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Goal 9: Economic Development

Industrial Land Supply Update

Milestone Meeting # 1

1 BACKGROUND AND PURPOSE

In 2007, the City of Madras adopted an "Economic Opportunities Analysis" (EOA), "Buildable Land Inventory Analysis"(BLI), and amendments to its comprehensive land use plan. Those amendments adjusted the Madras Urban Growth Boundary (UGB) to include more land for residential development and also established the Madras Urban Reserve Area (URA) that established first priority land for future urban expansion.

An unfinished piece of business from that work deals with the City's short-term and long-term need for employment land, and especially industrial land. The EOA showed that the City had enough land in the UGB to meet expected demand for employment uses, and identified how much land might need to be included in urban reserves for urban expansion related to economic development. The City and Jefferson County, however, chose not to add land to the urban reserves for meeting anticipated industrial land development needs until several regional planning efforts were completed. The thought was that those efforts could affect the decision on the location and size of the URA.

The three plans that put the final URA boundary on hold were:

- Madras Airport Master Plan – determined the size and planned uses for land adjacent to the Madras Municipal Airport.
- Central Oregon Railroad Study – analyzed options for securing and enhancing freight and passenger rail service in Central Oregon, including possible routing changes.
- Central Oregon Regional Industrial Land Supply Analysis – analyzed regional approaches for designating strategically important industrial sites that, in certain circumstances, could be developed even if located outside existing urban growth boundaries.

Those studies have now been completed and Madras and Jefferson County are ready to revisit the question:

What is the necessary size of Madras' URA to provide sufficient acreage to meet not only long-range residential and commercial land but also industrial land needs?

In addition, a number of changes have taken place in the local economy that alter some of the fundamental economic development assumptions on which the 2007 EOA was based. They include:

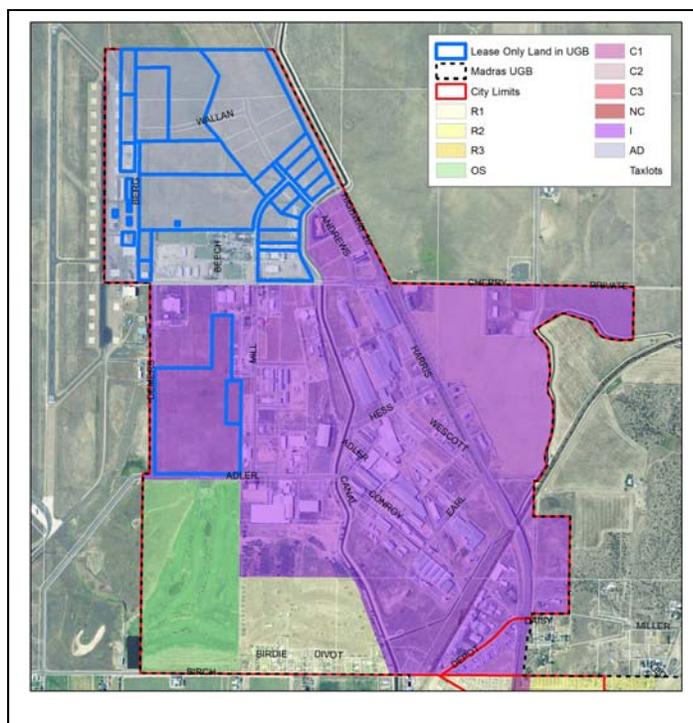
- Development of the City of Madras Heavy Aircraft Maintenance Facility, which is leased by Erickson Air Tanker.
- Development of the multi-use aircraft hangar for Erickson Air Tanker and the Erickson Aircraft Collection.
- The designation of a federal *Unmanned Aerial Vehicle (UAV) Test Area* in the vicinity of the Madras airport.
- A demonstrated deficiency in the market-ready supply of small to medium size industrial sites (i.e. 1 to 10 acre sites).
- Attempts by the City and county to advance planned industrial development north of the Madras Airport have been unsuccessful because the land is not available for sale or development.
- Madras has one industrial employment zone, and all of its industrial land is in one location. This is unusual. Most cities have a General Industrial zone for heavy industry but also have other employment zones that accommodate light industrial/ flex buildings, warehousing, business parks, and mixed use developments. These zones are usually found in a variety of locations that are planned for mixed employment uses.
- An analysis of the City's Industrial and Airport Development zoning regulations has revealed there are use restrictions in the Airport Development zone that are not in the General Industrial zone; therefore the two zones are not equal. This has caused the City to re-evaluate the way it needs to address industrial land needs from the approach used in the 2007 EOA.
- Madras has observed increased interest from existing and prospective businesses concerning the City-owned rail spur. This has caused the City to reconsider how it manages the facility and to consider alternative approaches for rail maintenance and access.

These factors have prompted the City to examine the need to do more than just update the URA inventory. A planning work program was developed to re-examine the 2007 EOA and update the land needs analysis taking into account these regional and local economic development shifts. The basic planning assumptions for overall economic and employment growth remain the same as in 2007, but the analysis will re-examine land needs to consider the location and supply of Madras' employment land inventory, the regulatory tools relied on to manage jobs-related land development, and approaches for regulating uses in the Airport Development zone. The work program also will update the City's land supply analysis for employment land in light of development that has occurred since 2007. A copy of the work program is attached for reference.

The following pages explore the policy issues that could affect the Madras Comprehensive Land Use Plan in more detail. Each issue is examined for its land use planning implications and then potential responses are reviewed that address the issue. The responses outlined are not the entire universe of options; they are intended to guide the initial discussion for how to develop solutions to the land use issues. In addition, these issues have over-arching consequences, meaning that a policy change on one issue may have land use implications affecting other issues.

Each issue paper includes a map that “generally” depicts the location(s) in and around Madras that could be effected. It is very important to note that the maps are not parcel specific. Their purpose is only to indicate that there is a geographic dimension to the analysis. If anything, the maps show that most of the Madras Urban Area is not going to be effected by this City-initiated planning work.

2 MANAGING AVIATION LAND USES



The City of Madras owns the Madras Airport and adjacent lands, which are designated Airport Development on the Madras Comprehensive Plan map. The Federal government deeded land in and around the airport to Jefferson County who then deeded the land to the City of Madras. In accordance with the FAA's Airport Compliance Manual¹ and the Grant Assurances Airport Sponsors, the City is required to operate the Madras Airport in manner consistent with FAA regulations. The FAA regulations also include a restriction on the sale of land owned by the City in and around the Madras Airport. That land, however, may be leased. Moreover, in accordance with the aforementioned FAA regulations, the City must use land-lease revenue for airport operations and

maintenance. Doing so, however, makes the City eligible for the FAA Airport Improvement Program, but limits available revenue for lease-hold improvements not related to the airport.

The federal land lease restriction has advantages for the City, the most obvious being a reliable long-term stream of lease payments and a ready-supply of land for aviation uses, whether private or public. For example, the City's Heavy Aircraft Maintenance Facility, where Erickson Air Tanker is located, and the Erickson Aircraft Collection (i.e. museum) were developed on City-land through long-term lease agreements. While these provisions are well understood and accepted within the aviation industry, they impose unconventional constraints to other economic sectors.

The market reality of complying with the FAA restriction against the sale of land owned by the City poses an unacceptable stipulation to non-aviation uses; it is the reason why the uses in the Airport Development zone are almost exclusively aviation related. The City has been approached by private interests seeking land in the Airport Development zone. Some of these have been willing to lease but there is limited City funding for lease-hold improvements and not all non-aviation uses are compatible with aviation. From a land use perspective, regulating non-aviation uses in the airport zone has proven challenging to say the least. Map 1 shows the land that is subject to this restriction.

In light of this, the City intends to amend the Airport Development Zone to be consistent with the underlying FAA lease restrictions and limit allowed uses on Airport Development land to those

¹ FAA Airport Compliance Manual—Order 5190.6B

compatible with aviation. The change could affect the City's overall industrial land supply by limiting uses in the Airport Development zone to the aviation sector.

An analysis is being performed to determine three things:

1. Whether or not proposed changes to the Airport Development zone will result in existing uses becoming non-conforming and if so, developing a strategy to address this issue;
2. Whether or not the City may have an abundance of industrial land dedicated to aviation use and, assuming there is an over-supply, how should the land be managed so that Madras continues to comply with state land use goals;
3. Whether or not restricting uses in the airport zone has the effect of "displacing" some non-aviation development that the plan anticipated would locate at the airport and, if so, what effect does this diminished supply of industrial land that is suitable for non-aviation uses have in the larger context of including a 20-year land supply for economic development inside the UGB?

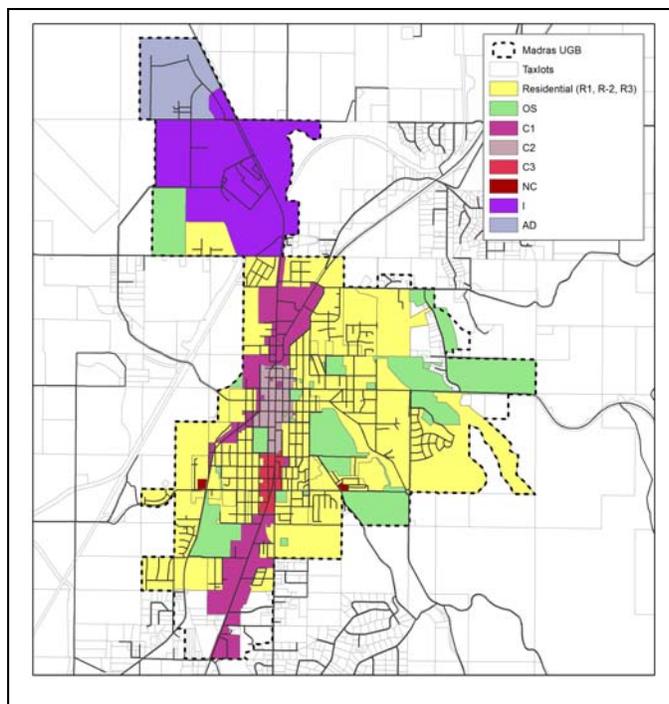
A sector-specific analysis of the City's land needs for aviation and non-aviation land uses will answer these questions. In the event the restrictions on Airport Development land materially affect the City's industrial land supply balance, the City will need to make up for this imbalance in the UGB.

The City has a number of land use planning options that it may take in response. These options are not mutually exclusive and include:

- Rezone existing land in the UGB to accommodate identified supply deficiencies (e.g. rezone land to increase the supply of industrial land);
- Modify one or more existing zones to accommodate a broader range of allowed uses, including those excluded from the Airport Development zone, in order to meet the need;
- Adopt a new employment zone and apply this zone to land inside the UGB to ensure that there is enough land to accommodate projected employment land needs;
- Expand the UGB to include enough land to meet the identified need.

The latter options carries the highest risk of a land use planning challenge from state agencies or special interest groups. Bullets 1-3 should be exhausted first before proceeding to Bullet 4.

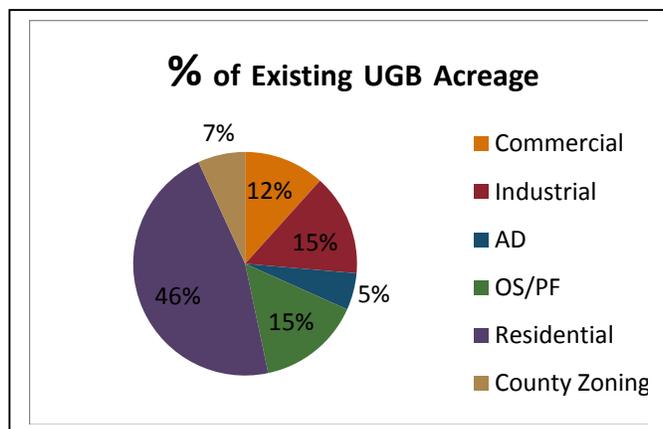
3 LIGHT INDUSTRIAL, FLEX EMPLOYMENT, AND MIXED USE ZONES



The City of Madras and Jefferson County use a limited number of plan designations and zones to provide and regulate land for economic development uses. The Madras Comprehensive Plan map includes two zones primarily targeting non-commercial uses: Industrial (I) and Airport Development (AD). The Plan relies on four predominantly commercial zones (C1, C2, C3, and NC) and a County Commercial zone.

The reliance on four commercial zones in a City of Madras size is uncommon. The trend has been for land use plans to move away from complex codes with multiple zones and development standards to fewer zones that regulate less around use limitations and more around desired design and development outcomes.

Conversely, having only one general industrial zone and an airport zone is an unusual way to regulate non-commercial uses. The trend has been to expand geographic choice for employment uses that do not involve “smoke and sparks” so that these uses can locate in places that suit the employer rather than being forced into industrial pockets. Madras restricts development in its commercial zones in a way that



prevents a small manufacturer, parts wholesaler, warehouse, or light industrial user from developing in the HWY 97 corridor, which is zoned exclusively for commercial use, when that location may be an ideal fit for many of non-commercial uses.

An alternative approach would be to recast the City’s employment districts around desired activity and regulate their impacts. For example, allow a mix of uses downtown, including housing above the first floor. Distinguish highway commercial from

neighborhood commercial by the scale of buildings and parking allowances. Create a Mixed-employment zone that allows light industrial/flex, specialty retail, warehousing, business parks, and fitness/recreation, etc. The development code would ensure that new development is attractive, sited appropriately, minimizes traffic impacts to non-employment districts, and meets height, massing, and

utility requirements. What goes in the buildings becomes less of a focus than managing the impacts associated with the activity.

This approach has the advantage of expanding choice for business owners and developers; it allows clean “high value” uses select their location based on their business pro-forma rather than the zoning code list of approved uses. The question becomes where the City should allow development based on the intensity of activity surrounding the use and the infrastructure need to support higher intensity uses rather than type of use. A job is a job, is a job, so let the jobs go where ever land is priced within reach of the business so long as the level of impact (e.g. noise, traffic, hours of operation, lighting, parking, etc) is consistent with and compatible with the area. The point is that Madras may have lost economic development opportunities in the HWY 97 corridor, for example, by insisting that all manufacturing jobs and warehousing uses need to be located near the airport in one place.

The City has a number of land use planning options that it may take in response. These options are not mutually exclusive and include:

- Develop a new mixed employment zone and use this zone to promote a broader mix of uses and development opportunities where capacity exists to accommodate this type of development;
- Amend existing City zoning districts to allow a wider array of uses;
- Add a neighborhood commercial zone to promote smaller neighborhood-scale commercial services away from arterial corridors.

4 EMPLOYMENT LAND INVENTORY CONSTRAINTS

The Madras industrial land inventory is not uniformly ready and available for development. Nor is the inventory zoned in such a way that it can be easily configured to provide lots that meet the needs of all development interests. The City was recently awarded a grant to study serviceability constraints to industrial development. This analysis will also examine how real access, or lack thereof, has affected the City's ability to attract economic development.

The City recently updated its natural hazard inventory and risk assessments which need to be reviewed to determine if land designated for employment uses is no longer suitable for development. The City also has improved mapping capabilities that can be used to screen land for development suitability based on slope characteristics. This is especially important for industrial land, which tends to have lower value than other land use categories; industrial land is least able to absorb high site preparation costs, such as expensive grading, the use of retaining walls, etc. These techniques may be feasible to use on commercial and residential sites, but typically cannot be economically applied to an industrial site.

The industrial inventory problems associated with the City's inability to sell land within the Airport Development zone have already been documented. In that same part of the City, however, City and County efforts to obtain owner cooperation to sell or develop property has placed a significant strain on the available supply of industrial land. This is especially true for land in the 1 to 10 acre lot size. Most of the industrial holdings near the airport are large properties. The owner of one of the largest industrial zoned properties in the UGB has refused to consider any development offers. This creates the illusion that the City has available inventory when in effect it is not. Other industrial owners have land banked adjacent acreage for future expansion. Consequently, there are virtually no small to medium size land parcels available for sale to small manufacturing and light industrial interests in Madras.

The City has a number of land use planning options that it may take in response. These options are not mutually exclusive and include:

- Map and remove land from the City's employment lands inventory that cannot be served or that has service limitations;
- Map and remove land from the City's employment land inventory that is constrained because of natural hazards or slopes;
- Remove employment land from the UGB that is owned by persons that do not want their land developed when there are insufficient other properties available to meet land needs;
- Expand allowed uses in other employment zones, or adopt and apply a new light industrial zone in an area with diverse land holdings so that business owners have greater locational choice for light industrial uses.

5 REGIONAL INDUSTRIAL PROGRAM



The cities and counties in Central Oregon have adopted and are in the process of implementing a new type of industrial land designation. The purpose of the program is to identify large serviceable industrial sites that may be either inside or outside an urban growth boundary, and limit the division and development of these sites for industrial uses that are regional in scale. The plan requires that these sites be no smaller than 50 acres, limits the number of sites that may be located proximate to any City in Central Oregon, and mandates that property owners may not alter the use once they agree to sign on to the program.

The program provides an expedited pathway to development; buyers and developers do not need to go through a lengthy UGB amendment process

even when the designated site is outside of a UGB. The designation, however, limits all other development opportunities; owners must forgo smaller scale interim development and wait for “something big”.

The first regional industrial site is being worked on in Redmond, OR. The land is south of the City and owned by the Oregon State Land Board. Public ownership is seen as a significant attribute because holding costs are minimized and the owner has no set horizon to re-coop a return on investment. Several interest groups have expressed skepticism about the program. They worry the process could be exported to the Willamette Valley where it could jeopardize prime farm land. Other cities in Central Oregon are taking a wait and see approach, but interest in the program has been expressed by Bend, Prineville, Sisters, and La Pine.

The City has a number of land use planning options that it may take regarding this opportunity. These options are not mutually exclusive and include:

- Continue to wait to see what kind of “strings” come attached with the designation before deciding to participate;
- Offer this land designation to property owners in urban reserve areas that meet the program’s serviceability criteria;
- Offer this land designation along with placement in the urban reserve to property owners in the UGB whose land is not ready for urban development now but maybe sometime in the future.