

**Final**

**Salem-Keizer metropolitan area  
Regional Economic  
Opportunities Analysis  
2012 to 2032**

Prepared for:  
Mid-Willamette Valley Council of Governments

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## **Disclaimer**

ECONorthwest completed this report as a subcontractor to the Mid-Willamette Valley Council of Governments, on behalf of the cities of Salem, Keizer, and Turner, and Marion and Polk Counties. The report is a regional economic opportunities analysis (EOA) for the Salem-Keizer metropolitan area. The result of the analysis is an estimate of employment land supply for the region. While this analysis follows the requirements of Goal 9 and OAR 660-009, the result of the analysis is a regional determination of employment land supply. This analysis does not make determinations of employment land demand and economic opportunities for individual jurisdictions.

Throughout the report we identify the sources of information and assumptions used in the analysis. Within the limitations imposed by uncertainty and the project budget, ECONorthwest has made every effort to check the reasonableness of the data and assumptions, and to test the sensitivity of the results of our analysis to changes in key assumptions. ECO acknowledges that any forecast of the future is uncertain. The fact that we evaluate assumptions as reasonable does not guarantee that those assumptions will prevail.



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## Technical Advisory Committee (TAC)

The Technical Advisory Committee (TAC) provided guidance on numerous topics, including the assumptions about the supply of buildable employment land, regional economic development goals, regional economic advantages and potential growth industries, high value employment areas, and guidance on issues of importance to the community. TAC members included:

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# Executive Summary

The Cities of Salem, Keizer, and Turner are coordinating to plan their economic future. As with many planning exercises, the best way to plan for the future is to envision what that future would ideally be and then develop strategies to achieve the vision. Broadly stated, economic development planning strives to achieve prosperity for all residents. Most economic development plans use a range of strategies to move towards that vision; one of the foundational strategies is providing land for employment.

This report is a regional Economic Opportunities Analysis (EOA) for the Salem-Keizer metropolitan area. Statewide Planning Goal 9 describes the EOA as “an analysis of the community's economic patterns, potentialities, strengths, and deficiencies as they relate to state and national trends” and states that “a principal determinant in planning for major industrial and commercial developments should be the comparative advantage of the region within which the developments would be located.”

The data and analysis presented in this report is intended to serve as the foundation for the preparation of local EOAs for the cities of Keizer, Salem and Turner. The report includes regional assessments of land supply and economic opportunities, but does not include local determination of whether individual cities have enough land in their urban growth boundaries (UGBs) to accommodate identified economic opportunities over the required 20-year planning horizon. The analysis does not represent any land use action or decision on behalf of any of the participating jurisdictions.

## WHAT ARE THE KEY ISSUES IDENTIFIED IN THE EOA?

The key regional issues identified in the EOA are:

- **Keizer has a population/employment imbalance, with one job for every seven residents.** Keizer wants to improve the ratio of population to employment, which will require faster employment growth relative to population. The City does not have sufficient land to accommodate this level of employment growth. Keizer will need additional acres of high-value employment land<sup>1</sup> to achieve its vision.

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<sup>1</sup> High value employment land is land with special characteristics that make it highly desirable as an employment development site or unique and difficult to replicate attributes that are important to particular users.

- **A regional imbalance of opportunity sites exists.** The region has a significant inventory of high-value land; all of which is located in Salem, mostly in Mill Creek. If the regional supply continues to be located exclusively in Salem, the existing imbalance of population and employment in Keizer will be perpetuated.
- **The most obvious location to address the regional imbalance and create a long-term supply of sites is north of the Chemawa/I-5 interchange.** However, preliminary analysis of infrastructure suggests that more than \$100 million in improvements to the interchange will be required before significant new development can occur. Developing infrastructure improvements for opportunity sites will require regional coordination and cooperation to plan for, and fund infrastructure upgrades in areas for high value employment.
- **Increasing the regional supply of high value employment land in the metropolitan area will require development of major off-site infrastructure (e.g., transportation and wastewater facilities).** The cost of servicing high value employment sites suggests making the land project-ready for development will require public subsidy of infrastructure. A key policy issue for the participating jurisdictions to address is whether public subsidy to create new opportunity sites is a good investment.
- **The regional supply of land creates issues related to timing and coordination of planning activities.** Because Keizer has a limited supply of employment sites, it has a higher urgency to address land deficiencies in the short-term. This is not the case with Salem or Turner. Salem has a 10-20 year inventory of high-value sites, which means it does not have the same land supply urgency as Keizer.
- **The EOA identified a deficit of general commercial land that must be addressed through local planning processes.<sup>2</sup>** Options for addressing the general commercial land deficit include accommodating general commercial demand within the existing UGB include through tools such as redesignation of industrial or other lands, redevelopment of sites with existing but low-density commercial development, mixed-use development, or infill of underused commercial sites. Jurisdictions are required to consider these options prior to considering an expansion of their UGB to meet these land deficiencies.

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<sup>2</sup> General employment land is the most flexible employment land category, including land that is zoned for a variety of employment uses such as industrial, commercial, and institutional.

## **BUILDING THE FOUNDATION FOR A REGIONAL ECONOMIC DEVELOPMENT VISION**

The foundation of any economic development strategy is a vision. That vision should build from current conditions to a desired end state. The current conditions in the Salem-Keizer metropolitan area that may affect economic development in the Salem-Keizer metropolitan area are:

- Jobs that pay, on average, 70% of the national wage.
- An unemployment rate that is two percentage points above the national average.
- A manufacturing base that accounts for 7% of regional employment, compared with a statewide average of 11%.
- Commuting patterns that import one-third of the regions workers and exports 20% of area residents to other cities.
- Small cities that serve as bedroom communities; Keizer has seven persons for every job and Turner has about five persons per job.
- A smaller share of residents with a Bachelor's degree or higher (21%) compared to the State average (28%).
- Availability of more than 500 acres of serviced high-quality industrial land.
- A tighter supply of higher-quality commercial land.

Staff and elected officials from the five jurisdictions participating in this project worked together to develop a set of regional economic development goals and objectives. The goals and objectives provide a regional framework and assist the local jurisdictions in developing their own economic development policies. The goals of the regional strategy are to:

- Coordinate regional economic development.
- Provide land to allow expansion of existing businesses and to attract new businesses to the region.
- Provide infrastructure to support business development.
- Provide opportunities for employment growth for a variety of employers throughout the region.

## DOES THE REGION HAVE ENOUGH EMPLOYMENT LAND?

The approach that ECONorthwest used for the Salem-Keizer Regional EOA is to distinguish between land needed by businesses with special land requirements and general employment land needed by most businesses. We used the following classifications:

- **General employment land** – the most flexible employment land category. It includes land that is zoned for a variety of employment uses such as industrial, commercial and institutional. The inventory includes a variety of site sizes and locations.
- **High value or unique attribute employment land** – land with special characteristics that make it highly desirable as an employment development site or unique and difficult to replicate attributes that are important to particular users.

It is important to note that businesses in similar industries may require more than one of the above categories of land. For example, a small local distribution center may find many sites within the “general land” category appropriate, while a major regional distribution center may require “high value” land.

## How much general employment land is needed?

The sufficiency of general employment land to accommodate 20-years of growth is determined through comparison of the supply of general industrial and commercial land with demand for general industrial and commercial (including retail). Table S-1 summarizes general land demand and supply in the study area.

**Table S-1. General employment land sufficiency, gross acres**

Land Use Type	Land Supply (Gross Acres)	Land Demand (Gross Acres)	Comparison (Supply minus Demand)
General Industrial	658	301	357
General Commercial	321	920	(600)

Source: Land demand is based on ECONorthwest’s analysis of general employment land demand and retail land demand. Land supply is based on the Mid-Willamette Valley Council of Government’s Buildable Lands Analysis

Key conclusions of the general land analysis are:

- The three areas (Keizer, Salem and Turner) have a supply of nearly 660 acres of general industrial land and a need for about 300 gross acres of general industrial land. Thus, **the region has a surplus of about 360 acres of general industrial land.**

- The three areas have a supply of about 320 acres of general commercial land and a need about 920 gross acres of general commercial land (office and retail). Thus, **the region has a deficit of about 600 acres of general commercial land.**

In summary:

- The Salem-Keizer metropolitan area has a *sufficient supply of general industrial land* to meet general industrial employment growth over the 20-year period.
- The metropolitan area *lacks enough general commercial land* to meet expected commercial and retail growth, which is related to projected population growth.

The jurisdictions have options with respect to addressing the commercial land deficit. They may want to consider strategies to accommodate general commercial demand within the existing UGB, such as redesignation of industrial or other lands, redevelopment of sites with existing but low-density commercial development, mixed-use development, or infill of underused commercial sites. Jurisdictions will be required to consider these options if they are considering an expansion of their UGB.

## **What economic opportunities exist for high-value/unique characteristic sites**

The need for employment lands of all types derives from the regional and local economic development objectives. Those objectives build from a broader vision that can be generally summarized as “create more stable, high-paying jobs.” The narrative below broadly summarizes each jurisdiction’s objectives.<sup>3</sup>

- **Keizer** aspires to provide more opportunities for a range of good paying jobs for people living in Keizer, which would result in faster growth in employment than in population growth. Keizer’s vision for providing new employment opportunities is to capture professional services and associated uses in a “campus” setting, primarily but not exclusively related to medical office and research and education. These services may include a hospital and/or educational facilities, which are expected to provide Keizer with growth opportunities that fit the City’s locational advantages.

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<sup>3</sup> The descriptions that follow are not intended to serve as the final local vision (and have not been adopted by the jurisdictions).

- **Salem’s** core economic development objectives are to create and retain family wage jobs and to increase average wage by attracting higher paying jobs in sectors such as manufacturing or professional services. At the most basic level, Salem desires to create a land use system that maintains a “pipeline” of suitable employment sites – from sites that are fully serviced and available (like those in the Mill Creek Corporate Center) to sites that are in holding areas for future development.
- **Turner’s** vision is to focus on downtown development. The City presently has several vacant storefronts as well as heavy commercial and industrial uses in its core. Over the 20-year planning period, Turner’s vision is to convert these sites to a thriving downtown. Turner also wants to provide development opportunities on industrial land that is located south of Mill Creek, for industries such as food processing or hospitality. Providing these opportunities will require providing wastewater and water services to these sites.

The number of economic opportunity sites for high value employment land is based on the regional economic development objectives and local aspirations described above.<sup>4</sup> OAR 660-009-0025 directs cities to identify the approximate number and acreage of sites required to implement plan policies and achieve local economic development objectives. The regional economic development strategy, local policies, and the local economic development objectives lead to the following conclusions about the number of opportunity sites for high value land necessary to meet regional and local policy objectives:

- *Salem has sufficient high value employment land*, at Mill Creek and other sites, to meet the City’s economic development objectives over the planning period. Salem should begin planning for other employment land to refresh the pipeline of high value employment sites once the existing high value sites are developed.
- *Keizer does not have enough high value employment land* to meet the City’s economic development objectives over the planning period. Keizer wants to begin to balance the ratio of population to employment, which will require growth of businesses in Keizer. To achieve that vision, the City will need to add between 9,000 and 11,500 new jobs during the planning period. *If about 6,000 and 8,500 of*

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<sup>4</sup> See the Chapter 5 and Appendix C for more detail.

*the new employees locate on high value land in Keizer, Keizer would need between about 200 acres of high value employment land..<sup>5</sup>*

- *Turner has sufficient high value employment land in vacant and redevelopable sites in downtown to meet the City's economic development objectives of creating a thriving downtown.*

## **Cost of infrastructure is a key consideration**

The primary emphasis of the EOA is on the local jurisdiction's land use strategy – given identified economic opportunities, what are the characteristics of land needed by opportunity industries? Infrastructure is a necessary prerequisite for development, and the cost of infrastructure is important in providing land that is both attractive to private sector investment, and provides a good return on investment for the community. **The key policy question for local government is “what level of public infrastructure investment is appropriate to achieve economic development objectives?”**

Because of the scale of infrastructure costs that are typically related with major employment sites, local government often funds the off-site infrastructure necessary to service the sites. Analysis of the costs of servicing the six high value study areas examined in the EOA show that, under most conditions, public subsidy will be required to develop the study areas.

Not surprisingly, lands outside the UGB are more expensive to serve and would require higher value development types or public subsidy to make them viable. A major issue with the sites in north Salem and Keizer is the Chemawa/I-5 interchange. Addressing the deficiencies of the Chemawa/I-5 interchange will need to be addressed. A range of options are potentially available, including adjusting existing mobility standards, as well as some infrastructure improvements, which could cost an estimated \$130 million. The options for addressing the deficiencies are difficult to determine in the absence of analysis of a specific UGB expansion alternative. It is important, however, to acknowledge that infrastructure costs are difficult to ascertain over the planning period. There are on-going efforts to address the deficiencies at this interchange, including significant efforts--even mandates--to reduce the total vehicle miles traveled by the population. ODOT staff have stated that the Agency does not consider the inability to implement the recommendations for improvements to the interchange as a

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<sup>5</sup> The estimate of 200 acres is based on a range of 160 to 240 acres of high value employment land based on an employment density of approximately 36 employees per acre, consistent with the non-retail commercial employment densities observed in the region.

hard and fast constraint to future economic development or UGB expansions in the metropolitan area.

Goal 9 requires cities to address how infrastructure will be provided and paid for in major UGB expansions. The results of the cost of service analysis suggests that most types of development will require public subsidy of infrastructure. This is a key policy issue for the participating jurisdictions to address: whether public subsidy of employment lands is a good investment.

## WHAT ARE THE POTENTIAL NEXT STEPS?

The regional EOA is the first of many steps the participating jurisdictions will need to take to address the land deficiencies identified in this report. Some of the steps can be taken by individual jurisdictions; others will need additional regional coordination. The following recommendations provide a general framework for the jurisdictions to proceed with land use planning efforts.

- **Convene a regional economic development working group of policy makers.** Not only is this step mandated by statewide planning Goals 1, 2, and 9, it is good planning. Many of the land use issues identified in this report are of regional significance and will require additional coordination. Moreover, more planning is necessary; it will be important for all of the jurisdictions to participate in what will essentially be a planning effort with regional implications (even for decisions that can be made by individual jurisdictions).
- **Use the regional EOA as basis for local policy and opportunities assessment.** The EOA provides an enormous amount of information about the regional economy, as well as the conditions in each jurisdiction. Cities that are required to complete an EOA in the next few years can use the information in the EOA as part of the factual basis for their local EOA.
- **Consider the big picture – all types of land needs.** A regional housing needs analysis is underway simultaneously with the regional EOA. The regional housing study will identify land needs for housing. The two studies are intended to be mutually supportive and describe the current usage and future demand for all types of land with the local jurisdictions. The two studies may show opportunities for greater land use efficiency, through conversion of land from one use to another (e.g., redesignating residential land in key areas to commercial use).

- **Consider options for addressing the population and employment imbalance in Keizer.** One option for addressing Keizer’s imbalance of population and employment include the high value approach described in this report. There are other options for addressing this imbalance, such as through the allocation of general employment demand within the region.
- **Take a long-term view.** While the study identifies land deficiencies that we recommend the participating jurisdictions take action on immediately, long-range projections suggest the regional will continue to grow. That growth – population and employment – means continued demand for land as well as infrastructure to serve it. Moreover, the cost of service analysis suggests that infrastructure development, particularly areas served by the Chemawa/I-5 interchange will require long-term planning and financing strategies. It is not an underestimate for us to suggest the process of *planning* for infrastructure improvements (mostly transportation improvements) could take a decade or more. It is essential for that planning to begin immediately so the infrastructure strategy will support long-term growth and economic prosperity in the region.
- **Consider strategies to address deficiencies within the UGB.** This recommendation is consistent with Goal 14 and OAR 660-024 that require jurisdictions consider land use efficiency strategies *before* expanding the UGB. That does not mean that a UGB expansion could not be justified based on the results of this study. What it does mean is that any jurisdiction that wants to consider an expansion will need to go through an additional step of demonstrating that the identified land need cannot be accommodated within the existing UGB.
- **If deficiencies exist that require a UGB expansion, additional steps are necessary.** From the perspective of complying with state land use policy, several additional Goals come into play: Goals 1 (citizen participation), 2 (land use), 9 (economy), 11 (public facilities), 12 (transportation), and 14 (urbanization). The reality is that the system is complicated and uncertain – as demonstrated by several recent legal decisions (Bend, Newberg, and Woodburn). That process will entail:
  - Adopt a local economic development vision and strategy. That vision should build off the one described in this report, but should be tailored to articulate, in as much detail as possible, the local economic development strategy.

- Document land deficiencies. Much of that work is already done through the regional EOA, however, additional documentation will be required (including the land use efficiency strategies).
- Conduct an alternatives analysis. This step is described in OAR 660-024 and requires jurisdictions to demonstrate that land brought into the UGB best meets the ORS 197.298 priority scheme as well as the Goal 14 factors.
- Develop an infrastructure financing strategy. The Bend decision makes it clear that jurisdictions have to do more than simply add “opportunity” sites. They must demonstrate how they will provide infrastructure to those sites during the planning period.
- **Develop policies to preserve high-value employment uses for specific uses.** Cities or counties may choose to adopt comprehensive plan policies to preserve land with special characteristics so that the land is available for employment uses that require the special characteristics.



This report presents a regional Economic Opportunities Analysis (EOA) for the Salem-Keizer metropolitan area consistent with the requirements of statewide planning Goal 9 and the Goal 9 administrative rule (OAR 660-009). Goal 9 describes the EOA as “an analysis of the community's economic patterns, potentialities, strengths, and deficiencies as they relate to state and national trends” and states that “a principal determinant in planning for major industrial and commercial developments should be the comparative advantage of the region within which the developments would be located.”

The data and analysis presented in this report is intended to serve as the foundation for the preparation of local EOAs for the cities of Keizer, Salem and Turner. The report includes regional assessments of land supply and economic opportunities, but does not include local determination of whether individual cities have enough land in their urban growth boundaries (UGBs) to accommodate identified economic opportunities over the required 20-year planning horizon. The analysis does not represent any land use action or decision on behalf of any of the participating jurisdictions.

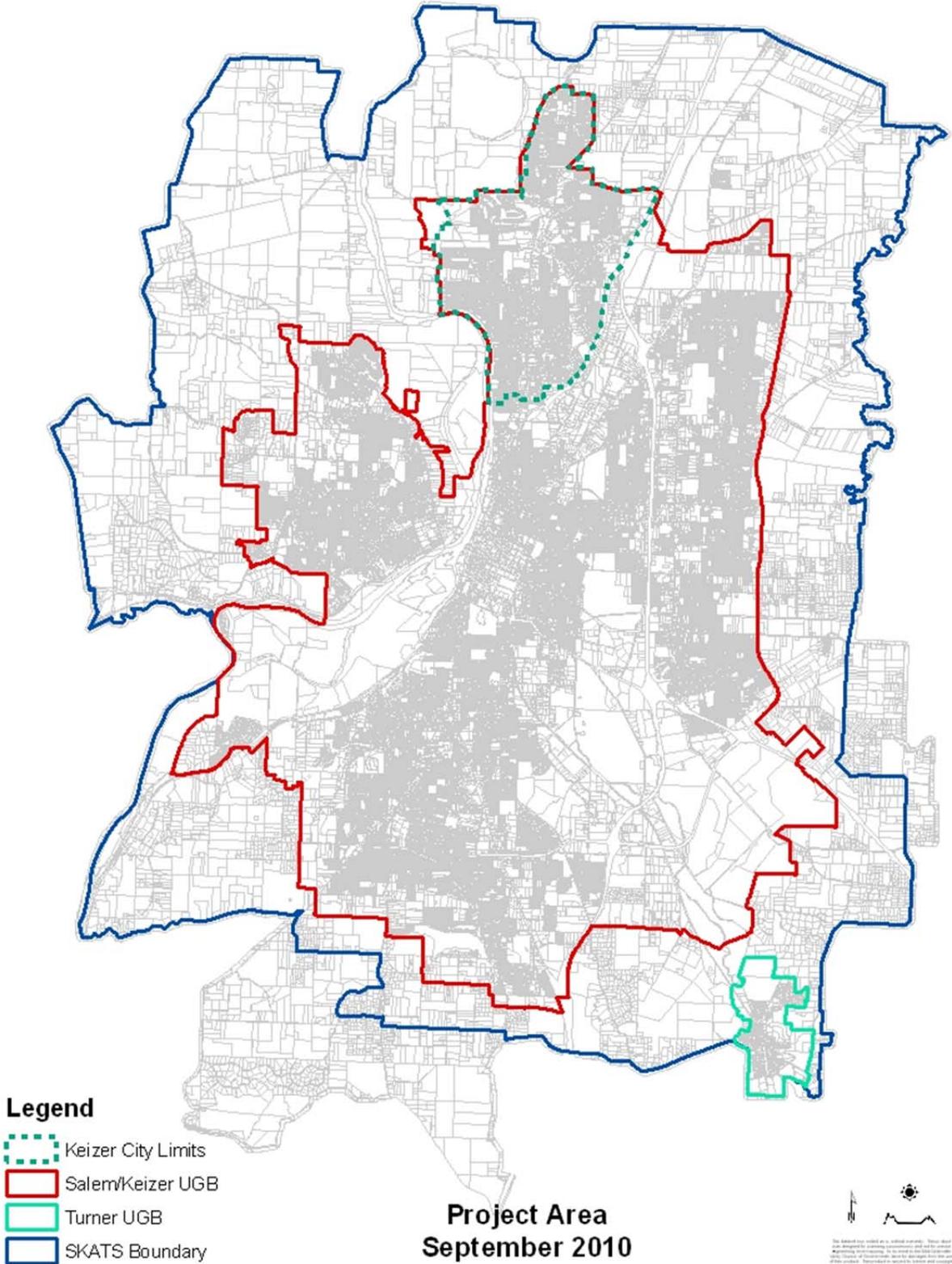
## BACKGROUND

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The purpose of this project is to identify key economic opportunities and estimate the future land need for commercial, industrial and other employment opportunities in the Salem-Keizer metropolitan area. The primary reason for the project is that Keizer entered Periodic Review in 2009. The cities of Salem and Keizer share a joint Urban Growth Boundary (UGB) and are required to coordinate planning decisions that involve (potential) changes to the UGB.

Five jurisdictions participated in the project: the cities of Salem, Keizer, and Turner and Marion and Polk counties. Map 1-1 shows the planning area for study, which includes land within the Metropolitan Planning Organization (MPO) boundary known as, the Salem Keizer Area Transportation Study (SKATS) Area. This area is referred to as the Salem-Keizer metropolitan area throughout the study.

Map 1-1. Salem Keizer metropolitan area EOA Planning Area



Source: Mid-Willamette Valley Council of Governments "Salem Keizer Area EOA Buildable Land Inventory"

The project resulted in two documents:

- A regional economic development strategy that articulates regional economic development goals and objectives, which is presented in a separate document
- An economic opportunities analysis that identifies key regional economic opportunities.

ECONorthwest and Mid-Willamette Valley Council of Governments (MWVCOG) worked with a Technical Advisory Committee (TAC) and a Policy Advisory Committee (PAC) in preparing the EOA. This report incorporates comments provided by these groups.

- **TAC.** Staff members from the five participating jurisdictions provided input in the analysis. TAC members helped shape the technical analysis for the EOA, including providing input on the assumptions and methodology used to estimate employment land demand and economic opportunities, as well as providing some of the information used in this report. The TAC reviewed the analysis throughout the project, provided input, and made recommendations to the PAC.
- **PAC.** Elected and appointed officials from the five participating jurisdictions provided policy direction necessary to develop the estimate of employment land demand and economic opportunities. The PAC provided input on the larger issues of methodology and assumptions used in the analysis.

## **FRAMEWORK FOR REGIONAL ECONOMIC OPPORTUNITIES ANALYSIS**

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The content of this report is designed to meet the requirements of Oregon Statewide Planning Goal 9 and the administrative rule that implements Goal 9 (OAR 660-009). The analysis in this report is designed to conform to the requirements for an Economic Opportunities Analysis in OAR 660-009 as amended.

*Economic Opportunities Analysis (OAR 660-009-0015).* The Economic Opportunities Analysis (EOA) requires communities to identify the major categories of industrial or other employment uses that could reasonably be expected to locate or expand in the planning area based on information about national, state, regional, county or local trends; identify the number of sites by type reasonably expected to be needed to accommodate

projected employment growth based on the site characteristics typical of expected uses; include an inventory of vacant and developed lands within the planning area designated for industrial or other employment use; and estimate the types and amounts of industrial and other employment uses likely to occur in the planning area. Local governments are also encouraged to assess community economic development potential through a visioning or some other public input based process in conjunction with state agencies.

1. *Industrial and commercial development policies (OAR 660-009-0020).* Cities with a population over 2,500 are required to develop commercial and industrial development policies based on the EOA. Local comprehensive plans must state the overall objectives for economic development in the planning area and identify categories or particular types of industrial and other employment uses desired by the community. Local comprehensive plans must also include policies that commit the city or county to designate an adequate number of employment sites of suitable sizes, types and locations. The plan must also include policies to provide necessary public facilities and transportation facilities for the planning area. Finally, cities within a Metropolitan Planning Organization (which includes Salem, Keizer, and Turner) must adopt policies that identify a competitive short-term supply of land for desired industrial and other employment uses as an economic development objective.
2. *Designation of lands for industrial and commercial uses (OAR 660-009-0025).* Cities and counties must adopt measures to implement policies adopted pursuant to OAR 660-009-0020. Appropriate implementation measures include amendments to plan and zone map designations, land use regulations, public facility plans, and transportation system plans. More specifically, plans must identify the approximate number, acreage and characteristics of sites needed to accommodate industrial and other employment uses to implement plan policies, and must designate serviceable land suitable to meet identified site needs.

Plans for cities and counties within a Metropolitan Planning Organization or cities and counties that adopt policies relating to the short-term supply of land must designate suitable land to respond to economic development opportunities as they arise.

This report is a regional Economic Opportunities Analysis, the first key element required by Goal 9. The regional EOA is allowed under the provisions of OAR 660-009-0030 (multi-jurisdictional coordination) and is intended to partially address the coordination requirements of statewide

planning Goal 2. The following table describes the requirements of OAR 660-009 and where those requirements are met within the report. Because this project will result in a draft regional EOA, it will not meet all of the requirements of OAR 660-009 that local jurisdictions are required to meet.

**Table 1-1. Where the requirement of OAR 660-009 are met within this report**

<b>Requirement of OAR 660-009</b>	<b>Where the requirement are met in the report</b>
660-009-0015(1) Review of national, state, regional, county, and local trends	Summary in Chapter 3 and detailed analysis in Appendix B
660-009-0015(2) Identify required site types	Summary in Chapter 5 and detailed analysis in Appendix C
660-009-0015(3) Inventory of industrial and other employment lands	Summary in Chapter 2 and detailed analysis in Appendix A
660-009-0015(4) Assessment of community economic development potential	Summary in Chapter 3 and detailed analysis in Appendix B
660-009-0020 Industrial and other employment development policies	The regional objectives are described in the economic development strategy in Appendix F but local jurisdictions will need to formulate their own policies and objectives.
660-009-0025(1) Identification of needed sites	Summary in Chapter 5 and detailed analysis in Appendix C
660-009-0025(2) Total land supply	Chapter 5 estimates regional total land supply
660-009-0025(3) Short-term supply of land	Appendix C will identify large sites with services but local jurisdictions will need to refine the regional analysis to meet the requirements of 660-009-0025(3) through a local EOA.

Several approaches exist for developing an economic opportunity analysis. The most common methods for forecasting future employment land demand are: (1) based on forecasts of population and employment growth; and (2) based on forecasts of employment growth and the characteristics of land used by potential growth industries. The regional EOA in this report uses these methods to project demand for employment land: (1) demand for general employment land based on forecasts of population and employment growth and (2) demand for high value employment based on employment growth and the characteristics of land used by potential growth industries.

The choice of the methods used in this report are based on: (1) the recognition that some demand from employment growth results from growth in population (e.g., retail or personal services) and (2) the cities aspirations for growth of businesses with certain characteristics (e.g., well-paying jobs with full benefits) based on their vision for economic

development. The methods used in the report and the rationale for using these methods is described further in Chapters 4 and 5.

## **ORGANIZATION OF THIS REPORT**

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This report is organized as follows:

- **Chapter 2, Land Available for Industrial and Other Employment Uses** presents summary of the inventory of industrial and other employment lands.
- **Chapter 3, Economic Trends and Factors Affecting Future Economic Growth in the Salem-Keizer metropolitan area** summarizes historic economic trends that affect current and future economic conditions in the region.
- **Chapter 4, Economic Opportunities in the Salem-Keizer metropolitan area** summarizes the economic opportunities of the Salem-Keizer metropolitan area based on the region's competitive advantages for economic development.
- **Chapter 5, Commercial and Industrial Land Site Needs and Land Sufficiency** presents land needed for general employment and high value site needs, as well as a comparison of land supply and site needs and discusses the implications of the Economic Opportunities Analysis.

This report also includes six appendices:

- **Appendix A, Commercial and Industrial Buildable Lands Inventory**
- **Appendix B, Economic Trends and Factors Affecting Future Economic Growth in the Salem-Keizer metropolitan area**
- **Appendix C, Site Suitability Analysis**
- **Appendix D, Fiscal Analysis**
- **Appendix E, General Employment Land Demand**
- **Appendix F, Regional Economic Development Strategy**
- **Appendix G, Stakeholder Participation and Involvement**

# Land Available for Industrial and Other Employment Uses

## Chapter 2

In 2009-2010, the Mid-Willamette Valley Council of Governments (MWVCOG), with input from the Technical Advisory Committee, completed an inventory of buildable employment lands located within the Salem Keizer Metropolitan Planning Area (also known as the Salem Keizer Area Transportation Study Area “SKATS”). The inventory estimates how much employment land is currently available for development. The inventory includes an analysis of whether or not land is vacant, developed and potentially available for redevelopment. The inventory also addresses requirements for buildable land inventories found in statewide planning goals 9 (Economy) and 14 (Urbanization).

This chapter provides an overview of the buildable land inventory methodology and results. This chapter was written by the Mid-Willamette Valley Council of Governments as a brief summary of the buildable land inventory. The complete buildable land inventory report may be found in Appendix A.

## OVERVIEW OF THE METHODOLOGY

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The buildable land inventory for the EOA was completed through two (2) general phases of analysis. Phase One included an analysis of whether or not land was considered to be vacant or developed. Phase Two included an analysis of constrained land that was deducted from the inventory of buildable land.

For the purposes of this study, the following definitions were used:

**Vacant Land** was defined as: (1) Properties with no current development<sup>6</sup> and available for future employment use; or (2) Properties with a commercial or industrial plan designation with a Floor Area Ratio (FAR) of 0.10 or less; and commercial lots one-half acre or greater in size, or industrial lots five (5) acres or greater in size. Of these selected lots, the estimated vacant portion is 30% of the lot.

**Developed Land** was defined as: Land that contains existing development and is not classified as vacant under the definition of vacant land above.

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<sup>6</sup>Vacant land has no permanent building structure. Sheds, storage buildings or garages may be present.

The definition for vacant land in this study is more inclusive and differs somewhat from that outlined in the statewide planning goals under OAR 660-009-0005. All vacant commercial and industrial land, regardless of size, is initially categorized as vacant, whereas state guidelines include only vacant parcels greater than ½ acre. Commercial property with an existing structure is considered partially vacant with a FAR of less than 0.10 and a lot size greater than ½ acre. The statewide planning definition is similar, but with a lot size threshold greater than 5 acres. This study then assumes 30% of the parcel is vacant, based on a survey of existing properties and the feasibility for access and parking requirements to be met in compliance with development codes.

This study used the existing building footprint without the building height. All properties with the footprint ratio of less than 0.10 were included, even if the actual FAR is higher. For example, a parcel may have an existing 2 or 3 story building, yet is still included in the partially vacant determination. Finally, after environmental constraints were applied to the vacant land inventory using the GIS, parcels or partial tax lots less than 5,000 square feet in size were excluded from the vacant inventory. This threshold was determined as it is difficult to fulfill access and parking requirements for development on very small lots. The total amount of land excluded under this definition was 8.6 acres in the study area, of which, 58 parcels or partial parcels were between 3,000 and 5,000 square feet in size.

Constrained land includes land that is not available for development based upon one or more factors such as, environmental protections, or lands committed for public use. Constrained land was deducted from the buildable land inventory in order to determine the amount of unconstrained “buildable acres” available for development over the planning horizon.<sup>7</sup> The following constraints were identified and excluded from the buildable land inventory:

- Publicly owned lands, not intended for employment use,
- Designated open spaces,
- Utilities (e.g. power lines, electric substations, water towers, reservoirs, wastewater facility and treatment plant),
- Floodways,
- Wetlands,

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<sup>7</sup> Buildable lands are not necessarily “suitable” lands for employment. OAR 660-009-0005(12) defines suitable as “serviceable land designated for industrial or other employment use that provides, or can be expected to provide the appropriate site characteristics for the proposed use.” Chapter 5 and Appendix C present the suitability analysis.

- Water bodies and water features,
- Riparian corridors (defined as 25 feet<sup>8</sup> on either side of open mapped waterways),
- Slopes greater than 20 percent, and
- Sliver parcels (small lots) less than 5,000 square feet in size.

A discussion of additional development constraints considered during the analysis may be found in Appendix A.

The inventory was completed primarily using Geographic Information Systems (GIS) mapping technology. Data was gathered and analyzed at the parcel (tax lot) level using a combination of existing parcel-based land use inventory data, County Assessor's records, building permit data through December 31, 2009 and aerial photographs. The buildable land inventory was verified using aerial photo analysis and agency staff review to ensure accuracy. The output of this analysis is a database of land inventory information, which is summarized in both tabular and map format.

Although data for the inventory was gathered and evaluated at the parcel level, the inventory does not present a parcel-level analysis of lot availability and suitability. The results of the inventory have been aggregated by comprehensive plan designations, consistent with state planning requirements. As such, the inventory is considered to be accurate in the aggregate only and not at the parcel-level.

The Buildable Land Inventory for the EOA includes a review of the following employment comprehensive plan designations:

**Salem**

- Central Business District (CB)
- Commercial (COMM)
- Employment Center (EC)
- Industrial/Commercial (IC)
- Industrial (IND)
- Mixed Use (MU)
- Public (Community Services - CS)

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<sup>8</sup> A 25 foot riparian buffer on either side of mapped waterways was selected by the TAC as a reasonable standard based upon an analysis of existing development patterns, riparian protections required by Department of State Lands (DSL), the presence of utility easements adjacent waterways, existing local ordinances that protect riparian vegetation (Salem Revised Code Chapter 68), and pending revisions to stormwater ordinances which, would provide increased protections for riparian areas in order to reduce stream temperatures and comply with Department of Environmental Quality (DEQ) water quality requirements.

## River-Oriented Mixed Uses (ROM)

### **Keizer**

- Commercial (C)
- Campus Light Industrial (CLI)
- General Industrial (GI)
- Mixed Use (MU)
- Special Planning District (SPD)
- Public (Civic - CI, Elementary School - ES, Middle School - MS, High School - HS)

### **Turner**

- General Commercial (C-1)
- General Industrial (M-1)
- Public (C-1/P; R-1/P; and R-11/P)

### **Marion County**

- Commercial (C)
- Industrial (I)
- Public (Public and Semi Public - P)

### **Polk County**

- Unincorporated Community Commercial (UCC)
- Unincorporated Community Industrial (UCI)
- Public (P)

A buildable land inventory was also completed for residential uses as part of the Salem Keizer Housing Needs Analysis Study completed in 2011.

## BUILDABLE LAND INVENTORY RESULTS

The following map and tables summarize the final steps of the buildable land inventory, having applied the constrained layers to the inventory. Table 2-1 includes a summary of vacant employment land after the deduction of the applied constraints listed above, by specific jurisdiction and individual comprehensive plan designations.

In general, Table 2-1 shows there are a total of 286.7 acres of commercial land (CB, C, C-1, COMM, UCC), 584.0 acres of light industrial land (CLI, EC, UCI, IC), 759.8 acres of industrial land (IND, GI, M-1, I, UCI, SPD), and 33.0 acres of mixed use land (MU, ROM) available for development within the planning area.

**Table 2-1. Unconstrained Vacant land by specific comprehensive plan designation by jurisdiction**

<b>Salem</b>	<b>Plan Designation</b>							<b>Total</b>
	<b>CB</b>	<b>COM</b>	<b>EC</b>	<b>IC</b>	<b>IND</b>	<b>MU</b>	<b>ROM</b>	
	1.7	250.0	441.0	104.9	660.2	18.7	3.3	1480.4
<b>Keizer</b>	<b>Plan Designation</b>					<b>Total</b>		
	<b>C</b>	<b>CLI</b>	<b>GI</b>	<b>MU</b>	<b>SPD</b>			
	15.4	29.3	0.9	11.0	1.5	58.2		
<b>Turner</b>	<b>Plan Designation</b>						<b>Total</b>	
	<b>C-1</b>	<b>M-1</b>						
	3.7	66.4					70.1	
<b>Marion</b>	<b>Plan Designation</b>						<b>Total</b>	
	<b>C</b>	<b>I</b>						
	5.1	30.8					35.9	
<b>Polk</b>	<b>Plan Designation</b>				<b>Total</b>			
	<b>FF/UCC</b>	<b>UCC</b>	<b>UCI</b>					
	4.9	5.9	8.8			19.5		

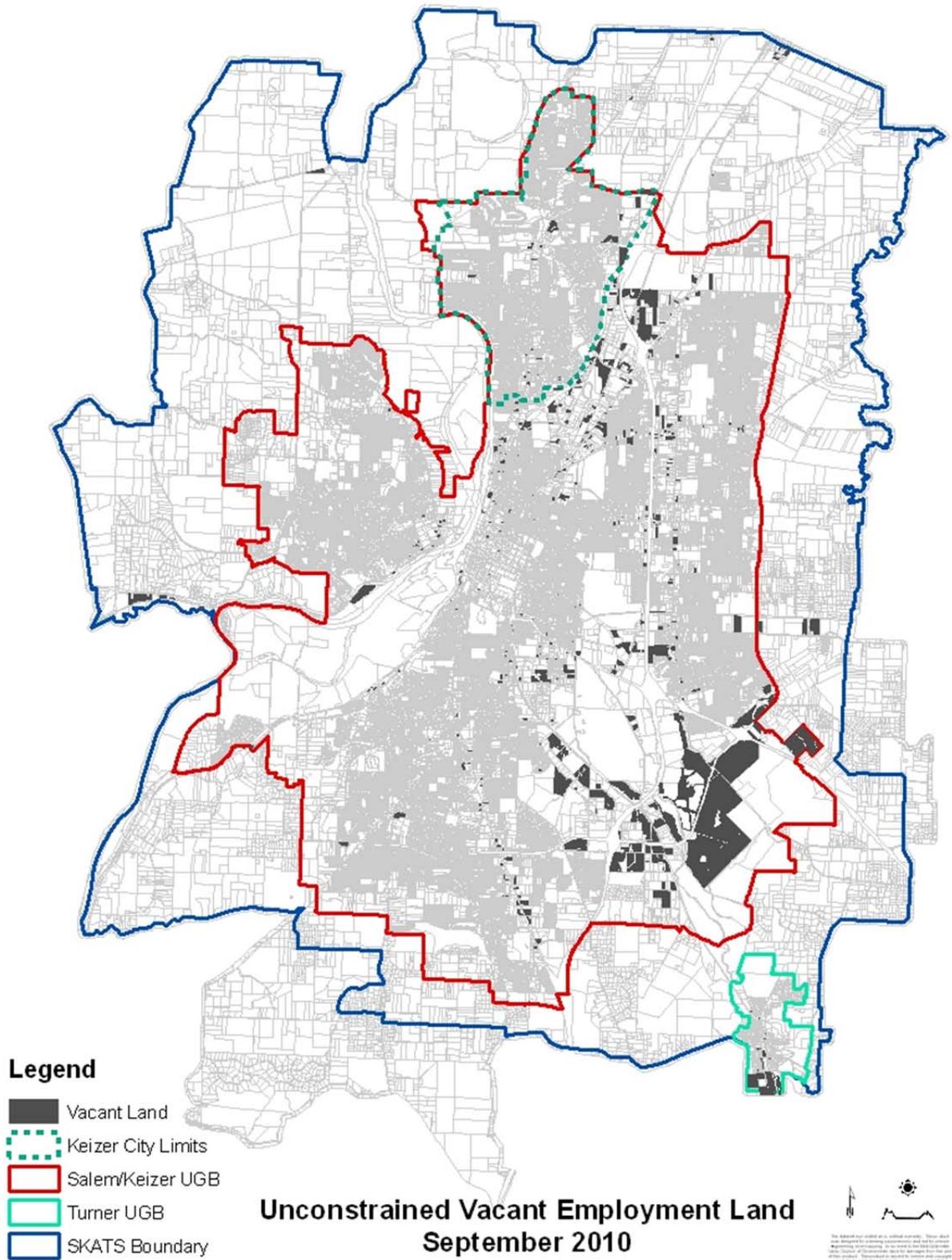
**Footnotes:**

In Salem, Fairview's master plan designates 18 acres of mixed use for commercial and retail development, and .7 acres in Pringle.

Total unconstrained vacant mixed use in Keizer is 24.32 acres, of which 11.02 is likely to develop as commercial use.

Vacant land was identified in the land use inventory, which served as a basis for this buildable land inventory. The definition of vacant land includes two different types of land: 1.) Vacant land that has no permanent building (structure, sheds, storage or garages may be present). 2.) Lots with a Floor Area Ratio (FAR) of 0.10 or less; commercial lots greater than or equal to one-half acre, and industrial lots five acres or greater in size. Of these partially vacant lots, the estimated vacant portion is 30 percent and is included here. If summary tables are added together, totals may not match due to the 30% calculation.

Figure 2-1: Unconstrained vacant employment land

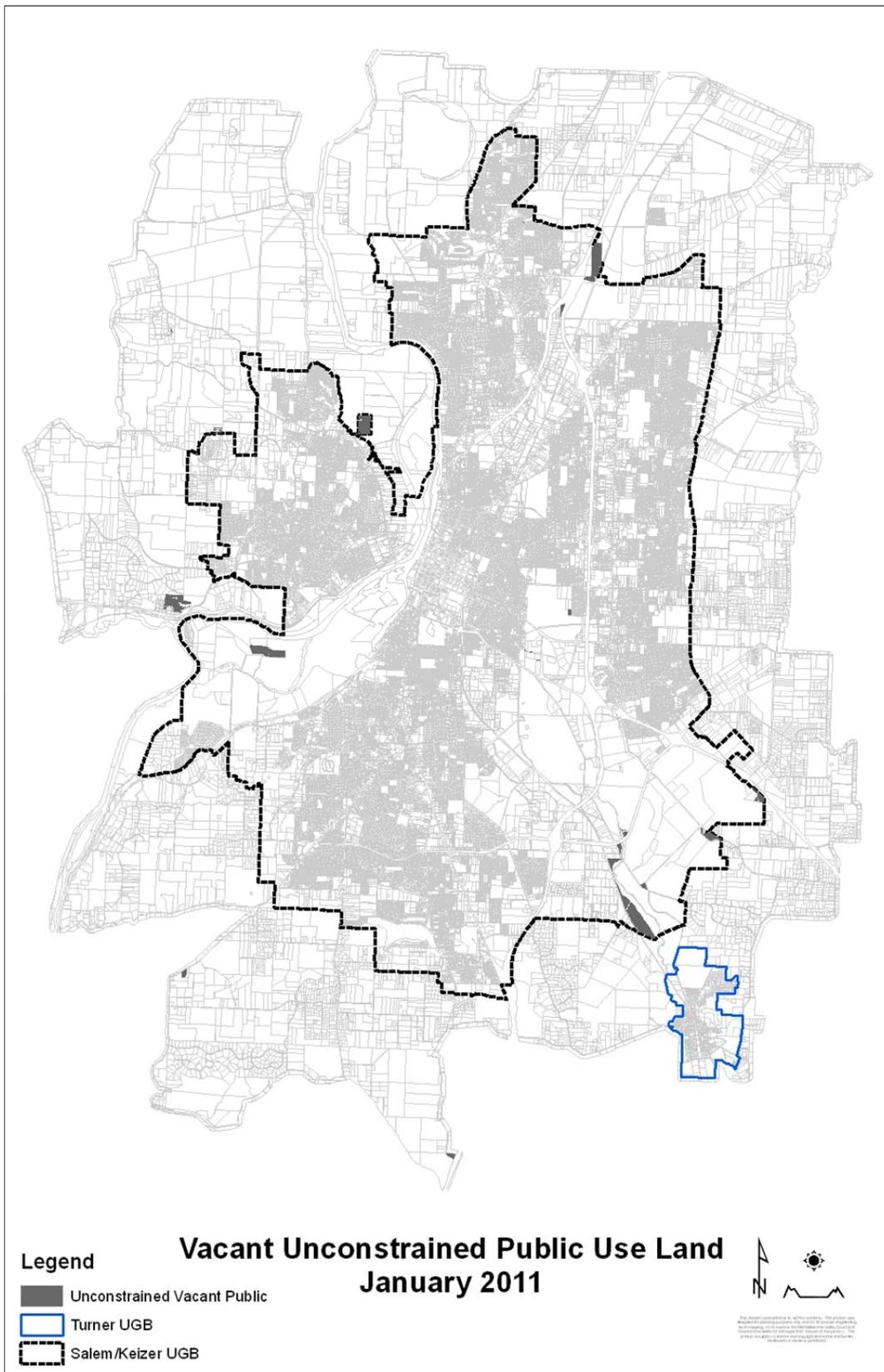


The following tables summarize the acreage and number of vacant commercial parcels by parcel size, comprehensive plan designation and jurisdiction.

**Table 2-2. Acres of Unconstrained Vacant public employment land by specific comprehensive plan designation and jurisdiction**

<u>Jurisdiction</u>	<u>Plan Designation</u>				<u>P</u>	<u>Total</u>
	<u>C-1/p</u>	<u>CSE</u>	<u>CSG</u>	<u>CSS</u>		
<b>Salem</b>		10.2	118.5	110.3		238.9
<b>Keizer</b>					0.1	0.1
<b>Turner</b>	.1					0.1
<b>Marion</b>					9.5	9.5
<b>Polk</b>					46.4	46.4
<b>Total</b>	.1	10.2	118.5	110.3	56.1	295.1

Figure 2-2: Map of unconstrained vacant public employment land



The following tables summarize the acreage and number of vacant commercial parcels by parcel size, comprehensive plan designation and jurisdiction.

**Table 2-3. Acres of Vacant Commercial Parcels, by Size and Comprehensive Plan Designation**

		<b>Less than 1 acre</b>	<b>1-2 acres</b>	<b>2-5 acres</b>	<b>5-10 acres</b>	<b>10-20 acres</b>	<b>Total</b>
<b>Salem</b>							
	CB	1.7					<b>1.7</b>
	COM	89.6	17.3	62.5	23.7	57.5	<b>250.6</b>
	IND*			4.8	9.8		<b>14.6</b>
	MU	0.7				18	<b>18.7</b>
	ROM	3.3					<b>3.3</b>
	Salem Subtotal	95.2	17.3	67.4	33.5	75.5	<b>288.9</b>
<b>Keizer</b>							
	C	3.7	1.5	10.3			<b>15.5</b>
	MU	3.8			7.2		<b>11.0</b>
	SPD		1.5				<b>1.5</b>
	Keizer Subtotal	7.5	3.0	10.3	7.2		<b>27.9</b>
<b>Turner</b>							
	C-1	3.7					<b>3.7</b>
	Turner Subtotal	3.7					<b>3.7</b>
<b>Marion</b>							
	C	3.7	1.4				<b>5.1</b>
	Marion Subtotal	3.7	1.4				<b>5.1</b>
<b>Polk</b>							
	FF/UCC			4.9			<b>4.9</b>
	UCC	1.1	4.8				<b>5.9</b>
	Polk Subtotal	1.1	4.8	4.9			<b>10.8</b>
<b>Total</b>		<b>111.1</b>	<b>26.4</b>	<b>82.6</b>	<b>40.7</b>	<b>75.5</b>	<b>336.3</b>

\*Note: IND land is Pictsweet property, currently industrial, likely to be commercial.

**Table 2-4. Number of Vacant Commercial Parcels, by Size and Comprehensive Plan Designation**

	<b>Less than 1 acre</b>	<b>1-2 acres</b>	<b>2-5 acres</b>	<b>5-10 acres</b>	<b>10-20 acres</b>	<b>Total</b>
<b>Salem</b>						
CB	9					<b>9</b>
COM	249	13	18	4	4	<b>288</b>
IND			1	1		<b>2</b>
MU	1				1	<b>2</b>
ROM	11					<b>11</b>
Salem Subtotal	<b>270</b>	<b>13</b>	<b>19</b>	<b>5</b>	<b>5</b>	<b>312</b>
<b>Keizer</b>						
C	14	1	3			<b>18</b>
MU	7			1		<b>8</b>
SPD		1				<b>1</b>
Keizer Subtotal	<b>21</b>	<b>2</b>	<b>3</b>	<b>1</b>		<b>27</b>
<b>Turner</b>						
C-1	8					<b>8</b>
Turner Subtotal	<b>8</b>					<b>8</b>
<b>Marion</b>						
C	10	1				<b>11</b>
Marion Subtotal	<b>10</b>	<b>1</b>				<b>11</b>
<b>Polk</b>						
FF/UCC			1			<b>1</b>
UCC	3	3				<b>6</b>
Polk Subtotal	<b>3</b>	<b>3</b>	<b>1</b>			<b>7</b>
<b>Total</b>	<b>310</b>	<b>19</b>	<b>19</b>	<b>6</b>	<b>5</b>	<b>365</b>

The following tables summarize the acreage and number of vacant industrial parcels by parcel size, comprehensive plan designation and jurisdiction.

**Table 2-5. Acres of Vacant Industrial Parcels, by Size and Comprehensive Plan Designation**

		<b>Less 1 acre</b>	<b>1-2 acres</b>	<b>2-5 acres</b>	<b>5-10 acres</b>	<b>10-20 acres</b>	<b>20-50 acres</b>	<b>50 or more</b>	<b>Total</b>
<b>Salem</b>									
	EC	1.3		4.4	9.3	51.1	88.0	287.0	<b>441.1</b>
	IC	20.6	16.9	25.7	16.1		25.6		<b>104.9</b>
	IND	39.6	45.1	117.1	213.4	128.1	102.4		<b>645.6</b>
	Salem Subtotal	<b>61.4</b>	<b>62.0</b>	<b>147.2</b>	<b>238.8</b>	<b>179.2</b>	<b>216.0</b>	<b>287.0</b>	<b>1,191.6</b>
<b>Keizer</b>									
	CLI	0.2		7.1	6.3	15.7			<b>29.3</b>
	GI	1.0							<b>1.0</b>
	Keizer Subtotal	<b>1.2</b>		<b>7.1</b>	<b>6.3</b>	<b>15.7</b>			<b>30.3</b>
<b>Turner</b>									
	M-1	2.7	4.2	13.3	16.0	30.3			<b>66.4</b>
	Turner Subtotal	<b>2.7</b>	<b>4.2</b>	<b>13.3</b>	<b>16.0</b>	<b>30.3</b>			<b>66.4</b>
<b>Marion</b>									
	I	0.9		2.3	8.9	18.7			<b>30.8</b>
	Marion Subtotal	<b>0.9</b>		<b>2.3</b>	<b>8.9</b>	<b>18.7</b>			<b>30.8</b>
<b>Polk</b>									
	UCI		1.5	7.2					<b>8.7</b>
	Polk Subtotal		<b>1.5</b>	<b>7.2</b>					<b>8.7</b>
<b>Total</b>		<b>66.2</b>	<b>67.6</b>	<b>177.1</b>	<b>270.0</b>	<b>243.9</b>	<b>216.0</b>	<b>287</b>	<b>1,327.8</b>

Note: Land designated IC in Salem accommodates both industrial and commercial uses. Vacant IC land could be assumed to accommodate a mix of industrial and commercial uses.

**Table 2-6. Number of Vacant Industrial Parcels, by Size and Comprehensive Plan Designation**

	Less 1 acre	1-2 acres	2-5 acres	5-10 acres	10-20 acres	20-50 acres	50 or more	Total
<b>Salem</b>								
EC	3		1	1	3	2	4	14
IC	57	12	8	2		1		80
IND	98	31	33	29	10	4		205
Salem Subtotal	<b>158</b>	<b>43</b>	<b>42</b>	<b>32</b>	<b>13</b>	<b>7</b>	<b>4</b>	<b>299</b>
<b>Keizer</b>								
CLI	1		2	1	1			5
GI	7							7
Keizer Subtotal	<b>8</b>		<b>2</b>	<b>1</b>	<b>1</b>			<b>12</b>
<b>Turner</b>								
M-1	12	2	3	2	2			21
Turner Subtotal	<b>12</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>			<b>21</b>
<b>Marion</b>								
I	4		1	1	1			7
Marion Subtotal	<b>4</b>		<b>1</b>	<b>1</b>	<b>1</b>			<b>7</b>
<b>Polk</b>								
UCI		1	2					3
Polk Subtotal		<b>1</b>	<b>2</b>					<b>3</b>
<b>Total</b>	<b>182</b>	<b>46</b>	<b>50</b>	<b>36</b>	<b>17</b>	<b>7</b>	<b>4</b>	<b>342</b>

Note: Land designated IC in Salem accommodates both industrial and commercial uses. Vacant IC land could be assumed to accommodate a mix of industrial and commercial uses.

# Economic Trends and Factors Affecting Future Economic Growth in the Salem-Keizer metropolitan area

Chapter 3

This chapter presents a summary of the trends and factors affecting future economic growth in the Salem-Keizer metropolitan area. The information in this chapter builds on the detailed analysis of economic trends and competitive advantage presented in Appendix B. The purpose of this chapter is to articulate the implications of national and state economic conditions and trends on economic growth in the Salem-Keizer metropolitan area. In addition, this chapter and Appendix B meet the requirements of OAR 660-009-0015(1) to review national, state, regional, county, and local economic trends.

## IMPLICATIONS OF NATIONAL AND STATE TRENDS ON ECONOMIC DEVELOPMENT WITHIN THE SALEM-KEIZER METROPOLITAN AREA

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This section presents the implications of national, state, and regional economic trends on economic growth in the Salem-Keizer metropolitan area. Appendix B presents a detailed analysis of economic and demographic trends. Table 3-1 summarizes the implications of these trends for long-term economic growth in the Salem-Keizer metropolitan area. The references for information presented in Table 3-1 are documented in Appendix B.

**Table 3-1. Implications of national, state, and regional economic and demographic trends on economic growth in the Salem-Keizer metropolitan area**

National, State, and Regional Economic Trends	Implications for economic growth in the Salem-Keizer metropolitan area
<p><b>Effects of the national recession</b></p> <p>The national recession that started at the end of 2007 has affected businesses and workers alike. Unemployment at the national level has been at or above 9% since January 2009, with Oregon’s unemployment rate at or above 10% since January 2009.</p> <p>The federal government’s economic forecast suggests slow economic growth, with gradual increases of employment through 2011. Economic growth in Oregon typically lags behind national growth.</p>	<p>The national recession is likely to result in slower than average employment growth in the Salem-Keizer metropolitan area.</p> <p>The higher levels of unemployment and slow employment growth are likely to slow growth in wages over the next two to five years throughout Oregon, including in the Salem MSA.</p>
<p><b>Growth of service-oriented sectors</b></p> <p>Increased worker productivity and the international outsourcing of routine tasks led to declines in employment in the major goods-producing industries. Projections from the Bureau of Labor Statistics indicate that U.S. employment growth will continue to be strongest in healthcare and social assistance, professional and business services, and other service industries.</p> <p>Construction employment will grow with the economy but manufacturing employment will decline. These trends are also expected to affect the composition of Oregon’s economy.</p>	<p>The changes in employment in the Salem MSA have followed similar trends as changes in national and state employment. The sectors with the greatest change in share of employment since 1980 were Services, adding more than 40,000 or 57% of new jobs. Industrial sectors and Government each added more than 14,000 jobs, accounting for about 20% of new jobs.</p> <p>Oregon Employment Department forecasts that the sectors likely to have the most employment growth over the 2008 to 2018 period are: Health Care &amp; Social Assistance, Local and State Government, Retail Trade, Professional and Business Service, and Accommodation and Food Services. These sectors represent employment opportunities for the Salem-Keizer metropolitan area.</p>

National, State, and Regional Economic Trends	Implications for economic growth in the Salem-Keizer metropolitan area
<p><b>Lack of diversity in Oregon's economy</b></p> <p>Oregon's economy has diversified since the 1960's but Oregon continues to rank low in economic diversity among states. A recent analysis, based on 2007 data, ranked Oregon 31<sup>st</sup>.</p> <p>These rankings suggest that Oregon is still heavily dependent on a limited number of industries. Relatively low economic diversity increases the risk of economic volatility as measured by changes in output or employment.</p>	<p>Employment in the Salem-Keizer metropolitan area is concentrated in a few sectors: one third of employment is governmental and about 22% is in retail trade and health care and social assistance, services that primarily serve the local population. Employment in the government and health care sectors tends to be stable, well-paying employment.</p> <p>Aside from government employment, the metropolitan area has a limited amount of traded-sector employment. Manufacturing accounts for 6% of regional employment. Other sources of potential traded-sector employment, such as professional services or management of companies, account for a small share of the region's employment.</p> <p>Opportunities for growth of traded-sector employment include: agriculture, food and beverage products; traded-sector services; metals, machinery, and equipment; forest products; and specialty materials manufacturing.</p>
<p><b>Importance of small businesses in Oregon's economy</b></p> <p>Small business, with 100 or fewer employees, account for 51% of private sector employment in Oregon. Workers of small businesses typically have had lower wages than the state average.</p>	<p>Businesses with 100 or fewer employees account for 70% of private employment in the Salem-Keizer metropolitan area. Businesses with 9 or fewer employees account for 20% of private employment in the metropolitan area.</p> <p>Growth of small businesses presents opportunities for economic growth in the metropolitan area.</p>
<p><b>Availability of trained and skilled labor</b></p> <p>Businesses in Oregon are generally able to fill jobs, either from available workers living within the State or by attracting skilled workers from outside of the State.</p> <p>Availability of labor depends, in part, on population growth and in-migration. Oregon added more than 980,000 new residents and about 475,000 new jobs between 1990 and 2008. The population-employment ratio for the State was about 1.6 residents per job over the 18-year period.</p> <p>Availability of labor also depends on workers' willingness to commute. Workers in Oregon typically have a commute that is 30 minutes or shorter.</p> <p>Availability of skilled workers depends, in part, on education attainment. About 28% of Oregon's workers have a Bachelor's degree or higher.</p>	<p>Consistent with State trends, population and employment generally grew at the same pace over the 18-year period. The population-employment ratio in the Salem MSA was about 2.4 residents per job over the 18-year period.</p> <p>Workers in the Salem MSA lived throughout the Willamette Valley, from Multnomah County to Lane County. About one-third of the workforce in the Salem-Keizer metropolitan area lived outside of Marion or Polk County.</p> <p>A smaller share of residents in the Salem MSA has a Bachelor's degree or higher (21%) than the State average.</p>

National, State, and Regional Economic Trends	Implications for economic growth in the Salem-Keizer metropolitan area
<p><b>Aging of the population</b></p> <p>The number of people age 65 and older will more than double between 2010 and 2050, while the number of people under age 65 will grow only 20 percent. The economic effects of this demographic change include a slowing of the growth of the labor force, an increase in the demand for healthcare services, and an increase in the percent of the federal budget dedicated to Social Security and Medicare.</p> <p>People are retiring later than previous generations, continuing to work past 65 years old. This trend is seen both at the national and State levels. Even given this trend, the need for workers to replace retiring baby boomers will outpace job growth. Management occupations and teachers will have the greatest need for replacement workers because these occupations have older-than-average workforce.</p>	<p>The changes in the age structure in the Salem-Keizer metropolitan area are similar to the State, with the most growth in people 45 years and older. Salem MSA had a larger share of people under 20 years and a smaller share of people over 40 years old than the State average.</p> <p>The State projects the share of the population over the age of 60 in Marion County and Polk County will grow by 2030.</p> <p>Firms in the Salem-Keizer metropolitan area will need to replace workers as they retire. Demand for replacement workers is likely to outpace job growth in the metropolitan area, consistent with State trends.</p>
<p><b>Increases in energy prices</b></p> <p>Energy prices are forecast to resume to relatively high levels, such as those seen in the 2006 to 2008 period, possibly increasing further over the planning period.</p>	<p>Increased energy prices are likely to affect most businesses through shipping, workers' willingness to commute, and energy-intensive production processes.</p> <p>Shipping goods, especially goods shipped by air or truck, would become more expensive with increases in oil prices. One result of increased energy prices may be a shift in the mode for moving freight, from air and truck to rail and ship.</p> <p>Large increases in energy prices may affect workers' willingness to commute, especially workers living the furthest from the metropolitan area or workers with lower paying jobs. Commuters may choose to purchase a more energy efficient car, use the train, bus, or carpool.</p> <p>Businesses with energy-intensive production processes, such as microchip manufacturing, would be negatively impacted by large increases in energy prices. In general, the Pacific Northwest has a comparative advantage for energy prices because hydroelectricity is less expensive to produce than most other forms of electricity production. With large increases in energy prices, the low energy prices in the Northwest may become a more important advantage.</p>

<b>National, State, and Regional Economic Trends</b>	<b>Implications for economic growth in the Salem-Keizer metropolitan area</b>
<p><b>Comparatively low wages</b></p> <p>The income of a region affects the workforce, the types of businesses attracted to the region. Average income affects workers and businesses in different ways. Workers may be attracted to a region with higher average wage or high wage jobs. Businesses, however, may prefer to locate in regions with lower wages, where the cost of doing business may be lower.</p> <p>Since the early 1980's, Oregon's per capita personal income has been consistently lower than the U.S. average. In 2007, Oregon's per capita wage was 91% of the national average.</p> <p>On average, Oregon's workers earn about \$9,400 less than workers in Washington State. Oregon residents earn nearly \$1,200 a year less from investment income than Washington residents.</p>	<p>Per capita income in Marion and Polk counties was lower than the State and national averages.</p> <p>There are three basic reasons that income has been lower in Oregon and Marion and Polk Counties than in the U.S.: (1) wages for similar jobs are lower; (2) the occupational mix of employment is weighted towards lower paying occupations; and (3) a higher proportion of the population has transfer payments (e.g. social security payments for retirees), which are typically lower than earnings.</p> <p>The lower wages in the Salem-Keizer metropolitan area may be attractive to firms that typically pay lower wages, such as firms that outsource professional services such as accounting or technical support.</p>
<p><b>Education as a determinant of wages</b></p> <p>The majority of the fastest growing occupations will require an academic degree, and on average they will yield higher incomes than occupations that do not require an academic degree. The fastest growing of occupations requiring an academic degree will be: computer software application engineers, elementary school teachers, and accountants and auditors. Occupations that do not require an academic degree (e.g., retail sales person, food preparation workers, and home care aides) will grow, accounting for about half of all jobs by 2018. These occupations typically have lower pay than occupations requiring an academic degree.</p>	<p>A smaller share of residents in the Salem MSA have a Bachelor's degree or higher (21%) than the State average.</p> <p>The relatively low wages in the Salem MSA is the result of the composition of the regional economy, rather than the availability of workers with an academic degree. Increasing the relatively low wages in the region is dependent on changing the composition of the regional economy, through growing or attracting businesses with higher paying occupations. The educational attainment in the region is likely to increase with increases in demand for workers in these occupations.</p>
<p><b>Importance of high quality natural resources</b></p> <p>The relationship between natural resources and local economies has changed as the economy has shifted away from resource extraction. Increases in the population and in households' incomes, plus changes in tastes and preferences, have dramatically increased demands for outdoor recreation, scenic vistas, clean water, and other resource-related amenities. Such amenities contribute to a region's quality of life and play an important role in attracting both households and firms.</p>	<p>The region's high quality natural resources present economic growth opportunities for the Salem-Keizer metropolitan area, ranging from food and beverage production to amenities that attract visitors and contribute to the region's high quality of life.</p>

National, State, and Regional Economic Trends	Implications for economic growth in the Salem-Keizer metropolitan area
<p><b>Population and jobs balance</b></p> <p>The relationship between population and employment growth is an important one. Ideally, people would live and work within the same city and possibly within the same neighborhood. In reality, people frequently commute to work outside the city or region where they live. Maintaining the population and jobs balance or reducing the number of people who commute outside a city for work (generally through faster employment growth relative to population growth) is one way to increase local economic prosperity and decrease the negative effects of commuting.</p>	<p>More than one-third of employees in the Salem MSA commute out of Marion and Polk Counties for work, with about 20% commuting to the Portland area for work.</p> <p>The ratio of population to employment (PE) was determined by dividing the total population by covered employment in the urban area, as shown in Table B-14. The PE is calculated by dividing the population by the employment for a given area. For example, the PE in Marion County is 2.2 persons per job. The PE was derived from dividing population (314,866) by number of employees (140,899).</p> <p>The PE in the urban areas of the metropolitan area are:</p> <ul style="list-style-type: none"> <li>Salem and Keizer: 2.00 persons per job</li> <li>Salem: 1.7 persons per job</li> <li>Keizer: 7.0 persons per job</li> <li>Turner: 5.1 persons per job</li> </ul> <p>Employment centers in the Western Oregon with a PE less than 2.0 include: Portland, Beaverton, Hillsboro, Medford, Salem, Eugene, and Corvallis.</p>
<p><b>Projected employment growth</b></p> <p>The Oregon Employment Department forecasts employment growth by industry over the 2008 to 2018 period for Employment Region 3, which includes Marion, Polk, and Yamhill Counties. The sectors that will lead employment growth in Region 3 for the ten-year period are Health Care &amp; Social Assistance (adding 6,300 jobs), Local and State Government (adding 3,100 jobs), Retail Trade (adding 2,400 jobs), Professional and Business Services (adding 2,100 jobs), Accommodation and Food Services (adding 1,800 jobs), and. Together, these sectors are expected to add 15,700 new jobs or 82% of employment growth in Region 3. The Oregon Employment Department forecast does not consider any major recruitment or large expansion of existing firms.</p>	<p>As the economic center of the three-county region, much of the projected employment growth can be expected to locate in Salem-Keizer metropolitan area. The majority of the existing employment in the five sectors with the largest growth forecast are located in the Salem-Keizer metropolitan area, with the largest concentration in Salem.</p> <p>The OED forecast describes likely growth in existing industries in the region. It does not forecast growth resulting from the location or large expansions of major traded-sector industries, such as the potential growth industries described in Chapter 4.</p>

## **STRENGTH, WEAKNESS, OPPORTUNITIES, AND THREATS**

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The analysis of the Salem-Keizer metropolitan area's strengths, weaknesses, opportunities, and threats (SWOT) is based on the analysis in this chapter and other sections of the report, as well as input from stakeholders and the public.

The SWOT analysis is one approach to conducting the "environmental scan" that is typical of strategic plans. The environmental scan includes both an internal assessment (in this instance, characteristics of the region and participating jurisdictions), and an external assessment (in this case the global, national, regional, and state characteristics described in Table 3-1).

Table 3-2 summarizes the results of the regional SWOT analysis.

**Table 3-2. Regional SWOT (Strengths, Weaknesses, Opportunities & Threats) Analysis**

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Regional employment center, located between Eugene and Portland;</li> <li>• State capital, with a substantial amount of State employment;</li> <li>• Access to I-5;</li> <li>• Large parcels of industrial land with urban services and access to I-5;</li> <li>• High quality of life, including public services and access to natural areas;</li> <li>• Many existing small businesses;</li> <li>• Access to natural resources and agricultural production;</li> <li>• Access to skilled, educated workers;</li> <li>• Housing costs that are comparable to or lower than costs in nearby urban areas;</li> <li>• Existing business clusters in the following industries: (1) Agriculture, food and beverage production; (2) Traded-sector services (e.g., creative and professional services); (3) Metals, machinery, and equipment; (4) Forest products; and (5) Specialty manufacturing;</li> <li>• Access to Union Pacific rail lines; and</li> <li>• Salem Convention Center and related facilities</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Low wages and income;</li> <li>• Comparatively small share of residents with a Bachelor's degree or higher;</li> <li>• Lack of diversity in the composition of the regional economy;</li> <li>• Slow state and regional job growth;</li> <li>• Access to inexpensive electricity; and</li> <li>• Availability of potable water.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Growth in traded-sector services and production;</li> <li>• Growth in agriculture and food and beverage related products;</li> <li>• Long-term growth in state and local government;</li> <li>• Growth in higher paying services, such as health care or professional services;</li> <li>• Growth of small businesses;</li> <li>• Coordinating economic development throughout the region; and</li> <li>• Availability of large, vacant parcels of employment land.</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Slow state-wide recovery from the recession;</li> <li>• Potential for national large increases in energy prices;</li> <li>• Shrinking national manufacturing base;</li> <li>• Outsourcing and off-shoring of jobs; and</li> <li>• Diversifying the regional economy.</li> </ul>

# Economic Opportunities in the Salem-Keizer metropolitan area

## Chapter 4

This chapter summarizes economic opportunities for the Salem-Keizer metropolitan area over the next 20 years. OAR 660-009 requires cities to maintain a 20-year inventory of sites designated for employment. To provide for at least a 20-year supply of commercial and industrial sites consistent with regional community development objectives, it is necessary to identify the types of firms that may locate in the metropolitan area over the next 20 years and describe the site requirements of these firms.

The opportunities identified in this section result from discussions with the policy advisory committee (PAC). The PAC considered input from the technical advisory committee (TAC), input received from an online survey and presentation to various stakeholder groups as part of the foundation for identifying and prioritizing economic opportunities in the region. The purpose of identifying potential growth industries is to be able to match the site requirements of these industries (e.g., site size or transportation access) with high value employment sites in the metropolitan area. **The opportunities identified in this section are not intended to limit any type of industry or use--the metropolitan area will attract other industries (including traded-sector industries) that are not in this list but have similar site requirements.** These industries are still desirable from an economic and land use perspective. Moreover, it is not possible to identify all of the opportunities that are appropriate for the region – some industries that exist in 20 years may not exist in 2010.<sup>9</sup>

## ECONOMIC OPPORTUNITIES IN THE SALEM-KEIZER METROPOLITAN AREA

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Economic development opportunities in the Salem-Keizer metropolitan area will be affected by local conditions as well as the national and state economic conditions described in Chapter 3. There is little that metropolitan area jurisdictions can do to influence national and state conditions that affect economic development, though they can influence local factors that affect economic development and prepare to accommodate desired employers.

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<sup>9</sup> In 1990, nobody predicted a range of new technical industries based on the Internet. For example, web site design was not an industry in 1990, but had significant employment by 2000.

Economic conditions in the Salem-Keizer metropolitan area relative to these conditions in other portions of the Willamette Valley form the metropolitan area's competitive advantage for economic development. These competitive advantages have implications for the types of firms most likely to locate and expand in the Area. The Salem-Keizer metropolitan area's primary competitive advantages are: location, access to I-5, presence of the State government, high quality of life, market buying power, a large base of certified industrial sites, and access to highly educated and skilled labor from the local region and the Willamette Valley. These factors make the metropolitan area attractive to residents and businesses that want a high quality of life where they live and work. Appendix B documents the metropolitan area's competitive advantages in detail.

Appendix B reports industries that have shown growth and business activity in the Salem-Keizer metropolitan area over the past few years, as well as clusters with regional growth potential. These businesses are indicative of the economic opportunities in the Salem-Keizer metropolitan area.

The characteristics of the metropolitan area will affect the types of businesses most likely to locate in the region:

- The regional access to I-5 and proximity to Portland, abundance of cultural and urban amenities, access to higher education make the Metropolitan area attractive to businesses that need access to educated workers and want a high quality of life. These types of businesses could include regional corporate headquarters, software design, engineering, research, and other professional services that are attracted to high-quality settings.
- Growth in State government is related to growth in Oregon as a whole. As Oregon grows, State government is likely to grow, creating employment opportunities in the metropolitan area.
- Availability of suitable vacant land, especially large parcels such as those at the Mill Creek Corporate Center, will be attractive to businesses considering locating or growing in the metropolitan area, such as food processors, solar panel manufacturers, other large manufacturers, or other firms that prefer large, vacant parcels of land.
- The agricultural productivity in Marion County and Polk County provide opportunities for food processing, organic food production and processing, and viticulture and wineries.

- The presence of State government provides opportunities for growth of businesses and nonprofit organizations that interact with State government, such as social service agencies.
- The amenities in the metropolitan area, such as outdoor recreation, wineries or the Salem Convention Center, are attractive to tourists. Industries that serve tourists, such as food services and accommodations, are likely to grow if tourism increases.
- The metropolitan area's location, access to natural resources, high quality of life may make it attractive to small-scale specialty manufacturers. Examples include metals fabrication, furniture manufacturing, wood products such as plywood or veneer, construction materials, recreational equipment, specialty apparel, and other specialty manufacturing.
- The metropolitan area's location within the Willamette Valley and proximity to Portland, existing employment base, access to skilled and educated workers, and high quality of life may make it attractive to professional service firms, such as law firms, engineering or architectural firms, or consulting firms.
- The metropolitan area's growing population of retirees or near retirees and high quality of life may attract health services that provide services to older people, such as assisted living facilities or retirement centers.
- Population growth will drive development of services for residents, such as retail, financial services and real estate, health care, and local government and education.

## POTENTIAL GROWTH INDUSTRIES

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The site suitability analysis (Appendix C) evaluates the suitability of buildable land to accommodate employment in the target industries identified through the economic opportunities analysis. The preceding section identified the characteristics of the Salem-Keizer metropolitan area that will affect the types of businesses likely to locate in the region. This section describes potential growth industries in the Salem-Keizer metropolitan area. The basis for these growth industries is research by SEDCOR, Business Oregon's research about the types of businesses who have considered locating in Oregon, the region's comparative advantages described in the previous section, the Cites' vision for employment growth, and additional analysis by ECONorthwest.

The types of major traded-sector businesses that may be attracted to the region and require sites larger than five acres include:

- **Renewable Energy Manufacturing.** One of the City of Salem's key economic development strategies is to attract renewable energy manufacturers. The Sanyo Solar manufacturing facility recently opened in Salem and is expected to employ approximately 200 workers during 2010. Examples of renewable energy manufacturing include: solar panel manufacturing, biomass energy production, wind, hydro, and bio-gas production. These manufacturers may attract companies that provide support services or manufacture inputs to renewable energy manufacturing, such as glass for solar panels or wood recyclers for biomass energy production.
- **Food Processing.** The Salem-Keizer Metropolitan Region is surrounded by some of Oregon's most productive agricultural areas. Firms that need access to agricultural products may choose to locate in the region. Examples of food processing that may locate within the region include: wineries, vegetable and berry processors, organic food processors, processed foods (e.g., snack foods or desserts), and other specialty food processing.
- **Metals and Machinery Manufacturing.** The region has an existing cluster of metals and machinery manufacturing, such as iron and steel mills, packaging machinery, and computer terminals.<sup>10</sup> These and other types of metals manufacturers may locate within the region, based on the advantages presented by the existing

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<sup>10</sup> E.D. Hovee and Company, *Marion, Polk, and Yamhill Counties Regional Economic Profile and Strategic Assessment*, March 2007.

employment cluster or as a satellite company that provides products to other local manufacturers, such as renewable energy firms.

- **Information Technology and Backoffice Functions.** The region's high quality of life and relatively low wages may attract back-office functions, which include administrative functions, such as accounting or information technology. The potential for growth in back-office functions may be limited by national competition for this type of employment. The region may be more successful at attracting back-office functions for firms that have a reason to locate in the Region, such as firms with corporate headquarters on the West Coast or firms that do a substantial amount of business in the Willamette Valley.
- **Medical and Professional Services in campus settings.** The region's growing and aging population will result in an increased demand for medical services of all types. The region's high quality of life, access to a highly educated workforce, proximity to Portland, and access to I-5 may attract other types of professional service firms. These types of businesses could include engineering, research, and other professional services that are attracted to high-quality settings. Medical and professional service employers may require or prefer to locate in a campus office setting with urban amenities, which would require a site five acres or larger.
- **State Government.** Salem will continue to be the capital of Oregon and the center of State government. The State's requirements for buildable land will depend on growth in State government and replacement of existing State facilities. The Oregon Employment Department forecasts growth of about 1,500 State Government employees in Marion, Polk, and Yamhill Counties over the 2008 to 2018 period. The majority of these employees are likely to locate in Salem, the State capital.
- **Warehouse and Distribution.** The region's availability of buildable land with access to I-5 and location within the Willamette Valley and on the West Coast may make the region attractive to warehouse and distributors. Recent firms to locate within the region include Home Depot and FedEx.

The Salem-Keizer metropolitan area will have employment growth in businesses that provide services for residents, visitors, and local businesses. These businesses have a range of site requirements, ranging from small sites with common site attributes to larger sites with more specific and less common site attributes. These industries include:

- **Professional and Technical Services.** The region's attributes make it attractive to businesses that need access to educated workers and want a high quality of life. These types of businesses could include engineering, research, and other professional services that are attracted to high-quality settings.
- **Services for Residents and Visitors.** Population growth will drive development of services, retail, and state and local government services, especially education, within the region. These types of services could include: small-scale medical services (e.g., individual doctor or dentist office), financial and real estate services, personal care services (e.g., barber shops or day spas), retail stores, restaurants, hotels and motels, and other services.
- **Arts and Recreation.** The region's attributes may make it attractive to organizations involved with arts and recreation. The presence of wineries may attract complementary businesses, such as art galleries or specialty retail. The availability of sporting facilities may present an opportunity to develop a regional sports cluster in Keizer for baseball and other sports.
- **Services for seniors.** The region's growing population of retirees or near retirees may attract or create demand for health services that provide services to older people, such as assisted living facilities or retirement centers. These facilities may prefer to locate in relatively close proximity to existing medical facilities or in areas with high amenities.

The purpose of identifying potential growth industries is to be able to match the site requirements of these industries (e.g., site size or transportation access) with high value employment sites in the metropolitan area. It is probable that the metropolitan area may attract other industries (including traded-sector industries) that are not in this list but have similar site requirements. When designating high value employment lands for future development, the cities should consider developing policies that are broad enough to allow use of high value employment land by industries that are not in the list of potential growth industries but have similar characteristics as the potential growth industries (e.g., high wage jobs or provide necessary services for local residents or businesses).

## SITE TYPES THAT CAN ACCOMMODATE POTENTIAL GROWTH INDUSTRIES

Table 4-1 shows typical site size for the potential growth industries. The range of site sizes is based on Business Oregon's experience with recruiting businesses in the potential growth industries, which is presented in Chapter 5.

**Table 4-1. Relationship between site categories and potential growth industries**

Site Category	Potential Growth Industries	Typical Site Size (acres)
Large Industrial and Flex	Renewable Energy Metals Manufacturing Warehouse and distribution Biomass energy production	50 to 250
Medium Industrial and Flex	Food Processing Renewable Energy Metals Manufacturing Warehouse and distribution Biomass energy production	10 to 50
Small Industrial	Small Scale or specialty firms Renewable Energy Metals Manufacturing Warehouse and distribution Biomass energy production Food Processing	Less than 10
Large Commercial /Office	Campus office uses, such as medical or professional services Information Technology and Backoffice Mixed use	10 to 50
Medium Commercial /Office	Information Technology and Backoffice Large medical offices Mixed use State Government Other services	5 to 20
Small Commercial /Office	Small medical offices Government Retail and services	Less than 2

Source: ECONorthwest research and City of Salem analysis

# Commercial and Industrial Site Needs and Land Sufficiency

## Chapter 5

This chapter summarizes regional economic opportunities and site needs. As required by Goal 9, the EOA identifies the need for all types of employment sites, ranging from need for small sites within the downtown core or in existing neighborhoods to large manufacturing sites with plentiful access to services such as transportation or electricity.

This chapter also describes the site characteristics needed to accommodate the identified economic opportunities (the target industries identified in Chapter 4 and other opportunities as they arise). A key goal of the EOA is to identify the need for sites with special characteristics and provide decision makers with information to develop policies to manage these sites.

## A REGIONAL ECONOMIC DEVELOPMENT VISION

Goal 9 and OAR 660-009 have three primary requirements: (1) to conduct an Economic Opportunities Analysis (OAR 660-009-0015, as presented in this document), (2) to develop policies for management of employment lands (OAR 660-009-0020), and (3) to designate land for industrial and other employment uses (OAR 660-009-0025).

To be effective, economic development planning must build from an economic development vision. As a part of the regional EOA, the consulting team worked with local officials to draft an economic development vision. That draft vision (goals and objectives) is presented in Appendix F.

The vision provides the foundation for assessing the types of sites that are needed to accommodate economic opportunities in the region. This section ties the vision to the region's economic conditions and identified economic opportunities. In short, it is intended to complete the "story" of where the region is in 2011 and where it wants to be in 2032. Thus, the remainder of this section describes current conditions, then describes the regional vision, and finally identifies how much land and of what type will be needed to achieve that vision.

The previous chapters of the EOA describe the current conditions in the Salem-Keizer metropolitan area that may affect economic development in the Salem-Keizer metropolitan area. These conditions are:

- **Relatively low paying jobs.** Pay in Oregon has been lower than the national average for the last three decades, with averages in the Salem MSA even lower than the State average. Compared to the

national average per capita income, Oregon's was 91% of the national average, Marion County's was 80% and Polk County's was 73%. Average annual pay was lower compared to the national average, with Oregon averaging 89% of the national average, Marion County at 78%, and Polk County at 66%.

- **High unemployment.** Oregon's unemployment rate is typically about 1.5% higher than the national average. The unemployment rate in Marion and Polk Counties are generally comparable to Oregon's. The higher levels of unemployment and slow employment growth are likely to slow growth in wages over the next two to five years throughout Oregon, including in the Salem MSA.
- **Small manufacturing base.** Manufacturing accounts for about 7% of employment in the Salem-Keizer metropolitan area, compared with a state average of 11% of employment in manufacturing. Manufacturing employment in the Salem-Keizer metropolitan area is concentrated in: food and beverage production, metals manufacturing, and forest products manufacturing. The relatively small share of employment in manufacturing provides a relatively small manufacturing base to build future employment growth on.
- **Frequent commuting.** Commuting to and from the Salem-Keizer metropolitan area is common. About one-third of the metropolitan area's workers commute out of the area for work, with 20% commuting to the Portland area for work. About one-third of people who work in the metropolitan area commute from their home outside of the metropolitan area.
- **High population to employment ratio in the smaller cities.** The population to employment ratio (PE) describes the relationship between the amount of employment relative the amount of population in an area. Salem is the regional employment center, with about 1.7 persons per job. Keizer has 7.0 persons per job, and Turner has 5.1 persons per job. Changing the PE in the metropolitan area will require that employment grows faster than population, which will require a well-developed economic development strategy to increase employment growth. Changing the PE in Keizer and Turner will require more of the regional employment to locate in these cities, relative to the amount of population locating in these cities. A foundational requirement is that Keizer and Turner will need to provide serviced sites to get more employment.
- **Availability of educated workers.** The Salem MSA has a smaller share of residents with a Bachelor's degree or higher (21%) compared to the State average (28%). The current commuting

patterns, with about one-third of the workforce commuting into the metropolitan area from other parts of the State, provides businesses in the metropolitan area with access to educated workers.

- **Availability of high-quality industrial land.** The availability of large parcels of ready-to-build industrial land provides near-term opportunities for the location or expansion of large manufacturing employers in the region. The majority of high-quality industrial land in the region is located in Mill Creek, which has more than 500 buildable acres of land, with unimpeded access to I-5 and key infrastructure available. Mill Creek has limited sewer capacity, which will need to be addressed to accommodate expected development in the area. This industrial site is one of the largest buildable sites in the Willamette Valley and provides the region with a supply of employment land that can accommodate ten or more years worth of industrial employment growth. While Salem has a large inventory of development ready sites, Keizer and Turner have few sites that would be considered desirable for traded-sector (potential growth) industries.
- **Tighter supply of higher-quality commercial land.** The metropolitan area has about 320 acres of vacant commercial land. Two-thirds of vacant commercial land is located on sites smaller than five acres, with one-third on sites smaller than one acre. The amount of vacant commercial land is less than we forecast given expected population growth. The cities may need to consider a variety of approaches to provide sufficient commercial land, ranging from more efficient use of vacant land (e.g., commercial infill), redevelopment of land with existing development, selective redesignation of land from industrial or residential uses, or expansion of the urban growth boundary for high-value land to meet specific economic development goals, such as growth of traded-sector employment.

Staff and elected officials from the five jurisdictions participating in this project worked together to develop a set of regional economic development goals and objectives. The goals and objectives provide a regional framework and assist the local jurisdictions in developing their own economic development policies. The individual jurisdictions within the region may have different economic development goals and objectives, which they will need to articulate when they update their Comprehensive Plan.

The economic development goals and objectives form the basis of determining how much and what type of employment the jurisdictions

want to attract to the metropolitan area. The regional economic development strategy is presented in Appendix F and are summarized briefly below:

- **Coordinate regional economic development.** This goal includes developing a regional framework for economic development policies and establishing a regional economic development forum for on-going discussion of economic opportunities and issues.
- **Provide land to allow expansion of existing businesses and to attract new businesses to the region.** This goal includes strategies such as: (1) providing a supply of employment sites with a variety of characteristics to accommodate employment growth opportunities, (2) identifying high value employment land with the characteristics necessary to allow for development of economic opportunities in each jurisdiction, (3) identifying land to accommodate general employment growth, (4) providing a competitive short-term supply of suitable land to respond to immediate economic development opportunities, and (5) considering infill and redevelopment opportunities.
- **Provide infrastructure to support business development.** This goal includes strategies such as providing adequate infrastructure to allow employment growth and providing employment land in areas that may reduce commuting.
- **Provide opportunities for employment growth for a variety of employers throughout the region.** This goal includes the following strategies: (1) supporting an assisting growth of existing employers in the region, (2) preparing for growth and identifying businesses that contribute to the sustainability of the regional economy, (3) recruiting businesses that pay higher than average wages, (4) developing local land-use regulations that reduce regulatory barriers to economic development and employment growth, and (5) supporting opportunities for workforce development.

## FRAMEWORK FOR CHARACTERIZING LAND NEED

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The approach that ECONorthwest used for the Salem-Keizer Regional EOA is to distinguish between land needed by businesses with special land requirements and general employment land needed by most businesses. The purpose of categorizing land into the following groupings is to acknowledge and distinguish among the types of land the businesses may need. Some businesses need land with characteristics that are easy to find within most cities, such as a small site in a commercial district. Other businesses require with special characteristics, such as a large site with unimpeded access to I-5. This land is sometimes called “prime industrial land.” The uses on this type of land may be industrial (e.g., food processing or warehousing and distribution) but others may be commercial (e.g., a corporate campus), or institutional (e.g., a large medical facility or an educational facility). All of these types of businesses produce products or services that are used by local residents and people living outside the immediate region. Consistent with OAR 660-009-0015(2) and OAR 660-009-0025(1) we used the following classifications:

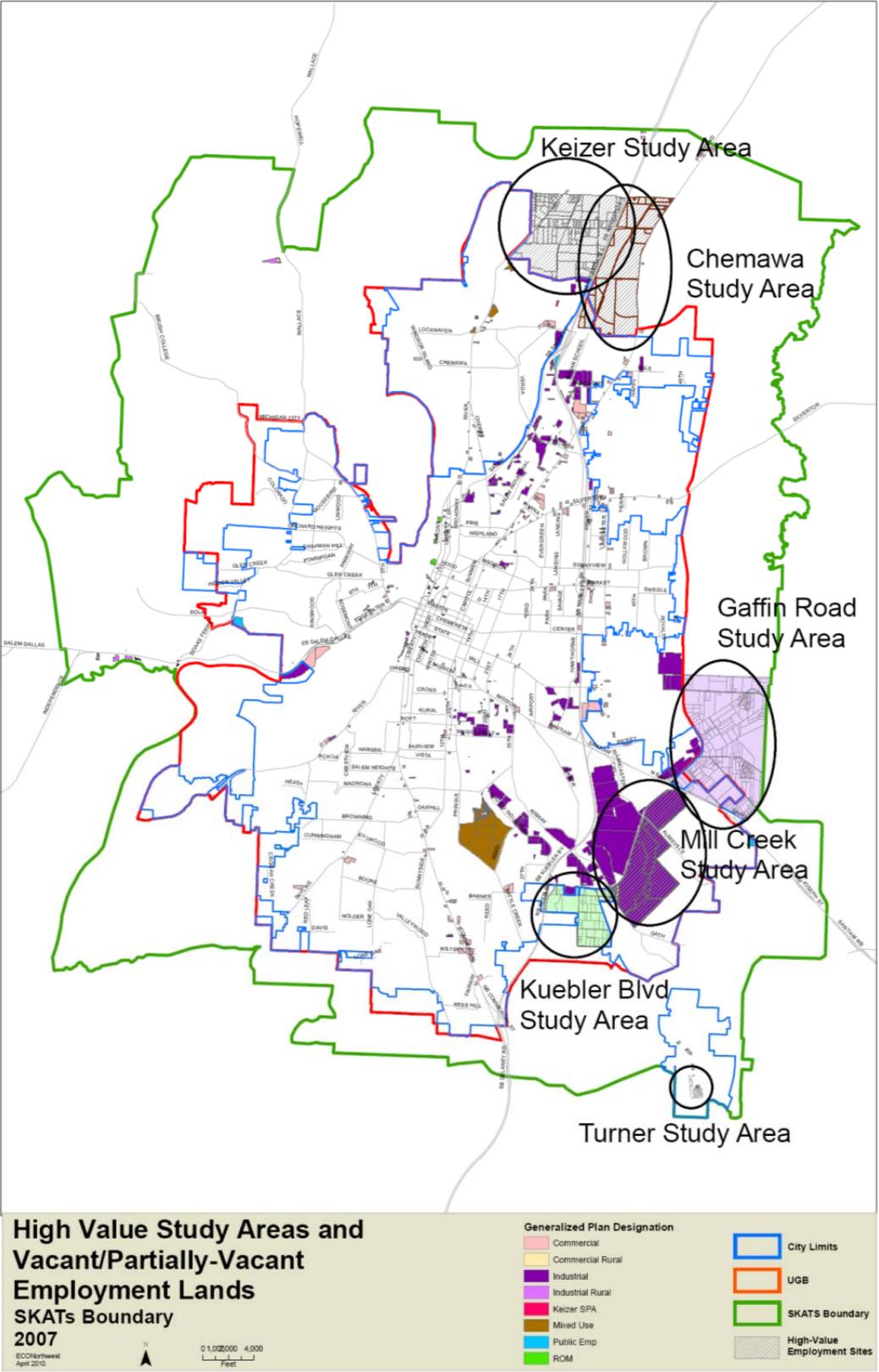
- **General employment land** – the most flexible employment land category. It includes land that is zoned for a variety of employment uses such as industrial, commercial and institutional. There will be a variety of site sizes and locations. Some may be legacy sites that lack important characteristics or are constrained in some way that reduces modern market interest. General employment sites may be best suited for a mix of uses depending on the local context. It is worthwhile to set a few minimal suitability standards for the general employment land category to get the junk out of the inventory. For industrial uses this may include access to freight routes via arterials that do not pass through school zones or unsignalized rail crossings at grade.
- **High value employment land** – land with special characteristics that make it highly desirable as an employment development site. This includes sites that are appropriately sized, shaped, flat, dry, buffered, accessible, proximate, visible, assembled and available. It also may include sites with significant public investment in infrastructure to serve employment uses. It should be managed and protected for the intended use; this is required if a UGB is expanded to include this category of land. That means enforceable local policies to protect the identified characteristics that made the sites high value employment land.

- **Unique attribute employment land** – employment land with unique, valuable or difficult to replicate attributes important to particular uses or users. This includes sites near port access, rail sidings, high capacity power and gas, existing uses or specialized work force. Unique attribute employment land may also be high-value employment land, or not. It should be managed and protected for the intended use; this is required if a UGB is expanded to include this category of land. Unique attribute employment land is land that meets the OAR 660-009-0005(8) definition of “Prime Industrial Land.”

The categories of land above discuss the attributes of land, which can be divided into two categories: (1) physical characteristics of the land and (2) infrastructure services available at the site. It is important to note that businesses in similar industries may require more than one of the above categories of land. For example, a small local distribution center may find many sites within the “general land” category appropriate, while a major regional distribution center may require “high value” or “special attribute” land.

For the purpose of this study, we address high-value and unique attribute lands as one class of lands. In other words, if a site has unique attributes, it is also high value. Map 5-1 shows lands that were studied as high-value/unique characteristic sites. All other lands are considered general employment lands.

**Map 5-1. Lands Evaluated for High-Value/Unique Characteristics within the SKATS Study Area**



## GENERAL EMPLOYMENT SITE NEEDS FOR THE 2012 TO 2032 PERIOD

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General employment land is the most flexible employment land category. It includes land that is zoned for a variety of employment uses such as industrial, commercial and institutional. There will be a variety of site sizes and locations. Some may be legacy sites that lack important characteristics or are constrained in some way that reduces modern market interest. General employment sites may be best suited for a mix of uses depending on the local context.

With respect to general employment sites, it is worthwhile to set a few minimal suitability standards for the general employment land category to ensure sites in the inventory are suitable for employment. For the purpose of this study, minimal suitability criteria for general employment land are constraint criteria used in the buildable lands inventory. In other words, all lands included in the general employment classification are considered suitable for their designated use.

This section presents a summary of demand for retail land and general office and industrial land for employment growth. The demand for general employment land is largely a function of overall growth. The approach used to develop the estimates carefully considered the relationship between regional and study area population growth and employment. There are two main types of general employment land:

- **General industrial** includes land for general industrial uses, such as small-scale manufacturing, small-scale warehouse and distribution, construction, and other industrial firms that do not require land with special characteristics.
- **General commercial** includes land for retail uses and land for other non-retail commercial uses (e.g., offices, financial services, entertainment services, and other services). General commercial land demand is forecast in two analysis: **Retail land** demand (based on population growth) and **general office land** demand (based on employment growth).

**Although the project study area is the SKATS boundary, the projection of general employment land needs is for growth within the urban growth boundaries of Salem, Keizer, and Turner.** The firms that are located within the SKATS boundary but outside a UGB may grow over the planning period but this project does not estimate additional land needs for employment outside of the Salem, Keizer, and Turner urban growth boundaries.

The demand for retail land is separated from demand for other general employment land need because retail uses have different site needs and generally develop at different densities than general office or general industrial uses. Appendix E presents the detailed methodology used to derive general employment land demand.

## RETAIL LAND DEMAND

Retail land demand is a form of **general commercial** land. Locally derived demand for retail commercial land is driven by local and regional population growth and consumer spending. From an analytical standpoint, land demand is derived from demand for built space. In short, land demand is not directly a function of growth in population and consumer spending; land demand is a byproduct of demand for built space.

This section presents an analysis of demand for retail land, based on growth in consumer spending (which is, in part influenced by the growth of households and population) in the Salem-Keizer metropolitan area and the surrounding region.<sup>11</sup>

Appendix E presents the methodology for estimating retail land demand. The assumptions the projection of retail land demand are:

- As the number of households in the region grows, new consumer spending increases the demand for retail commercial land. The Salem-Keizer metropolitan area is a regional retail center. Households from the surrounding area, which includes Marion, Polk, and Yamhill Counties, come to the metropolitan area for shopping and related expenditures. Growth will come from:
  - Population growth in the Salem, Keizer, and Turner UGBs, resulting in about 69,700 people or 26,000 households.
  - Population growth in Marion, Polk, and Yamhill Counties. Excluding population in the Salem, Keizer, and Turner UGBs, the Counties will add about 104,400 people and nearly 24,900 households over the 20-year period.
  - Seventy-five percent of expenditures by households in Salem, Keizer, and Turner will be spent at retailers in the metropolitan area and 40% of expenditures in the three-county region will be spent in the metropolitan area.

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<sup>11</sup> We include the surrounding region because Salem-Keizer is the regional service center for Marion, Polk, and Yamhill Counties.

- Growth in households will result in growth in expenditures. The analysis assumes that growth in households will result in growth in total household expenditures. The analysis assumes average household expenditures will remain constant over the planning period.
- Demand for retail space is related to expenditures, based on industry standard ratios of retail sales per square foot of retail space. Some of that demand (10%) will be met through existing vacancies and adding employees to existing businesses.
- Retail land will require land for supporting infrastructure, primarily for parking, and rights-of-way for public infrastructure, primarily streets and sidewalks.

Based on these assumptions and the analysis in Appendix E, population growth in the Salem-Keizer metropolitan area and surrounding region will result in an increase of about 4.3 million square feet of new retail space. This translates into **demand for 304 net acres or 337 gross acres of additional retail land demand over the 2012 to 2032 period.** Jurisdictions in the metropolitan area may want to consider strategies to accommodate retail demand within the existing UGB, such as redevelopment of sites with existing retail development, mixed-use development, or infill of underused commercial and retail sites.

## GENERAL INDUSTRIAL AND OFFICE LAND DEMAND

Demand for general industrial and commercial land to serve the local population within the Salem-Keizer metropolitan area will be driven by the expansion and relocation of existing businesses and new businesses locating in the Salem, Keizer, and Turner UGBs. We distinguish this economic opportunities that the participating jurisdictions may choose to pursue. General demand is demand that is driven by local growth independent of broader economic opportunities. The broader economic opportunities are addressed separately.

This section presents an analysis of demand for general office and industrial land, based on employment growth in the Salem-Keizer metropolitan area and the surrounding region. Appendix E presents the methodology for estimating general office and industrial land demand. The assumptions the projection of general office and industrial land demand are:

- There were nearly 127,972 total employees in the combined urban growth boundaries for Salem, Keizer, and Turner in 2008.<sup>12</sup> About 95,311 of these employees are classified as non-retail general employment.
- Employment in the urban growth boundaries for Salem, Keizer, and Turner will grow at a rate of 1.25% annually, consistent with the projection for population growth in the Salem-Keizer UGB over the 2010 to 2030 period.
- Based on this growth assumption, employment will increase by about 26,946 employees between 2012 and 2032, an increase of 28%.
- The mix of general industrial and general office employment will remain the same over the forecast period as the current mix. In 2008, 20% of general employment is general industrial and 80% is general office employment.
- Some employment (15%) will not require vacant employment land. This employment will be accommodated through increasing use of existing built space (e.g., adding cubicles or filling vacant offices) and some employment will be accommodated in vacant buildings.
- Future employment densities will be 20 employees per acre for general industrial<sup>13</sup> and 36 employees per acre for general office employment.<sup>14</sup>
- Employment land will require land for rights-of-way for public infrastructure, primarily streets and sidewalks.

**Based on these assumptions and the analysis in Appendix E, the general land demand over the 2012 to 2032 period is:**

- **General industrial: 256 net acres or 301 gross acres**

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<sup>12</sup> This estimate is based on confidential covered employment data from the Oregon Employment Department. Covered employment, however, does not include all workers in an economy. Most notably, covered employment does not include sole proprietors. Analysis of data shows that *covered* employment reported by the Oregon Employment Department for the Salem MSA is only about 76% of *total* employment reported by the U.S. Department of Commerce. Based on this ratio, we developed an estimate of total employment in the metropolitan area.

<sup>13</sup> This density is consistent with light industrial densities for jurisdictions similar in size to the Salem-Keizer Metropolitan area and are based on guidance from the Department of Land Conservation and Development.

<sup>14</sup> The general office density is based on ECONorthwest's empirical analysis of office densities in the Salem-Keizer metropolitan area. The industrial density assumes an increase in light industrial densities over industrial densities currently being achieved, which are in the 12 to 15 EPA range based on empirical analysis for the SKATS Regional Transportation System Plan, 2035.

- General office: 496 net acres or 538 gross acres

## COMPARISON OF GENERAL EMPLOYMENT LAND CAPACITY AND DEMAND

This section presents a comparison of the demand for general employment land with the supply of general employment land. General employment land includes general industrial land and general commercial land (retail and general office). Determining whether there is enough general employment land requires:

- Summarize vacant, suitable general employment land. This forms the supply of general employment land.
- Summarize demand for general employment land, including industrial, commercial, and retail land.
- Compare the supply of vacant suitable general employment land to demand for general employment land. This will determine whether there is enough employment land in the Salem, Keizer, and Turner UGBs to accommodate expected growth over the planning period.

Table 5-1 shows a summary of vacant general employment land, based on the buildable lands inventory. Table 5-1 shows vacant employment land in the following categories:

- **Total vacant employment land** is all vacant employment land shown in Table 2-1, including land in all commercial and industrial plan designations.
- **Vacant employment land in high value sites** is vacant land within the urban growth boundaries that is in sites identified as high value employment sites. These sites are shown on Map 5-1. The majority of land in this category is at Mill Creek. This land is not counted as vacant suitable general employment land.
- **Vacant suitable general employment land** is vacant employment land that is outside of high value employment sites. Vacant general employment land was calculated by subtracting vacant land in high value sites from total vacant land.

**Table 5-1. Vacant general employment land, Salem, Keizer, and Turner UGBs**

	Total Vacant Suitable Employment Land	Vacant Employment Land in High Value Sites	Vacant Suitable General Emp. Land	
			Commercial	Industrial
Salem	1,480	630	289	562
Keizer	58		28	30
Turner	70		4	66
<b>Total UGBs</b>	<b>1,609</b>	<b>630</b>	<b>321</b>	<b>658</b>

Source: Mid-Willamette Valley Council of Government's Buildable Lands Analysis

Note: Vacant general employment land was calculated by subtracting vacant land in high value sites from total vacant land.

The preceding sections described the assumptions about and demand for general employment land (retail, office, and industrial) to accommodate growth in the Salem, Keizer, and Turner UGBs. Table 5-2 summarizes general employment land demand, including combining general office and retail land demand into the general commercial category to allow for comparison with the commercial land supply. Table 5-2 shows a demand for 1,055 net acres or 1,222 gross acres to accommodate general employment growth in Salem, Keizer, and Turner UGBs.

**Table 5-2. General employment land demand Salem, Keizer, and Turner UGBs**

Land Use Type	Land Demand (Net Acres)	Land Demand (Gross Acres)
General Industrial	256	301
General Commercial	799	920
General Office	496	583
Retail	304	337
<b>Total</b>	<b>1,055</b>	<b>1,222</b>

Source: Land demand is based on ECONorthwest's analysis of general employment land demand and retail land demand.

Table 5-3 shows a comparison of demand for general employment land with the supply of vacant general employment land. Table 5-3 shows:

- **Industrial land sufficiency.** Table 5-3 shows that the Salem, Keizer, and Turner UGBs have enough combined industrial land (even excluding Mill Creek, which is classified as high value land) to accommodate projected employment growth.
- **Commercial land deficit.** Table 5-3 shows that the Salem, Keizer, and Turner UGBs do not have enough commercial land to accommodate projected growth in office and retail growth. Table 5-3 shows a deficit of 600 acres of commercial land in the UGBs.

**Table 5-3. General employment land sufficiency, gross acres**

<b>Land Use Type</b>	<b>Land Supply (Gross Acres)</b>	<b>Land Demand (Gross Acres)</b>	<b>Comparison (Supply minus Demand)</b>
General Industrial	658	301	357
General Commercial	321	920	(600)

Source: Land demand is based on ECONorthwest's analysis of general employment land demand and retail land demand. Land supply is based on the Mid-Willamette Valley Council of Government's Buildable Lands Analysis

Key conclusions of the general land analysis are:

- The three areas (Keizer, Salem and Turner) have a supply of nearly 660 acres of general industrial land and a need for about 300 gross acres of general industrial land. Thus, **the region has a surplus of about 360 acres of general industrial land.**
- The three areas have a supply of about 320 acres of general commercial land and a need about 920 gross acres of general commercial land (office and retail). Thus, **the region has a deficit of about 600 acres of general commercial land.** Some of this deficit may be accommodated on vacant industrial land. Specifically, vacant land designated IC in Salem could provide about 50 acres of land for general commercial development, based on the type of development allowed in IC.

In summary:

- The Salem-Keizer metropolitan area has a *sufficient supply of general industrial land* to meet general industrial employment growth over the 20-year period.
- The metropolitan area *lacks enough general commercial land* to meet expected commercial and retail growth, which is related to projected population growth.

The jurisdictions have options with respect to addressing the commercial land deficit identified in Table 5-3. Goal 14 and OAR 660-024 require cities consider a range of measures including redesignating lands and land use efficiency measures that encourage higher densities or redevelopment rates.

This analysis does not take into account redevelopment potential within the urban growth boundaries. Redevelopable land is land on which development has occurred but on which, due to present or expected market forces, there exists the potential that existing development will be converted to more intensive uses during the planning period.

Redevelopment potential can be thought of as a continuum – from more redevelopment potential to less redevelopment potential. The factors that affect redevelopment are complicated and include location, surrounding uses, current use, land and improvement values and other factors.

Each jurisdiction will need to estimate redevelopment potential, through empirical analysis (where possible), identification of higher potential for redevelopment on specific parcels, analysis of the potential effect of redevelopment policies, or a combination of the three techniques. The analysis completed as a part of this project includes:

- **Salem** City staff considered several ways of estimating redevelopment potential. First, staff reviewed information on its Urban Renewal Areas, however, there was not enough building permit data before 2005 to accurately determine a redevelopment rate for these areas. A longer time line would be required due to the complexity of redevelopment work; ranging from demolition, site cleanup and preparation, land assembly and lot line adjustment, and planning and zoning to the construction of new, higher density redevelopment.

The focus then shifted to determine the relationship between building permits and demolition permits within non residential zones. Five years of data between the years of 2004 to 2009 were analyzed and staff discovered that only 12 of the 122 total permits had corresponding demo permits issued and could be categorized as redevelopment. Given the anomaly of the 2008 recession, and based on the limited information available over a fairly short period of time, staff determined that a conservative redevelopment rate of 10 percent over the next twenty years was appropriate.

This redevelopment rate is supported by an ECONorthwest study that was completed in September of 2000. ECONorthwest staff looked at a potential redevelopment rate for Salem in a 50 year planning period and determined that 10 percent was a reasonable assumption for commercial and industrial development. As they discussed, the data to track past redevelopment does not exist and cannot be tracked through building permit data. The scope of the work in 2000 was for a different project (Salem Futures) but is similar enough to use as a comparison to the work being done for the Economic Opportunities Analysis.

In addition to the information gleaned from the building permit data, staff met with three local developers and/or brokers to review specific properties that the Buildable Lands Inventory designated as

‘partially vacant’ or ‘redevelopable.’ The purpose of these meetings was to ask the developer or broker their opinion regarding the likelihood of these specific properties redeveloping in the next 20 years. Some of the properties were within an Urban Renewal Area and some were not. Although this information is subjective, the overall consensus is that the development rate will be between 10-20 percent.

Based on all of the above, a 10% redevelopment rate assumption for the City is reasonable for the forecast period.

- **Turner** staff identified more than 10 parcels with redevelopment potential, for a total of 4.7 net acres of land with redevelopment potential over the planning period.
- **Keizer** reviewed permit activity from 2001 to 2010 and identified those developments which were redevelopment or infill projects. Permits were then mapped and tax lots areas summarized. Redevelopment occurred on 7% of all commercial comprehensive planned land over the past 10 years. Keizer estimates that redevelopment potential is comparable to Salem’s potential, with 10% of new commercial and industrial development over the 20-year period being accommodated through redevelopment. Some of Keizer’s redevelopment may occur in Keizer Station, with the conversion of some land with industrial plan designations and uses to commercial or mixed-use.

The 600 gross acre deficit of commercial land may be reduced through assumptions about future redevelopment in each jurisdiction. It is very unlikely, however, that the entire commercial land deficit could be addressed through redevelopment.

## HIGH-VALUE AND UNIQUE CHARACTERISTIC SITES

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This report includes an evaluation of regional opportunities for high-value and unique characteristic sites. This includes an evaluation of the suitability of lands within five study areas within the existing Salem-Keizer UGB. The purpose of the suitability analysis is twofold: (1) to conduct a preliminary evaluation of potential high-value sites; and (2) to summarize the characteristics sites classified as high value or with special characteristics. Summaries of the overall buildable land inventory are included in Appendix A and in Chapter 2.

The classification of lands uses the framework described above and relies on a combination of empirical analysis and subjective assessment. In short, the classification of employment lands that are of high-value or with special characteristics is a local determination.

The suitability analysis begins with vacant or partially vacant employment land as identified in the buildable lands inventory. Thus, any lands identified as having development constraints (as identified in the BLI) are, by definition, considered unsuitable for employment use. As a practical matter, that means that the unconstrained portion of tax lots are the initial basis of the suitability analysis.

The majority of the analysis focuses on an evaluation of the high-value and/or unique characteristic sites. The evaluation includes analysis of the physical and infrastructure characteristics listed above. The remainder of this evaluation is organized in four sections:

1. Site requirements – describes key requirements that define high-value and unique opportunity sites
2. Economic opportunity for high-value/unique characteristic sites – provides an estimate of how many sites the region will need to meet identified opportunities
3. Supply of suitable high-value/unique characteristic sites in the region – summarizes results of the BLI by study area for lands within the UGB and study areas outside the UGB.
4. Preliminary cost of infrastructure analysis for high-value/unique opportunity sites – summarizes the results of service cost data provided by participating jurisdictions and state agencies..

## **SITE REQUIREMENTS OF POTENTIAL GROWTH INDUSTRIES**

Chapter 4 describes potential growth industries (described in this chapter as economic opportunities) for the Salem-Keizer metropolitan area, based on the region's economic advantages. Businesses considering locating in Oregon and in the Salem-Keizer metropolitan area will consider many factors before selecting a location (e.g., access to markets, availability of skilled workers, and availability of suitable land).

One of the key factors that businesses consider when making decisions about where to locate is the availability of vacant, large, and flat parcels of land. Table 5-4 shows examples of traded-sector firms that considered locating in Oregon and Southern Washington over the last decade or so. Table 5-4 shows that firms looking for office or flex space required sites from 30 acres up to more than 100 acres. Warehouse and distribution firms looked for sites between about 50 and 200 acres. Manufacturing firms required sites from 25 acres to 250 acres in size. These firms are similar to the types of firms with potential growth in the Salem-Keizer metropolitan area.

These firms worked with Business Oregon to find suitable sites in Oregon. Some of the firms chose to locate in Oregon and some chose to locate elsewhere. One of the factors that influenced decisions to locate elsewhere was availability of large parcels of land with infrastructure services (e.g., transportation access, wastewater, etc.).

**Table 5-4. Examples of firms that considered locating in Oregon and Southern Washington since 1997**

Type of business	General Location Considered	Site size (acres)	Building Size (square feet)	Located in Oregon ?
Office or Flex space				
Private technology firm	Northern Oregon I-5	100+	1 msf	
Facebook Data Center	Prineville	118	147,000 sf	Yes
Siltronics	Portland Harbor	35		
Nautilus	Vancouver	35	489,000	Yes
Google Data Center	The Dalles	30		Yes
Warehouse and Distribution				
Lowes	Lebanon	204	1.3 to 2.2 msf	Yes
NOAH-PepsiCo	Albany	204	2.5 msf	No
Wal-Mart	Hermiston	200	1.3 msf	Yes
Target	Albany	175	1.3 msf	Yes
Fed Ex	Troutdale	78	500,000 sf	Yes
Dollar-Tree	Ridgefield, Wa	75	800,000 sf	
Home Depot	Salem	50 to 100	400,000+	Yes
Manufacturing				
Apricus	Northern Oregon	250	Very large	No
Navitas	Oregon	150 to 200		No
Pacific Ethanol	Boardman	137		Yes
SolarWorld	Hillsboro	75	1 msf	Yes
Schott Solar	I-5 corridor	50+	up to 800,000 sf	No
Genentech	Hillsboro	50	500,000 sf	Yes
Amy's Kitchen	White City	50		Yes
Sanyo Solar	Salem	25	150,000 sf	Yes
Spectrawatt	Hillsboro	25	225,000 sf	No

Source: Business Oregon

Table 5-5 shows examples of manufacturers of clean energy technologies, such as solar panel manufacturers, that announced plans to build new manufacturing plants in 2009 or 2010. More than one-third of these firms considered locating in Oregon. The site size requirements of these firms ranged from 50 to nearly 500 acres, with an average site size of around 100 acres. These firms are within one of the potential growth industries identified in Chapter 4, renewable energy manufacturing.

**Table 5-5. Examples of clean energy technologies that announced plans to build new manufacturing plants in 2009 or 2010**

<b>Company</b>	<b>Site Size (Acres)</b>	<b>Location</b>	<b>Industry</b>
Tokuyama*	494	Malaysia	Solar
Vestas*	300	Colorado	Wind
US REG - A Power REC*	150	Nevada	Wind
Tindall	144	Kansas	Wind
Green2V	124	New Mexico	Solar
LG Chem Ltd.	120	Michigan	Batteries
Autoport/AC Propulsoin	102	Delaware	Electric Vehicles
Energy Composites Corps	94	Wisconsin	Wind
Tesla	90	California	Electric Cars
Mitsubishi Heavy Industries*	90	Arkansas	Wind
Schott Solar*	80	New Mexico	Solar
Enerdel	75	Indiana	Batteries
Energy Composites Corporatioi	54	Wisconsin	Wind
Proterra*	50	South Carolina	Electric Buses
Confluence	50	Tennessee	Solar

Source: Business Oregon

\*Note: These firms considered locating in Oregon.

The Goal 9 Administrative Rule (OAR 660-009) requires that jurisdictions describe the characteristics of opportunity sites (OAR 660-009-0025(1)). The Administrative Rule defines site characteristics as follows in OAR 660-009-0005(11):

(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.

Table 5-6 presents the site characteristics needed for the operation of major traded-sector industries, as well as for clusters of commercial and mixed use development. Table 5-6 groups potential growth industries by site category (e.g., large industrial and flex). Any of the potential growth industries, however, may occur at a variety of sizes. For example, renewable energy companies could range from large solar panel manufacturers to small manufacturers of specialty products for the

renewable energy industry and could use sites from 10 acres to well over 100 acres. Warehouse and distribution firms could range from large, regional distributors to distributors of local products. The opportunity sites in each potential growth industry will vary by size of the firms and the firm's activities.

Table 5-7 presents site infrastructure requirements necessary for the operations of potential growth industries. There are some common service requirements, regardless of the type of industry. For example, nearly all firms need access to roads, telecommunications, water and wastewater, and electricity. Some potential growth industries have specific service requirements for their operations. For example, food processors generally need access to large amounts of water and wastewater capacity or data centers need access to a large amount of electricity and redundant electricity sources.

**Table 5-6. Summary of site characteristics for potential growth industries and clusters of commercial development**

Site Category	Potential Growth Industries	Typical Site Size (acres)	Topology	Parcel configuration	Land Use Buffers	Visibility
Large Industrial and Flex	Renewable Energy Metals Manufacturing Warehouse and distribution Biomass energy production	50 to 250	0% to 5% slope	Single parcels or parcels with no more than one owner	Compatible with industrial or agricultural uses	No
Medium Industrial and Flex	Food Processing Renewable Energy Metals Manufacturing Warehouse and distribution Biomass energy production	10 to 75	0% to 5% slope	Single parcels or parcels with no more than two owner	Compatible with industrial or agricultural uses	No
Small Industrial	Small Scale or specialty firms Renewable Energy Metals Manufacturing Warehouse and distribution Biomass energy production Food Processing	Less than 10	Less than 10% slope	Single parcels or parcels with no more than two owner	Compatible with some commercial, industrial, or agricultural uses	No
Large Commercial /Office	State Government Mixed use Regional and community retail Big box retail Information Technology and Backoffice	10 to 50	Less than 10% slope	Single parcels or parcels with no more than two owner	Compatible with commercial and mixed uses	Yes
Medium Commercial /Office	Information Technology and Backoffice Large medical offices Mixed use Neighborhood retail Other services	5 to 20	Less than 15% slope	Single parcels or parcels with no more than three owner	Compatible with commercial and mixed uses	Yes
Small Commercial /Office	Small medical offices Retail and services	Less than 2	Less than 15% slope	Single parcels or parcels with no more than three owner	Compatible with commercial, mixed uses, and residential	Yes

Source: ECONorthwest research, City of Salem analysis, and Business Oregon Industrial Development Competitiveness Matrix

**Table 5-7. Summary of site infrastructure needs for potential growth industries and clusters of commercial development**

Site Category	Transportation	Rail	Transit, Ped, Bike	Water and Sewer Meter Size (inches)	Gas (annual therms)	Electrical Demand (annual KWhr)	Telecom
Large Industrial and Flex	Direct access to an arterial; less than 5 miles from I-5	Preferred	Preferred	4 to 10 High Pressure Preferred	10,000 – 80,000	10,000 – 100,000 + Secondary system dependency may be required	High speed Internet and phones
Medium Industrial and Flex	Direct access to an arterial; less than 5 miles from I-5	Preferred	Preferred	3 to 6 High Pressure Preferred	10,000 – 80,000	10,000 – 100,000 + Secondary system dependency may be required	High speed Internet and phones
Small Industrial	Access to a major collector	Not required	Preferred	0.75 to 2	10,000 – 30,000	10,000 to 30,000	High speed Internet and phones
Large Commercial	Direct access to an arterial or major collector	Not required	Preferred	2 to 4	Standard commercial usage	10,000 – 100,000 + Secondary system dependency may be required	High speed Internet and phones Possible requirement for large amount of telecom. access
Medium Commercial	Direct access to an arterial or major collector	Not required	Preferred	1 to 3	Standard commercial usage	Standard commercial usage	High speed Internet and phones
Small Commercial	Access to a major collector	Not required	Preferred	1.5 or smaller	Standard commercial usage	Standard commercial usage	High speed Internet and phones

Source: ECONorthwest research, City of Salem analysis, and Business Oregon Industrial Development Competitiveness Matrix

## ECONOMIC OPPORTUNITY FOR HIGH-VALUE/UNIQUE CHARACTERISTIC SITES

The need for employment lands of all types derives from the regional and local economic development objectives. Those objectives build from a broader vision that can be generally summarized as “create more stable, high-paying jobs.” The regional vision was described at the beginning of this chapter and addressed a regional vision that builds from a stakeholder process with input from the community. While this report does not intend to articulate a final local economic development vision for each of the three participating municipalities, it is important for us to provide a general outline of conditions in each of the jurisdictions to provide a basis for the high-value opportunity analysis that follows. **The descriptions that follow are not intended to serve as the final local vision (and have not been adopted by the jurisdictions).** They are reflective of the overall direction the communities want to go based on input ECO received during this project.

### Keizer

Keizer aspires to provide more opportunities for a range of good paying jobs for people living in Keizer, which would result in a reduction to the population to employment ratio (currently about 7 residents for each employee). Keizer recognizes that it will be difficult to get to the County average of 2.2 residents per employee, but aspires to attain a population to employment ratio of between 4:1 and 3.5:1 by 2032. To achieve that vision, the City will need to add between 9,000 and 11,500 new jobs during the planning period.<sup>15</sup>

Keizer recognizes that the existing regional land supply, especially the lack of high-value land in Keizer, as well as the large inventory of state certified land at Mill Creek, means that Keizer cannot compete in a traditional large tract industrial land market at this point.

Keizer’s vision for providing new employment opportunities is to capture professional services and associated uses in a “campus” setting, primarily but not exclusively related to medical office and research and education. These services may include a hospital and educational facilities, which are expected to provide Keizer with growth opportunities that fit the City’s locational advantages.

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<sup>15</sup> The 9,000 to 11,500 new employees that the City would need to add could locate on general employment land or on high value employment land.

To achieve this vision, Keizer will need to provide sites with the characteristics that are typically associated with this type of development, such as: transportation access to an arterial, visibility within the region, urban water and wastewater services typical of office uses, access to electricity and telecommunications services, access to a skilled workforce, and proximity to workforce services such as entertainment, restaurants, and other retail.

Given the City's objectives, Keizer will need to provide approximately 200 acres of high-value land, in addition to site needed to accommodate general industrial and commercial uses. This land will accommodate 4,000 to 7,500 new employees depending on the mixture of employers it attracts, in addition to general industrial and commercial employment. The City should plan on between 4 and 10 sites in the range of 25 to 100 acres.

In order to make this vision a reality, Keizer elected officials will need to commit to:

- Make significant fiscal investments to provide public infrastructure to an appropriate site. This includes implementing the finance obligations with adjusting the UGB.
- Implement the design and policy measures necessary to hold high value employment sites for the intended uses.
- Work with Salem as a partner, both on vision and finance, in order to solve the transportation funding issues at the Chemawa interchange and other issues.

## **Salem**

Historically, the City of Salem contracted with the Strategic Economic Development Corporation (SEDCOR) to implement economic development initiatives and services in Salem. In 2008, the City of Salem established an internal Economic Development Division (EDD) to implement a portion of the economic development services for the City. Today (early 2011), a wide range of economic development partners work together on recruitment, retention, infrastructure, land supply and workforce development. These partners include the City Economic Development Division, SEDCOR, Business Oregon, the Salem Chamber of Commerce, and many more.

The core objective of the City of Salem is to create and retain family wage jobs. This is reflected in the Salem Economic Development Division's mission statement:

*The Salem Economic Development Division works strategically with partners to create and retain family-wage jobs and expand economic opportunity for Salem residents and businesses.*

The City of Salem Economic Development Division, City staff, and its external economic development partners do this in four ways:

1. Remove development barriers to accommodate the expansion of existing businesses and attract new businesses to the area.
2. Understand the uniqueness of each business expanding or relocating in Salem and tailor specific services, tools, and incentives that accommodate their needs in a way that is mutually beneficial to both the recipient and the people of Salem.
3. Improve and enhance Salem's livability and business environment through the use of Urban Renewal resources to fund transportation and building improvements, increase park connectivity and networking, pursue renewable energy options in new development to reduce energy costs, facilitate progress toward a more sustainable community, and provide a range of support services to businesses and economic development partners.
4. Understand the local and regional workforce and help prepare it for the demands of emerging technologies and industries and align with the overall recruitment strategy and market sector targets.

The Salem Economic Development Division's *draft* Economic Prosperity Strategic Plan outlines the following goals:

- Goal #1: Position Salem to attract and retain a diverse array of jobs and businesses.
- Goal 2: Communicate effectively with the community, City Departments and external economic development partners to reinforce a shared purpose and define roles.
- Goal #3 Define the needs of Salem's existing business community.
- Goal #4: Enhance Salem's livability and business environment to ensure that Salem attracts a broad diversity of industry sectors and facilitates creativity and entrepreneurship.

The draft Economic Prosperity Strategic Plan identifies a broad-based approach to economic development. A cornerstone of the City's strategy is to ensure that the City has enough serviced sites available to meet

identified economic opportunities. Specifically, the following objectives relate to employment lands:

Objective 1.1: Prepare Salem’s vacant land supply for industrial and commercial development.

Objective 1.2: Revitalize the City’s key commercial and industrial districts to develop and improve existing land for new and expanding commercial and industrial uses.

At the most basic level, Salem desires to create a land use system that maintains a “pipeline” of suitable employment sites – from sites that are fully serviced and available (like those in the Mill Creek Corporate Center) to sites that are in holding areas for future development. The City’s current inventory of employment lands suggests that Salem has been relatively successful with this strategy to date. The City has a substantial inventory of sites available for major employers – more than 600 acres in the high-value employment land study areas.

Those sites, however, will eventually get developed and the City will need new sites. At some point the City will need to look outside it’s UGB for sites. One component of the City’s strategy is long-range planning that is coordinated with its partner jurisdictions that addresses not only land needs, but the infrastructure required to serve those lands.

The conclusion of this study is that Salem presently has a adequate 20-year supply of high value land. The City should continue its strategy of looking longer term and laying the foundation for the process that will be required to bring additional sites to a state of development readiness.

## **Turner**

Based on expected population growth, Turner’s vision is to focus on downtown development. The City presently has several vacant storefronts as well as heavy commercial and industrial uses in its core. Over the 20-year planning period, Turner’s vision is to convert these sites to a thriving downtown.

All of the sites in the downtown focus area are already serviced. The City will take the following steps to achieve the vision:

- Develop a community-based downtown vision
- Make appropriate plan amendments to facilitate the transition
- Work with property owners in the core area to gain cooperation in transitioning the uses

- Develop appropriate tools to facilitate the transition (potentially including land use incentives, public financing, urban renewal or other tools the community deems appropriate)

In addition, Turner may want to evaluate the options for using land south of Mill Creek for industrial uses, given the lack of infrastructure available to service these sites. ECONorthwest's evaluation is that developing these sites for industrial uses may be challenging given the following conditions: the sites are located more than three miles from I-5; getting to the sites requires driving through Turner; and providing wastewater and water services to the sites may be prohibitively expensive for Turner.

Potential options for employment uses on these sites include:

- **Food processing.** A food processor could provide a packaged treatment system, which would take advantage of Turner's ample water supply but would not require extension of municipal sanitary sewer.
- **Hospitality industry.** These sites may be attractive to a hospitality industry that is involved with the local wine industry, farm-to-table local foods or agritourism, and events. Development of this site for these types of uses would complement the City's redevelopment efforts in downtown, through bringing additional customers to downtown restaurants and shops.

Turner may need to make changes to policy change to provide opportunities for other development options, such as: comprehensive plan or zoning regulations, make changes to public facilities plans to allow a broader array of development options on these sites. Turner should consider coordinating and partnering with Salem to refine economic development policies or change facilities plans to provide these economic opportunities.

## **Regional economic opportunity sites**

This section presents the approximate number of economic opportunity sites by the jurisdictions in the metropolitan area, based on the economic development objectives and aspirations described above. OAR 660-009-0025 directs cities to identify the approximate number and acreage of opportunity sites to accommodate employment to implement plan policies. In other words, the determination of the number and characteristics of opportunity sites for the planning period is a local policy decision.

The regional economic development strategy, local policies, and the local economic development objectives articulated above lead to the following

conclusions about the number of opportunity sites for high value land necessary to meet regional and local policy objectives:

- **Salem** has sufficient high value employment land, at Mill Creek and other sites, to meet the City’s economic development objectives over the planning period. Salem should begin planning for other employment land to refresh the pipeline of high value employment sites once the existing high value sites are developed.
- **Keizer** does not have enough high value employment land to meet the City’s economic development objectives over the planning period. Keizer wants to begin to balance the ratio of population to employment, which will require growth of businesses in Keizer. To achieve that vision, the City will need to add between 9,000 and 11,500 new jobs during the planning period. If about 6,000 and 8,500 of the new employees locating on high value land, Keizer would need between about 200 acres of high value employment land.<sup>16</sup> The number of sites would depend on the size of the sites, ranging from four 50-acre sites to eight 25-acre sites to 10 20-acre sites.
- **Turner** has sufficient high value employment land in vacant and redevelopable sites in downtown to meet the City’s economic development objectives of creating a thriving downtown.

## **SUPPLY OF SUITABLE HIGH-VALUE/UNIQUE CHARACTERISTIC SITES IN THE REGION**

The suitability evaluation included in Appendix C concludes that all of the lands identified as potential high-value/unique attribute within the UGB meet the minimum criteria for high-value classification. Table 5-8 summarizes high value land in the study areas shown in Map 5-1 by site category. The acreage estimates are from the buildable land inventory data compiled by the Mid-Willamette Council of Governments.

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<sup>16</sup> The estimate of 200 acres is based on a range of 160 to 240 acres of high value employment land based on an employment density of approximately 36 employees per acre, consistent with the non-retail commercial employment densities observed in the region.

**Table 5-8. High Value land in the Salem-Keizer UGB by site category**

Site	Large Industry and Flex (50+ ac)		Medium Industry and Flex (25-50 ac)		Large Commercial/Office (10+ ac)		General Employment (<10)		Total	
	Sites	Acres	Sites	Acres	Sites	Acres	Sites	Acres	Sites	Acres
<b>Inside UGB</b>										
Chemawa	0	0	1	42	2	15	0	0	3	57
Kuebler Road	0	0	2	69	2	23	16	66	20	158
Mill Creek	2	285	2	114	3	52	5	20	12	471
Gaffin Road			1	36	1	13	3	15	5	65
<b>TOTAL</b>	<b>2</b>	<b>285</b>	<b>6</b>	<b>262</b>	<b>8</b>	<b>102</b>	<b>24</b>	<b>101</b>	<b>40</b>	<b>750</b>

Source: Buildable lands inventory, Mid-Willamette Council of Governments; analysis by ECONorthwest

Some of the key findings from the high-value land analysis include:

- All of the existing high-value sites are located in the Salem portion of the urban growth boundary
- The study areas have two large industrial/flex sites totaling 285 acres. Both sites are in the Mill Creek Employment Center.
- The study areas have six medium industrial / flex sites totally 262 acres. These sites are located in all four of the study areas.
- The study areas have has 8 large commercial/office sites totaling 102 acres.
- The study areas also contain a number of smaller sites (24 sites with 101 acres). Because of their site characteristics, these are still considered high value sites.

## PRELIMINARY COST OF INFRASTRUCTURE ANALYSIS

The purpose of an Economic Opportunities Analysis is to serve as a guide for local jurisdictions in making key decisions related to economic development. By definition, the primary emphasis of the EOA is on the local jurisdiction's land use strategy – given identified economic opportunities, what are the characteristics of land by opportunity industries?

Thus, the focus of the EOA is not solely on the question of how much land; it also needs to address key attributes of that land. Provision of infrastructure is a key attribute. Infrastructure is a necessary prerequisite for development, and the cost of infrastructure is important in providing land that is both attractive to private sector investment, and provides a good return on investment for the community. **Thus, the key policy question for local government is “what level of public infrastructure investment is appropriate to achieve economic development objectives?”**

Because of the scale of infrastructure costs that are typically related with major employment sites, local government often foots the bill for the off-site infrastructure necessary to service the sites. To help the participating jurisdictions understand how infrastructure costs may affect the viability of development of the high-value study areas described in the previous section, ECONorthwest worked with local staff to identify major infrastructure needed to serve the sites, and develop planning level cost estimates for that infrastructure. This section summarizes those costs and compares them to current market values of land for different categories of employment use in the study area.

The cost of service analysis included both lands inside the Salem-Keizer UGB and areas outside the UGB. The analysis is *not* an Alternatives Analysis in the context of Goal 14 or OAR 660-024. Lands included in the cost of service analysis are shown in Map 5-1. Table 5-9 summarizes basic land characteristics of the study areas. Appendix D provides more detail.

**Table 5-9. High Value land study areas included in the cost of service analysis**

Study Area	Developed /Excluded	Partially Vacant	Vacant	Total
<b>Inside UGB</b>				
Chemawa	48		9	57
Gaffin Road	50	43	52	145
Kuebler Blvd	137	33	152	321
Mill Creek	10	260	393	663
<b>Subtotal</b>	<b>245</b>	<b>337</b>	<b>605</b>	<b>1,186</b>
<b>Outside UGB</b>				
Chemawa	5	0	781	786
Gaffin Road	148	8	1,074	1,229
North Keizer	83	0	874	957
<b>Subtotal</b>	<b>235</b>	<b>8</b>	<b>2,730</b>	<b>2,973</b>
<b>Total</b>	<b>480</b>	<b>344</b>	<b>3,335</b>	<b>4,159</b>

## Land Value

ECO began this analysis by documenting land values in the Salem-Keizer study area. We relied on a combination of published sources (e.g., OregonProspector.com) and interviews to collect the data. Inventory data from OregonProsepector.com show that asking price for vacant industrial land ranged from \$2.33 per square foot to \$3.21 per square foot. Industrial buildings for sale showed a broad range of values – from less than \$10.00 per square foot to nearly \$200 per square foot. Lease rates for industrial buildings ranged from \$0.25 to \$0.85 per square foot.

**Table 5-10. Range of prices for certified industrial sites in the Salem-Keizer study area listed on OregonProspector.com**

Land Type	Low	High	Unit
Industrial land	\$2.33	\$3.21	price per sq ft
Industrial building for sale	\$9.19	\$197.13	price per sq ft
Industrial building for lease	\$0.25	\$0.85	price per sq ft per month

Source: OregonProspector.com; data gathered in December 2010

We conducted interviews with local realtors familiar with commercial and industrial land in the region. Focusing on commercial lands, realtors indicated that market rates for vacant commercial land ranged from \$7.00 to \$12.00 per square foot. Lease rates for office space range from \$1.55 to \$2.45 per square foot. With respect to general retail lease rates, realtors indicated that market rates ranged from \$0.50 per square foot for vacant big box to \$1.50 per square foot for high-end specialty space.

When asked about industrial land, realtors indicated that vacant sites in Mill Creek were valued at \$2.25 to \$2.50 per square foot—figures that are consistent with data from OregonProspector.com. Some realtors indicated

that the large inventory of serviced sites in Mill Creek was depressing land value for other general industrial sites in the region. Others indicated that general industrial sites were listed for prices as high as \$5.00 per square foot.

## Cost of services

This section summarizes the planning level infrastructure cost estimates for the six high-value study areas described in Appendix C. The primary emphasis of the EOA is on the local jurisdiction's land use strategy – given identified economic opportunities, what are the characteristics of land by opportunity industries? Infrastructure is a necessary prerequisite for development, and the cost of infrastructure is important in providing land that is both attractive to private sector investment, and provides a good return on investment for the community. **The key policy question for local government is “what level of public infrastructure investment is appropriate to achieve economic development objectives?”**

Because of the scale of infrastructure costs that are typically related with major employment sites, local government often funds the off-site infrastructure necessary to service the sites. Table 5-11 shows a comparison of the cost of service estimates with a range of market sales prices for six high value land study areas. As benchmarks, infrastructure costs over \$2.50 per square foot exceed the current asking price of land in the Mill Creek Employment Center, costs over \$5.00 per square foot exceed the upper end of the market value of industrial lands as reported by area realtors, and costs above \$7.00 per square foot exceed the upper end of market value of office lands as reported by area realtors.

Note that these values reflect the market at the end of 2010. The market dynamic will almost certainly change over the planning period – particularly as the Mill Creek center gets built out. Thus, infrastructure costs that exceed current market land values are not necessarily a bad investment, but do represent a higher level of risk to the funding jurisdiction.

The results show the difference between the market sales price and service cost, with a negative number indicating that the cost of service exceeds the market sales price. In such instances, it is uneconomical for the private sector to develop without public subsidy.

Table 5-11 shows that the cost of major infrastructure to service areas exceeds the land value at the industrial low market sales price (\$2.50 per square foot is the low end of what properties in the Mill Creek Corporate Center are listed for). At the higher market sales price (\$5.00 per square foot

and \$7.00 per square foot), the cost of major infrastructure to service the areas is lower than the potential sales price in some study areas. Not surprisingly, lands outside the UGB are more expensive to serve and would require higher value development types or public subsidy to make them viable.

**Table 5-11. Potential public funding necessary to develop off-site infrastructure to make land in high value sites competitive based on comparison of cost of service estimates with market sales prices; high value employment land study areas**

Study Area	Service Cost Per Sq. Ft. - Base Estimate	Difference (Market Sales Price - Service Cost)		
		Industrial Low (\$2.50/sf)	Industrial High (\$5.00/sf)	Office High (\$7.00/sf)
<b>South</b>				
Mill Creek	\$4.11	(\$1.61)	\$0.89	\$2.89
Kuebler	\$3.07	(\$0.57)	\$1.93	\$3.93
Gaffin Road	\$7.01	(\$4.51)	(\$2.01)	(\$0.01)
<b>North</b>				
Chemawa	\$9.53	(\$7.03)	(\$4.53)	(\$2.53)
North Keizer	\$6.15	(\$3.65)	(\$1.15)	\$0.85
Chemawa + N. Keizer	\$5.62	(\$3.12)	(\$0.62)	\$1.38

Note: Sites with a negative number in the "Difference" columns will cost more to serve than the land price would support at market rates.

Infrastructure costs are difficult to ascertain over the planning period, as many changes are currently taking place, including significant efforts--even mandates--to reduce the total vehicle miles traveled by the population. The Northern sites are all served by the Chemawa / I-5 interchange. The key issue is the Chemawa Interchange Area Management Plan (IAMP) concluded that there is no additional capacity within the existing mobility standards. The first objective in the current efforts in the IAMP is to adjust the established Mobility Standards, even before the proposed plan improvements are contemplated. While this will not solve all infrastructure needs, it underscores the need for caution on fixating on a specific number for the cost of improvements.

According to ODOT staff, there is no funding source identified for the \$134 million in upgrades described in the IAMP. The projects listed above are not in the State Transportation Improvement Plan (STIP). ODOT staff have stated that the Agency does not consider the inability to implement the recommendations for improvements to the interchange as a hard and fast constraint to future economic development or UGB expansions in the metropolitan area. The improvements identified for the Chemawa

Interchange are proposed without a clear linkage for the total capacity and 'the room to grow' created by these improvements. It is clear that improvements to the Interchange will be needed but it is unclear how much they will cost or how they will be funded. The amount and type of improvements will depend on the specific impact of each future land use action and the standards that are in place at that time.

. Goal 9 requires cities to address how infrastructure will be provided and paid for in major UGB expansions. The results of the cost of service analysis suggests that most types of development will require public subsidy of infrastructure. This is a key policy issue for the participating jurisdictions to address: whether public subsidy of employment lands is a good investment.

## **SHORT-TERM LAND SUPPLY**

This section evaluates the short-term supply of land in the Salem-Keizer metropolitan area. It begins with an overview of the policy context that requires this analysis, and then evaluates the short-term land supply.

### **Policy context**

The Goal 9 Administrative Rule (OAR 660-009) includes provisions that require certain cities to ensure an adequate short-term supply of industrial and other employment lands. OAR 660-009-005(10) defines short term supply as follows:

“...means suitable land that is ready for construction within one year of an application for a building permit or request for service extension. Engineering feasibility is sufficient to qualify land for the short-term supply of land. Funding availability is not required. "Competitive Short-term Supply" means the short-term supply of land provides a range of site sizes and locations to accommodate the market needs of a variety of industrial and other employment uses.”

The Goal 9 rule also requires cities in a Metropolitan Planning Organization (MPO, which includes Salem, Keizer, and Turner) to make a commitment to provide a competitive short-term supply of land and establishes targets for the short-term supply of land. Specifically, OAR 660-009-0020(1)(b) states:

“Cities and counties within a Metropolitan Planning Organization must adopt a policy stating that a competitive short-term supply of land as a community economic development objective for the industrial and other employment uses selected through the economic opportunities analysis pursuant to OAR 660-009-0015.”

The rule goes on to clarify short-term land supply targets for cities in an MPO (OAR 660-009-0025):

(3) Short-Term Supply of Land. Plans for cities and counties within a Metropolitan Planning Organization or cities and counties that adopt policies relating to the short-term supply of land must designate suitable land to respond to economic development opportunities as they arise. Cities and counties may maintain the short-term supply of land according to the strategies adopted pursuant to OAR 660-009-0020(2).

(a) Except as provided for in subsections (b) and (c), cities and counties subject to this section must provide at least 25 percent of the total land supply within the urban growth boundary designated for industrial and other employment uses as short-term supply.

(b) Affected cities and counties that are unable to achieve the target in subsection (a) above may set an alternative target based on their economic opportunities analysis.

(c) A planning area with 10 percent or more of the total land supply enrolled in Oregon's industrial site certification program pursuant to ORS 284.565 satisfies the requirements of this section.

In summary, the rule requires the cities in the Salem-Keizer metropolitan area to assess the short-term supply of land based on the criteria that land can be ready for construction within one year. The determination is based on “engineering feasibility.”

## **Analysis of short-term supply of land**

Table 2-1 shows that there are about 1,665 acres of vacant, unconstrained commercial and industrial land within the Salem-Keizer metropolitan area, including about 55 acres of vacant, unconstrained land that is outside of a UGB but within the SKATS boundary.

According to Goal 9, a planning area with 10 percent or more of the total land supply in the metropolitan area that is enrolled in Oregon's industrial site certification program meets the requirement for short-term supply of land (OAR 660-009-0025(3)(c)). Salem has about 375 acres of land on certified sites,<sup>17</sup> accounting for more than 20% of the Salem-Keizer metropolitan

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<sup>17</sup> According to Oregon Prospector, the State's official economic development web site, there are four certified sites in the metropolitan area: Mill Creek (140 acres), Highway 22 and Kuebler Boulevard (146 acres), 5700 Block Gaffin Road (46 acres), and SE Corner Aumsvill Highway at Kuebler (42 acres).

area's vacant commercial and industrial land. The metropolitan area meets the Goal 9 requirements for short-term supply of land.

## **CONCLUSIONS AND RECOMMENDATIONS**

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This document presents a regional economic opportunities analysis for Salem, Keizer and Turner. The study is consistent with the provisions of OAR 660-009-0030 – Multi-Jurisdiction Coordination. Specifically, OAR 660-009-0030 states:

- (1) Cities and counties are strongly encouraged to coordinate when implementing OAR 660-009-0015 to 660-009-0025.
- (2) Jurisdictions that coordinate under this rule may:
  - (a) Conduct a single coordinated economic opportunities analysis; and
  - (b) Designate lands among the coordinating jurisdictions in a mutually agreed proportion.

This report, and the process steps that were part of it, meets the coordination intent of subsection (1). While the participating jurisdictions have the option of coordinating consistent with subsection (2), it is our assumption that all three jurisdictions will want to use the regional EOA to refine their local EOAs and development policies. The jurisdictions will also need to coordinate how to designate opportunity sites; a requirement that will exist under any UGB expansion scenario.

## CONCLUSIONS

Following are the key conclusions of the Salem-Keizer Metropolitan Area Economic Opportunities Analysis:

- The metropolitan area faces economic challenges – high unemployment, low wages, small manufacturing base. Keizer and Turner are challenged by a relatively small economic base, compared to the size of their population.
- Commuting is common the metropolitan area, with one-third of the local workforce commuting out of the area for work and one-third of workers commuting into the area for work.
- Political leaders recognize the importance of an adequate supply of employment sites and infrastructure strategies to ensure the sites are available.
- Regional leaders recognize the importance of planning for future employment growth, especially in bringing high-quality jobs to the metropolitan area.
- The metropolitan region has a sufficient short-term supply of land in Salem’s Site Certified industrial sites. These sites will provide opportunities for employment growth in Salem for most or all of the planning period.
- **The Salem-Keizer metropolitan area has a sufficient supply of general industrial land to meet general industrial employment growth over the 20-year period.**
- **The metropolitan area lacks enough general commercial land to meet expected commercial and retail growth, which is related to projected population growth.** Options for addressing the general commercial land deficit include accommodating general commercial demand within the existing UGB include through tools such as redesignation of industrial or other lands, redevelopment of sites with existing but low-density commercial development, mixed-use development, or infill of underused commercial sites. Jurisdictions will be required to consider these options prior to considering an expansion of their UGB to meet these land deficiencies.<sup>18</sup>
- **A regional imbalance of opportunity sites exists.** The region has a significant inventory of high-value land; all of which is located in

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<sup>18</sup> Salem staff estimate that land designated IC could accommodate about 50 acres of general commercial development, based on the type of development permitted in IC and the type of development that has historically occurred on land designated IC.

Salem, mostly in Mill Creek. If the regional supply continues to be located exclusively in Salem, the existing imbalance of population and employment in Keizer will be perpetuated.

- Keizer and Turner want to increase their economic base and decrease the number of jobs per person (the population/employment ratio) in each city.
  - Keizer will need to provide high value employment land to reach its economic development goals and to get growth in the target industries. Keizer's leaders will need to develop plans for financing the infrastructure costs of the high-value employment sites.
  - Turner will need to facilitate redevelopment on the employment sites in downtown Turner. This may require working cooperatively with property owners or businesses interested in locating in Turner.
- Keizer has a population/employment imbalance, with one job for every seven residents. Keizer's economic development vision is to work to improve balance the ratio of population to employment, which will require faster employment growth relative to population growth in Keizer. The City does not have any opportunity sites to accommodate this level of employment growth. **Keizer will need about 200 acres of opportunity employment land to achieve its vision.** The City will need to demonstrate that it can provide services to any lands it proposes to add to the UGB.
- **Salem's inventory provides an adequate supply of opportunity sites for Salem over the 20-year planning horizon. Salem should consider long-range planning for other employment land to refresh the pipeline of high value opportunity sites once the existing high value sites are developed.**
- **The most obvious location to address the regional imbalance and create a long-term supply of sites is north of the Chemawa/I-5 interchange.** However, preliminary analysis of infrastructure suggests that substantial improvements and other efforts (e.g., changes in mobility standards) will be required before significant new development can occur. Developing infrastructure improvements for opportunity sites will require regional coordination and cooperation to plan for, and fund infrastructure upgrades in areas for high value employment.
- **Increasing the regional supply of high value employment land will require development of major off-site infrastructure (e.g., transportation or wastewater facilities).** The comparison of current

land prices with the estimates of the cost of servicing high value employment sites suggests that most types of development will require public subsidy of infrastructure. **A key policy issue for the participating jurisdictions to address is whether public subsidy to create new opportunity sites is a good investment.**

- **The regional supply of land creates issues related to timing and coordination of planning activities.** Because Keizer has a limited supply of employment sites, it has a higher urgency to address land deficiencies in the short-term. This is not the case with Salem or Turner. Salem has a 10-20 year inventory of high-value sites, which means it does not have the same land supply urgency as Keizer.

## RECOMMENDATIONS

The regional EOA is the first of many steps the participating jurisdictions will need to take to address the land deficiencies identified in this report. Some of the steps can be taken by individual jurisdictions; others will need additional regional coordination. The following recommendations provide a general framework for the jurisdictions to proceed with land use planning efforts.

- **Convene a regional economic development working group of policy makers.** Not only is this step mandated by statewide planning Goals 1, 2, and 9, it is good planning. Many of the land use issues identified in this report are of regional significance and will require additional coordination. Moreover, more planning is necessary; it will be important for all of the jurisdictions to participate in what will essentially be a planning effort with regional implications (even for decisions that can be made by individual jurisdictions).
- **Use the regional EOA as basis for local policy and opportunities assessment.** The EOA provides an enormous amount of information about the regional economy, as well as the conditions in each jurisdiction. Cities that are required to complete an EOA in the next few years can use the information in the EOA as part of the factual basis for their local EOA.
- **Consider options for addressing the population and employment imbalance in Keizer.** One option for addressing Keizer's imbalance of population and employment include the high value approach described in this report. There are other options for addressing this imbalance, such as through the allocation of general employment demand within the region.
- **Consider the big picture – all types of land needs.** A regional housing needs analysis is underway simultaneously with the

regional EOA. The regional housing study will identify land needs for housing as well as public and quasi-public uses. The two studies are intended to be mutually supportive and describe the current usage and future demand for all types of land with the local jurisdictions. The two studies may show opportunities for greater land use efficiency, through conversion of land from one use to another (e.g., redesignating residential land in key areas to commercial use).

- **Take a long-term view.** While the study identifies land deficiencies that we recommend the participating jurisdictions take action on immediately, long-range projections suggest the regional will continue to grow. That growth – population and employment – means continued demand for land as well as infrastructure to serve it. Moreover, the cost of service analysis suggests that infrastructure development, particularly areas served by the Chemawa/I-5 interchange will require long-term planning and financing strategies. It is not an underestimate for us to suggest the process of *planning* for infrastructure improvements (mostly transportation improvements) could take a decade or more. It is essential for that planning to begin immediately so the infrastructure strategy will support long-term growth and economic prosperity in the region.
- **Consider strategies to address deficiencies within the UGB first.** This recommendation is consistent with Goal 14 and OAR 660-024 that require jurisdictions consider land use efficiency strategies *before* expanding the UGB. That does not mean that a UGB expansion could not be justified based on the results of this study. What it does mean is that any jurisdiction that wants to consider an expansion will need to go through an additional step of demonstrating that the identified land need cannot be accommodated within the existing UGB.
- **If deficiencies exist that require a UGB expansion, additional steps are necessary.** From the perspective of complying with state land use policy, several additional Goals come into play: Goals 1 (citizen participation), 2 (land use), 9 (economy), 11 (public facilities), 12 (transportation), and 14 (urbanization). The reality is that the system is complicated and uncertain – as demonstrated by several recent legal decisions (Bend, Newberg, and Woodburn). That process will entail:
  - Adopt a local economic development vision and strategy. That vision should build off the one described in this report, but should be tailored to articulate, in as much detail as possible, the local strategy.

- Document land deficiencies. Much of that work is already done through the regional EOA, however, additional documentation will be required (including the land use efficiency strategies)
- Conduct an alternatives analysis. This step is described in OAR 660-024 and requires jurisdictions to demonstrate that land brought into the UGB best meets the ORS 197.298 priority scheme as well as the Goal 14 factors.
- Develop an infrastructure financing strategy. The Bend decision makes it clear that jurisdictions have to do more than simply add “opportunity” sites. They must demonstrate how they will provide infrastructure to those sites during the planning period.
- **Develop policies to preserve high-value employment uses for specific uses.** Cities or counties may choose to adopt comprehensive plan policies to preserve land with special characteristics so that the land is available for employment uses that require the special characteristics.

One approach to preserving high-value employment land for employment uses but providing flexibility in use is through a form-based code. A typical zoning code separates employment land based on commercial or industrial uses. The line between commercial and industrial uses has grown less distinct, as industrial uses move away from smoke stacks and commercial uses become more diverse than office or retail uses. A form-based code can be used to implement Comprehensive Plan policies, in place of the “typical” zoning ordinance. Form-based codes address the relationship between building facades and the public realm, the form and mass of buildings in relation to one another, and the scale and types of streets and blocks. Form-based codes keyed to a *regulating plan* that designates the appropriate form and scale (and therefore, character) of development rather than only distinctions in land-use types. A form-based code can be used to manage land with special characteristics, as well as all employment land.