

2012

LAND AVAILABILITY | LIMITED OPTIONS

Phase 2: Identifying challenges and removing the barriers for future employers

OVERVIEW

This report is a companion to the *Land Availability - Limited Options: An analysis of industrial land ready for future employers* released in spring 2012. The earlier report examined the inventory of development ready, large-lot industrial land in the Portland-metro region and identified potential sites that are not currently ready for development.

The second phase of the project analyzes the challenges in both time and money in preparing those sites for development and the potential for both job creation and added local and state revenue. The 12 sites selected for the analysis have the size, location, ownership, potential industrial use and types of barriers representative of the 47 sites in the region identified in the initial report as potentially developable in the future.

For each site the analysis prepared conceptual development plans, determined on and off site improvement costs, utility service requirements and job creation potential and tax benefits. The analysis also looked at the time required to accomplish all the necessary permitting, planning and government actions necessary to make the site construction ready. Finally, the analysis estimated the level of difficulty in aggregating sites with fractured ownership into one development ready parcel. A detailed report including maps and other data can be found on the Value of Jobs website.

FINDINGS

Most of the 12 sites examined have at least one major barrier to development ready status which is significant enough to discourage business growth. A lack of water, sewer, storm water and transportation facilities are the most common issues for these sites. Roughly 40 percent of the cost of preparing sites for development is related to these “off-site” challenges – the public and private utility and transportation systems needed to serve the development site. Transportation is the most expensive and also accounts for most of the time required to prepare a site, up to 30 months in some cases.

Figure 1 shows the range of challenges facing the sites studied and also highlights the fact that many sites face multiple challenges.

Figure 1: Tier 2 and tier 3 development constraints

Environmental/ Natural Resource Issues	Infrastructure Issues	Land Use Issues
Wetland Fill: 7 sites	Transportation: 9 sites	Aggregation: 6 sites
Slope Mitigation: 4 sites	Sewer: 7 sites	Annexation: 6 sites
Environmental Clean-up: 2 sites	Storm: 6 sites	Outside UGB: 1 site
Floodplain Fill: 1 site	Water: 4 sites	Marine Dock: 1 site

* Some sites may have multiple constraints

The analysis found that most of the sites will not attract an employer in the foreseeable future unless the critical infrastructure deficiencies are addressed.

Sites in the study also face “on-site” constraints such as wetlands, floodplain, slope and brownfields challenges. While not all sites faced these challenges, they represent a significant cost and time delay for those sites where they do occur. Wetlands issues are a significant constraint for some sites due to the expense, uncertainty and very long time frames involved in the wetlands mitigation permitting process.

Like wetlands, brownfields are not an issue for all sites, but where they do exist, typically on previously used industrial sites, they are a significant barrier to development. One site in the study has brownfield cleanup costs of \$3.6 million or eight percent of total site preparation costs.

Risk is a significant deterrent to private-sector participation in site preparation. Raw sites often pose many significant unknowns such as:

- Cost and time needed to address wetlands, brownfields and floodplain issues;
- Uncertainties related to local and state permitting;
- Availability of resources and the lead time needed to build roads, sewer, water and other utilities.

The larger the unknowns, the greater the risk. The greater the risk, the higher the premium the developer must charge to offset those risks.

The study found that nearly a third of all site development costs are related to time and risk factors. Strategies that reduce uncertainty and shorten permitting timelines can significantly reduce project costs and encourage private-sector investment.

Lastly, many of the future development sites are in multiple ownerships. This is particularly true of the very large 50 to 100 acre sites. One significant finding of the study is that assembling these ownerships into a development ready single ownership is a major hurdle. Half of the sites studied require assembly and some have very fractured ownership with between eight and 17 parties involved. It is impossible to estimate the time and risk involved in assembling sites but the more owners there are the more difficult assembly becomes.

ECONOMIC BENEFITS

As shown in Figure 2, if successfully developed at the scale modeled in this study, the 12 sites analyzed have the potential to create an estimated 10,800 direct jobs on the developed site with average annual wages of \$92,000. When the impacts of off-site jobs such as suppliers, contractors and professional services are added these sites could generate as much as \$3 billion in annual payroll at just over \$58,000 per job.

On-site jobs and payroll have the capacity to generate \$522 million in state income tax over the first 20 years of the sites’ development and use. When on- and off-site economic impacts are considered, the state of Oregon could potentially gain roughly \$1.5 billion in new income tax revenue over 20 years if all 12 sites were fully developed.

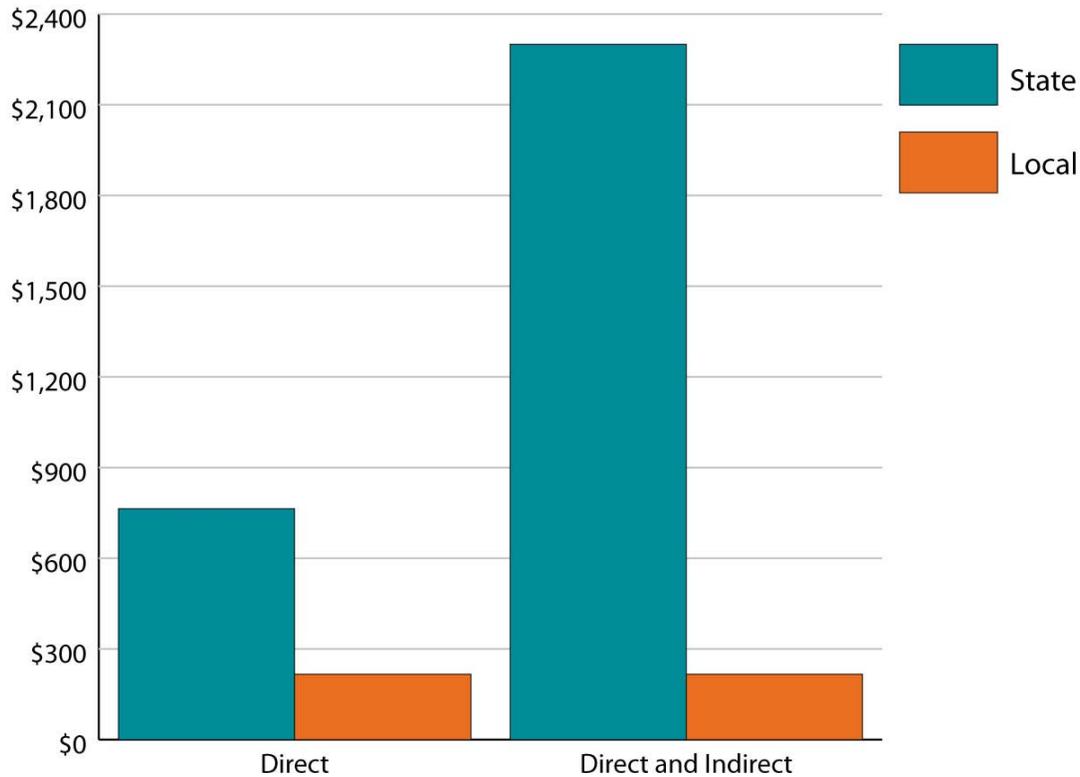
Figure 2: Potential economic benefit, all case study sites

Total Direct Jobs	12,500
Average Annual Wage	\$97,000
Total Property Taxes over 20 years	\$217 million
Total State Income Taxes over 20 years (direct jobs only)	\$764 million
Total State Income Taxes over 20 years (direct and indirect)	\$2.3 billion

Local jurisdictions also see benefits in terms of new tax revenues, although on a smaller scale. These 12 sites have the combined potential to produce \$177 million in local property tax revenues over the first 20 years. As development occurs, property tax generation could average \$8.8 million annually for the 12 sites.¹

The potential benefit to state and local jurisdictions is quite large if these sites successfully develop. The benefits in most cases exceed the cost to finance infrastructure improvements needed to make the sites development ready, particularly when both direct and indirect economic impacts are considered. This is particularly true for the state as its investment in infrastructure is typically close to zero.

Figure 3: State and local tax benefits from successful development of all phase 2 study sites over 20 years (millions)



¹ Does not include personal property tax (equipment). Estimating the personal property associated with each development was beyond the scope of the project, however, including it would not change the overall result that the state realizes the more significant tax revenue benefit from successful development.

CONCLUSIONS

Competition for locating regionally significant traded-sector industrial firms is growing. The Portland-metro region is no longer competing just with other U.S. regions to attract these high-paying jobs but is increasingly vying with metro areas around the world for these coveted investments. The more limited the region's supply of development ready large industrial sites, the more likely it is that Portland-metro will miss opportunities to successfully attract these highly desirable firms. The tools traditionally available to create and prepare large sites for development are more limited than ever.

The Portland-metro region faces significant challenges in making potential sites development ready. Development generally occurs on the least-challenged sites first. As each site within the urban growth boundary develops, the next site will be more challenged by issues such as wetlands, brownfields, floodplain or water, sewer and transportation deficiencies.

Reducing risk by accelerating the permitting timeline or making the process more predictable will reduce development costs and increase the opportunity for private-sector, capital investments.

Finally, the relative tax benefits of successful industrial development suggest that an exploration of how the state might better assist local site preparation efforts could produce significant improvements.

The findings here are meant to be the beginning of a dialogue on creating effective tolls and polices for ensuring the region and state has a competitive supply of market-ready industrial sites and to put Portland-metro's economy in the best position to win the high-paying traded sector jobs that help improve the overall economic health of the region and the state.

ABOUT THIS REPORT

The report was produced by Group Mackenzie, Johnson & Reid and Ash Creek in partnership with the Portland Business Alliance, Port of Portland, Business Oregon (an Oregon state agency), NAIOP Oregon Chapter (a commercial real estate development association) and Metro.

The authors would also like to thank the following for their financial support of the report:

City of Hillsboro
City of Portland
City of Sherwood
City of Gresham
Portland General Electric
SMACNA – Columbia Chapter
Plumbing and Mechanical Contractors Association
Westside Economic Alliance
Clackamas County
City of Wilsonville
Three Oaks Development Company
Oregon State Building and Construction Trades Council
NECA Oregon-Columbia Chapter
Howard S. Wright Construction
Hoffman Construction
P&C Construction