times conform and comply with this Lease and all Legal Requirements. For purposes of this Lease, the term "Legal Requirement(s)" means any and all applicable rules, regulations, leases, covenants, conditions, restrictions, easements, declarations, laws, statutes, liens, ordinances, orders, codes, rules, and regulations directly or indirectly affecting the Land, the Project (including, without limitation, Construction of the Project and/or any other improvements), the Airport, and/or the Permitted Use, including, without limitation, the Americans with Disabilities Act of 1990 (and the rules and regulations promulgated thereunder), any applicable environmental laws, any applicable rules or regulations promulgated by the FAA or any other federal airport authority (including, without limitation, Lessor's Grant Assurances and requirements under 14 C.F.R. Part 77), and any applicable Airport rules

and regulations (including, without limitation, the Airshow Regulations), all as now in force and/or which may hereafter be amended, modified, enacted, or promulgated; provided, however, all rules and regulations adopted or approved by Lessor will be reasonable, materially consistent with this Lease, and promulgated and enforced by Lessor on a non-discriminatory basis. If, during the Lease Term, Lessee is materially prohibited from using the Land for the Permitted Use due to any Legal Requirements, Lessee will have the right to terminate this Lease by providing Lessor not less than thirty (30) days' prior written notice of such termination, subject to the following terms and conditions: (a) Lessee and Lessor must have first attempted to discuss and, if appropriate, resolve the issue in accordance with Section 5.8; and (b) Lessee's termination of the Lease under this Section 5.4 will not relieve Lessee of any Lessee express obligations under this Lease that have accrued and remain unperformed prior to the termination, including (i) Lessee's obligation under this Lease to pay Lessee's Share to the extent incurred or committed and unpaid as of the date of termination, (ii) Lessee's obligation to deliver copies of reports, studies, etc. under Section 1.4.2, (iii) Lessee's removal, cleanup, and restoration obligations under Section 1.4.3, and (iv) the Surviving Provisions; provided, however, that upon such termination by Lessee pursuant to this Section 5.4, Lessor shall have no obligation whatsoever to purchase the improvements owned by Lessee (but such improvements will be subject to purchase or lease pursuant to Section 9.1).

5.5 Reversion for Aeronautical Purposes. Lessee agrees that Lessor may terminate this Lease at any time that Lessor determines that the Land will be required for aeronautical purposes or the Permitted Use will interfere with aeronautical activities at the Airport or conflict with applicable Airport Requirements. In such event, Lessee agrees to release Lessor from any claims or liabilities resulting from such Lease termination, other than a claim for equitable just compensation. Upon such Lease termination, the Land and Improvements and all rights therein will revert to Lessor and Lessor will pay to Lessee equitable just compensation. As used in this Section 5.5, "equitable just compensation" will be calculated in the same manner as provided for the determination of just compensation under Section 16.12 herein and Oregon law in the case of a taking by condemnation. Lessor will pay such equitable just compensation on or prior to the effective date of such Lease termination. Lessor's right to terminate the Lease (and purchase the Improvements) under this Section 5.5 in no way limits and/or impairs Lessor's right to demand Lessee's compliance with the terms of this Lease and/or Lessor's rights and remedies provided under this Lease.

5.6 Aviation Easement. Lessor reserves for itself, and for the public, a right of flight for the passage of aircraft in the airspace above the Land together with the right to cause noise, vibration, dust, fumes, smoke, vapor, and other effects inherent in the navigation or flight of aircraft and/or operation of the Airport. Lessee will not construct any building or facility at a height in feet above the ground or take any other action that will, in Lessor's reasonable opinion, interfere with navigational aids or flight operations at the Airport; provided that the improvements approved by Lessor are deemed not to so interfere.

5.7 Non-Discrimination; Unfair Practices. To the extent applicable to the Construction or Lessee's use of the Land, Lessee, as a part of the consideration hereof, covenants and agrees to the following: (a) if any facilities are constructed, maintained, and/or otherwise operated on the Land for a purpose for which a DOT program or activity is extended or for another purpose involving the provision of similar services or benefits, Lessee will maintain and operate such facilities and services in compliance with all requirements imposed under 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, as amended; (b) no person on the grounds of race, color, or

national origin will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of any facilities located on the Land; and (c) in the construction of any improvements on, over, or under the Land and the furnishing of services thereon, no person on the grounds of race, color, or national origin will be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination.

5.8 Communication and Coordination. During the Lease Term, Lessor and Lessee will maintain adequate levels of communication to ensure reasonable cooperation and coordination of the parties' respective activities at the Airport. If any claim, dispute, and/or controversy arises out of a potential conflict between such activities (a "Dispute"), including Lessor's assertion that particular Lessee activities on the Land do not comply with any terms of this Lease (including Section 5.3 or Section 5.4), Lessor and Lessee will exert commercially reasonable efforts to seek a fair and prompt negotiated resolution of the Dispute and will meet at least once in person to discuss and seek a resolution of the Dispute, if necessary, within thirty (30) days of written notice from Lessor to Lessee of such Dispute (which notice will identify the Dispute with specificity and request such discussions pursuant to this Section 5.8). The resolution process described in this Section 5.8 does not limit or impair either party's rights or remedies under this Lease or at law, and each party may approve or disapprove of any proposed resolution in its sole and absolute discretion.

## 6. TAXES; ASSESSMENTS; UTILITIES; ANNEXATION

6.1 Payment of Taxes and Assessments. Lessee will pay before delinquency all real and personal property taxes, general and special assessments, and any other charges of every description levied on and/or assessed against the Land, any improvements located on the Land (including, without limitation, the Project), and/or personal property and/or fixtures located on the Land. Lessee will make all such payments directly to the taxing authority. If any such tax assessment or charge may be paid in installments, Lessee may elect to do so as long as each installment together with interest is paid before it becomes delinquent. Lessee will furnish to Lessor receipts or other proof of payment of taxes and assessments within thirty (30) days after Lessor's written request. Lessee reserves the right, at Lessee's expense and at no cost or expense to Lessor (and provided Lessor's interest in and to the Land is not compromised), to contest any taxes and assessments hereunder in accordance with the applicable legal process.

6.2 Pro-rations. Taxes, assessments, and charges concerning the Land for the tax years in which the Effective Date falls or the Lease Term expires will be prorated between the parties on a daily basis as of the Effective Date or the Lease Term expiration, as applicable. If any tax, assessment, and/or charge (excluding personal property taxes, assessments, or charges) is payable in installments and an election to so pay has been made with respect to the Land, Lessee will only be responsible to pay those installments which fall due during the period from the Effective Date through the expiration of the Lease Term, regardless of whether some installments fall due before the Effective Date or after the expiration of the Lease Term.

6.3 Utilities. During the Lease Term, Lessee will pay when due all charges for services and utilities incurred in connection with the use, occupancy, and/or maintenance of the Land (including any improvements located thereon), including, without limitation, charges for electricity, fuel, janitorial services, power, natural gas, water, sewage, telephone, internet, refuse collection, and all other services and utilities.

6.4 Annexation. Lessee consents to any Lessor annexation of the Land. Upon Lessor's request, and at Lessor's expense, Lessee will execute any consent to annexation applications, documents, and/or instruments Lessor reasonably deems necessary or appropriate.

## 7. INITIAL CONSTRUCTION

7.1 Lessee's Obligation to Construct. Subject to the Lessee's right to alter, supplement, or modify the project plans and specifications as it deems necessary in its sole discretion, Lessee intends to develop and construct on and at the Land, at Lessee's cost and expense, certain vehicle research and testing facilities including (a) one or more vehicle test tracks constructed of asphalt, concrete, and/or gravel, and (b) certain structures or improvements for office, vehicle maintenance, and support, including an approximately 26,000 square foot maintenance building (approximately 4,500 square feet of which will be used for office space) and a vehicle washing station (collectively, the "Project"). The Project will be a complete facility and erected wholly within the boundary lines of the Land. Lessee will timely obtain, at Lessee's cost and expense, land use approval and all necessary building and other permits concerning the Project required by Legal Requirements.

7.2 Construction. Lessee will commence construction of the Project no later than one hundred eighty (180) days after Lessee's receipt of all Entitlements, including any approval required by the FAA. Lessee will complete construction of the Project, including taking all actions within its control to obtain a valid occupancy permit, not later than five hundred (500) days after commencement of construction of the Project, subject to automatic extension for delays due to force majeure or other causes beyond the reasonable control of Lessee. Lessee will comply with all conditions of construction specified in this Lease, including Section 7.3, below. The construction of the Project is referred to in this Lease as "Construction."

7.3 Construction Conditions. Prior to commencing Construction of the Project and before any building materials have been delivered to the Land, Lessee will comply with each of the following conditions:

7.3.1 If and to the extent required under the Legal Requirements, (a) Lessee will submit a site plan application and pay the applicable fee to Lessor for Lessor's land use approval process, and (b) Lessee will follow the conditions of approval from the site plan decision. As part of a design review process, Lessee will submit to Lessor three sets of preliminary construction plans and specifications prepared by an architect or engineer licensed in the State of Oregon. Lessor's approval or disapproval will be communicated to Lessee in the manner provided for notices within twenty (20) days after receipt of complete plans and specifications from Lessor. Any disapproval will be accompanied by a statement of the reasons for such disapproval. Lessor may not unreasonably withhold, condition, or delay approval. Lessee will revise plans and specifications to address Lessor's review comments. Final working drawings and the Construction work will conform in all material respects with the final site plan decision, plan review comments, and all other applicable Legal Requirements. To save time and reduce cost, Lessee is urged to submit a preliminary elevation for approval by the Site Plan Committee. The design review process does not relieve Lessee of the responsibility to submit necessary plans to the Building Official and secure required permits. If Lessor disapproves of Lessee's plans and specifications and Lessee and Lessor cannot reach agreement on modifications to such plans and specifications, Lessee may terminate this Lease pursuant to Section 1.4.6.

7.3.2 Lessee will deliver to Lessor (a) such proofs and copies as Lessor may reasonably request regarding insurance relating to the Project, including, without limitation, certificates of insurance evidencing the insurance required herein to be maintained by Lessee or its contractors, including workers' compensation insurance for all persons employed in connection with the Construction, (b) proof of issuance of all building and other permits required for the Construction, and (c) copies of Lessee's contract with the general contractor concerning the Construction.

7.3.3 Comply with Section 11.3 entitled Builder's Risk Insurance. Nothing contained in this Lease exempts Lessee from complying with underlying zoning, Airport operations, building, and/or other Legal Requirements applicable to the Project or Lessee's use and occupancy of the Land.

7.4 Completion of Construction. Once Construction has begun, Lessee will prosecute it to completion with diligence. Construction will be performed in a good and workmanlike manner and will comply with all applicable governmental permits, laws, ordinances and regulations, including, without limitation, any applicable Legal Requirements. Lessee will pay or cause to be paid the total cost of the Construction, subject to the terms of this Lease. Lessee acknowledges and agrees that a substantial part of the consideration to Lessor for entering into this Lease with Lessee is construction of the Project, that Lessor would not have entered into this Lease without the agreement by Lessee to construct the Project, and that any failure by Lessee to construct the Project will result in damage to Lessor in an amount which would be very difficult to ascertain. If Lessee fails to timely commence and complete Construction of the Project as provided in this Lease, Lessor will have the right to terminate this Lease by giving Lessee not less than ninety (90) days' prior written notice of such termination; provided, however, that such termination will be null and void if Lessee commences (and thereafter proceeds with reasonable diligence to complete Construction) or completes Construction (as the case may be) on or prior to the expiration of such 90-day period.

7.5 Lessee Contractors and General Duties. Lessee will use only licensed and bonded contractors familiar with the Legal Requirements and of good reputation to complete the Construction. Subject to Section 5.2, Lessor will have the right to inspect the Construction at reasonable intervals to ensure Lessee is complying with its obligations under this Lease.

7.6 Joinder In Instruments. Upon reasonable request from time to time, and subject to Lessor's review and reasonable approval, Lessor will join, at no cost and expense to Lessor, with Lessee in any conveyance, dedication, grant of easement, and/or license or other instrument as is reasonably necessary or convenient to provide public utility service or access to the Land or in order to allow development or use of the Land by Lessee as contemplated herein.

## 8. MAINTENANCE; ALTERATIONS; RECONSTRUCTION

8.1 Maintenance. Lessee will maintain, at Lessee's cost and expense, the Land and all improvements located thereon in first class condition and repair throughout the Lease Term, ordinary wear and tear, permitted Alterations (as defined below) and changes caused by condemnation or casualty excepted (but subject to the provisions in this Lease relating to condemnation and casualty), and in accordance with all applicable Legal Requirements. Lessor has no repair and/or maintenance obligations.

8.2 Alterations. Subject to Lessor's prior written consent (except as provided in Section 8.2.3, below), after construction of the Project is completed, Lessee may from time to time construct, improve, demolish, remove, replace, alter, reconstruct, remodel, and/or add to any existing improvements in whole or in part (collectively, "Alterations") as Lessee deems necessary or desirable, subject to the following conditions:

8.2.1 All such work will be done at Lessee's cost and expense, in a good and workmanlike manner, and in compliance with all applicable building and zoning laws and all other laws, ordinances, orders and requirements of all authorities having or claiming jurisdiction, including, without limitation, any applicable Legal Requirements.

8.2.2 Except with respect to activities for which Lessor is responsible, Lessee will pay as and when due all claims for work done on and for services rendered or material furnished to the Land and will keep the Land free from any and all liens. If Lessee fails to pay any such claims or to discharge any lien, Lessor may do so and collect the costs as Additional Rent. Any amount so added will bear interest at the rate of twelve percent (12%) per annum from the date expended by Lessor until paid and will be payable immediately on demand. Lessor's payment of Lessee's claims or discharge of any Lessee lien will not constitute a waiver of any other right or remedy which Lessor may have on account of Lessee's default. If a lien is filed as a result of nonpayment, Lessee will, within ten (10) days after knowledge of the filing, secure the discharge of the lien or deposit with Lessor cash or sufficient corporate surety bond or other security satisfactory to Lessor in an amount sufficient to discharge the lien plus any costs, attorney fees, and other charges that could accrue as a result of a foreclosure or sale under the lien. Lessee will indemnify, defend, and hold Lessor harmless for, from, and against any claim, loss, and/or liability arising out of Lessee's failure to comply with this Section 8.2.2.

8.2.3 Lessee may make minor additions and/or changes to the Land and improvements thereon without Lessor's prior consent (if such consent is not required under the Legal Requirements) provided such minor additions and/or changes in the Land and/or improvements are otherwise made subject to the terms and conditions of this Lease and applicable Legal Requirements. A "minor" addition and/or change is one that (a) does not require a building permit, (b) does not materially affect the exterior appearance, and (c) costs less than \$350,000.00.

8.3 Reconstruction.

8.3.1 If any building on the Land is damaged or destroyed by fire or any other cause at any time during the Lease Term, whether or not covered by insurance, and the Lease is not terminated pursuant to Section 8.3.2 below, Lessee will promptly repair the damage and restore the building. The completed repair, restoration, and/or replacement will be equal in quality and use immediately before the damage.

8.3.2 If a building on the Land is damaged (a) during the last two years of the Lease Term, or (b) to the extent that the estimated reasonable cost of restoring the building equals or exceeds twenty-five percent (25%) of the fair market value of the building immediately prior to the damage, Lessee will elect by written notice to Lessor given within sixty (60) days after the date of the damage to either (y) repair, restore, and replace the building as provided in Section 8.3.1 above, or (z) raze the building, remove all demolition debris, and terminate this Lease effective not more than one hundred eighty (180) days after the date of such written notice (which termination date will be identified in such

written notice). Lessee will pay all costs of razing and debris removal which will be completed on or before the termination date. Lessee will pay all rents, taxes, and utilities, and will perform all other obligations of Lessee under this Lease to the date of termination. In the absence of such an election, Lessee will promptly repair the damage and restore the building and will do so whether or not the proceeds of any insurance policies covering the loss are sufficient to pay the cost of such repair, replacement, and/or restoration.

8.3.3 Lessee will not be entitled to any abatement of Rent on account of any damage to or destruction of the building or other improvements on the Land, nor will any other obligations of Lessee under this Lease be altered or terminated except as specifically provided in this Lease.

8.4 Work Deemed Construction. Any maintenance, alterations, reconstruction, razing, and/or other work undertaken as a single project, and that requires acquisition of a building permit, will be deemed to be construction and will be subject to the conditions of Construction specified above.

## 9. OWNERSHIP OF IMPROVEMENTS

9.1 Lessee Ownership. All improvements constructed on the Land by Lessee will be owned by Lessee. All improvements located on the Land at the expiration or sooner termination of this Lease that have not been removed by Lessee as provided herein will be disposed of in one of the following manners: (a) Lessor may purchase such improvements that remain (but not less than all such improvements) for the fair market value of the improvements as of the expiration or termination of this Lease, provided that Lessor must notify Lessee, within sixty (60) days after learning of the proposed expiration or termination by written notice from Lessee of Lessee's intent to sell the improvements (which Lessee notice will be given not less than one hundred eighty (180) days prior to the proposed termination or expiration), whether Lessor intends to purchase such improvements; or (b) if Lessor does not purchase such improvements, then Lessee covenants that Lessee will negotiate in good faith the terms of a sale or lease of such improvements to Lessee's successor at a purchase price or base rent that represents the fair market value of the improvements without the Land, and Lessor covenants that Lessor will negotiate in good faith the terms of a new ground lease with Lessee's successor at a base rent that represents the fair market rental value of the Land without the improvements. Notwithstanding anything contained in this Lease to the contrary, at the expiration or earlier termination of this Lease, Lessee will not be required to remove any asphalt, concrete, gravel, or paved areas on the Land (including building slab, parking or test track areas), or to restore any such areas to their prior condition, and all such areas will be surrendered to Lessor in the condition existing on the date of such expiration or termination. Notwithstanding any other provision contained in this Lease to the contrary, as used in this Lease the term "Improvements" or "improvements" does not include any furniture, trade fixtures, equipment, and/or other personal property of Lessee (all of which will at all times be and remain the property of Lessee). Notwithstanding any other provision contained in this Lease to the contrary, in the event that Lessor does not purchase the Lessee's improvements pursuant to Section 9.1(a) above and Lessee does not sell or lease the improvements pursuant to Section 9.1(b) above within five (5) years after the date of expiration or termination of this Lease, then all Lessee improvements shall automatically be forfeited to and owned by Lessor as of the fifth (5<sup>th</sup>) anniversary of such termination date, and Lessee disclaims any rights, title or interest in and to such improvements in the event of such forfeiture.

9.2 Lessor Purchase. If Lessor elects to purchase the Improvements, then the fair market value of the Improvements will be determined by the parties through good faith negotiation, which the parties will commence at least one hundred twenty (120) days before the end of the Lease Term (unless the end of the Lease Term is not known) and pursue with diligence. If the parties cannot reach agreement within thirty (30) days, then the fair market value will be determined by the following process:

9.2.1 Not later than ninety (90) days before the end of the Lease Term, each party will submit in confidence its written evaluation of the fair market value of the Improvements. At the same time, the parties will attempt in good faith to appoint a mutually acceptable, independent, qualified appraiser. Not later than thirty (30) days after the appraiser is appointed, the appraiser will choose one of the two proposals as the fair market value of the Improvements, which determination will be final and binding.

9.2.2 If the parties cannot agree on an appraiser, then each party will appoint a qualified, independent appraiser not later than seventy-five (75) days before the end of the Lease Term. The appraisers appointed by each party will select a qualified, independent appraiser, who will choose one of the two proposals as the fair market value of the Improvements, which determination will be final and binding. If a party fails to timely appoint a qualified appraiser, then the one appraiser timely appointed will determine the fair market value by choosing one of the two proposals as the fair market value of the Improvements, which determination will be final and binding. If a party fails to timely submit its evaluation of the fair market value, then the timely submitted evaluation will be the final and binding fair market value of the Improvements.

9.2.3 Each party will bear one-half of the expense of the mutually appointed appraiser and the entire expense of any appraiser appointed by the party individually. Lessor will pay Lessee the agreed or determined fair market value, as the case may be, not later than thirty (30) days after it is determined. Lessee will defend, indemnify, and hold Lessor harmless for, from, and against all liability and loss arising from Lessee's failure to deliver the Improvements free and clear of all claims, liens, and/or encumbrances caused by Lessee.

## 10. LEASEHOLD FINANCING; ASSIGNMENT

### 10.1 Leasehold Financing.

10.1.1 Lessee may from time to time, without Lessor's consent, grant mortgages, deed of trust liens, and/or security interests in Lessee's improvements, Lessee's interest in this Lease, and/or Lessee's interest in any permitted sublease(s) under one or more leasehold mortgages or deeds of trust (purchase money or otherwise), and to assign all or any portion of, or any of Lessee's interest in, such collateral as security for such leasehold mortgagees or deeds of trust. The granting of any such security interest may be accomplished by means of a security agreement, a mortgage, a deed of trust, or any other document. Lessee may encumber its interests to more than one lender at the same time or at different times. Lessee's leasehold estate in this Lease, or any of the improvements herein, will not be subject to any loan, the term of which extends beyond the scheduled expiration date of this Lease. All mortgages, deed of trust liens, and security interests will be subject to all the terms and conditions of this Lease and Lessor's rights and interests. Lessor is not subordinating its interests in the Land to any mortgages, deed of trust liens, and/or any other security interests created or identified under Section

10.1. Lessor will be entitled to all of its interests in the improvements at the termination of this Lease, as provided herein. If Lessee decides to encumber its leasehold estate, Lessee will promptly give Lessor written notice of such encumbrance and a copy of the recorded documents creating the encumbrance, including a copy of any mortgage, trust deeds, and lien instruments and documents. If Lessor is required to review or sign any documents related to such financing, then Lessee will pay Lessor's reasonable review fees, including attorney fees and costs, for reviewing such documents. If a breach or default by Lessee under this Lease or under the Permitted Leasehold Mortgage (as defined below) or other related documents occurs, the Permitted Leasehold Mortgagee may exercise such rights as it may have against Lessee thereunder, subject to the terms and conditions of this Lease and Lessor's interests in the Land and any improvements constructed thereon. Any permitted mortgage or deed of trust arrangement described in this Section 10.1 is referred to as a "Permitted Leasehold Mortgage," and the holder of, or secured party under, a Permitted Leasehold Mortgage is referred to as a "Permitted Leasehold Mortgagee." The Permitted Leasehold Mortgage that is prior in lien or interest among those in effect is referred to as the "First Leasehold Mortgage," and the holder of, or secured party under, the First Leasehold Mortgage is referred to as the "First Leasehold Mortgagee." If a First Leasehold Mortgage and a Permitted Leasehold Mortgage that is second in priority in lien or interest among those in effect are both held by the same Permitted Leasehold Mortgagee, the said two Permitted Leasehold Mortgages are collectively referred to as the "First Leasehold Mortgage." A Permitted Leasehold Mortgage will include whatever security instruments are used in the financing transaction which the lender may reasonably require, provided that the documents comply with the limitations contained in this Section 10.1.

10.1.2 If a Permitted Leasehold Mortgagee or Lessee sends Lessor notice of a Permitted Leasehold Mortgage, together with the name and address of the Permitted Leasehold Mortgagee, then as long as such Permitted Leasehold Mortgage will remain unsatisfied of record, or until written notice of satisfaction is given by the holder thereof to Lessor, and as long as the Permitted Leasehold Mortgagee has an office which is located in the United States designated to accept service of any notice or other service of process, the following provisions will apply:

(a) Except as caused by operation of law or as arises from the occurrence of an Event of Default, subject to the rights of Permitted Leasehold Mortgagee under this Section 10.1, there will otherwise be no voluntary cancellation, termination, surrender, or acceptance of surrender of this Lease without, in each case, the prior consent, in writing, of the Permitted Leasehold Mortgagee;

(b) Lessor will, upon serving Lessee with any notice of (i) a violation of this Lease or an Event of Default under this Lease, or (ii) the termination of this Lease, in accordance with the notice provisions herein, simultaneously serve a copy of such notice upon each Permitted Leasehold Mortgagee;

(c) Upon the occurrence of any violation of this Lease for which Lessor wishes to declare an Event of Default, if notice of such Event of Default is required to be given, each Permitted Leasehold Mortgagee will have the same period as Lessee after service of notice upon it to remedy, or cause to be remedied, the violation or Event of Default, plus an additional thirty (30) days for any non-payment related Event of Default, and Lessor will accept such performance by such Permitted Leasehold Mortgagee as if the same had been done by Lessee. Each notice of an Event of Default given by Lessor will specify the nature of the Lease violation and, if such violation relates to the payment of money, will state the amounts claimed to be past due. Nothing herein will require any Permitted

Leasehold Mortgagee to cure any Event of Default. No such cure will constitute an assumption of any liability by such Permitted Leasehold Mortgagee, nor prejudice the right of such Permitted Leasehold Mortgagee and/or Lessee to later contest or continue to contest the validity of the claim of the Event of Default.

(d) Lessor agrees that the name of the Permitted Leasehold Mortgagee may be added to the "Loss Payable Endorsement" and/or to the list of additional insureds on any and all insurance policies required to be carried by Lessee hereunder.

(e) Subject to the requirements for a new lease contained in this Section 10.1.2(e), Lessor agrees that in the event of termination of this Lease by reason of any Event of Default, Lessor will convey to the Permitted Leasehold Mortgagee any present right, title, and interest in and to Lessee's improvements held by Lessor, subject to Lessor's reversionary interest therein as provided herein. Lessor and the Permitted Leasehold Mortgagee will then enter into a new lease of the Land for the remainder of the term of this Lease (with the same renewal rights, if any), effective as of the date of such termination, on the same terms as are set forth in this Lease, and subject to the same conditions of title as this Lease is subject to on the date of the execution hereof and to those conditions created by Lessee, and to the rights, if any, of any parties then in possession of any part of the Land, provided:

(i) The Permitted Leasehold Mortgagee will make written request upon Lessor for such new lease within thirty (30) days after the date of termination indicated in the notice of termination given by Lessor to the Permitted Leasehold Mortgagee, and such written request will be accompanied by payment to Lessor of Rent, or any other amounts then due to Lessor under this Lease as specified in the termination notice;

(ii) The Permitted Leasehold Mortgagee will pay Lessor at the time of the execution and delivery of said new lease, any and all Rent and other amounts which would be due at the time of the execution and delivery thereof, pursuant to this Lease, for such termination and, in addition thereto, any out-of-pocket expenses, including reasonable attorney fees, which Lessor will have incurred by reason of such default; and

(iii) Such new lease will be expressly made subject to the rights, if any, of Lessee or any permitted subtenant under the terminated Lease, including those relating to nondisturbance and the right to quiet enjoyment, which rights will be the responsibility of the Permitted Leasehold Mortgagee.

(f) No Lessor consent will be required to the transfer of Lessee's interest in this Lease to a Permitted Leasehold Mortgagee resulting from the foreclosure of a Permitted Leasehold Mortgage or a negotiated transfer to the Permitted Leasehold Mortgagee in lieu of foreclosure. Any transfer by a Permitted Leasehold Mortgagee will be subject to the provisions of Section 10.2.

(g) Nothing herein contained will require the Permitted Leasehold Mortgagee, as a condition to execution and delivery of the new lease, to cure an Event of Default which occurred solely by virtue of Lessee filing for bankruptcy or for any other Event of Default (other than any payment obligations) that the Permitted Leasehold Mortgagee cannot reasonably cure.

(h) Lessor agrees to execute amendments to this Lease or separate agreements from time to time to the extent reasonably requested by a Permitted Leasehold Mortgagee proposing to make Lessee a loan secured by a Permitted Leasehold Mortgage, provided that such proposed amendments or other agreements do not materially and adversely affect the rights of Lessor or its interest in the Land. All reasonable expenses incurred by Lessor in connection with any such amendments will be paid by Lessee or the Permitted Leasehold Mortgagee immediately upon Lessor's demand. No change in the rent or other economic terms of this Lease will be required of either party as a condition to such agreement.

(i) No fire or casualty loss claims of Lessee will be settled, and no agreement will be made in respect of any award or payment in condemnation or eminent domain without, in each case, the prior written consent of the First Leasehold Mortgagee if, and as specified, in its loan documents. Nothing contained herein, however, will be construed to alter Lessor's right under this Lease to immediately claim and receive its share of any award or payment, to delay Lessor's settlement rights in any fire or casualty loss, condemnation, or eminent domain action, or to limit Lessee's responsibility to use insurance proceeds to replace the damaged Land improvements as provided herein.

(j) No liability for the payment of Rent or the performance of any of Lessee's covenants and agreements hereunder will attach to, or be imposed upon, any Permitted Leasehold Mortgagee which does not assume this Lease.

(k) Lessor, within twenty (20) days after request in writing by Lessee or any Permitted Leasehold Mortgagee, will furnish a written statement, duly acknowledged, stating that this Lease is in full force and effect and unamended, or if there are any amendments, specifying the same; that there are no violations or Events of Default of this Lease thereunder by Lessee that are known to Lessor, or if there are any known violations or Events of Default, specifying the same; and such other matters as may be reasonably requested.

(l) No payment made to Lessor by any Permitted Leasehold Mortgagee will constitute an agreement that such payment was, in fact, due under the terms of this Lease. If the Permitted Leasehold Mortgagee makes any payment to the Lessor pursuant to Lessor's wrongful, improper, or mistaken notice or demand, it will be entitled to the return of any such payment, or portion thereof, provided it will have made demand therefor not later than ninety (90) days after the date of its payment.

10.2 Assignment. Except as otherwise expressly permitted in Sections 10.1 and 10.3, Lessee will not sell, assign, mortgage, sublet, lien, convey, encumber, and/or otherwise transfer (whether directly, indirectly, voluntarily, involuntarily, or by operation of law) all or any part of Lessee's interest in this Lease, the Land, and/or Project (collectively, "Transfer") without Lessor's prior written consent, which consent will not be unreasonably withheld, conditioned, or delayed. For purposes of this Lease, a "Transfer" will be deemed to include the sale, assignment, encumbrance, and/or transfer - or series of related sales, assignments, encumbrances, and/or transfers - of fifty-one percent (51%) or more of the shares or other ownership interest of Lessee, regardless of whether the sale, assignment, encumbrance, and/or transfer occurs voluntarily or involuntarily, by operation of law, or because of any act or occurrence. Any Transfer which does not comply with this Lease will be void and will constitute a breach of this Lease.

10.3 Permitted Transfer. Notwithstanding any other provision in this Lease, but subject to Section 10.5, Lessee may enter into and complete from time to time any one or more of the following Transfers without Lessor's consent: (a) any transfer of equity interests in Lessee among Lessee's existing shareholders and/or their family members, heirs, and/or devisees, or to estate planning trusts; (b) any transfer or assignment of this Lease to any corporation, company, or partnership that is controlled by, controlling of, or under common control with, Lessee (an "Affiliate Transfer"); (c) the offering, sale, or transfer of any of Lessee's shares through or on any public securities market or exchange; and/or (d) any assignment or transfer of this Lease in connection with a sale of all or substantially all of the assets of Lessee or Lessee's business, or by operation of law or otherwise in connection with a merger, consolidation, acquisition of a controlling interest in Lessee's stock, or other significant corporate transaction (a "Transaction Transfer"). Lessee will promptly notify Lessor of any Affiliate Transfer or Transaction Transfer within thirty (30) days of the date of such transfer.

10.4 Conditions to Lessor's Consent. Except for any Transfer under Section 10.3, Lessor's consent to any proposed Transfer by Lessee is conditioned on (in addition to any other condition that Lessor may reasonably impose) the following: (a) Lessee demonstrating (to Lessor's satisfaction) that the transferee's condition (financial and otherwise), style of operation, business reputation, and use of the Land and/or Project is consistent with the terms of this Lease (including all Permitted Uses) and that Lessor's interest in the Land will not be adversely affected in any material respect; (b) if Lessor reasonably determines necessary (after taking into account the financial capabilities of all parties liable under this Lease), Lessor obtaining personal guarantees satisfactory to Lessor from owners of an entity that is the transferee; (c) Lessee reimbursing Lessor for the costs and expenses incurred by Lessor in connection with its review of any Transfer documents (or otherwise related to its determination as to whether to consent to the proposed Transfer); and (d) the transferee agreeing in writing to comply with and be bound by all of the terms, covenants, conditions, provisions, and agreements of this Lease (Lessee will deliver to Lessor, promptly after execution, an executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Lessor). Lessee agrees and acknowledges that Lessor's conditioning of its consent to any Transfer on Lessee's satisfaction of the conditions contained in this Section 10.4 is reasonable under this Lease. Where Lessor's consent is required for a Transfer by Lessee, Lessor will give (or reasonably deny) its consent in writing within forty-five (45) days after receipt of written request. No changes in rent or economic terms of the Lease will be required of Lessee as a condition of Lessor's consent.

10.5 Transfer Conditions. If Lessor consents to a Transfer and/or a Transfer occurs in accordance with Sections 10.1 or 10.3, the following will apply: (a) the terms and conditions of this Lease will in no way be deemed to have been waived or modified; (b) consent will not be deemed consent to any further Transfer by Lessee or any transferee; (c) the acceptance of Rent by Lessor from any other person will not be deemed to be a waiver by Lessor of any provision of this Lease; and (d) no Transfer relating to this Lease, whether with or without Lessor's consent, will modify, relieve, or eliminate any liability or obligations Lessee or any guarantor of this Lease may have under this Lease. Lessor may consent to subsequent assignments, subletting, or amendments or modifications to this Lease with assignees of Lessee without notifying Lessee, or any successor of Lessee, and without obtaining its or their consent thereto and such action will not relieve Lessee of any liability under this Lease.

## 11. INSURANCE; INDEMNIFICATION

11.1 Fire and Hazard Insurance. Lessee will throughout the Lease Term keep the Project and all improvements on the Land insured against loss by fire and other hazards covered by a standard form of fire insurance policy with extended coverage endorsement including vandalism and malicious mischief. The amount of the insurance will be not less than one hundred percent (100%) of the replacement cost of the insured improvements and will also be sufficient to prevent Lessee from becoming a coinsurer under the provisions of the policies.

11.2 Proceeds from Fire and Hazard Insurance.

11.2.1 The proceeds of the policies described above will be used to repair, restore, and replace any damaged or destroyed improvements as provided in this Lease. Lessor will cooperate fully with Lessee to obtain the largest possible recovery but Lessor will have no expense or cost in that connection.

11.2.2 All policies of insurance required under Section 11.1 will provide that the proceeds will be paid to Lessee and the proceeds will be deemed to be held in trust by Lessee for the uses and purposes required by this Lease. Except as otherwise expressly provided in Section 8.3.2, insurance proceeds will be used to repair, restore, and/or replace any damaged or destroyed improvements as provided above. All policies described under Section 11.1 will be used to repair, restore, and/or replace any damaged or destroyed Improvements as provided above, so long as permitted by any lender having a lien on such Improvements. If there is no leasehold mortgagee, proceeds will be payable for such purposes to the Lessee.

11.3 Builder's Risk Insurance. Before commencement of any Construction activities, Lessee will procure and maintain in force, or cause to be procured and maintained in force, until completion and acceptance of the improvements an all risk builder's risk insurance policy including vandalism and malicious mischief in form reasonably acceptable to Lessor. Such insurance will cover the improvements in place and all materials and equipment at the job site with limits of not less than \$50,000.00 per loss.

11.4 General Liability Insurance. Lessee will procure and continuously maintain during the Lease Term general liability and property damage insurance with initial limits of not less than \$4,000,000.00 for injury to one person, \$4,000,000.00 for any one accident or occurrence, and \$4,000,000.00 for property damage. At any time during the Lease Term, Lessor may, by written notice to Lessee, demand that the limits of Lessee's general liability insurance be raised to amounts specified in the written notice and Lessee will at the next succeeding policy renewal date, but not later than six months after the date of the notice, raise the limits to those specified in the notice. All limits demanded by Lessor will be commercially reasonable as of the date of the notice for the use Lessee is then making of the Land and improvements. The insurance will be in a form sufficient to protect Lessor and Lessee against claims of third persons for personal injury, death or property damage arising from the use, occupancy or condition of the Land or improvements on the Land.

11.5 General Insurance Provisions. Lessee may not materially modify any insurance policy Lessee is required to obtain and maintain under this Lease without first providing Lessor thirty (30) days' prior written notice. Notwithstanding anything contained in this Lease to the contrary, commencing on the ten-year anniversary of the Effective Date, Lessor may increase the minimum levels of insurance Lessee is required to carry under this Lease to commercially reasonable limits by providing Lessee ninety (90) days' prior written notice. All policies of insurance which Lessee is required by this Lease to carry

will (a) provide that the insurer waives the right of subrogation against Lessor and that any loss will be payable notwithstanding any negligence or affirmative act of Lessor, (b) be issued by a responsible insurance company which is licensed to practice in the State of Oregon, (c) be primary policies, and (d) all liability insurance policies will name Lessor and Lessor's officers and employees as additional insureds. Notwithstanding any other provision herein, Lessee may provide any of the insurance coverages required of it under this Lease through a blanket or umbrella policy or policies, or pursuant to a commercially reasonable self-insurance program.

11.6 Lessee Indemnification. Subject to the terms and conditions contained in this Lease, Lessee will indemnify, defend, and hold Lessor and Lessor's present and future officers, employees, contractors, and agents (collectively, "Lessor's Agents") harmless for, from, and against any and all claims, losses, damages, and/or liabilities, including, without limitation, attorney fees and costs, arising out of or related to, whether directly or indirectly, the following: (a) any activity of Lessee and/or Lessee's members, managers, officers, employees, agents, and/or contractors (collectively, "Lessee's Agents") on or at the Land and/or Airport, including, without limitation, any Testing activities; (b) any condition of the Land (including, without limitation, any improvements constructed thereon) that is caused by Lessee and/or Lessee's Agents arising on or after the Effective Date; and/or (c) Lessee's breach and/or failure to perform any Lessee obligation, covenant, representation, and/or warranty under this Lease. Lessee's indemnification obligations under this Section 11.6 will survive the expiration or earlier termination of this Lease.

11.7 Lessor Indemnification. Subject to the terms and conditions contained in this Lease, Lessor will indemnify, defend, and hold Lessee and Lessee's Agents harmless for, from, and against any and all claims, losses, damages, and/or liabilities arising out of or related to, whether directly or indirectly, the following: (a) any activity of Lessor and/or Lessor's Agents on or at the Land and/or Airport on or after the Effective Date; (b) any condition of the Land that is caused by Lessor and/or Lessor's Agents that arises on or after the Effective Date; and/or (c) Lessor's breach and/or failure to perform any Lessor obligation, covenant, representation, and/or warranty under this Lease. Lessor's indemnification obligations under this Section 11.7 will survive the expiration or earlier termination of this Lease.

## 12. DEFAULT

The occurrence of any one or more of the following events constitute a default by Lessee under this Lease (each an "Event of Default"):

12.1 Failure to Pay Rent. Failure of Lessee to pay any Rent or any other charge, cost, and/or expense payable by Lessee under this Lease within ten (10) days after notice from Lessor that payment is due; provided, however, Lessor will not be obligated to give Lessee such notice more than twice in any one calendar year (and any such failure by Lessee to pay Rent or any other charge, cost, and/or expense when due after the second notice within the same calendar year will automatically constitute an Event of Default).

12.2 Other Performance Failures. Failure of Lessee to perform any other term, condition, and/or covenant of this Lease (other than the payment of Rent or other charge, cost, and/or expense) within thirty (30) days after written notice from Lessor specifying the nature of the failure with reasonable particularity. If the failure is of such a nature that it cannot be completely remedied within

the 30-day cure period, the failure will not be a default if Lessee begins correction of the failure within the 30-day cure period and thereafter proceeds with reasonable diligence and in good faith to correct the failure as soon as practicable.

12.3 Attachment. Attachment, execution, levy, and/or other seizure by legal process of any right or interest of Lessee under this Lease if not released within thirty (30) days, provided that the foreclosure of any mortgage permitted by this Lease relating to construction of improvements on the Land will not be construed to be a default within the meaning of this Section 12.3.

12.4 Insolvency. Lessee becomes insolvent within the meaning of the United States Bankruptcy Code, as amended from time to time; a general assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee; the filing of any involuntary petition of bankruptcy and failure of Lessee to secure a dismissal of the petition within sixty (60) days after filing; attachment of or the levying of execution on the leasehold interest and failure of Lessee to secure discharge of the attachment or release of the levy of execution within thirty (30) days.

### 13. REMEDIES ON DEFAULT

Upon an Event of Default, Lessor will have the following rights and remedies:

13.1 Termination. Lessor may by notice to Lessee terminate this Lease; provided however that Lessor's notice will provide Lessee with an additional thirty (30) days opportunity to fully cure the Event of Default, and such notice will expressly provide as follows, **"IN ADDITION TO ANY OTHER RIGHTS AND REMEDIES IN FAVOR OF LESSOR, LESSEE'S FAILURE TO CURE THE EVENT OF DEFAULT DESCRIBED IN THIS NOTICE WITHIN THIRTY (30) DAYS AFTER THE DATE HEREOF MAY RESULT IN THE TERMINATION OF THE LEASE AND FORFEITURE OF ALL OF LESSEE'S RIGHTS AND INTERESTS IN ITS IMPROVEMENTS ON THE LAND."** If Lessee fully cures the Event of Default within such 30-day period, Lessor's termination will be null and void and the Lease will be reinstated and continue in full force and effect as if such Event of Default had not occurred. If Lessee fails to fully cure the Event of Default on or before the expiration of the 30-day period, the Lease will automatically terminate without any further notice. Upon such termination, all of Lessee's rights in the Land and in all improvements on the Land, including, without limitation, the Project will terminate as of the date of termination. Promptly after such notice, Lessee will surrender and vacate the Land and all improvements in broom clean and in good condition. Lessor may reenter and take possession of the Land and of all improvements and eject some or all parties in possession except any sublessee qualifying under any nondisturbance agreement by Lessor. Termination under this Section 13.1 will not relieve Lessee from the payment of any sum then due to Lessor or from any claim for damages previously accrued or then accruing against Lessee. Notwithstanding any other provision of this Lease or provided by applicable law, Lessor will have no right to terminate this Lease upon an Event of Default except as expressly provided by this Section 13.1.

13.2 Reletting. Lessor may elect to reenter the Land without terminating this Lease and from time to time relet the Land including any improvements or parts of improvements on the Land for the account and in the name of Lessee or otherwise. Lessor may elect to eject some or all persons then in possession except any sublessee qualifying under a nondisturbance agreement by Lessor. Any reletting may be for the remainder of the term or shorter period and Lessor may execute any leases made under this provision either in Lessor's name or in Lessee's name. Lessor will apply all rents from the reletting

first to the costs of reentry and reletting including attorney fees and then to rents and other amounts payable by Lessee under this Lease, including, without limitation, any amounts which became payable prior to the reletting. Lessee will nevertheless pay to Lessor on the due dates specified in this Lease all sums payable by Lessee under this Lease, plus Lessor's expenses of retaking and reletting including any attorney fees, less amounts received by Lessor from the reletting, if any. No act by or on behalf of Lessor under this Section 13.2 will constitute a termination of this Lease unless Lessor gives Lessee notice of termination.

13.3 Damages. In the event of termination upon the happening of an Event of Default, Lessor will be entitled to recover immediately, without waiting until the due date of any future Rent or until the date fixed for expiration of this Lease, and in addition to any other damages recoverable by Lessor, the following amounts as damages:

13.3.1 The loss of reasonable rental value from the date of default until a new tenant has been, or with the exercise of reasonable efforts could have been, secured.

13.3.2 The reasonable costs of reentry and reletting including, without limitation, the cost of any clean-up, refurbishing, removal of Lessee's property and fixtures, or any other expense occasioned by Lessee's failure to quit the Land upon termination and to leave the Land in the required condition, including, without limitation, any remodeling costs, attorney fees, court costs, broker commissions, and advertising costs.

13.3.3 Any excess of the value of the Rent, and all of Lessee's other obligations under this Lease, over the reasonable expected return from the Land and any improvements for the period commencing on the earlier of the date of trial or the date the Land are relet and continuing through the end of the Lease Term. The present value of future amounts will be computed using a discount rate equal to the prime loan rate of major Oregon banks in effect on the date of trial.

13.4 Right to Sue More Than Once; Cumulative Remedies. Lessor may sue periodically to recover damages during the period corresponding to the remainder of the Lease Term, and no action for damages will bar a later action for damages subsequently accruing. The foregoing remedies will be in addition to and will not exclude any other remedy available to Lessor under applicable law.

13.5 Lessor's Right to Cure Defaults. If Lessee fails to perform any obligation under this Lease which results in an Event of Default, in addition to any other rights and remedies provided under this Lease, Lessor will have the option to perform such obligation. Lessor's performance of any Lessee obligation under this Lease will not waive any other remedy available to Lessor. All of Lessor's expenditures to correct the default will be reimbursed by Lessee on demand with interest at the rate of twelve percent (12%) per annum from the date of expenditure by Lessor until paid in full. In the event of termination of this Lease due to Event of Default, Lessor may store all or any of Lessee's personal property and trade fixtures for the account of and at the cost of Lessee.

13.6 Late Charge. In addition to the payment of interest as provided in Section 16.8, if Rent (or any other payment due from Lessee) is not received by Lessor within ten (10) days after it is due, Lessee will pay a late fee equal to five percent (5%) of the payment or Five Hundred Dollars (\$500.00), whichever is greater (the "Late Fee"). Lessor may levy and collect the Late Fee in addition to all other remedies available for Lessee's failure to timely pay Rent (or other payment due from Lessee).

13.7 Mitigation. In the event of a default of this Lease by either party, the non-defaulting party will use reasonable efforts to mitigate the defaulting party's liability hereunder to the extent required under applicable law.

#### 14. SURRENDER ON TERMINATION

14.1 Surrender. Subject to Section 9, upon expiration or earlier termination of this Lease, Lessee will surrender possession of the Land to Lessor, including all improvements then located on the Land, free of occupants and broom clean, all in good condition except for reasonable wear and tear since the last necessary restoration, repair or reconstruction made by Lessee pursuant to this Lease. All property that Lessee is required to surrender will become Lessor's property at the date of expiration of this Lease. All property that Lessee is not required to surrender, but that Lessee does abandon will, at Lessor's election, become Lessor's property on the date of expiration or termination of this Lease.

14.2 Holdover. If Lessee does not vacate the Land at the time required, Lessor will have the option to treat Lessee as a tenant from month-to-month, subject to all of the provisions of this Lease (except the provisions for term and renewal), except that Base Rent will be equal to one hundred fifty percent (150%) of the Base Rent last paid by Lessee. Failure of Lessee to remove fixtures, furniture, furnishings, or trade fixtures which Lessee is required to remove under this Lease will constitute a failure to vacate to which this Section 14.2 will apply if the property not removed interferes with the occupancy of the Land by another tenant or with the occupancy by Lessor for any purpose including preparation for a new lessee. If a month-to-month tenancy results from a holdover by Lessee under this Section 14.2, the tenancy will be terminable at the end of any monthly rental period on written notice from Lessor given not less than ten (10) days prior to the termination date which will be specified in the notice. Lessee waives any notice which would otherwise be provided by law with respect to a month-to-month tenancy.

#### 15. HAZARDOUS SUBSTANCES

15.1 Lessor – Hazardous Substances. Lessor represents and warrants to Lessee that, to Lessor's actual knowledge, (a) Lessor has at all times complied with all Legal Requirements applicable to the Land and any activities conducted thereon, (b) there is no pending or threatened, private or governmental claim, order or litigation, nor is there any pending or threatened judicial or administrative action or order, pertaining to or affecting the Land, and (c) Lessor has not caused or permitted and will not cause or permit any Hazardous Substances (as defined below) or other dangerous, toxic substances or any Solid Waste (as defined below) to be, and has no actual knowledge that any such substances or waste have been, generated, manufactured, refined, transported, treated, stored, disposed, handled, processed, produced, or Released (as defined below) on the Land, except in compliance with all applicable Legal Requirements. Subject to the terms and conditions contained in this Lease relating to termination, Lessee may terminate this Lease, subject to the notice and Lessor cure rights provided under this Lease, if Lessor's representations contained in this Section 15.1 are found to be untrue or inaccurate in any material respect. For purposes of this Lease, the term "Hazardous Substance" will have the meaning set forth in 40 C.F.R. Section 302.4 and will also include petroleum, petroleum products and used oil; the term "Solid Waste" will have the meaning set forth in 40 C.F.R. Section 261.2; the term "Release" will have the meaning set forth in 42 U.S.C. Section 9601; the term "Environmental Condition" means any condition that may exist or have existed with respect to soil, surface or ground

waters, stream sediments and every other environmental media, which conditions could require response as defined in 42 U.S.C. Section 9601 (but not limited to response actions required under said statute) or which could result in claims, demands, orders or liabilities by or to third parties, including without limitation, governmental entities; the term "actual knowledge" means the actual, not constructive, knowledge of the individual representative of the party who has primary responsibility for the subject matter of the applicable representation or warranty as of the Effective Date, following a review of its files and records concerning the subject matter of the representations or warranty. In the case of Lessor, the responsible individual for such qualified representations and warranties is Gus Burrell, City Administrator. Lessor's representations, warranties, and covenants made under this Section 15.1 will survive the termination of this Lease, notwithstanding any provision of this Lease to the contrary.

15.2 Lessee – Hazardous Substances. Lessee represents, warrants, and covenants to Lessor that Lessee will not cause or permit any Hazardous Substances or other dangerous, toxic substances or any Solid Waste to be generated, manufactured, refined, transported, treated, stored, disposed, handled, processed, produced, or Released on or about the Land (and/or Airport), except in compliance with all applicable Legal Requirements. Lessor acknowledges and agrees that the prudent and safe operation of the Permitted Use requires the use of certain Hazardous Substances, which use is approved. Lessee will defend, indemnify, and hold Lessor and Lessor's Agents harmless for, from, and against any and all damages, claims, losses, liabilities and expenses of any kind, including, without limitation, legal and consulting expenses, incurred by Lessor or which are asserted against or imposed upon Lessor, its successors or assigns, by any other party (including, without limitation, any governmental entity) arising out of or connected with Lessee's breach and/or failure to comply with this Section 15.2. Notwithstanding any other provision contained in this Lease to the contrary, Lessee will have no liability, obligation, and/or responsibility whatsoever for Hazardous Substances or other dangerous, toxic substances or any Solid Waste (or any related inspection, reporting, remediation or other work or related cost) except for those that have been generated, manufactured, refined, transported, treated, stored, disposed, handled, processed, produced, and/or Released on the Land by Lessee or Lessee's Agents. Lessee acknowledges that its actual knowledge of the environmental condition of the Land as of the Effective Date is limited to those matters disclosed in that Phase 1 Environmental Site Assessment dated October 6, 2015 prepared by AECOM. Lessee's representations, warranties, and covenants made under this Section 15.2 will survive the termination of this Lease, notwithstanding any provision of this Lease to the contrary.

## 16. MISCELLANEOUS

16.1 Attorney Fees. With respect to any dispute relating to this Lease, or if a suit, action, arbitration, or other proceeding of any nature whatsoever is instituted to interpret or enforce the provisions of this Lease, including, without limitation, any proceeding under the U.S. Bankruptcy Code and involving issues peculiar to federal bankruptcy law or any action, suit, arbitration, or proceeding seeking a declaration of rights or rescission, the prevailing party will be entitled to recover from the losing party its reasonable attorney fees, paralegal fees, expert fees, and all other fees, costs, and expenses incurred in connection therewith, as determined by the judge or arbitrator at trial, arbitration, or other proceeding, or on any appeal or review, in addition to all other amounts provided by law.

16.2 Assignment; Binding Effect; Notices. Except as provided under Section 10, Lessee will not assign or delegate any of Lessee's rights or obligations under this Lease to any person without Lessor's prior written consent; provided, however, if Lessee assigns or delegates its rights or obligations

under this Lease, Lessee will remain liable for all obligations under this Lease. Subject to the immediately preceding sentences, this Lease will be binding on and will inure to the benefit of Lessee, Lessor, and their respective heirs, legal representatives, successors, and assigns. Any notice required or permitted in, or related to, this Lease will be in writing and signed by the party to be bound. Any notice will be deemed given when personally delivered or delivered by facsimile transmission (with electronic confirmation of delivery), or will be deemed given three business days following delivery of the notice by U.S. mail, certified, return receipt requested and postage prepaid, by the applicable party to the address of the other party first shown above (or any other address that a party may designate by notice to the other party), unless that day is a Saturday, Sunday, or legal holiday, in which event it will be deemed delivered on the next following business day.

16.3 Entire Agreement; Applicable Law. This Lease sets forth the entire understanding of the parties with respect to the transaction contemplated by this Lease. This Lease supersedes any and all prior negotiations, discussions, agreements, and understandings between the parties, including, without limitation, that certain Letter of Intent – Truck Test Track Facility – Madras Airport Property dated June 19, 2015 between Lessee and Lessor. This Lease may not be modified or amended except by written agreement executed by the parties to this Lease. This Lease will be construed, applied, and enforced in accordance with the laws of the State of Oregon. Any action or proceeding arising out of this Lease will be litigated in courts located in Jefferson County, Oregon. Each party consents and submits to the jurisdiction of any local, state, or federal court located in Jefferson County, Oregon.

16.4 Execution; Counterparts; Discretion; Broker. The parties may execute this Lease in separate counterparts, each of which when executed and delivered will be an original, but all of which together will constitute one and the same instrument. Facsimile or email transmission of any signed original document will be the same as delivery of an original. At the request of either party, the parties will confirm facsimile or email transmitted signatures by signing and delivering an original document. When a party is exercising any consent, approval, determination, or similar discretionary action under this Lease, the standard will be the party's commercially reasonable discretion and such discretion will not be unreasonably withheld, conditioned, or delayed. Any denial of consent or request will include in reasonable detail the reason for denial or aspect of the request that was not acceptable. Neither party has used a real estate broker in connection with this transaction. Each party will indemnify, defend, and hold harmless the other party from any claim, loss, or liability made or imposed by any third party claiming a real estate commission or fee in connection with this transaction and arising out of its own conduct.

16.5 Attachments; Further Assurances; Waiver; Survival. Any exhibits, schedules, and other attachments referenced in this Lease are part of this Lease. The parties will sign other documents and take all other actions reasonably necessary to further effect and evidence this Lease. No waiver will be binding on a party unless it is in writing and signed by the party making the waiver. A party's waiver of a breach of a provision contained in this Lease will not be a waiver of any other provision or a waiver of a subsequent breach of the same provision. All provisions of this Lease that would reasonably be expected to survive the termination of this Lease will do so, including, without limitation, the indemnification provisions provided under Section 11.

16.6 Severability; Interpretation; Expenses. If a provision contained in this Lease is determined to be unenforceable in any respect, the enforceability of the provision in any other respect and of the remaining provisions of this Lease will not be impaired. For purposes of this Lease, the term

"person" means any natural person, corporation, limited liability company, partnership, joint venture, firm, association, trust, unincorporated organization, government or governmental agency or political subdivision, or any other entity. All pronouns contained herein and any variations thereof will be deemed to refer to the masculine, feminine, or neutral, singular or plural, as the identity of the parties may require. The singular includes the plural and the plural includes the singular. The word "or" is not exclusive. The words "include," "includes," and "including" are not limiting; the term "herein" will refer to this Lease in its entirety. Section headings contained in this Lease are included only for the convenience of the parties and will not have the effect of enlarging, diminishing, and/or affecting the interpretation of its terms. Except as otherwise provided in this Lease, each party will bear the party's own fees, costs, and expenses incurred in connection with this Lease, including those related to the party's performance of its obligations under this Lease. This Lease will be binding and effective for all purposes as of the date of the parties' mutual execution of this Lease (as indicated by the last date below the parties' signatures below) (the "Effective Date").

16.7 Lessor Default. No Lessor act or omission will be considered a default under this Lease until Lessor has received thirty (30) days' prior written notice from Lessee specifying the nature of the default with reasonable particularity. Commencing from Lessor's receipt of such default notice, Lessor will have thirty (30) days within which to cure or remedy the default before Lessor will be deemed in default of this Lease; provided, however, that if the default is of such a nature that it cannot be remedied or cured within the thirty-day cure period, there will not be a default by Lessor under this Lease if Lessor begins correction of the default within the thirty-day cure period and thereafter proceeds with reasonable diligence to effect the remedy as soon as practical. Upon a default by Lessor, Lessee will have all rights and remedies available to it at law or in equity.

16.8 Lessor Inspection; Interest. Lessor will have the right to enter upon the Land to determine Lessee's compliance with this Lease as provided by Section 5.2. In addition, Lessor will have the right, at any time during the last six months of the Lease Term, to place and maintain upon the Land notices for leasing or selling the Land. Except as otherwise provided in this Lease, any Rent or other payment required to be paid by Lessee under this Lease will, if not paid within ten (10) days after it is due, bear interest at the rate of twelve percent (12%) per annum from the due date until paid in full.

16.9 Quiet Enjoyment; Authority. Lessor warrants that, subject to the terms and conditions contained in this Lease, so long as Lessee complies with all terms of this Lease, Lessee will be entitled to peaceable and undisturbed possession of the Land and enjoyment of all rights granted in this Lease free from any eviction or disturbance by Lessor or any third party claiming by, through, under, or superior to Lessor. Lessor represents and warrants to Lessee that it is the owner of the Land with full power and authority to enter into this Lease and perform its obligations hereunder for the Lease Term.

16.10 Force Majeure. The performance of a party's obligations under this Lease will be excused by delays that arise out of causes beyond the control, and without the fault or negligence of, such party, including, without limitation, the following: (a) strikes; (b) lockouts; (c) labor disputes; (d) inability to procure labor or materials or reasonable substitutes for them; (e) failure of power; (f) governmental requirements, restrictions, and/or laws; (g) fire, flood, and/or other natural disasters; (h) unusually severe weather conditions; and/or (i) war, terrorism, and/or civil disorder; provided, however, in no event will this Section 16.10 excuse (y) any payment obligation of either party, including Lessee's full and timely payment of Rent under this Lease, and/or (z) the performance of a party's obligations under this Lease for delays resulting from (i) changes in economic or market conditions, (ii) financial or

internal problems of the party delayed, and/or (iii) a party's inability to pay its financial obligations. As a condition to the right to claim a delay, the delayed party will provide the other party within ten (10) days after the delay occurs a description of the delay and the expected effect the delay will have on the delayed party's performance of its obligations under this Lease; provided that no such notice is required if the other party has knowledge of the delay. Thereafter, the delayed party will, upon request of the other party, inform the other party of the nature and status of the delay and its efforts to end the delay.

16.11 Notice of Land Availability. During the Lease Term, Lessor will provide Lessee written notice of any negotiations Lessor may commence concerning the lease or sale of any land owned by Lessor immediately adjoining the Land.

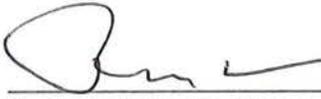
16.12 Condemnation. In the case of condemnation (or purchase in lieu or under threat thereof) by any governmental or quasi-governmental authority of all or any of the Land or any related facilities, easements, or appurtenances, or any access thereto or utilities serving the same, such that the remainder is not reasonably suitable for the continued efficient and economic use of the Land as intended by Lessee (as determined by Lessee in its sole discretion), Lessee will have the option to terminate the Lease upon written notice to Lessor effective upon the date possession is taken by the condemning authority. Any Base Rent and/or L/A Fees paid in advance of such date attributable to any period following such date will be refunded to Lessee. If Lessee does not terminate this Lease, Lessee will continue in possession of the portion of the Land not taken under the power of eminent domain, under the same terms and conditions as herein provided, except that the Base Rent will be reduced in direct proportion to the amount of the Land so taken and, also, during any period of interference with Lessee's use and enjoyment of such areas or rights during any repair, reconstruction, or refurbishment related to such taking. Lessee will be entitled to any and all condemnation award to the extent attributable to the value of the leasehold estate granted to Lessee hereunder, the Improvements, any of Lessee's fixtures and equipment, any consequential or other damages (such as the costs of repairs, alterations, and/or modifications required for Lessee's continued occupancy if this Lease is not terminated), and any business interruption or moving expenses (as applicable). For the purposes of this Section 16.12, a "taking" will include a transfer in lieu of or in contemplation of such taking.

16.13 Estoppel Certificates. Within ten (10) days after written request by a party hereto, the receiving party will execute and deliver to the requesting party a certificate prepared by the requesting party stating whether or not this Lease has been modified and is in full force and effect, specifying any modifications, alleged breaches, the amount of monthly rent, the dates to which rent has been paid in advance, the amount of any prepaid rent, and such other matters relating to the Lease as may be reasonably requested by the requesting party.

[end of lease agreement – signature page immediately follows]

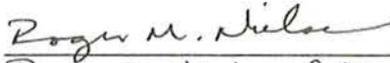
IN WITNESS WHEREOF, the undersigned have caused this Lease to be executed and effective as of the Effective Date.

LESSOR:  
City of Madras,  
an Oregon municipal corporation

  
By: Royce Embanks, Mayor  
Date: 3/16/2016, 2016

  
3/21/16

LESSEE:  
Daimler Trucks North America LLC,  
a Delaware limited liability company

By:   
Its: Roger M. Nielsen, COO  
Date: March 15, 2016

By:   
Its: Manager, Property & Buildings  
Date: March 16, 2016

Exhibit A  
Land – Legal Description and Depiction  
(attached)



20735 DOUBLE PEAKS DRIVE ▲ Bend, OR 97701 ▲ (541) 382-4192

Century West Engineering  
 January 28, 2016  
 Job# 15066L

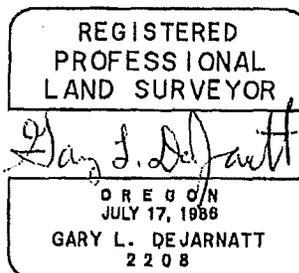
**LEASE SITE DESCRIPTION**

A tract of land located in the South Half of Section 27 and the North Half of Section 34, Township 10 South, Range 13 East of the Willamette Meridian, City of Madras, Jefferson County, Oregon, described as follows:

Commencing at a 2 inch diameter brass cap monumenting the One-Quarter corner common to Sections 28 and 33, Township 10 South, Range 13 East of the Willamette Meridian, per Oregon Corner Restoration Record MF# 930232, thence South 89°41'54" East along the section line between said Sections 28 and 33 distance of 2518.14 feet to a 2 1/2 inch diameter brass cap monument witnessing the corner of Sections 27, 28, 33, and 34, Township 10 South, Range 13 East of the Willamette Meridian, per Oregon Corner Restoration Record MF# 2016-0066; thence continuing along said section line South 89°41'54" East a distance of 103.00 feet to the corner of said Sections 27, 28, 33, and 34; from which a 2 1/2 inch diameter brass cap monumenting the One-Quarter corner common to said Sections 27 and 28, per Oregon Corner Restoration Record MF# 2014-0038, bears North 00°02'19" West a distance of 2667.59 feet; thence North 89°54'20" East along the South line of said Section 27 a distance of 2236.36 feet to the **Point of Beginning**; thence North 44°30'48" West a distance of 299.90 feet to a 5/8 inch diameter rebar with a yellow plastic cap marked "DEJARNATT LS 2208"; thence North 45°29'12" East a distance of 1273.63 feet to a 5/8 inch diameter rebar with a yellow plastic cap marked "DEJARNATT LS 2208"; thence South 44°30'48" East a distance of 1547.96 feet to the South line of said Section 27; thence continuing South 44°30'48" East a distance of 795.28 feet to a 5/8 inch diameter rebar with a yellow plastic cap marked "DEJARNATT LS 2208"; thence South 00°29'28" West a distance of 1801.05 feet to a 5/8 inch diameter rebar with a yellow plastic cap marked "DEJARNATT LS 2208"; thence North 44°30'48" West a distance of 3316.78 feet to the Point of Beginning.

Subject to any easements, restrictions, and right-of-ways of record.  
 Containing 87.13 acres more or less.  
 Bearings are Oregon State Plane 1983, North Zone (3601).  
 All distances shown hereon are ground distances.

End of Description



Renews: 12/31/2017



Exhibit B  
Master Estimate

[attached]

**Madras Municipal Airport West Access Road & Utilities - Master Estimate - Exhibit B**  
**9/25/2015**

**Improvement Item A. Public Access Road from Adler up to Daimler - ~4,675'**

Item	Description	Qty	UM	Unit Cost	Total
1	Mobilization	1.00	LS	\$ 55,000.00	\$ 55,000.00
2	Land (ROW)	280500.00	SF	\$ 0.55	\$ 154,149.06
3	Traffic Control	1.00	LS	\$ 3,000.00	\$ 3,000.00
4	Erosion Control	1.00	LS	\$ 3,000.00	\$ 3,000.00
5	Construction Surveying	1.00	LS	\$ 9,500.00	\$ 9,500.00
6	Clear and Grub	5.00	AC	\$ 3,650.00	\$ 18,250.00
7	Excavation and Embankment	10615.00	CY	\$ 20.00	\$ 212,300.00
8	Street Lighting Trenching	5175.00	LF	\$ 42.00	\$ 217,350.00
9	2" Conduit	5175.00	LF	\$ 2.90	\$ 15,007.50
10	Street Light Junction Boxes	17.00	EA	\$ 500.00	\$ 8,500.00
11	Street Light Bases	17.00	EA	\$ 950.00	\$ 16,150.00
12	Street Lights	17.00	EA	\$ 5,000.00	\$ 85,000.00
13	Agg Base 10"	20161.00	SY	\$ 10.50	\$ 211,690.50
14	3" HMAC	16977.00	SY	\$ 14.50	\$ 246,166.50
15	12" Culverts	3.00	EA	\$ 2,500.00	\$ 7,500.00
16	Drainage Ditch	3538.00	CY	\$ 20.00	\$ 70,760.00
17	Seeding	2.60	AC	\$ 5,000.00	\$ 13,000.00
18	Fence	9550.00	LF	\$ 8.00	\$ 76,400.00
19	Gates	3.00	EA	\$ 3,000.00	\$ 9,000.00
				<b>Subtotal</b>	<b>\$ 1,431,723.56</b>

In Kind	Cash
	\$ 55,000.00
\$ 154,149.06	
	\$ 3,000.00
	\$ 3,000.00
	\$ 9,500.00
\$ 14,650.00	\$ 3,600.00
\$ 116,765.00	\$ 95,535.00
	\$ 217,350.00
	\$ 15,007.50
	\$ 8,500.00
	\$ 16,150.00
	\$ 85,000.00
	\$ 211,690.50
	\$ 246,166.50
	\$ 7,500.00
	\$ 70,760.00
	\$ 13,000.00
	\$ 76,400.00
	\$ 9,000.00
\$ 285,564.06	\$ 1,146,159.50

Design	\$ 100,219.85	\$ 100,219.85
Contingency	\$ 150,331.00	\$ 150,331.00
<b>Total</b>	<b>\$ 1,682,274.41</b>	<b>\$ 285,564.06 \$ 1,396,710.35</b>

**Funding Sources (Improvement Item A. - Road Access)**

Immediate Opportunity Fund Grant	\$ 841,137.21	0.00
Infrastructure Finance Authority Grant	\$ 75,000.00	
City (land & labor/equipment grading)	\$ 285,564.06	
Developer (Daimler) Cost Share	\$ 480,573.15	
<b>Total</b>	<b>\$ 1,682,274.42</b>	<b>\$ 0.00</b>

**Improvement Item B. Utilities**

Item	Description	Qty	UM	Unit Cost	Total
1	Water Main	3575.00	LF	\$ 40.00	\$ 143,000.00
2	Common Utility Trench (Dig and Backfill)	5325.00	LF	\$ 42.00	\$ 223,650.00
3	2" Conduit	15975.00	LF	\$ 2.90	\$ 46,327.50
4	4" Conduit	10650.00	LF	\$ 5.85	\$ 62,302.50
4	PPL Vaults	11.00	EA	\$ 4,600.00	\$ 50,600.00
				<b>Subtotal</b>	<b>\$ 525,880.00</b>

In Kind	Cash
	\$ 143,000.00
	\$ 223,650.00
	\$ 46,327.50
	\$ 62,302.50
	\$ 50,600.00
	\$ 525,880.00

Design	\$ 26,294.00	\$ 26,294.00
--------	--------------	--------------

Contingency	\$ 52,588.00	\$ 52,588.00
<b>Total</b>	<b>\$ 604,762.00</b>	<b>\$ 604,762.00</b>

**Funding Sources (Improvement Item B. - Utilities)**

Infrastructure Finance Authority Grant	\$ 75,000.00	
Developer (Daimler)	\$ 529,762.00	
<b>Total</b>	<b>\$ 604,762.00</b>	\$ -

**Total Revenue Sources for Grant Eligible Work (Improvement Items A. Road & B. Utilities)**

Infrastructure Finance Authority Grant	\$ 150,000.00
Immediate Opportunity Fund Grant	\$ 841,137.21
City (land & labor/equipment grading)	\$ 285,564.06
Developer (Daimler) Cost Share	\$ 1,010,335.15
<b>Total</b>	<b>\$ 2,287,036.42</b>

**Improvement Item C. Relocate Existing Track and Off-road Access Out of Runway Protection Zone ~ 3500 LF**

Item	Description	Qty	UM	Unit Cost	Total
1	Construction Surveying	1.00	LS	\$ 3,500.00	\$ 3,500.00
2	Clear and Grub	1.00	AC	\$ 3,650.00	\$ 3,650.00
3	Excavation and Embankment	1500.00	CY	\$ 20.00	\$ 30,000.00
4	Culvert for Access Road (36")	1.00	EA	\$ 3,500.00	\$ 3,500.00
5	Agg Base Rock 6" (3500' x 14' wide)	5445.00	SY	\$ 5.50	\$ 29,947.50
6	2" HMAC - (2000 LF x 12' wide)	2667.00	SY	\$ 9.70	\$ 25,869.90
7	Seeding	0.50	AC	\$ 5,000.00	\$ 2,500.00
<b>Subtotal</b>					<b>\$ 98,967.40</b>
<b>Contingency</b>					<b>\$ 9,897.60</b>
<b>Total</b>					<b>\$ 108,865.00</b>

In Kind	Cash
	\$ 3,500.00
\$ 3,650.00	\$ -
\$ 14,000.00	\$ 16,000.00
\$ 1,000.00	\$ 2,500.00
\$ 13,947.50	\$ 16,000.00
	\$ 25,869.90
	\$ 2,500.00
\$ 32,597.50	\$ 66,369.90
	\$ 9,897.60
\$ 32,597.50	\$ 76,267.50

**Funding Sources (Improvement Item C. Relocation Work)**

City (labor & equipment grading)	\$ 32,597.50	
Developer (Daimler)	\$ 76,267.50	
<b>Total</b>	<b>\$ 108,865.00</b>	\$ -

**Total Offsite Improvement Costs for items A, B & C (Grant & Non-Grant Eligible Work)\***

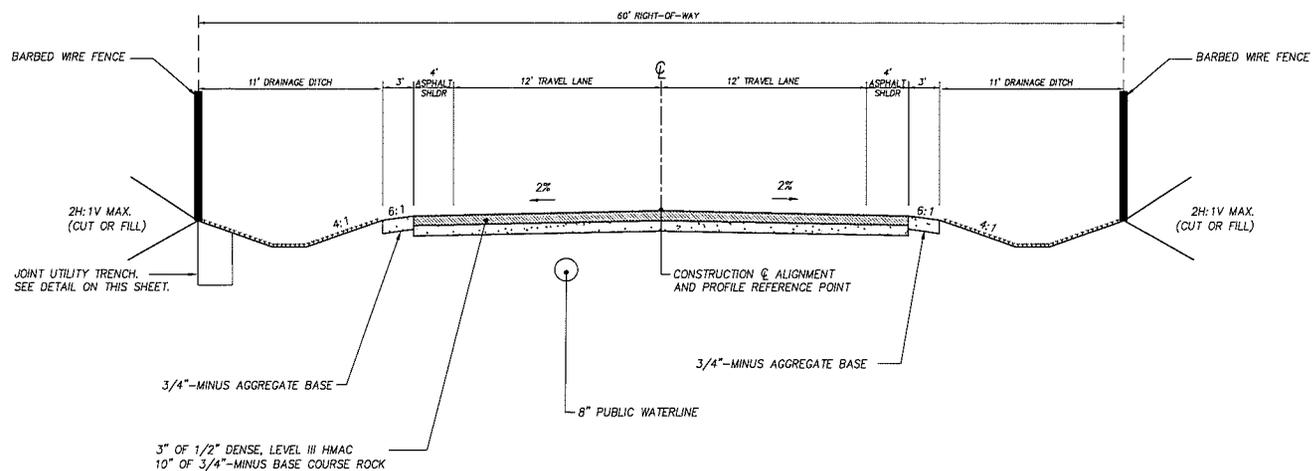
Infrastructure Finance Authority Grant	\$ 150,000.00	6.3%
Immediate Opportunity Fund Grant	\$ 841,137.21	35.1%
City (land & labor/equipment grading)	\$ 318,161.56	13.3%
Developer (Daimler) Cost Share	\$ 1,086,602.65	45.4%
<b>Grand Total</b>	<b>\$ 2,395,901.42</b>	

\* Total does not include natural gas infrastructure, lines being pulled for power & communications, and customer connection/service costs from utility providers (i.e. water, sewer, power, natural gas and communications).

Exhibit C  
Relocation Work

[attached]

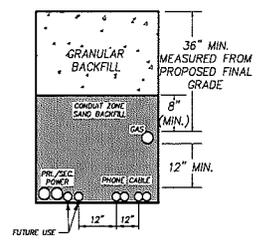




**MADRAS MUNICIPAL AIRPORT WEST ACCESS ROAD TYPICAL SECTION**  
N.T.S.

**NOTES:**

1. ALL CONDUITS MUST MAINTAIN THE REQUIRED SEPARATION FROM GAS LINES.
2. PHONE AND CABLE WILL HAVE MULTIPLE CONDUITS WHICH MAY AFFECT TRENCH WIDTH.



**JOINT UTILITY TRENCH**

1. THIS DETAIL IS SCHEMATIC AND FOR INFORMATIONAL PURPOSES.
2. THIS DETAIL IS TYPICAL FOR ALL JOINT UTILITY TRENCHES EXCEPT THE JOINT UTILITY TRENCH FOR PROPOSED TRACT A.
3. CONDUIT SIZE TO BE COORDINATED WITH UTILITY.

ROADWAY AND JOINT TRENCH SECTION  
ACCESS AND UTILITY IMPROVEMENTS  
MADRAS, OREGON

**Harper Houf Peterson Righellis Inc.**  
Professional Engineer  
245 SE Spokane Street, Suite 200, Portland, OR 97202  
Phone: 503.251.1131 www.hhp.com fax: 503.251.1131



DESIGNED	KVY	DATE	06/09/05
DRAWN	HHP/TEAM	DATE	
CHECKED	KVY	DATE	
R E V I S I O N S			
NO.	DESCRIPTION	DATE	

SHEET NO.  
**2** OF **2**

JOB NO.  
MBZ-03

P:\MBZ\03\mbz\_03\Drawings\Road\Access\11\Road\MBZ03\03\ASSESSMENT\PUBLIC\ROAD SECTION.dwg



125 SW "E" Street  
Madras, OR 97741  
541-475-2344  
[www.ci.madras.or.us](http://www.ci.madras.or.us)

January 20, 2016

Chair Jason Carr  
Central Oregon Intergovernmental Council  
334 NE Hawthorne Avenue  
Bend, OR 97701

Subject: Letter of Support for Designation of Central Oregon Regional Large Lot Industrial Site at Madras Airport

Chair Carr,

The City of Madras is requesting authorization from Central Oregon Intergovernmental Council to designate one of the Central Oregon Regional Large Lot Industrial site at the Madras Airport for Daimler Trucks North America (Daimler). Daimler Trucks North America has conducted limited tests of heavy-duty trucks at the Madras Airport since the 1980s. Daimler is the largest heavy-duty truck manufacturer in North America, with 40% of the market share.

Daimler will invest over \$18 million starting in 2016 to develop a new truck durability testing facility and in doing so will create approximately 30 new full-time equivalent jobs in the operations in Madras due to the closing of its Indiana track. Daimler will conduct their durability testing of various sized trucks and other vehicles will occur at the Madras Airport, which is not currently in the City of Madras' Urban Growth Boundary (UGB). The City of Madras owns and operates the Madras Airport and would like to bring the Daimler site into the UGB to ensure adequate services are provided, development permitting authority, and add their large private investment to the City's tax base.

The City has reviewed the Central Oregon Regional Large Lot Industrial Site Needs Analysis and would like to utilize this unique Needs Analysis to expand the City's UGB to include the Daimler truck durability test facility. Specifically, the City of Madras would like to designate one of the two 100-200 acre Regional Large Lot Industrial site allocated to the region in the short-term<sup>1</sup>. At this time the City would like to designate a 200 acres site at the Madras Airport as Regional Large Lot Industrial site (see Exhibits A & B). The size of the site will not exceed 200 acres however the results of a March 2016 wetlands survey may reduce the size of the site.

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<sup>1</sup> Central Oregon Large Lot Industrial Needs Analysis, page 60.

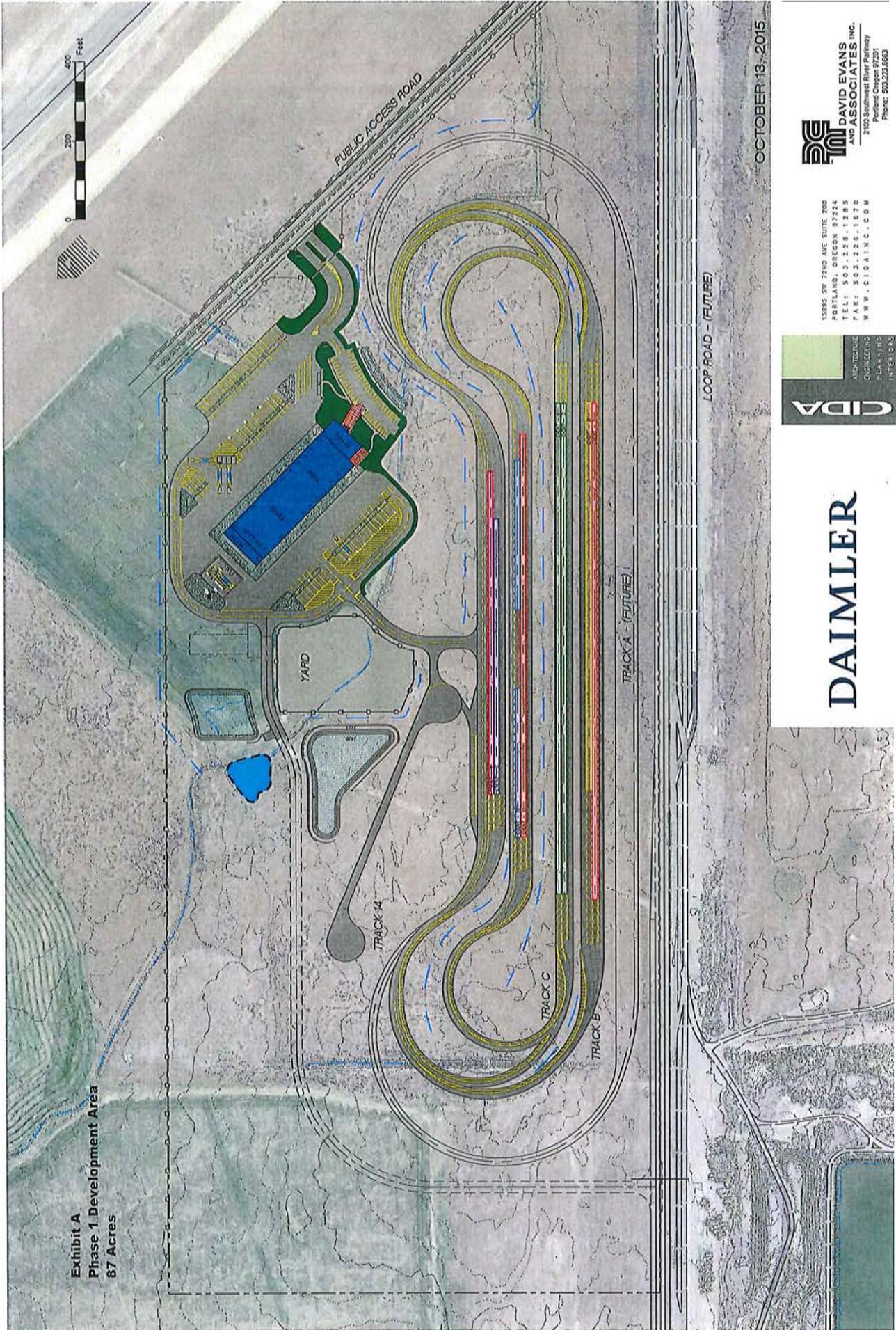
This is a significant economic development project for both Daimler and the City of Madras. Through this letter the City of Madras would like to express our support of the City's application to the Central Oregon Intergovernmental Council Board.

Thank you for your consideration!

Sincerely,

A handwritten signature in blue ink, appearing to read "Royce Embanks", with a large, stylized initial "R" that loops back.

Royce Embanks  
Mayor



**Exhibit A**  
**Phase 1 Development Area**  
**87 Acres**

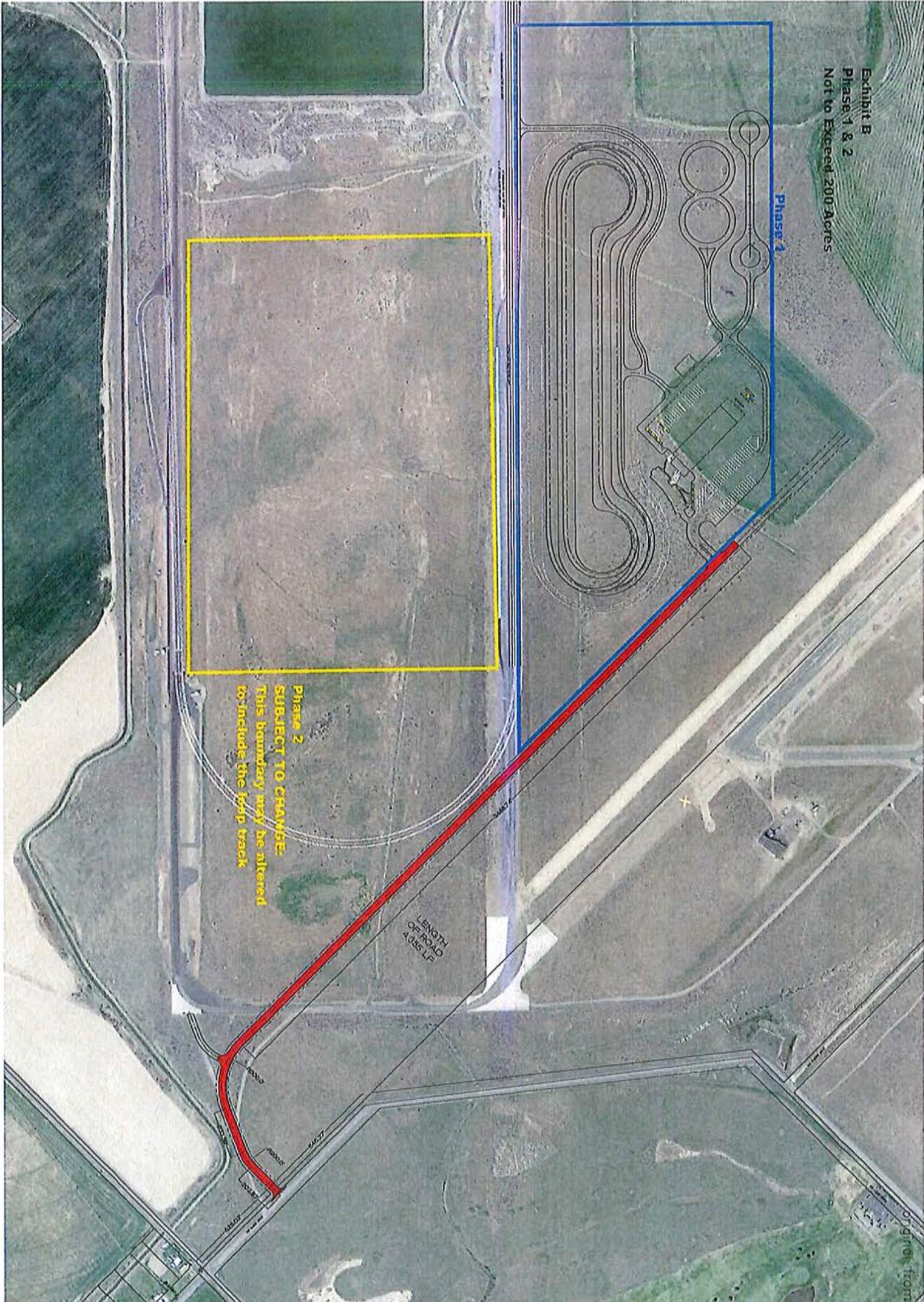
OCTOBER 18, 2015

**DAVID EVANS AND ASSOCIATES INC.**  
 2100 Southwest River Parkway  
 Portland, Oregon 97201  
 Phone: 503.225.6653

15895 SW 72ND AVE SUITE 200  
 PORTLAND, OREGON 97224  
 TEL: 503.228.1285  
 FAX: 503.228.1200  
 WWW.CIDAINC.COM



**DAIMLER**



<p><b>DAIMLER</b> MADRAS PROVING GROUNDS MADRAS, OREGON 97741</p>	<p>CIDA CONSTRUCTION INSURANCE DEVELOPMENT ASSOCIATION</p>	<p>DAVID EVANS AND ASSOCIATES, INC. 2100 Southeast River Parkway Portland Oregon 97201 Phone: 503.223.6603</p>	DELTA	ISSUE	DATE	RELEASE NAME

REGISTERED PROFESSIONAL ENGINEER

INTERGOVERNMENTAL AGREEMENT  
 BETWEEN THE CENTRAL OREGON CITIES AND COUNTIES, AND CENTRAL OREGON  
 INTERGOVERNMENTAL COUNCIL FOR THE LARGE LOT INDUSTRIAL LANDS PROGRAM  
 IN CENTRAL OREGON

**WHEREAS**, under ORS 190.010 to 190.020, *et seq.* Central Oregon Intergovernmental Council (COIC) is authorized to enter into a written agreement with any other unit or units of local government and specify the functions or activities to be performed and by what means; and

**WHEREAS**, under ORS 190.003 to 190.030, and 197.175, *et seq.*, cities and counties are authorized to enter into intergovernmental agreements and are required to prepare and adopt comprehensive plans consistent with Statewide Planning Goals; and

**WHEREAS**, a Central Oregon Large Lot Industrial Land Need Analysis dated November 20, 2012 documents an unmet short-term need for large-lot industrial sites, 50-acres or larger, in the Central Oregon area (Deschutes, Crook and Jefferson counties); and

**WHEREAS**, Deschutes, Crook, and Jefferson counties, through their governing bodies, are exercising their statutory coordinating authority (ORS 195.025) to address an unmet short-term regional need for large-lot industrial sites; and

**WHEREAS**, under OAR 660-024-0040 and 660-024-045, the local governments of Crook, Deschutes and Jefferson Counties may implement provisions of a regional large-lot industrial land need analysis adopted by all counties pursuant to ORS 195.025; and

**WHEREAS**, ORS 190.003, *et seq.* requires that an intergovernmental agreement relating to the performance of functions or activities by one unit of local government on behalf of another unit of local government specify the responsibilities between the parties; and

**WHEREAS**, the parties seek to develop a coordinated program that will identify suitable and available large-lot industrial sites for economic development purposes in the best interests of the Central Oregon region pursuant to the governing state and local legal requirements.

**CENTRAL OREGON CITIES, COUNTIES, and CENTRAL OREGON  
 INTERGOVERNMENTAL COUNCIL AGREE AS FOLLOWS:**

**1. Definitions.**

BOCC: Deschutes County and/or Jefferson County Board of County Commissioners

Central Oregon City or Cities. Cities located in Crook, Deschutes, and Jefferson counties.

Central Oregon County or Counties: Crook, Deschutes, and Jefferson counties.

COIC. Central Oregon Intergovernmental Council.

COIC Board. Central Oregon Intergovernmental Council Board of Directors.

Council. Central Oregon City Councils.

County Court. Crook County Court.

IGA. This Intergovernmental Agreement.

Jurisdictions. City and county governments located within Deschutes, Crook and Jefferson counties.

LLA. Central Oregon Large Lot Industrial Land Need Analysis dated November 20, 2012, and associated Comprehensive plan provisions adopted pursuant to ORS 195.025 and OAR 660-024-0045(2a).

Participating City. A city within Crook, Deschutes or Jefferson County that has adopted the LLA and entered into this IGA.

Regional Large Lot Industrial Program. The program to develop a Central Oregon regional supply of large lot industrial sites as defined within OAR 660-024-0045.

Urban Unincorporated Area (UUA). Territory within the Urban Growth Boundary but outside the boundaries of City.

Urban Growth Boundary (UGB). The boundary line shown in a City and County Comprehensive Plan that separates urban and urbanizable lands in and adjacent to the City from rural territory within the County

## **2. Intent and Purpose of IGA.**

The intent and purpose of this IGA is for Central Oregon Cities, Counties, and COIC to:

- A. Establish procedures to identify suitable and available large lot industrial sites to be processed for inclusion within a UUA under governing land use regulations.
- B. Establish review procedures for COIC as the regional coordinating authority to receive candidate site selections submitted by participating cities and to provide a recommendation of suitable sites for inclusion within the Regional Large Lot Industrial Program.
- C. Continue and improve coordination and communication between the Central Oregon Cities and Counties for specific plan amendments and zone changes addressing the short-term need for additional large-lot industrial sites.
- D. It is not the intent or purpose of this IGA for COIC to make or render land use decisions. The parties agree that COIC's roles and responsibilities under this IGA do not constitute land use decisions, and may not be regarded as such. Following a recommendation by COIC, the governing local jurisdictions (both City and County) shall follow all applicable land use regulations and requirements in connection with any plan amendment or zone change associated with the designation of large-lot industrial sites.

**3. Process for Exercising Responsibilities in the Large Lot Analysis (LLA).**

**Central Oregon Counties**

- A. Central Oregon Counties shall implement a program to create a regional short-term large-lot industrial land supply that enables Central Oregon to compete for industrial recruitment. Counties, through their governing bodies, shall exercise their statutory coordinating authority (ORS 195.025) to address an unmet regional need for large-lot industrial sites by adopting the LLA and regional large-lot industrial land policies into their comprehensive plans.
- B. Central Oregon Counties shall adopt and implement policies that conform to the LLA and specify, among other things, the number and site characteristics of vacant industrial sites to be included inside the UGB of the individual Cities located within their respective County.
- C. Central Oregon Counties, by exercising their statutory coordination authority and adopting and implementing policies that conform to the LLA, shall enable the Central Oregon Cities within their respective jurisdiction to implement measures to insure the availability of a short-term supply of large-lot industrial sites.
- D. Central Oregon Counties shall collaborate with Central Oregon Cities to identify and formalize candidate large-lot industrial sites for inclusion within the Regional Large-Lot Industrial Program.

**Central Oregon Intergovernmental Council**

- E. The parties agree that the COIC Board, by adopting COIC Resolution 243, is the regional coordinating authority for the LLA.
- F. The individual Central Oregon Cities shall submit candidate large-lot industrial sites and associated "Replenishment Sites" to COIC for potential inclusion within the Regional Large Lot Industrial Program consistent with the requirements of the LLA and governing regulations. The six individual sites included in this program shall be located in at least three different Jurisdictions. COIC shall provide the Central Oregon Cities and Counties with its recommendation as to the individual sites that should be included within the Regional Large-Lot Industrial Program. The governing City shall be responsible to complete and implement the land use process required for inclusion of such site within its UGB under the requirements of OAR 660 Division 24. COIC shall not make and does not have the authority to make land use decisions under this IGA.
- G. COIC will accept site submissions from participating cities on a quarterly basis until the full allotment of 6 short-term sites has been filled.

Site Submission Quarterly Due Date  
 March 31  
 June 30  
 September 30  
 December 31

COIC Board Review Date  
 First Thursday in May  
 First Thursday in August  
 First Thursday in November  
 First Thursday in February

- H. The COIC Board will review a participating city's site submission materials, as defined within Section 3 (N) of this IGA, to verify that the proposed site is qualified for the Regional Large Lot Industrial program based upon criteria defined within OAR 660-024-0045:
1. The proposed site is located in Crook, Deschutes or Jefferson counties.
  2. The proposed site is 50 acres or larger in size. The site will be determined to be 50 acres or larger if it is:
    - a. A single lot or parcel that is at least 50 acres
    - b. An aggregation of existing lots or parcels under the same ownership that comprises at least 50 acres, or
    - c. An aggregation of existing lots or parcels not in the same ownership created and maintained as a unit of land comprising at least 50 acres through a binding agreement among the owners.
  3. The proposed site is determined to be "available," as that term is defined in OAR 660-009-0025(7).
  4. The proposed site provides the site characteristics necessary for traded sector uses as set forth in the LLA.
  5. The city demonstrates that the site was identified through conducting an analysis consistent with requirements contained within OAR 660-024-0045 (8) (a) and (b).

Additionally, the COIC Board will review proposed sites to verify that collectively the six regional sites:

1. Are located within at least three separate jurisdictions
2. Include two sites of at least 100 acres and not more than 200 acres, and one site more than 200 acres.

In the event that applicable administrative rules are amended so that they conflict with the requirements of this IGA, the administrative rules as amended will control.

- I. In the event that multiple qualified sites are proposed for a single available opening, the COIC Board shall consider recommendations provided by Business Oregon and Economic Development for Central Oregon, and recommend the site that best achieves the LLA criteria and site characteristics.
- J. The COIC Board recommendation is a prerequisite for the Central Oregon Cities and Counties to initiate a plan amendment/zone change under the Regional Large-Lot Industrial Program. COIC's recommendations shall be based on the information and documents submitted by the Central Oregon Cities and Counties. COIC need not take or consider information provided by any other person or entity in its recommendation process. The parties agree that the recommendations provided by COIC under this program are final and binding, and are not subject to any appeal, challenge or protest and each of the parties hereto hereby waive and relinquish any and all such rights.

**Central Oregon Cities**

- K. Provided that the LLA has been adopted by Crook, Deschutes and Jefferson Counties, participating cities shall adopt the LLA to implement the Regional Large Lot Industrial program.
- L. Upon the adoption of the LLA, each participating city may choose to implement the short-term land supply for large-lot industrial sites, subject to conformance with state law and the LLA, including the mutually agreed upon proportionate allocation that governs the location of individual sites designated under the Regional Large-Lot Industrial Program.
- M. Participating cities shall collaborate with their respective County jurisdiction to identify and formalize candidate large lot industrial sites for land use entitlements.
- N. Participating cities shall submit to COIC documentation that the proposed large lot site complies with the LLA and OAR 660-024-0045. The site submission materials must include at a minimum:
1. Vicinity map and site map;
  2. Site acreage;
  3. Description of the site's current development status and zoning;
  4. Description of site dimensions including slope and description of any unique geographic features;
  5. A statement on the site's infrastructure and utility serviceability.
  6. Description of site location in relation to the UGB;
  7. If outside of the UGB, the proposal must include an analysis documenting that other lands located within the UGB are not available and/or suitable for the Large Lot Industrial program;
  8. Evidence that the property owner is a willing Large Lot Industrial program participant and will accept site restrictions;
  9. Letters of support from Economic Development for Central Oregon and Business Oregon; and
  10. Evidence of coordination with County.
- O. Participating cities, upon receiving a preliminary recommendation from the COIC Board, shall prepare findings consistent with OAR 660 Division 24 and ORS 197.298.
- P. Participating cities initiating a plan amendment/zone change for a large-lot industrial site under the Regional Large-Lot Industrial Program shall collaborate with their respective County.
- Q. Participating cities shall adopt the relevant portions of the LLA concerning short term industrial land needs, and their respective County's regional industrial lands policies, into their comprehensive plan.
- R. Participating cities shall apply an urban industrial holding zone designation to large-lot industrial properties included within a UUA under the Regional Large Lot

Industrial Program pending annexation of the property into the applicable City limits. The industrial holding zone designation applied by the City shall establish and maintain the large lot status of the property consistent with the LLA, OAR 660-024-0045(9) and (10), and the associated regional industrial lands policies.

- S. In connection with any plan amendment or zone change for a large-lot industrial property designated under the Regional Large-Lot Industrial Program, the participating cities shall designate the specific industrial zoning code regulations that will govern the site upon annexation into the governing City limits. The zoning regulations to be applied by the City shall be consistent with the LLA, OAR 660-024-0045(9), and associated regional lands policy.
- T. Participating cities shall, based on OAR 660-024-0045(9a), establish a developer agreement with a willing property owner that specifies, at a minimum, that a large-lot industrial site shall stay in the regional large-lot industrial supply for ten years. After ten years, if agreed upon by both a Central Oregon City and a property owner, the site can be:
  - 1. Removed from the regional supply by the Central Oregon City by exercising OAR 660-024-0070; or,
  - 2. Re-designated and rezoned to another urbanized use pursuant to findings that comply with OAR 660 Division 24.

#### 4. Indemnification.

- A. Participating Cities and Counties agree to jointly and severally defend, indemnify and hold COIC, and each of its officials, directors, officers, employees and agents, completely harmless from and against any and all claims, damages, losses, and expenses (including but not limited to attorney fees, at trial and on appeal) alleged or asserted concerning or relating to: (a) COIC's refusal to consider or denial of any non-participating person or entity's application or assertion of rights under this Agreement; and/or (b) COIC's proper exercise of its responsibilities and recommendations made under this Agreement. COIC shall have no obligation to defend or otherwise incur any fees or expenses to defend any recommendation, performance or failure to perform under this Agreement.
- B. To the maximum extent permitted by law, participating Cities and Counties hereby agree to jointly and severally defend, indemnify and hold each other, and each of its officials, directors, officers, employees and agents, completely harmless from and against any and all claims, damages, losses, and expenses (including but not limited to attorney fees, at trial and on appeal) relating to actions, recommendations, performance or failure to perform by the indemnifying party under this IGA.
- C. This indemnity provision survives the termination of this IGA. Nothing in this provision shall extend or increase any party's liability beyond the limitations of the Oregon Tort Claims Act or Article XI, section 10 of the Oregon Constitution.

**5. Review, Amendment and Termination.**

- A. No Third-Party Beneficiaries. The parties do not intend to confer and do not confer any right or remedy on any third party.
- B. This IGA may be reviewed and amended at any time by mutual consent of all the parties, confirmed in writing.
- C. Any modifications to this IGA will be consistent with Central Oregon City and County comprehensive plans and state law.
- D. This IGA will automatically be reviewed every two (2) years upon the biennial anniversary of the original effective date. COIC reserves the right in the future to request compensation for program costs.
- E. A Central Oregon City may elect to withdraw from this IGA, with ninety (90) days advance written notice to all of the parties. Upon withdrawal, all recommendations, rights and obligations of the withdrawing Central Oregon City under the IGA and the Regional Large-Lot Industrial Program automatically terminate.
- F. This IGA may be terminated by mutual agreement of the parties, confirmed in writing.
- G. Alternatively, this IGA may be terminated by COIC and/or a Central Oregon County by the following procedure:
  - 1. A public hearing will be held by the party considering termination. The party must give the other parties notice of the hearing at least 45 days prior to the scheduled hearing date. All parties shall seek to resolve any differences during the 45-day period.
  - 2. Termination of the agreement will be effective 90 days after the public hearing to provide time for resolution of differences.

**6. IGA Effective Date.**

- A. This IGA shall be effective when signed by COIC, all three counties, and at least one city.
- B. This IGA may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

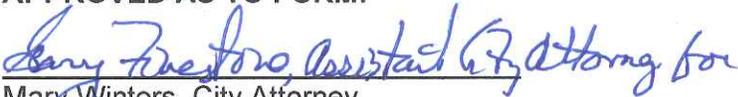
Dated this 22<sup>nd</sup> of, 2013

THE CITY OF BEND

By:   
Jim Clinton, Mayor

By:   
Eric King, City Manager

APPROVED AS TO FORM:

  
Mary Winters, City Attorney

Dated this \_\_\_\_\_ of, 2013

THE CITY OF CULVER

By: \_\_\_\_\_  
x, Mayor

By: \_\_\_\_\_  
x, City Manager

APPROVED AS TO FORM:

\_\_\_\_\_  
x, City Attorney

Dated this \_\_\_\_\_ of, 2013

THE CITY OF LA PINE

By: \_\_\_\_\_  
x, Mayor

By: \_\_\_\_\_  
x, City Manager

APPROVED AS TO FORM:

\_\_\_\_\_  
x, City Attorney

Dated this 9<sup>th</sup> day of April, 2013

THE CITY OF MADRAS

By: *Melanie Widom*  
x, Mayor

By: *Thos W Burrell*  
x, City Manager

APPROVED AS TO FORM:

*[Signature]*  
x, City Attorney

ATTEST:

*Karen J. Coleman* 4-9-2013  
Karen J. Coleman, City Recorder

Dated this \_\_\_\_\_<sup>th</sup> of, 2013

THE CITY OF METOLIUS

By: \_\_\_\_\_  
x, Mayor

By: \_\_\_\_\_  
x, City Manager

APPROVED AS TO FORM:

\_\_\_\_\_  
x, City Attorney

Dated this \_\_\_\_\_<sup>th</sup> of, 2013

THE CITY OF PRINEVILLE

By: \_\_\_\_\_  
x, Mayor

By: \_\_\_\_\_  
x, City Manager

APPROVED AS TO FORM:

\_\_\_\_\_  
x, City Attorney

Dated this \_\_\_\_\_<sup>th</sup> of, 2013

Dated this \_\_\_\_\_<sup>th</sup> of, 2013

**THE CITY OF MADRAS**

By: \_\_\_\_\_  
x, Mayor

By: \_\_\_\_\_  
x, City Manager

**APPROVED AS TO FORM:**

\_\_\_\_\_  
x, City Attorney

Dated this \_\_\_\_\_<sup>th</sup> of, 2013

**THE CITY OF METOLIUS**

By: \_\_\_\_\_  
x, Mayor

By: \_\_\_\_\_  
x, City Manager

**APPROVED AS TO FORM:**

\_\_\_\_\_  
x, City Attorney

Dated this \_\_\_\_\_<sup>th</sup> of, 2013

**THE CITY OF PRINEVILLE**

By: Betty Hoppe  
x, Mayor

By: [Signature]  
x, City Manager

**APPROVED AS TO FORM:**

Carl Smith  
x, City Attorney

Dated this \_\_\_\_\_<sup>th</sup> of, 2013

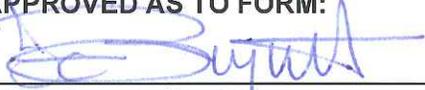
Dated this 9 day of April, 2013

**THE CITY OF REDMOND**

By:   
George Endicott, Mayor

By:   
Sharon Harris, Interim City Manager

**APPROVED AS TO FORM:**

  
Steve Bryant, City Attorney

-----  
Dated this \_\_\_\_\_<sup>th</sup> of, 2013

**THE CITY OF SISTERS**

By: \_\_\_\_\_  
x, Mayor

By: \_\_\_\_\_  
x, City Manager

**APPROVED AS TO FORM:**

\_\_\_\_\_  
x, City Attorney

-----  
COUNTY SIGNATURES ON THE FOLLOWING PAGE

**THE CITY OF REDMOND**

By: \_\_\_\_\_  
x, Mayor

By: \_\_\_\_\_  
x, City Manager

**APPROVED AS TO FORM:**

\_\_\_\_\_  
x, City Attorney

Dated this May 9<sup>th</sup> of, 2013

**THE CITY OF SISTERS**

By: \_\_\_\_\_  
x, Mayor

By: \_\_\_\_\_  
x, City Manager

**APPROVED AS TO FORM:**

\_\_\_\_\_  
x, City Attorney

COUNTY SIGNATURES ON THE FOLLOWING PAGE

CROOK COUNTY

Dated this 15<sup>th</sup> of MAY, 2013

CROOK COUNTY COURT

Mike McCabe  
Judge Mike McCabe

Ken Fahlgren  
Commissioner KEN FAHLGREN

Seth Crawford  
Commissioner SETH CRAWFORD

ATTEST:

Colleen H. Ferguson  
Recording Secretary Colleen H. Ferguson

DESCHUTES COUNTY

Dated this \_\_\_\_\_ of \_\_\_\_\_, 2013

BOARD OF COUNTY COMMISSIONERS

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

ATTEST:

\_\_\_\_\_  
Recording Secretary

\_\_\_\_\_  
Commissioner

**CROOK COUNTY**

Dated this \_\_\_\_\_ of \_\_\_\_\_, 2013

CROOK COUNTY COURT

\_\_\_\_\_  
Judge

\_\_\_\_\_  
Commissioner

ATTEST:

\_\_\_\_\_  
Recording Secretary

\_\_\_\_\_  
Commissioner

**DESCHUTES COUNTY**

Dated this 15 of April, 2013

BOARD OF COUNTY COMMISSIONERS

Alan Unger  
ALAN UNGER, CHAIR

Tammy Baney  
TAMMY BANEY, VICE-CHAIR

ATTEST:

Connie Thomas  
Recording Secretary

Anthony DeBona  
ANTHONY DEBONE, COMMISSIONER

**JEFFERSON COUNTY**

Dated this 10<sup>th</sup> of April, 2013

**BOARD OF COUNTY COMMISSIONERS**

Wayne Furling  
, CHAIR

Mike Johnson  
, COMMISSIONER

ATTEST:

Barbara Andresen  
Recording Secretary

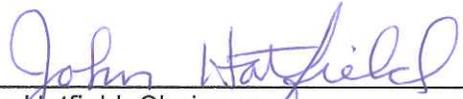
John Hatfield  
, COMMISSIONER

CENTRAL OREGON INTERGOVERNMENTAL COUNCIL SIGNATURES ON THE FOLLOWING PAGE

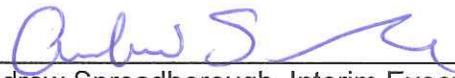
**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**

Dated this 4th of April, 2013

**Signed:**

  
\_\_\_\_\_  
John Hatfield, Chairman  
Central Oregon Intergovernmental Council

**ATTEST:**

  
\_\_\_\_\_  
Andrew Spreadborough, Interim Executive  
Director  
Central Oregon Intergovernmental Council

June 19, 2015

Daimler Trucks North America LLC  
Attn: Matt Markstaller  
4747 Channel Avenue  
Portland, Oregon 97217

Re: Letter of Intent – Truck Test Track Facility – Madras Airport Property

Dear Matt:

This letter is written to summarize the general terms and conditions under which the City of Madras, an Oregon municipal corporation (“City”), is interested in leasing the Land (as defined below) to Daimler Trucks North America LLC, a Delaware limited liability company (“Daimler”), for Daimler’s development, construction, and operation of a durability truck testing facility (the “Project”). The Project is expected to consist of (a) one or more vehicle test tracks constructed of asphalt, concrete, and/or gravel, and (b) several structures or improvements for office, vehicle maintenance, and support, including, without limitation, an approximately 26,000 square foot maintenance building (approximately 4,500 square feet of which will be used for office space) and a vehicle washing station. The terms and conditions contained in this letter are based upon the parties’ current intentions and information known to the parties as of the date of this letter; the parties acknowledge that Project planning is ongoing with many details (including scope and costs) yet to be determined. Except for the provisions contained in Part Two of this letter, this letter is nonbinding and does not grant or impose any legal rights and/or obligations on City or Daimler.

#### Part One – Nonbinding Provisions

Based upon information known to the parties as of the date of this letter, City proposes that the Lease (as defined below) be prepared, subject to the parties’ mutual review and approval, with the nonbinding provisions set forth in this Part One (collectively, the “Non-Binding Provisions”):

1. Airport Ground Lease. City is willing to pursue the negotiation of a mutually acceptable Ground Lease Agreement (the “Lease”) with Daimler pursuant to which Daimler will develop, construct, and operate the Project on that certain real property consisting of approximately 87 acres of City land (the “Land”) located adjacent to the Madras Municipal Airport (the “Airport”), which Land is more particularly described and depicted on the attached Exhibit A. The Lease will be based upon City’s standard form airport ground lease and will contain such representations, warranties, covenants, indemnification provisions, and other terms and conditions as the parties may mutually agree are reasonable and appropriate. Daimler will obtain, at Daimler’s cost and expense, all necessary permits, licenses, reviews, and approvals required under the Laws (as defined below) for construction and use of the Project on the Land. Daimler’s development, construction, and operation of the Project will comply with all applicable Laws. For purposes of this letter, the term “Law(s)” means all applicable federal, state, and local laws, regulations, and ordinances, including, without limitation, any rules and/or regulations promulgated by the Federal Aviation Administration (“FAA”) and/or any other federal airport

authority, whether now existing or hereafter amended, adopted, and/or established. The Lease will generally identify those Laws applicable to the Land and/or Project due to the Land's and/or Project's close proximity to the Airport.

2. General Lease Terms. Subject to review and approval by each party, the Lease will be prepared with the following general terms and conditions:

(a) Daimler will commence construction of the Project within 180 days after all applicable Project permits and approvals are obtained, including, without limitation, any approval required by the FAA. Daimler will complete construction of the Project within 500 days after commencement of construction, subject to automatic extension for delays due to force majeure.

(b) Daimler will lease the Land from City for a period equal to the sum of the Project construction period plus 20 years (the "Initial Lease Term"), subject to the earlier termination of the Lease pursuant to its terms. Provided Daimler is not then in default under the Lease, Daimler will have the option (each an "Extension Option") to extend the Initial Lease Term for three consecutive additional terms of 10 years each (each an "Extended Term"). The terms and conditions for each Extended Term will generally be identical with the Initial Lease Term except for Base Rent (as defined below) and Additional Rent (as defined below) and Daimler will no longer have any Extension Option that has been exercised.

(c) Commencing on the Rent Start Date (as defined below), Daimler will pay City minimum annual base rent (in equal monthly installments), without offset, in an amount equal to \$1,740.00 per acre, per year ("Base Rent"), pro-rated as necessary, plus additional rent charges of \$38.00 per acre, per year for lighting and access fee charges ("Additional Rent"); provided, however, commencing on the date of the parties' mutual execution of the Lease (the "Effective Date"), Daimler will be required to pay all taxes (if any), insurance costs, utility charges (e.g., electricity, telephone, water, etc.) incurred on or for the Land and/or Project. Commencing on the first year anniversary of the Rent Start Date, and continuing annually thereafter until the tenth year anniversary of the Rent Start Date, Base Rent and Additional Rent will increase by one and one-half percent (1.5%) over Base Rent and Additional Rent, as applicable, for the immediately preceding twelve-month period. For purposes of this letter, the term "Rent Start Date" means the earliest to occur of the following: (a) twelve (12) months after the Effective Date, or (b) substantial completion of the Project.

(d) On the tenth year anniversary of the Rent Start Date, and continuing thereafter every ten years during the Lease Term (as defined below), Base Rent and Additional Rent will be equal to the then-current fair market rental rate for the Land, which amount will be determined as follows: (i) the parties will seek for a period of not more than sixty (60) days to reach mutual agreement on such fair market rental rate, and (ii) if Daimler and City are unable within such period to agree on the then-current fair market rental rate of the Land, the fair market rental rate will be determined by neutral and independent real estate appraiser(s) in accordance with the Lease. In either case, fair market rent for the Land shall be based on the assumption that the Land is vacant, unimproved and not leased (i.e., without regard to any value attributable to the Lease or any improvements on the Land). During each year of the Lease Term upon the anniversary of the Rent Start Date, Base Rent and Additional Rent will increase by one and one-half percent (1.5%) over the Base Rent and Additional Rent, as applicable, for the immediately preceding twelve-month period. For purposes of this letter, the term "Lease Term" means the Initial Lease Term and each Extended Term, if applicable.

(e) Daimler will consent to City's annexation of the Land if requested by City. Daimler's use of the Land must comply with all Laws. Daimler's use of the Land will be subject to certain easements and access requirements as determined by City, subject to Daimler's review and approval of such easements and requirements. Daimler may use the Land for any lawful and permitted purpose, provided that any material change in the use of the Land will be subject to the City's prior consent, which consent will not be unreasonably withheld.

(f) A portion of the Land may be subject to an existing farm lease with Deschutes Basin Farms LLC (the "Existing Lease"). City anticipates that the Existing Lease will be terminated or modified to accommodate the Project and Daimler's lease of the Land. Daimler will be responsible for the costs and expenses incurred to terminate and/or modify the Existing Lease, whether such costs and expenses are incurred by City, the tenant under the Existing Lease, and/or otherwise, up to a maximum of \$2,000.00. City will be responsible for all such costs and expenses in excess of \$2,000.00.

(g) Daimler's use of the Land will be reasonably restricted to accommodate the annual Madras Air Show, which restrictions will be identified in the Lease and subject to Daimler's review and approval (which approval will not be unreasonably withheld). The Madras Airshow generally occurs in August for a period of three days. Daimler will receive advance notice of the event.

(h) Daimler and City will discuss whether the Lease will contain rights of first refusal, expansion, and other options for land located in or adjacent to the Airport, including expansion areas for a potential high speed track and/or future vehicle dynamics facility.

(i) Daimler will pay all costs, expenses, and fees attributable to the development, construction, and operation of the Project, including, without limitation, all applicable system development charges and connection fees. City and Daimler will individually and jointly pursue any economic development grants and other funding sources to offset the costs of off-site improvements, including Special Public Works Funds and Immediate Opportunity Funds, that may be necessary or desirable in connection with the Project.

(j) Daimler may assign, sublet, and/or otherwise transfer any or all of its rights under the Lease to any affiliate, subsidiary, or related company of Daimler without City's consent, provided that (A) Daimler gives notice to City of each such transfer, and (B) Daimler is not released from its obligations under the Lease as a result of such transfer. All other transfers shall be subject to City's prior consent, which consent shall not be unreasonably withheld.

(k) Daimler will have the right to mortgage, pledge, hypothecate, and/or otherwise encumber Daimler's leasehold estate in the Land under the Lease and any improvements constructed thereon for the sole purpose of financing (the "Leasehold Financing"), provided that such Leasehold Financing will be and at all times remain subject to the Lease and City's rights and remedies therein. City will not be obligated to subordinate its interest in the Land to any Leasehold Financing. Subject to City's review and approval, the Lease will contain such provisions as may be necessary for the Lease to be a financeable ground lease.

(l) Daimler's obligations under the Lease will be conditioned on (a) Daimler's review and approval of its due diligence investigation of the Land, including, without limitation, site planning, environmental assessments, title review, etc., (b) receipt of all permits and approvals that Daimler deems necessary or desirable with respect to the Project, and (c) approval of the final budget

for the Project. The Lease will specify timelines for satisfaction or waiver of each of these conditions. Daimler will have the right to enter the Land to conduct such due diligence investigations provided Daimler defends, indemnifies, and holds City harmless for any damages or claims caused thereby.

(m) All terms and conditions of the Lease will at all times prior to its execution remain subject to the parties' mutual approval in all respects. The target date for lease execution is on or before October 1, 2015.

3. Economic Development Incentives. City acknowledges that Daimler is pursuing various economic development incentives in connection with the Project, including, without limitation, tax exemption for the Project under the Oregon Enterprise Zone program. City will reasonably cooperate with Daimler's efforts to secure such incentives.

#### Part Two – Binding Provisions

The binding provisions set forth in this Part Two (collectively, the "Binding Provisions") are legally binding and enforceable against City and Daimler.

4. Exclusivity Period. For a period of 90 days after the date this letter is mutually executed by the parties (the "Exclusivity Period"), City will not enter into any agreements or accept any proposals from any person or entity (other than Daimler) relating to the development and/or use of the Land. If City and Daimler are unable to negotiate and execute the Lease within the Exclusivity Period, City may begin negotiating with any other person or entity concerning the Land, including, without limitation, providing any information or making any proposal or request to any person or entity concerning the lease of the Land.

5. Land Use Applications; Costs and Expenses; Construction. The Land is located outside City's Urban Growth Boundary and is regulated by the FAA. To this end, the construction and development of the Project requires certain approvals, including, without limitation, FAA approval and Jefferson County land use approval. In an effort to expedite the Project's land use approval process, City will assist and cooperate with Daimler's filing of any necessary land use applications (including a Site Plan Review and Conditional Use application with the Jefferson County Community Development Department) subject to the following conditions: (a) Daimler will prepare, file, and pay all fees and costs related to all land use applications and related filings or submissions, including, without limitation, permitting and design, subject to Daimler's prior approval of such fees and costs in each instance; and (b) if this letter is terminated under Section 6 (unless terminated because of the parties' execution of the Lease), Daimler will terminate any pending applications and/or approvals concerning the Land and will complete and file any documentation City deems necessary or appropriate to terminate such pending applications and/or approvals at Daimler's cost and expense. Daimler will be required to go through all standard land use processes and approvals concerning the Project. This letter is not a promise or commitment that any land use applications or approvals will be received by Daimler. Daimler will not conduct any grading, development, site improvements, and/or any construction activities of any kind or nature whatsoever on the Land unless and until the Lease is executed by City and Daimler.

6. Term; Termination. This letter will terminate upon the earliest to occur of the following: (a) upon the written agreement of City and Daimler; (b) upon the expiration of the Exclusivity Period; (c) upon the parties' execution of the Lease; and/or (d) upon notice by a party to the other party that the

party desires to terminate the negotiation of the Lease. Upon termination of this letter, the parties will have no further rights or obligations hereunder except that Daimler will have those payment and filing obligations provided under Section 5.

7. Miscellaneous.

7.1 Provisions; Third-Party Beneficiaries. The Nonbinding Provisions are not legally binding or enforceable against City or Daimler. No binding obligation will exist with respect to the subject matter of the Nonbinding Provisions unless and until the parties sign the Lease, and then only to the extent such obligations are set forth in the Lease. The Binding Provisions will be binding on the parties and their respective heirs, personal representatives, successors, and permitted assigns, and will inure to their benefit. The parties do not intend to confer any right or remedy on any third party.

7.2 Severability; Assignment; Binding Effect. Each provision contained in this letter will be treated as a separate and independent provision. The unenforceability of any one provision will in no way impair the enforceability of any other provision contained herein. Any reading of a provision causing unenforceability will yield to a construction permitting enforcement to the maximum extent permitted by applicable law. Daimler will not assign this letter to any person without City's prior written consent. Subject to the immediately preceding sentence, this letter will be binding on the parties and their respective heirs, personal representatives, successors, and permitted assigns, and will inure to their benefit. This letter may be amended only by a written agreement signed by each party.

7.3 Attorney Fees. With respect to any dispute relating to this letter, or if a suit, action, arbitration, or other proceeding of any nature whatsoever is instituted to interpret or enforce the provisions of this letter, including, without limitation, any proceeding under the U.S. Bankruptcy Code and involving issues peculiar to federal bankruptcy law or any action, suit, arbitration, or proceeding seeking a declaration of rights or rescission, the prevailing party will be entitled to recover from the losing party its reasonable attorney fees, paralegal fees, expert fees, and all other fees, costs, and expenses incurred in connection therewith, as determined by the judge or arbitrator at trial, arbitration, or other proceeding, or on any appeal or review, in addition to all other amounts provided by law.

7.4 Governing Law; Venue. This letter is governed by the laws of the State of Oregon, without giving effect to any conflict-of-law principle that would result in the laws of any other jurisdiction governing this letter. Any action or proceeding arising out of this letter will be litigated in courts located in Jefferson County, Oregon. Each party consents and submits to the jurisdiction of any local, state, or federal court located in Jefferson County, Oregon.

7.5 Attachments; Notices. Any exhibits, schedules, instruments, documents, and other attachments referenced in this letter are part of this letter; provided, however, if any exhibits, schedules, instruments, documents, and/or other attachments conflict with the terms of this letter, the terms of this letter will control. All notices or other communications required or permitted by this letter must be in writing, must be delivered to the parties at the addresses first set forth above, or any other address that a party may designate by notice to the other party, and are considered delivered upon actual receipt if delivered personally, by fax, or by a nationally recognized overnight delivery service, or at the end of the second business day after the date of deposit if deposited in the United States mail, postage pre-paid, certified, return receipt requested.

7.6 Waiver; Entire Agreement. No provision of this letter may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing by City and Daimler. No waiver of either party at any time of the breach of, or lack of compliance with, any conditions or provisions of this letter will be deemed a waiver of other provisions or conditions hereof. This letter contains the entire agreement and understanding between the parties with respect to the subject matter of this letter and contains all of the terms and conditions of the parties' agreement and supersedes any other oral or written negotiations, discussions, representations, or agreements.

7.7 Execution; Counterparts; Survival. The parties may execute this letter in separate counterparts, each of which when executed and delivered will be an original, but all of which together will constitute one and the same instrument. Facsimile or email transmission of any signed original letter will be the same as delivery of an original. At the request of either party, the parties will confirm facsimile or email transmitted signatures by signing and delivering an original letter.

With the exception of the Binding Provisions (Part Two), this letter does not constitute a binding agreement between the parties. This letter is an expression of the mutual intent and desires of the parties as to certain aspects of the Lease. However, the parties agree that there are material terms as to which agreement has not been reached and this letter is not to be construed as a definitive contract. This letter is subject to the parties' execution of the Lease, which Lease must be satisfactory to each party and their respective legal counsel, including, in the case of City, the Madras City Council. It is expressly understood and agreed that (a) no liability or binding obligation is intended to be created between or among any of the parties to this letter, except with respect to the Binding Provisions, and (b) other than with respect to the Binding Provisions, any legal rights and obligations between or among any of the parties to this letter will come into existence only upon the parties' execution and delivery of the Lease, and then only in accordance with the terms and conditions of the Lease. Notwithstanding any other provision herein, (y) City acknowledges that Daimler is considering several alternative sites for the Project and that, while the Land is currently the preferred option, the final site selection decision has not yet been made by Daimler and is subject to a final cost-benefit analysis to be performed by Daimler with respect to each site, and (z) Daimler reserves the right in its sole discretion to terminate at any time further discussions with respect to the Lease and Project, subject to the payment and filing obligations under Section 5, above.

Please sign both copies of this letter where indicated below if the above general terms and conditions are acceptable. Retain one copy for your files and return the second signed copy to me not later than 5:00 p.m. on June 23, 2015. I look forward to a successful relationship with you and await your prompt response.

Sincerely,



Gus Burrell, City Administrator

cc: Jeremy M. Green, Bryant, Lovlien & Jarvis, P.C.  
Madras City Council

Daimler Acknowledgement and Agreement

On behalf of Daimler, the undersigned (a) has read and understands the terms of this letter, and (b) is authorized to execute this letter on behalf of Daimler.

Daimler Trucks North America LLC,  
a Delaware limited liability company

By:   
Name: Matthew Markstaller  
Title: Manager, Property and Buildings  
Dated: 6/19/15

DATE: March 25, 2016  
TO: Nick Snead  
FROM: Beth Goodman and Bob Parker  
SUBJECT: MADRAS LARGE LOT INDUSTRIAL ANALYSIS

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The City of Madras is embarking on an urban growth boundary (UGB) expansion for a large-lot industrial site based on the *Central Oregon Large Lot Industrial Land Need Analysis* (November 2012) and OAR 660-024-0045. The City contracted with ECONorthwest to provide information for the submission of the analysis of candidate large-lot industrial sites to the Central Oregon Intergovernmental Council (COIC). This memorandum presents: (1) site characteristics for the proposed used on the large lot industrial site and (2) maps that show existing large sites within the Madras UGB.

Madras is proposing to bring one site of 100 to 200 acres into the UGB to meet the needs for development of a truck testing facility for Daimler Trucks North America (Daimler). The facility will be a vehicle proving grounds for testing commercial trucks ranging from delivery trucks to dump trucks to tractor trailers (e.g., 18-wheelers). Once the facility is built, truck testing will occur in two shifts per day, six days per week. The vehicle proving grounds will include:

- **Campus** that includes office space, shop space, a truck wash, ballasting building with truck scales (to load the trucks with weight for testing), outdoor truck testing event area, storage yard for truck parts, and other facilities needed to support testing of the trucks. The campus must include enough room to maneuver the trucks through the shop and other facilities in the campus area.
- **Durability test track** that is one mile long with features such as bumps and cobbles to test the durability of the trucks.
- **Vehicle dynamics area** to test the handling, steering, acceleration, stopping, active and passive safety systems, and truck systems. The vehicle dynamics area will include a circle for driving the trucks and acceleration lanes. The circle will have a radius of 150 feet, with room for future expansion to a 350 feet radius circle.
- **Three mile long high-speed test track** to test drive the trucks.

Daimler plans to develop the campus and durability test track in 2016, with plans for future expansion to include the vehicle dynamics area and three-mile long test track.

## Site Characteristics

The Regional Large Lot Industrial Land section of OAR 660-024-045 requires Madras to identify necessary site characteristics of needed land, using the definition of site characteristics found in OAR 660-009. Site characteristics are defined as follows in OAR 660-009-0005(11):

*"Site Characteristics" means the attributes of a site necessary for a particular industrial or other employment use to operate. Site characteristics include, but are not limited to, a minimum acreage or site configuration including shape and topography, visibility, specific types or levels of public facilities, services or energy infrastructure, or proximity to a particular transportation or freight facility such as rail, marine ports and airports, multimodal freight or transshipment facilities, and major transportation routes.*

Madras has identified the need for a large-lot industrial site for a vehicle proving ground for a truck testing facility for Daimler. The following section describes the characteristics of the site needed by Daimler for the vehicle proving ground facility.

1. **Site size.** The vehicle proving ground will be built in two phases. The first phase will be development of the campus and durability test track. These facilities will require about 87 acres of unconstrained land, to provide sufficient space for the campus buildings, test track, storage yards, and space for truck maneuvering. The second phase of development will include the vehicle dynamics area and a portion of the three mile long test track and will require about 100 to 110 acres of unconstrained land. The configuration of the site must be allow for development of these types of facilities.

The size of the site has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because the site must be large enough to accommodate the proposed facilities. The testing track and facilities require sufficient space for maneuvering the trucks within the site, space to bring trucks to testing speeds, truck parking and storage, internal automotive circulation on the site, and parking for employees and facility visitors.

2. **Topography.** The vehicle proving ground site must be relatively flat, with a slope across the site of not more than 5% and preferably flatter. The site cannot have significant bumps or valleys on the site, especially those that cannot be removed through grading.

The topography of the site has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because testing trucks requires flat land. The requirements of a slope of 5% or less is consistent with the characteristics that Business Oregon identifies as necessary for competitive sites for general manufacturing.<sup>1</sup>

3. **Soil types.** The test tracks must have soil that is flat and stable and can withstand the constant movement of trucks over it many hours per day. The test track cannot be

<sup>1</sup> Oregon Business Development Department, Industrial Development Competitiveness Matrix.

located on soft top soils. The type of soils typically suitable for this type of use are caliche soils.

The soil types on the site has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because the test tracks will have heavy trucks driving over them constantly. A test track built on soft soil would not have the durability necessary for the vehicle proving ground uses.

4. **Transportation Access.** The vehicle proving ground site must have unimpeded truck freight access to a state highway or other or principal arterial road that is designated as a freight route. The site should be located within two miles of a state highway, with unimpeded access to the state highway through local arterial or major collector streets.

Transportation access via state highways and local arterial or major collector streets to the site has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because traffic to the site will be a combination of trucks being tested at the facility and automobiles of visitors and employees. Many of the trucks will arrive under their own power but some may be towed to the site.

Designated state and local freight routes have design features that ensure freight vehicle movement and weight. This attribute is meaningful to industry operations because it directly affects the industry's travel time, labor and fuel costs to use lower classification, slower speed streets that are designed for local traffic. Local streets are not designed and built to accommodate heavy freight vehicles. Avoiding use of the local street network minimizes traffic conflicts with adjacent residential land uses along streets not designed for freight vehicles and higher traffic volumes.

5. **Access to services.** City services should be directly accessible to the site, including sanitary sewer, and municipal water. The vehicle proving grounds will also need access to services not provided by the City of Madras, including electricity, high speed internet, and compressed natural gas. The level-of-service necessary for the vehicle proving grounds for water, wastewater, and high-speed internet will be similar to that used in urban office or other commercial uses. The level-of-service necessary for the facility for electricity will be similar to that needed for most light industrial businesses. The proving grounds will need access to a large volume of compressed natural gas from a local source in Madras.

Access to urban services has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because business operations at the facility will require these services. Business Oregon finds that competitive sites must have access to urban services, including water, wastewater, natural gas, electricity, and major telecommunications facilities.<sup>2</sup>

6. **Surrounding land uses.** The vehicle proving ground will be operated two shifts per day, six days per week. The operations of the facility will be noisy, with trucks going over

<sup>2</sup> Oregon Business Development Department, Industrial Development Competitiveness Matrix.

cobble stones and obstacles and using their braking systems.<sup>3</sup> In addition, the nature of testing vehicles requires a relatively remote location, where privacy and confidentiality can be ensured. A vehicle proving ground is directly compatible with other industrial uses, agricultural uses, and uses similar to the vehicle proving ground. The facility would not be compatible with residential or commercial, especially retail, uses because of the high level of noise and need for privacy.

Ensuring compatible surrounding use has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because the operation of the facility will occur many hours per day, most days. It will be important both not to disturb neighboring uses and to ensure privacy for the testing of products not yet released to the market.

7. **Land availability.** The proposed large lot industrial site should be available for development by Daimler. OAR 660-009-0025(7) defines availability as land that is “vacant or developed land likely to be on the market for sale or lease at prices consistent with the local real estate market”.<sup>4</sup>

Land availability has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because Daimler needs a site that is available for development within the time-frame that they have established for building the vehicle proving grounds. Daimler plans to start construction of the vehicle proving grounds in early 2016.

8. **Land assembly.** Sites may include one or more tax lots. Sites with two or fewer owners are necessary (a single owner is most desirable) to reduce the cost and uncertainty of land assembly. Daimler is open to leasing or owning the property.

Land ownership has a meaningful connection with the operations of the vehicle proving grounds and is typical of this type of use because the cost of land assembly, in financial terms and in terms of extra time needed for site assembly, can make developing an industrial site with multiple land owners infeasible, resulting in the business choosing not to build in Madras.

<sup>3</sup> Daimler Trucks North America Phase I Expansion at Madras Municipal Airport—Noise Assessment found that the vehicle proving ground truck testing facility will would not exceed 65 dBA Leq(h) and would not be 10 dBA above the existing noise levels at the Madras Airport.

<sup>4</sup> 660-009-0025(7) provides the following methods for determining that land is not available:

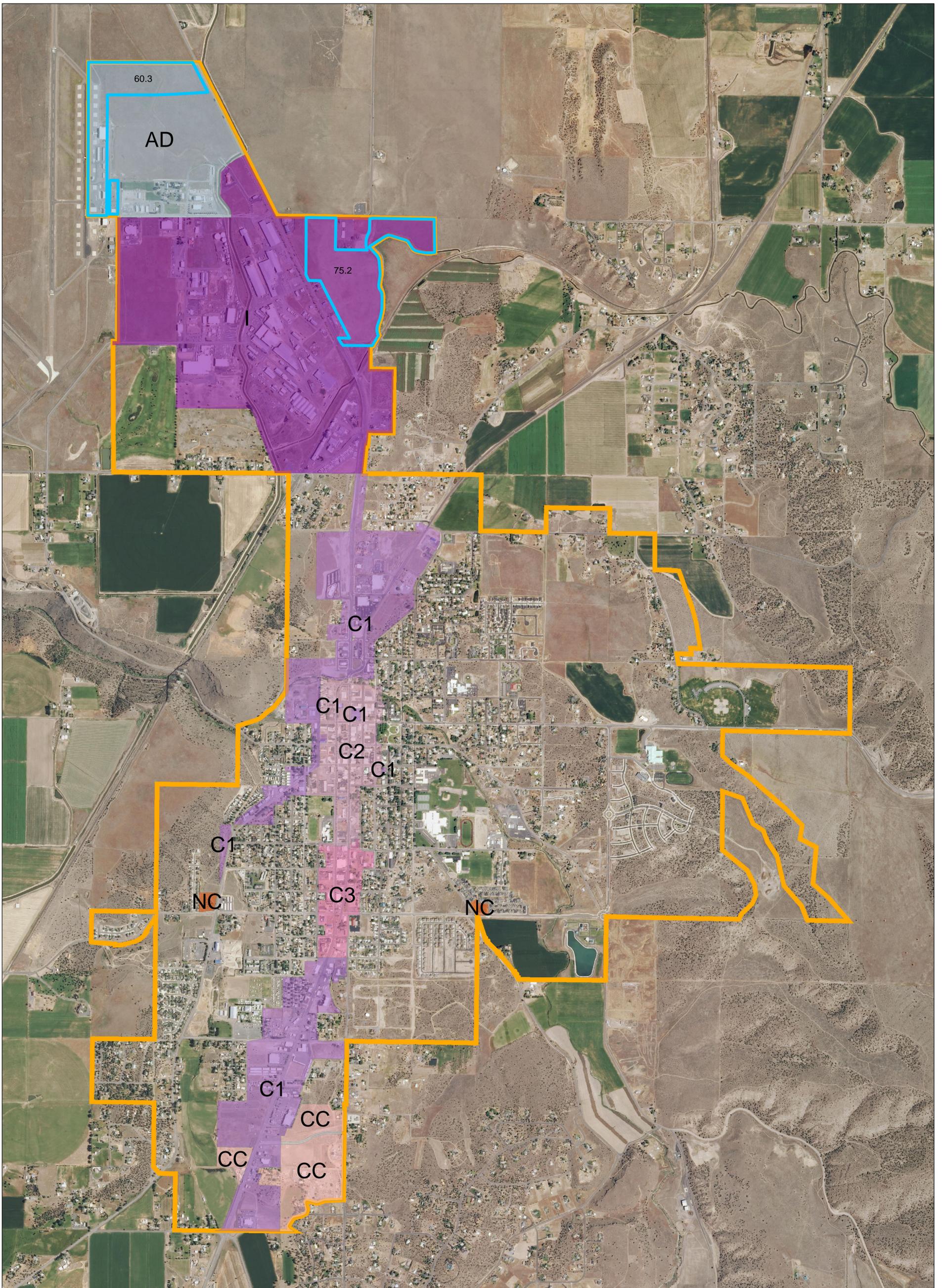
- (a) Bona fide offers for purchase or purchase options in excess of real market value have been rejected in the last 24 months;
- (b) A site is listed for sale at more than 150 percent of real market values;
- (c) An owner has not made timely response to inquiries from local or state economic development officials; or
- (d) Sites in an industrial or other employment land category lack diversity of ownership within a planning area when a single owner or entity controls more than 51 percent of those sites.

## Suitability Inventory

ECONorthwest updated the inventory of commercial and industrial buildable land in Madras in mid-2015, as part of an update of the City's Economic Opportunity Analysis. Based on that update, ECONorthwest developed Map 1, which shows commercial and industrial land within Madras' UGB and identifies sites larger than 50 acres. Madras has six tax lots of 50 acres or more within its UGB. Four of them are publicly owned and not in plan designations that allow commercial or industrial uses. Madras has two sites over 50 acres within the UGB designated for industrial uses:

- Site 1: 60-acre site zoned Airport Development. This site is partially vacant and part of the Airport, used for airport operations, such as hangar space. This site does not meet the needs for the vehicle proving ground because: (1) it is significantly below the 190 acres needed for the facility, (2) the configuration of the site would not lend itself to development of the proposed facility, and (3) it is actively being used by the Madras Airport.
- Site 2: 75-acre site zoned Industrial. This site is vacant and owned by a land-owner that has indicated she is not willing to sell the site. This site does not meet the needs for the vehicle proving ground because: (1) it is significantly below the 190 acres needed for the facility and (2) the site is not available for sale.<sup>5</sup>

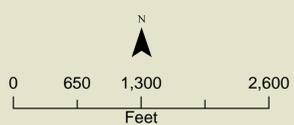
<sup>5</sup> The assessment that the site is not available for sale is based on the definition in OAR 660-009-0025(7).



# Taxlots 50 acres or over

**City of Madras**  
**Oregon**

ECONorthwest  
August 2015



Lots over 50 acres

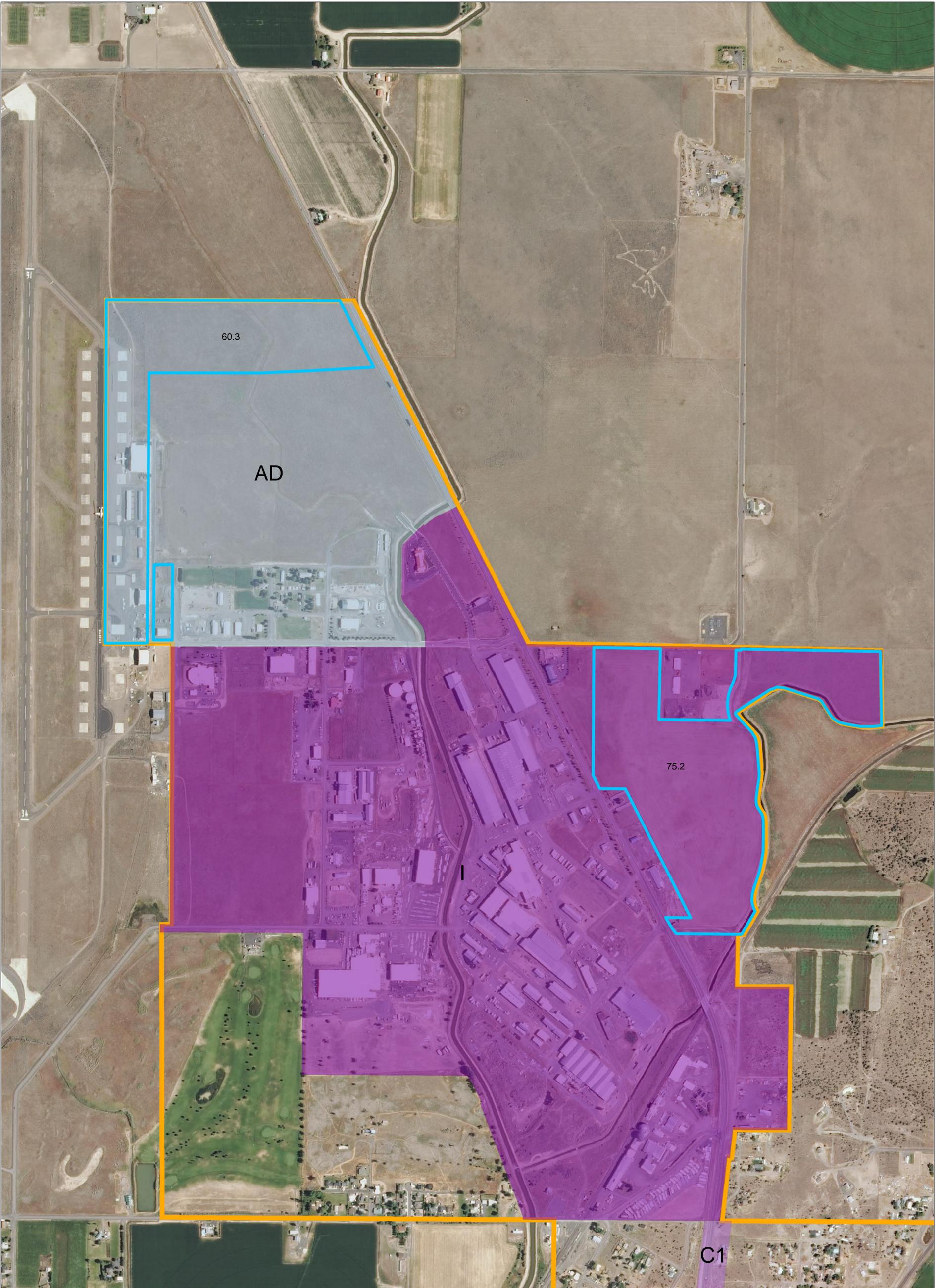
**Plan Designation**

- AD
- C1
- C2
- C3
- CC
- I
- NC

City Limits

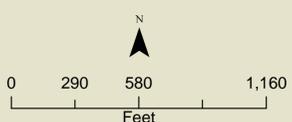
UGB

Tax Lots



# Taxlots 50 acres or over

## City of Madras Oregon



ECONorthwest  
August 2015

Lots over 50 acres	City Limits
<b>Plan Designation</b>	UGB
AD	Tax Lots
C1	
C2	
C3	
CC	
I	
NC	

MEMO

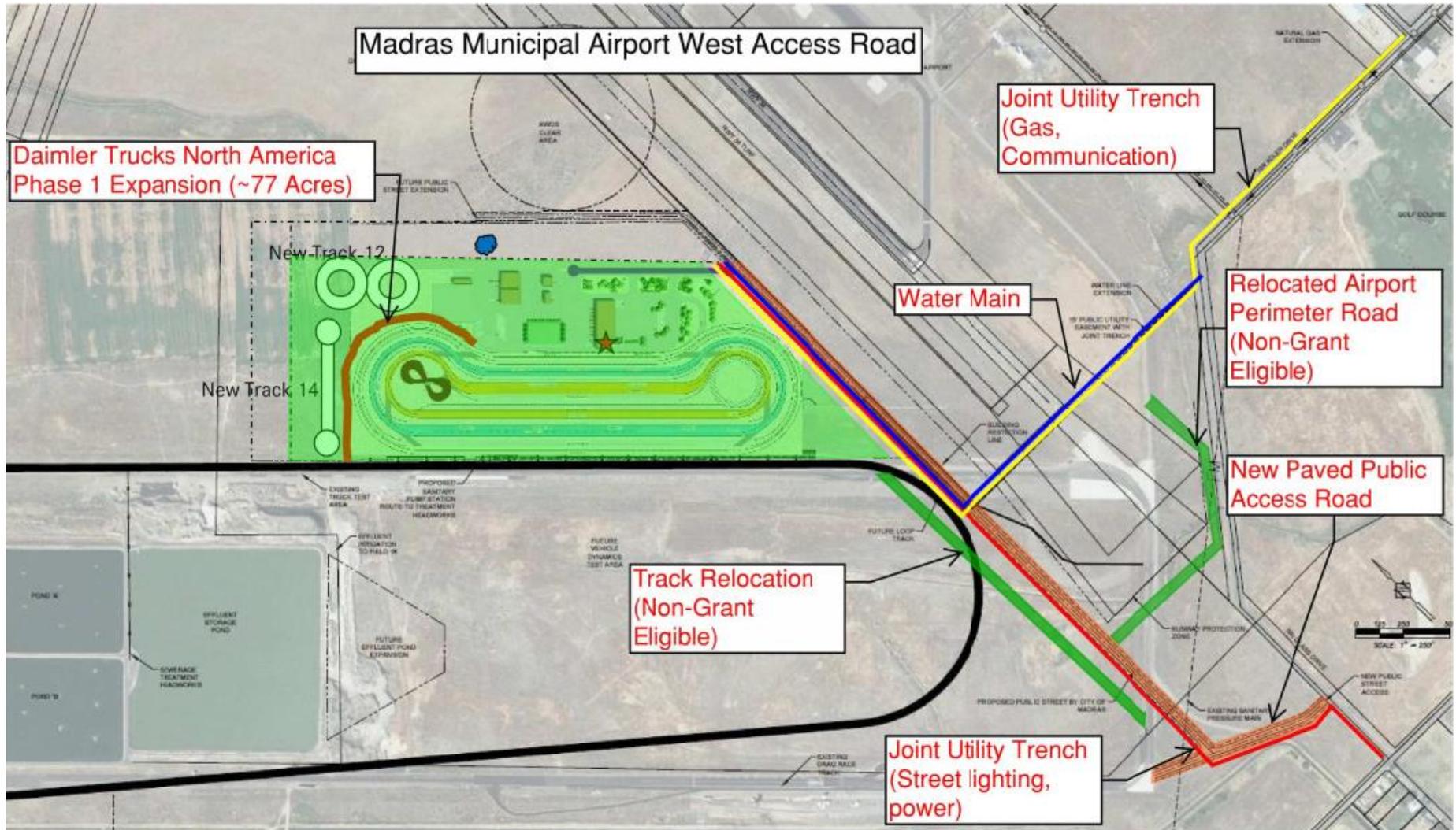
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TO: Nick Snead, Community Development Director  
CC: Jeff Hurd, Director of Public Works  
FROM: Wen Jou, City Engineer  
DATE: September 3, 2015  
SUBJECT: Large Lot Industrial  
Water and Sewer Availability Preliminary Analysis

In response to your request to review the capacity of the existing water and sewer systems and their ability to serve a potential large lot industrial parcel, I have prepared the following preliminary analysis.

Water: Deschutes Valley Water District (DVWD) provides water to the Madras Airport industrial area. The existing 8-inch diameter waterline along Glass Drive is closest to the proposed development. This line, approximately 1,850 feet east of the south corner of the parcel, is part of the 8-inch and 14-inch looped water distribution mains serving the airport industrial area. A recent hydrant flow test conducted by DVWD in November 2014 on the hydrant at the intersection of Glass Drive and Birch Lane indicates a potential system capacity of 1,442 gpm at 85 psi residual pressure with a static pressure being 130 psi. Preliminary analysis concludes that the existing water system with a property sized water main extension as shown on the attached sketch should be capable of serving the parcel.

Sewer: This parcel is intended to be served by the existing North Wastewater Treatment Plant which is located on City property outside of the Urban Growth Boundary. The property can be served by an on-site wastewater pump station with a pressure service line discharging into the existing treatment plant headworks which is approximately 1,250 feet from the northwest corner of the parcel. The estimated wastewater flow from the proposed development would be approximately 525 gallons per day. The North Wastewater Treatment Plant has a capacity of 0.5 million gallons per day and is operating at 50% capacity. Preliminary analysis concludes the plant has sufficient capacity to serve the proposed development.



# Madras Municipal Airport West Access Road

Daimler Trucks North America  
Phase 1 Expansion (~87 Acres)

Limits of Public  
Road and Utility  
Improvements.

Joint Utility Trench  
(Gas,  
Communication)

Water Main

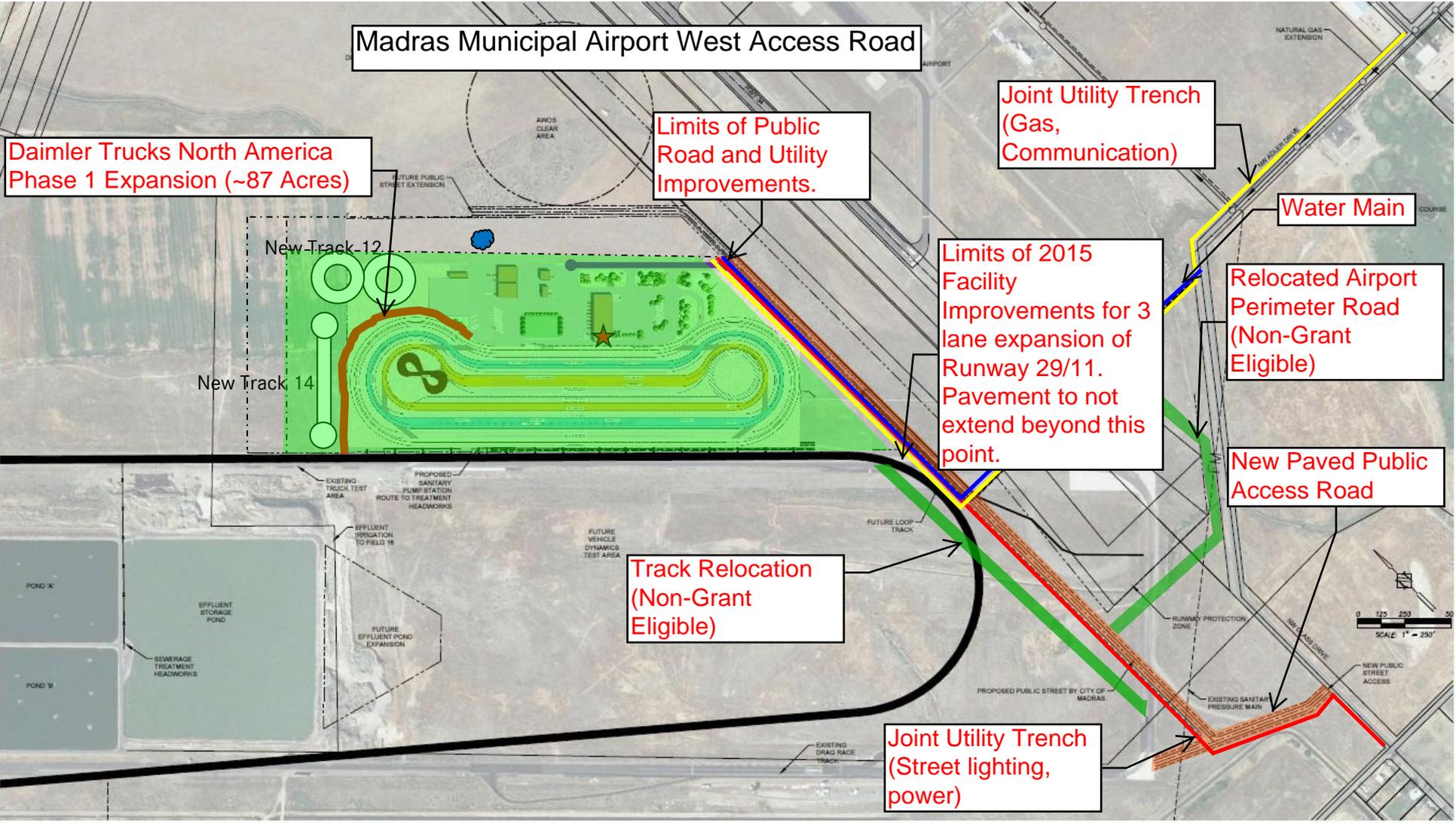
Limits of 2015  
Facility  
Improvements for 3  
lane expansion of  
Runway 29/11.  
Pavement to not  
extend beyond this  
point.

Relocated Airport  
Perimeter Road  
(Non-Grant  
Eligible)

New Paved Public  
Access Road

Track Relocation  
(Non-Grant  
Eligible)

Joint Utility Trench  
(Street lighting,  
power)



August 6, 2015

Scott Aycok,  
Community & Economic Development Manager  
Central Oregon Intergovernmental Council  
334 NE Hawthorne Ave.  
Bend, OR 97701

Dear Scott,

Economic Development for Central Oregon (EDCO) is pleased to submit this letter in support of the City of Madras' Regional Large Lot Industrial Site proposal. The purpose of this letter is to confirm the consistency and compatibility with the Central Oregon Large Lot Industrial (LLI) program for the proposed UGB expansion and designation of approximately 199 acres of land at the Madras Municipal Airport (Airport) located northwest of the City of Madras' current UGB. Under this program, a letter of support from EDCO is required.

EDCO's approval is based on the ability of specific parcels to have the following elements:

- Plausibility for future development including proximity to necessary infrastructure (water, sewer, transportation, power, natural gas, etc.);
- Marketability of the site for large-scale traded sector development;
- Property owner(s) with available resources to extend necessary infrastructure and other property development requirements;
- Motivated property owner(s) that are willing to offer large acreage land at competitive market prices; and
- Regionally significant properties that have the potential to accommodate larger projects that will have multi-jurisdictional economic impacts in terms of jobs, capital investment and industry development.

The City of Madras owns and operates the Airport. EDCO believes that the property that the City of Madras is proposing to be designated as a Regional Large Lot Industrial (RLLI) site meets all of the requirements above. The proposed site is located at one of the fastest growing airports in Central Oregon. Because the property is located on the Airport, the Federal Aviation Administration (FAA) requires the City to lease land at a fair market rate. In doing so, the City is required to complete a lease market appraisal every five years to ensure land is leased at a fair market rate. With these requirements, the City of Madras will own and lease the land for uses consistent with the Central Oregon Regional Large Lot Industrial program requirements.

The City's recent completion of several significant economic development projects at the Madras Airport illustrates that the City is motivated and is capable of ensuring the Madras RLLI will be developed in a manner consistent with all of the provisions of the Central Oregon Regional Large Lot program requirements. In fact, EDCO and the City are currently working cooperatively to recruit a developer to the

proposed Madras RLLI site. Additionally, the City has invested in and advanced a tremendous amount of infrastructure feasibility and cost analyses and has determined that all necessary infrastructure is available for development.

Should you have any questions about EDCO's support of the Madras RLLI proposal, please do not hesitate to contact me.

Sincerely,



Roger J. Lee  
Executive Director

Cc: Nicholas Snead, Community Development Director, City of Madras  
Bill Adams, Planning Director, Jefferson County  
Janet Brown, EDCO Manager – Jefferson County



April 1, 2016

Scott Aycock  
Community & Economic Development Manager  
Central Oregon Intergovernmental Council  
334 NE Hawthorne Ave.  
Bend, Oregon 97701

RE: Letter of Support for the Development of the City of Madras Regional Large Lot Industrial site at the Madras Airport.

Scott:

The Oregon Business Development Department (OBDD) in conjunction with our local stakeholders, the City of Madras, Jefferson County and Economic Development for Central Oregon (EDCO), supports the development of the 199 acre Regional Large Lot Industrial site at the Madras Airport owned by the City of Madras. The majority of the site will be developed by the city for the expansion of the Daimler Truck NA Heavy Truck Durability Test facility and other potential traded sector industrial projects, and is well suited for that type of development. Additionally, the first phase of the Daimler project, totaling 87 acres required assistance from several additional regional partners including: Oregon Dept. of Transportation (ODOT), Dept. of Environmental Quality (DEQ), Dept. Land Conservation and Development (DLCD) and Division of State Lands Dept. (DSLDD). Daimler Truck NA is a traded sector company in the important transportation sector. Daimler has had deep roots in Oregon and Madras for several decades, and recently broke ground on the first phase of their \$18 million test track facility expansion.

The Oregon Business Development Department in cooperation with our regional stakeholders have certified over 100 industrial sites throughout the state for business development. We believe this site is well-positioned geographically, both from an actual physical location and the proximity to the infrastructure necessary to make this an important industrial site, and important economic development tool for the recruitment of new businesses, retention of existing businesses and expansion of businesses for the City of Madras and the Central Oregon Region.



Clark Jackson

Business Development Officer  
Oregon Business Development Dept.



August 12, 2015

Central Oregon Intergovernmental Council  
334 N.E. Hawthorne Ave.  
Bend, OR. 97701

Letter of Support for the City of Madras Large Lot Industrial Site Application

Council Members,

Business Oregon supports the request by the City of Madras in their application for consideration in adding the approximately 199 acre industrial property as a "Regional Large Lot" property to be brought into the Madras City Limits.

This request is supported by the recent Central Oregon Regional Economic Opportunity Analysis, which showed a need in the region for large lots, including in the inventory some of over 200 acres. Business Oregon participated and provided data and support for that study. Furthermore, the State's recent business activity confirms there has been an increase in demand in Oregon and nationally for large lots and that development readiness is increasingly important in the site selection process.

The 199 acre industrial property will be used by Daimler Trucks North American to provide testing for their class 4-8 vehicles that are manufactured under the brand names including Freightliner, Western Star, and Thomas Built Buses.

If we can provide additional information to assist your decision, please do not hesitate to contact me.

Sincerely,

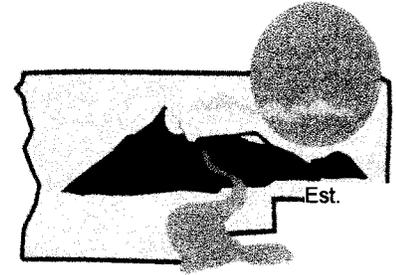
Clark Jackson  
Business Development Officer

# JEFFERSON COUNTY

## COMMUNITY DEVELOPMENT DEPARTMENT

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85 S.E. "D" St., Suite A • Madras, Oregon 97741 • Ph: (541) 475-4462 • FAX: (541) 325-5004



April 15, 2016

Scott Aycock  
Community and Economic Development Manager  
Central Oregon Intergovernmental Council  
334 NE Hawthorne Avenue  
Bend, OR 97701

Re: City of Madras Regional Large Lot Industrial Site Designation Proposal

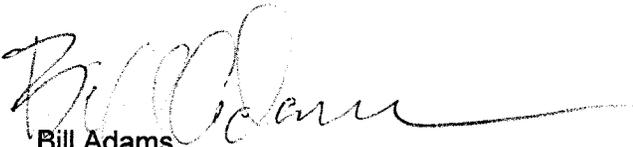
Dear Mr. Aycock,

The City of Madras has identified a site owned by the City of Madras as a plausible location for Regional Large-Lot Industrial (RLLI) development. Jefferson County understands that the City has prepared an application to the Central Oregon Intergovernmental Governmental Council (COIC) for review and recommendation. COIC is recognized as the regional governance authority, responsible for administering the RLLI Program, including a site submission and review process. One item in the COIC site proposal checklist is:

- *County Coordination: Statement from County describing coordination between Participating City and County to identify and formalize candidate large lot industrial site, and describing the intent of the City or other applicant to initiate the plan amendment and zone change.*

Jefferson County supports the City of Madras' desire to implement this program RLLI Program and designate a site. Jefferson County has amended its Comprehensive Plan to include the Central Oregon Large Lot Industrial Land Need Analysis (Ordinance No. O-060-13, May 23, 2013). The County will require the City of Madras to initiate a Jefferson County Comprehensive Plan and Zoning Map amendments. In doing so, the County will coordinate the designation of the proposed RLLI site and ensure the proposal is consistent with the applicable State Statutes and Rules, Jefferson County Comprehensive Plan, and the Central Oregon Large Lot Industrial Needs Analysis. This letter fulfills the requirement noted above.

Sincerely,

  
Bill Adams  
Planning Director  
Jefferson County



## MEMORANDUM

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Date: September 12, 2016

Project #: 19331

To: Nicholas Snead, City of Madras

Cc: Beth Goodman, ECONorthwest

From: Matt Kittelson, PE

Project: Madras Urban Growth Boundary Expansion

Subject: Transportation Planning Rule Analysis

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The City of Madras is proposing to expand its Urban Growth Boundary (UGB) by 195 acres to accommodate land that would be designated as a Regional Large Lot Industrial Site and future expansion areas. An additional 414 acres that is currently developed as either Madras public facilities or the nearby airport is also part of the proposed UGB expansion. This memorandum documents the potential transportation impacts of these actions in relation to OAR 660-012-0060 Section 11.

## BACKGROUND

The proposed UGB expansion would occur near the existing Airport Industrial site west of US 26 in the vicinity of Cherry Lane. The expansion would include 87 acres for the planned development of the Daimler Trucks North America test site and 108 acres that would consist of a 92 acre parcel and 16 acre parcel that would allow for possible future expansion of that facility. This 108 is not expected to be part of a development application in the short-term and would be reserved for future tracks (not operation centers) as needed. In total, 195 acres of potential large lot industrial land is part of this application.

This proposed expansion would build towards the identified large lot industrial needs identified in the Central Oregon Large Lot Industrial Land Needs Analysis. Specifically, this proposal would accommodate the need for one of the two 100-200 acres sites recommendation within Central Oregon as part of that study.

An additional 414 acres is also part of the proposed UGB expansion. This land is currently developed by either Madras public facilities or the Madras Airport. No additional development is proposed as part of this application. The purpose of bringing this land into the UGB is to maintain City of Madras facilities within city limits and to provide continuous land connections to the proposed UGB expansion areas.

A site layout showing the location of the 87 acre parcel, 16 acre parcel, and 92 acre parcel is included in Appendix A. These lands are shown in green highlights. The 414 acres are also shown and highlighted in red.

## SITE DISCUSSION

The purpose of large lot industrial sites is to provide an adequate sized parcel to accommodate the needs of a corresponding use. In this instance, Daimler requires a large parcel to construct a truck test track where Daimler will be able to drive their vehicles. This test track is expected to comprise the majority of the 87 acres that are part of the initial development application and all of the future 108 acre expansion. Remaining space on the site will be used for vehicle storage and site operations. Because of this layout and use, the site is not expected to generate a large number of trips. Rather, the overall trip generation for the site is expected to be quite low relative to the overall parcel size.

The low trip generation expected is confirmed by 30 full time equivalent employees expected to be employed on site. In addition, the City of Madras assumes the site will generate 32 p.m. peak hour trips based on transportation system development charge calculations.

As noted, the 414 acres designated for public facilities are currently developed and are not expected to generate additional trips as a result of this application.

## INDUSTRIAL READINESS PLAN

The site is located within the Madras Airport and near a key industrial area of Madras that is located generally west of US 26 and north of Depot Road. This area is the subject of an ongoing planning effort that is identifying the necessary infrastructure improvements (including transportation, waters, wastewater, stormwater, and other utility services) necessary to support continued industrial development.

The Daimler site will utilize the transportation infrastructure being planned as part of the Industrial Readiness Plan, including highway access points. Because of the low level of trip generation expected from the Daimler site, no additional transportation planning beyond the Industrial Readiness Plan is expected to be necessary.

## TRANSPORTATION PLANNING RULE

The transportation evaluation required to support this analysis is defined the OAR 660-012-0060 Section 11. This OAR is known as the Transportation Planning Rule (TPR). Section 11 was incorporated into the TPR to allow for economic development without mitigating the full effect on traffic if specific criteria are met. The Daimler application meets these requirements. Specifically:

- The application is within a city with a population less than 10,000 (Madras has a population of about 6,500) and outside a Metropolitan Planning Organization.
- The application would result in land for “Prime Industrial Land” as refined in OAR 660-009-005.
- The application is outside the Willamette Valley as defined by ORS 215.010

Because these criteria are met, a local government may accept partial mitigation of the effects on traffic of an application if it is determined that the benefits outweigh the potential impacts on the transportation system. This is generally referred to as the “on balance” test.

In this instance, the effects on the transportation system are expected to be very low due to the low number of trips expected from the site. In addition, transportation improvements are being planned as part of the ongoing Industrial Readiness Plan that will benefit the site.

The economic benefits of the site are expected to be high given that the application would partially meet the identified need for regional large lot industrial sites in Central Oregon.

The text of Section 11 of the TPR is included in Appendix B for reference.

## SUMMARY OF FINDINGS

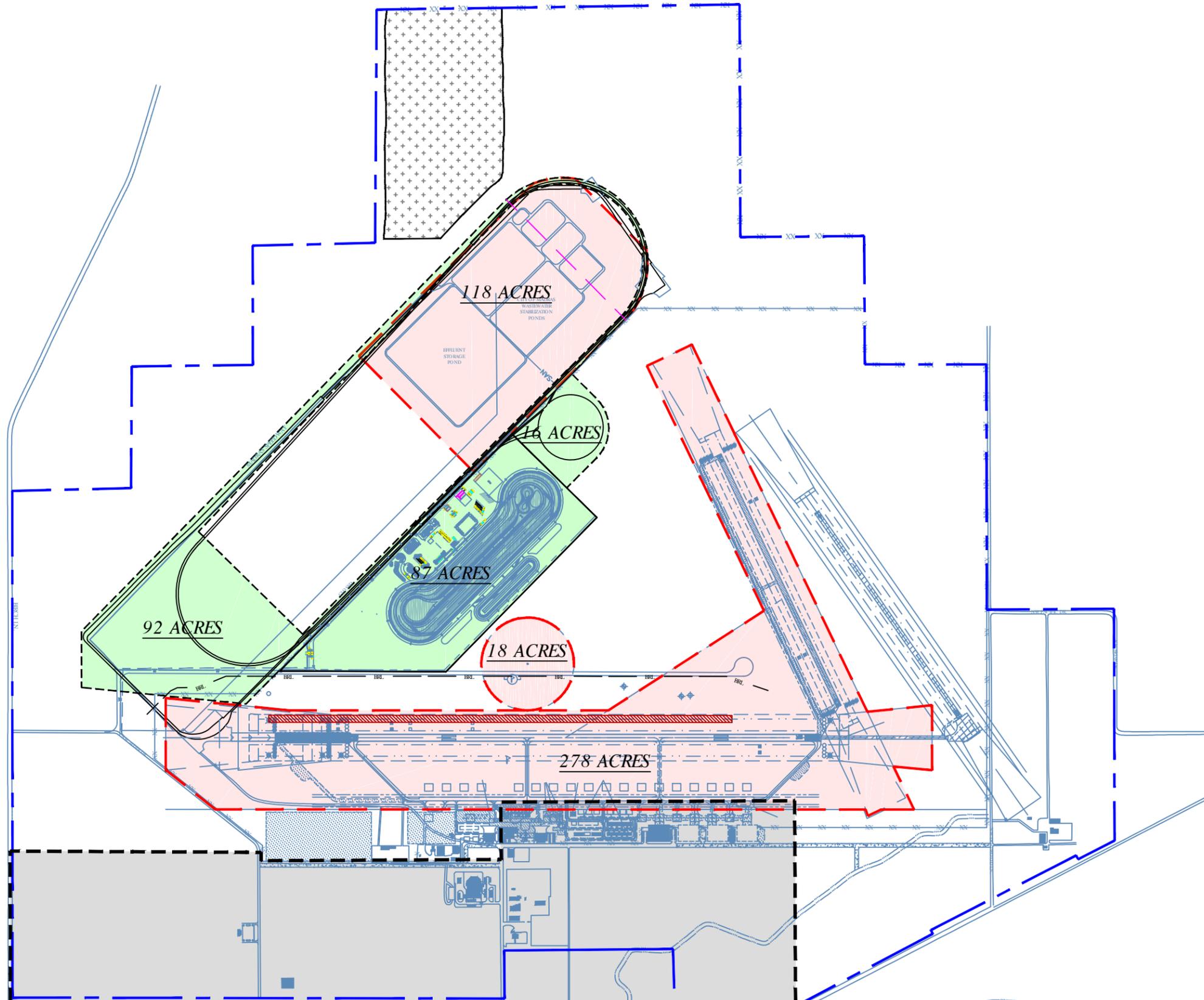
Below is a summary of key findings from our evaluation:

- The Daimler Truck site would consist of 87 acres and construct a truck test track within the Madras Airport area. 105 additional acres would be reserved for expansion of the test track facility.
- The 195 total acres partially meet the identified needs for regional large lot industrial sites as documented by the 2012 Central Oregon Large Lot Industrial Need Analysis.
- Since most of the site would be dedicated to truck testing operations, the overall trip generation of the site is expected to be low relative to the overall site size. This number of trips was assessed at 32 p.m. peak hour trips based on City of Madras transportation system development charge calculations.
- The site would be served by the transportation improvements being planned as part of the ongoing Industrial Readiness Plan.

- Criteria for the application of Section 11 of the TPR are met by the site.
- The “on balance” test is met by this site in that the economic benefits of the site are high and the potential transportation impacts are low.
- 414 acres that is currently developed by Madras public facilities or the Madras airport would also be brought into the UGB as part of this application. No current or future development is proposed or expected.

Please let us know if you questions or comments on the content of this memorandum. We can be reached at 541-312-8300.

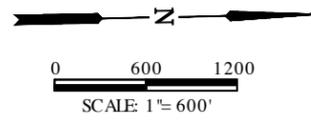
Appendix A  
Site Layout



LEGEND	
AREAS OF AIRPORT OPERATIONS	
PROPOSED LEASE AREA (TEST TRACK)	
PROPOSED LEASE AREA	
URBAN GROWTH BOUNDARY	
GRASS RUNWAY	
BUILDING RESTRICTION LINE	
AIRPORT PROPERTY LINE	

NOTE:  
1. SEE AIRPORT LAYOUT PLAN FOR FULL LEGEND AND FACILITY KEY.

ACREAGE TABLE	
DESCRIPTION	AREA (ACRE)
AIRPORT PROPERTY NOT IN UGB	1,763
PROPOSED DAIMLER LEASE	195
AREA OF AIRPORT OPERATIONS	414



# Madras Municipal Airport Areas Of Airport Operations

FIGURE NO.  
**2-3**

Appendix B  
TPR Section 11

(11) A local government may approve an amendment with partial mitigation as provided in section (2) of this rule if the amendment complies with subsection (a) of this section, the amendment meets the balancing test in subsection (b) of this section, and the local government coordinates as provided in subsection (c) of this section.

(a) The amendment must meet paragraphs (A) and (B) of this subsection or meet paragraph (D) of this subsection.

(A) Create direct benefits in terms of industrial or traded-sector jobs created or retained by limiting uses to industrial or traded-sector industries.

(B) Not allow retail uses, except limited retail incidental to industrial or traded sector development, not to exceed five percent of the net developable area.

(C) For the purpose of this section:

(i) "Industrial" means employment activities generating income from the production, handling or distribution of goods including, but not limited to, manufacturing, assembly, fabrication, processing, storage, logistics, warehousing, importation, distribution and transshipment and research and development.

(ii) "Traded-sector" means industries in which member firms sell their goods or services into markets for which national or international competition exists.

(D) Notwithstanding paragraphs (A) and (B) of this subsection, an amendment complies with subsection (a) if all of the following conditions are met:

(i) The amendment is within a city with a population less than 10,000 and outside of a Metropolitan Planning Organization.

(ii) The amendment would provide land for "Other Employment Use" or "Prime Industrial Land" as those terms are defined in OAR 660-009-0005.

(iii) The amendment is located outside of the Willamette Valley as defined in ORS 215.010.

(E) The provisions of paragraph (D) of this subsection are repealed on January 1, 2017.

(b) A local government may accept partial mitigation only if the local government determines that the benefits outweigh the negative effects on local transportation facilities and the local government receives from the provider of any transportation facility that would be significantly affected written concurrence that the benefits outweigh the negative effects on their transportation facilities. If the amendment significantly affects a state highway, then ODOT must coordinate with the Oregon Business Development Department regarding the economic and job creation benefits of the proposed amendment as defined in subsection (a) of this section. The requirement to obtain concurrence from

a provider is satisfied if the local government provides notice as required by subsection (c) of this section and the provider does not respond in writing (either concurring or non-concurring) within forty-five days.

(c) A local government that proposes to use this section must coordinate with Oregon Business Development Department, Department of Land Conservation and Development, area commission on transportation, metropolitan planning organization, and transportation providers and local governments directly impacted by the proposal to allow opportunities for comments on whether the proposed amendment meets the definition of economic development, how it would affect transportation facilities and the adequacy of proposed mitigation. Informal consultation is encouraged throughout the process starting with pre-application meetings. Coordination has the meaning given in ORS 197.015 and Goal 2 and must include notice at least 45 days before the first evidentiary hearing. Notice must include the following:

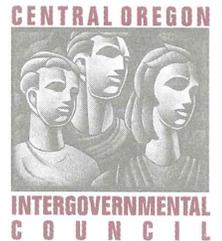
(A) Proposed amendment.

(B) Proposed mitigating actions from section (2) of this rule.

(C) Analysis and projections of the extent to which the proposed amendment in combination with proposed mitigating actions would fall short of being consistent with the function, capacity, and performance standards of transportation facilities.

(D) Findings showing how the proposed amendment meets the requirements of subsection (a) of this section.

(E) Findings showing that the benefits of the proposed amendment outweigh the negative effects on transportation facilities



*Everywhere  
Central Oregon  
Works*

**RESOLUTION #276**

**Regional Large Lot Industrial Program: Madras Airport – Daimler Heavy Truck Testing Facility**

A Resolution Approving the Madras Airport - Daimler Heavy Truck Testing Facility as a 100-200 Acre Site for the Regional LLI Program

Effective Date: May 5, 2016

WHEREAS, the Board of Central Oregon Intergovernmental Council (COIC) signed the Large Lot Industrial Lands Program Intergovernmental Agreement (IGA) on April 4, 2013, which outlines COIC’s role as the “regional coordinating authority to receive candidate site selections submitted by participating cities and to provide a recommendation of suitable sites for inclusion within the Regional Large Lot Industrial Program;”

WHEREAS, the City of Madras has submitted a site proposal for the Madras Airport – Daimler Heavy Truck Testing Facility and the COIC Board finds that the site proposal meets all requirements and standards for the Large Lot Industrial Program, but that the City has not yet achieved Participating City Status;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Central Oregon Intergovernmental Council that the Madras Airport – Daimler Heavy Truck Testing Facility be recommended for inclusion as a 100-200 acre parcel for the Central Oregon Regional Large Lot Industrial Program, contingent upon the City of Madras adopting the Central Oregon Large Lot Industrial Land Needs Analysis as part of its subsequent Urban Growth Boundary expansion and zoning adoption process, in order to achieve Participating City status.

APPROVED AND ADOPTED by the Central Oregon Intergovernmental Council, on this 5<sup>th</sup> day of May, 2016.

  
Jason Carr  
Chair

## 8-16. Article 1- Introductory Provisions

### SECTION 1.3 Definitions

...

**Large Lot Industrial.** A zoning district reserved for industrial land uses that meet the definition for *Traded Sector Uses* per ORS 285B.280, "industries in which member firms sell their goods or services into markets for which national or international competition exists."

## 8-16. Article 3: Land Use Zones

### SECTION 3.6.2 Large Lot Industrial (LLI)

#### A. PURPOSE

The Large Lot Industrial zone is intended to provide opportunities for the development of industrial uses that are consistent with the Central Oregon Regional Large Lot Industrial Needs Analysis meet the definition for *Traded Sector Uses* per ORS 285B.280, which states "industries in which member firms sell their goods or services into markets for which national or international competition exists." Interim development that is approved in the zone must may be temporary in nature and not interfere with or delay development of the land for its intended purpose.

#### B. PERMITTED USES

1. Allowed Uses – uses allowed in the LLI zone are listed in Table 3.6.2.B, which includes uses permitted outright (P), and uses permitted as accessory to the primary permitted use (A), and uses permitted conditionally (C), and prohibited uses (X). Approved development must be compatible with other existing allowed uses in the zone. The Planning Commission may approve uses not listed in the table below in accordance with Madras Municipal Code (MMC) Section 9.28 of this ordinance.

**Table 3.6.2.B - Allowed Uses**

Use	Review
1. Trade Sector Industrial – uses that meet the definition in ORS 285B.280 for <i>Traded Sector Uses</i> , <u>which include</u> "industries <u>in which member firms (that)</u> sell their goods or services into markets for which national or international competition exists."	P
2. Subordinate industrial uses that rely upon and support a primary traded sector use located in the zone <u>are allowed.</u>	P
3. Service commercial and retail uses <u>are allowed s.</u> Subject to special review and approval <u>requirements criteria</u> outlined below.	A/CRP
4. <u>Agricultural – agricultural uses including grazing and row crops are permitted. Construction of outbuildings or structures</u>	P

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<del>for livestock, farm equipment, and crops storage are not allowed. Public or semi-public uses including municipal, police, fire, other related governmental uses and buildings.</del>	
5. Temporary uses <u>subject to per MMC 3.5.1.C city regulations.</u>	P
<del>6. Residential Uses</del>	X

2. Permitted Uses – uses permitted outright in the LLI zone include:

- a. Traded-Sector Uses - Per ORS 285B.280, traded sector means industries in which member firms sell their goods or services into markets for which national or international competition exists. This includes manufacturing, research and development, and institutions of higher education.
- b. Traded Sector Subordinate Uses - Subordinate means industries that rely upon or that support the primary traded sector use. After a primary traded-sector use has been sited, subordinate traded sector uses that support or rely on that primary use are allowed.
- c. Agriculture uses subject to the restrictions in Table 3.6.2.B.
- d. Temporary uses subject to approval per according to Madras Municipal Code MMC 3.5.1.C.
- e. Service Commercial and Retail Uses - After a primary traded-sector use has been sited, retail uses are allowed as an accessory to a permitted use or as a stand-alone use. Service commercial and retail uses shall be limited in size to 5,000 square feet per use and in total may not occupy more than 5% of the net developable area of the zoning district.

3. Uses Not Allowed

- a. Residential uses
- b. Explosives manufacture or storage
- c. Garbage, offal or dead animal reduction or dumping
- d. Any use, which has been declared a nuisance by statute or ordinance, by any court of competent jurisdiction, or which may be obnoxious or offensive by reason of emission of odor, dust, smoke, gas or noise, provided the City Council shall have the power, upon recommendation of the Planning Commission, to grant a conditional and revocable permit for any such use within the Industrial Zoning District. After the public hearing and examination of the location and upon due proof of the satisfaction of the City Council that the maintenance of such use would not be unduly detrimental to adjacent surrounding property.

3. Conditional Uses – Uses allowed conditionally in the zone are subject to Site Plan Review and approval by the City’s Community Development Director or, at his/her discretion, to approval by the Planning Commission.

- a. Service Commercial and Retail Uses – After a primary traded-sector use has been sited, retail uses are allowed as an accessory to a permitted use or as a conditional use. Service commercial and retail uses shall be limited in size to 5,000 square feet per

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~~use and in total may not occupy more than 5% of the net developable area of the zoning district.~~

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### **C. DESIGN DEVELOPMENT STANDARDS**

Design and development standards ~~apply to all industrial development within the City Limits~~ Large Lot Industrial (LLI) zone are the same as those for development in MMC 8.16.3.6.E-O except as noted below. These standards ~~ensure~~ are intended to ensure that ~~the~~ public health, safety and general welfare are protected and ~~that~~ the general interest of the public is served. The standards ~~provide~~ allow for originality, flexibility and innovation in site planning and development to enhance the special characteristics that make Madras the best place in Central Oregon for industrial businesses to be located, operate, and thrive ~~a unique place to live~~. New industrial development must be appropriately sited and operated in terms of building location, ~~orientation~~, vehicular access, parking and loading docks, storage areas, and lighting.

Industrial uses in the LLI ~~district zone~~ shall comply with the Industrial Design Review standards in ~~MMC 8.16 Section 3.6.E-O of this ordinance and to the development standards below. Uses in the LLI zone also are subject to the development standards in Table 3.15.2.C.~~ When these standards are below differ from ences between standards in MMC 8.16 Section 3.6.E and Table 3.6.2.C, the standards in the table below shall apply.

1. Minimum lot size is 50 acres until such time as a traded sector use is approved for development. After that, the lots on which the traded sector use has been approved may be reconfigured to accommodate supporting industrial and commercial uses. The minimum lot size shall then be ~~4-acre~~ 5000 sq. feet.
2. No land zoned LLI may be rezoned to another city zone within ten years of its initial LLI designation.

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**Table 3.6.2.C – LLI Design-Development Standards**

Standard	Unit
<b>1. Lot Standards</b>	
a. Minimum Size	50 Acres
b. Maximum Size	None
c. Street Frontage	50 ft. minimum, unless otherwise approved by the City of Madras Public Works Director
<b>2. Site Development</b>	
<b>a. Setbacks</b>	
— 1. Front Minimum	50'
— 2. Front Maximum	None
— 3. Side *	None
— 4. Rear *	None
— 5. Building orientation	Buildings shall be oriented to the street or to a primary drive aisle.
ab. Lot Coverage	85% of the property or lease area.
b. Natural Areas	Where possible, development shall be oriented to avoid areas of special interest and natural features such as natural grade, trees, wetlands, and rock outcroppings.
c. Drainage	Surface runoff from developed areas shall be contained on-site.
— 1. Maximum	75-85% of the property or lease area
— 2. Landscaping and Open Space	25-10% minimum
c. Parking	The number of Off-Street Parking spaces shall be consistent with Section 4.4-4.7 of this Ordinance.
<b>3d. Buildings</b>	
a. Size	Unrestricted.
b4. Height	The maximum building height shall be 45 feet unless there are specific compelling needs related to the manufacture or fabrication of traded sector goods and services related to a traded sector use or a supporting use that necessitate a deviation from this limit. In no case shall the height of a building exceed the requirements of the Federal Aviation Administration.

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<u>c2. Setbacks *</u>	Buildings on lots that abut a residential zone shall meet a <u>510'</u> minimum setback from front, side and rear lot lines. <u>The minimum setback may be increased for buildings that are allowed to exceed the 45' height limit in order to maintain the same aspect ratio for a 45' building from the top of the proposed building to the lot line.</u>
<u>d. Orientation</u>	Buildings that provide a public access entry shall be oriented to a street or primary access way.
<u>4. Walkways</u>	Pedestrian walkways to building entrances shall connect to frontage sidewalks and parking areas that serve public entryways. Walkways shall be designed per the requirements in Section 3.6.E.5.iii.b.
<u>5f. Outdoor Storage</u>	Outdoor storage areas shall be oriented out of public view or behind a sight-obscuring fence.
<u>6e. Landscaping</u>	
<u>a. Natural Areas</u>	Preserved natural areas may count toward meeting landscaping requirements, including on-site mitigation of jurisdictions wetlands.
<u>b4. Open Space Maintenance</u>	Landscape areas shall be continuously maintained. Grass areas shall be irrigated. Natural <u>Open space areas, wildlife habitat, rock outcroppings, and jurisdictional wetlands may be used to meet landscaping requirements. These areas need not be irrigated but must be maintained for their functional condition purpose and to limit wildfire danger to adjoining properties.</u>
<u>2. Credits</u>	<u>Open space areas, drainage swales and other natural features may count toward meeting minimum landscape requirements but may not be substituted for landscape in parking areas, building frontages, and entryways.</u>

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<del>f. Outdoor Storage</del>	<del>Outdoor storage areas shall be oriented out of public view or behind a sight obscuring fence.</del>
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**DC. OTHER REQUIREMENTS**

Development in the LLI zone is subject to compliance with the following special regulations and procedures.

~~1. Development in the zone is subject to site plan approval per MMC 8.16.4.8.1. Aviation regulations. Development applications must comply with applicable Federal Aviation Administration (FAA) related to building heights, lighting, omissions, water features, and other land development and use limitations. The Madras Community Development Director shall be consulted to establish the list of applicable FAA regulations.~~

~~2. Floodplains. Development in a floodplain must meet Federal Emergency Management Agency (FEMA) and related city Zoning Ordinance regulations for development in identified hazard areas.~~

~~24. All land uses and development in the LLI zone shall be consistent with the following plans:~~

- ~~—aA. The current Madras Municipal Airport Master Plan~~
- ~~—bB. The current City of Madras Wastewater Master Plan~~
- ~~—cC. The current City of Madras Transportation System Plan~~
- ~~—dD. The current Industrial Site Readiness Plan~~

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~~332. Conceptual Master Development Plan. The initial applicant for approval of a primary traded sector use must prepare and secure approval for of a Conceptual Master Development Plan (Master Plan) for all contiguous land properties in the LLI zone district. Approval of this plan shall be as part of the Site and Design Review process. Subsequent applicants must either adhere to the approved Master Plan for the district or submit an amendment to the Master Plan with their development application.~~

~~The following elements shall be addressed in the Master Plan.~~

- ~~a. Open Space and Special Habitat. Generally identify land to be preserved for open space in the district. Jurisdictional wetlands, rock outcroppings, significant habitat areas and other natural features that are preserved through this plan may~~

be counted toward meeting the minimum landscaping requirements for the lots on which these resources are located. This allowance does not apply to resources areas are set aside and preserved on separate lots that are sold or dedicated to a public entity or special interest group.

- b. Street Connectivity and Trail Networks. Prepare a conceptual transportation plan for local streets, bicycle routes, and pedestrian paths. The bicycle and pedestrian network shall connect to the city's bike/ped and trail systems and support general transportation and recreational uses consistent with adopted City transportation and recreation plans.
- c. Urban Design. Generally show how urban design elements (streets, open spaces, signage and architecture) are integrated and coordinated throughout the district.
- d. Utility Needs Analysis. The plan shall include an analysis of the anticipated utility demand for all planned development in the district for wastewater, stormwater, potable water, power, natural gas and other utility infrastructure that is necessary to support planned development.

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## E. DESIGN REVIEW

The purpose of this section is to provide design standards for industrial development within the City Limits. These standards ensure that the public health, safety and general welfare are protected and the general interest of the public is served. The standards provide for originality, flexibility and innovation in site planning and development to enhance the special characteristics that make Madras a unique place to live.

1. Applicability. Except as exempted by subsection 2 below, the provisions of this Ordinance section shall apply to the following activities:

- a. All new building construction.
- b. Any exterior modifications to existing buildings.
- c. All new parking lots.
- d. All outdoor storage and display areas.
- e. All building expansions greater than 10,000 square feet.

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f. Structures shall be painted or repainted as described in Section 3.6(E)(5)(a)(vi) of the Zoning Ordinance.

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~~2. Exemptions. This Ordinance section does not apply to the following activities:~~

~~a. Maintenance of the exterior of an existing structure such as re-roofing or residing.~~

~~b. Interior remodeling.~~

~~c. Building expansions not exceeding 25% of the gross square footage of the original building, or 10,000 square feet, whichever is less.~~

~~d. Parking lot expansions not exceeding 25% of the gross square footage of the original lot.~~

~~3. Review and Approval Process. The Community Development Director shall approve, approve with conditions or deny an application based upon compliance with the site plan criteria, the design review standards and approval requirements of Section 9.3 Administrative Action. The Community Development Director may refer a design review application to the Planning Commission for approval. Approval shall be obtained from the review authority prior to the issuance of all building permits for any of the activities described in Paragraph (1) of this subsection.~~

~~4. Application Requirements. The applicant shall attend a pre-application conference prior to filing an application for Design Review with the Community Development Department. Subsequently the applicant shall file an application for Design Review in accordance with design review application requirements of Section 4.8 Site Plan Approval. Other applicable applications (variance, conditional use, etc.) may be simultaneously filed with the Community Development Department.~~

~~5. Design Review Standards~~

~~a. The Community Development Director shall use the standards in this section and the criteria for site plan review to ensure compliance with the purpose of Design Review.~~

~~— Natural Features — Buildings are encouraged to be sited to protect areas of special interest or other natural features such as natural grade, trees, vegetation and rock-out croppings are encouraged to be incorporated~~

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~~into the overall site plan and may be calculated as part of the landscaping requirement if healthy and not damaged during construction.~~

~~Wetlands~~

~~ii. Building, location and orientation—New buildings shall have at least one principal building entrance oriented toward the primary front property line.~~

~~iii. Pedestrian Walkways~~

~~a. Walkways from the public sidewalk to building entrances. If applicable, a continuous pedestrian walkway should be provided from the primary frontage sidewalk for pedestrians to access building entrances. Walkways should be connected to adjacent sites wherever practicable.~~

~~b. Walkways from parking to building entrances. Internal pedestrian walkways should be developed for persons who need access to the building(s) from the parking areas to separate people from moving vehicles as much as possible. These walkways should have a minimum width of 5 feet with no car overhang or other obstruction, and be designed for disabled access according to the Uniform Building Code. This may require the walkways to be widened or modified. The walkways may include any of the following materials: gravel, asphalt, special pavers, bricks, raised elevation or scored concrete. Other materials may be used if they are appropriate to the overall design of the site and building and acceptable to the review authority.~~

~~iv. Mechanical equipment and service areas should be screened with visual barriers from public streets, public access easements, parks, residential zones or other public areas. The architectural design of the building should incorporate design features which screen, and conceal heating, ventilation, air conditioning units, trash enclosures, dumpsters, loading docks and service yards.~~

~~v. Building design. This section applies to buildings in the Large Lot Industrial zone that are visible from the primary public street or public access easement serving the development.~~

~~a. Exterior building design.~~

~~1. Exterior walls of buildings which can be viewed from primary public street or public access easement shall be constructed with at least 3 of~~

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~~the following architectural features: including, but not limited to recesses, projections, wall insets, arcades, windows, window display areas, doors, awning, balconies, window projections, landscape structures or other features that complement the design intent of the structure.~~

~~2. A portion of the on-site landscaping should abut the walls so that the vegetation combined with the architectural features significantly reduces the visual impact of the building mass as viewed from the street.~~

~~3. Building materials. The predominant building materials should be characteristic of Central Oregon such as brick, wood, native stone and tinted/textured concrete masonry units, tilt up concrete panels, pre-fabricated steel panels, or glass products.~~

~~b. Roof Design. Roofs should be designed to reduce the apparent exterior mass of a building, add visual interest and be appropriate to the architectural style of the building. Variations within one architectural style are highly encouraged. Visible roof lines and roofs that project over the exterior wall of a building enough to cast a shadow on the ground are highly encouraged. Architectural methods should be used to conceal flat roof tops. Overhanging eaves, sloped roofs and multiple roof elements are highly encouraged.~~

~~c. Customer Entrances. Clearly defined, highly visible customer entrances using features such as canopies, porticos, arcades, arches, wing walls, and integral planters are highly encouraged.~~

~~d. Community Amenities, such as patio/seating areas, water features, art work or sculpture, clock towers, pedestrian plazas with park benches or other features located adjacent to the primary entrance to the building(s) are highly encouraged and may be calculated as part of the landscaping requirement.~~

~~vi. Building Colors: Exterior colors shall be low reflectance, subtle, and neutral. The use of high intensity colors such as black, neon, metallic or florescent for the facade and/or roof of the building are prohibited except as approved for building trim. All exterior building colors pursuant to this standard shall comply with the color palette identified as Exhibit "1" of this Ordinance. The use of Trademark colors will require approval.~~

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~~Except as specified in this section, development in the LLI district shall conform to the land use application and approval criteria established in MMC 8.16.3.6.E-O.~~

**E. CONDITIONS OF APPROVAL**

In addition to any conditions of approval imposed as part of Site Plan approval, the following shall be mandatory conditions of approval for all Large Lot Industrial uses:

- 1. Compliance with all applicable regulations of the Federal Aviation Administration (FAA) shall be required. All land uses and development in the LLI zone shall comply with applicable Federal Aviation Administration (FAA) related to building heights, lighting, emissions, water features, and other land development and use limitations. The Madras Community Development Director shall be consulted to establish the list of applicable FAA regulations.
- 2. At no time may a use in the Large Lot Industrial use may not LLI zone interfere with the operation of the Madras Airport.

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**F. OCCUPANCY REQUIREMENTS**

Before any structure receives a Certificate of Occupancy, the owner shall demonstrate compliance with the following requirements to the City Engineer.

- 1. Sanitation. The building shall be connected to the City sewer system; or where applicable, connected to an approved septic drain field or alternative wastewater treatment system. Development that occurs within three-hundred feet (300') of an existing City sewer must connect to the city sanitary sewer system.
- 2. Water. Connect to the City water system and demonstrate compliance with fire-flow and fire protection requirements for the building. The city may authorize connection to an adjoining water system.
- 3. Stormwater Management. Connection to a permitted and operational on-site or off-site stormwater management system.
- 4. Transportation. Required on-site and off-site transportation improvements have been completed.

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