REGIONAL INDUSTRIAL SITE READINESS REPORT
PROJECT OVERVIEW

In 2011, Business Oregon, Metro, the Oregon chapter of NAIOP (the Commercial Real Estate Association), the Port of Portland, and Portland Business Alliance began a comprehensive review of the market-readiness of the Portland region's inventory of industrial sites of 25 acres or more[1]. The goal of this project was to study the challenges, costs and benefits associated with the development of these large industrial sites to accommodate the expansion and recruitment of traded-sector companies. Traded-sector firms sell goods and services to buyers outside of the metro region, increasing the region's wealth. Attracting and retaining traded-sector industrial companies is important for the Portland region's and state's long-term economic prosperity.

Our region has the potential to grow the base of high-paying manufacturing and other traded-sector jobs, but the sites required for these new facilities often need investment to make them ready for large employers in a timely fashion. These investments include regulatory approvals (permitting, mitigation), infrastructure (sewer, water, transportation, fill), aggregation of sites, brownfields clean-up, and state/local actions (land division, rezoning, annexation).

Phase 1 of this project identified and evaluated 56 sites across our region that are zoned, planned or designated for future industrial development. Sites in the inventory were ranked based on their market readiness, or how much time is required to make the site "development-ready" for building construction: Tier 1 (more than 6 months to "development-ready"), Tier 2 (7 to 24 months to "development-ready"), and Tier 3 (more than 24 months to "development-ready"). The findings from this inventory were:

- Only nine of the 56 sites could be "development-ready" within six months, potentially resulting in missed expansion and recruitment opportunities and jobs.
- There are few industrial sites of 50 or more acres in the region, and only two of those are "development-ready" within six months. Parcel aggregation is a key issue to supplying larger sites to the market.
- Most Tier 2 and Tier 3 sites have many constraints to their development and will require significant investments, policy actions and time to make them ready for development.

Phase 2, completed in August 2012, further analyzed 12 diverse sites in the region from Tier 2 and 3. The sites were intended to be illustrative of a variety of traded-sector development opportunities and different challenges to development. The analyses included hypothetical traded-sector development scenarios along with the requirements, costs and development timeframe necessary to make these sites "development-ready". In addition, the economic benefits of successful development – jobs, state personal income taxes, and local property taxes - were identified. The findings from the detailed development assessments were:

1 For purposes of this study, only vacant, industrially zoned or planned lands within the Portland metropolitan urban growth boundary (UGB) and selected urban reserves were analyzed. Rural areas of Clackamas and Washington counties outside the UGB were not included in this analysis. The study identified and documented user-owned sites held for future use but excluded these from the detailed analysis because these sites were not available to the marketplace.

- Significant time and financial resources are necessary to advance Tier 2 and 3 sites to a "development-ready" status.
- Infrastructure funding is a critical limiting factor to site readiness with off-site infrastructure representing 44% of costs, with transportation being the largest line item.
- Potential economic benefits (jobs, state personal income taxes, and local property taxes) from successful traded-sector development would be significant. The state's general fund would be the largest beneficiary from associated job and income tax revenue growth.
- Front-end work on investigating and preparing sites for market readiness can have a significant impact on their viability as time and risk are key impediments. Site constraints with low costs and long timeframes may be a good initial place to focus efforts.
- A willing property owner and motivated jurisdiction are critical to moving industrial sites to market.

Potential Economic Benefit, All 12 Case Study Sites

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

(Source: Regional Industrial Site Readiness, August 2012)

Next steps

Ensuring our region can provide ""development-ready"" lands for new and growing companies is a responsibility of many partners: local, regional and state governments and the private sector. This project's report provides recommendations that these partners should consider and act on to strengthen our state's economy. A few of those recommendations include:

- Maintaining and expanding existing state infrastructure funding and technical assistance programs while exploring new opportunities for state support to move industrial sites to market readiness.
- Streamlining and improving predictability of state and local regulatory and permitting processes to reduce risk and increase private-sector investment.
- Encouraging state funding of due diligence work that can help attract private and public sector investment, speed environmental work and facilitate site aggregation efforts.
- Exploring opportunities for regional and state funding of due diligence studies and site preparation costs to reduce site uncertainties and increase readiness for development.

This report will inform discussions among elected officials and private-sector leaders to identify and implement new policies and investments to ensure the region and state has an adequate supply of "development-ready" industrial sites for traded-sector job growth. The report will be featured at a regional forum of the Oregon Business Plan on October 3, and at other public events in the months ahead.

A copy of the report and its recommendations can be found online at:
http://www.valueofjobs.com/land_study_2012/ls_land_readiness.html.

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INDUSTRIAL SITE READINESS BILLS
Senate Bills 253 and 246/House Bills 2284 and 2285

2013 Legislation

The need:

- Large industrial employers are often seeking sites on quick timelines tied to their manufacturing cycles and are unwilling to commit to sites with significant constraints or uncertainties. The availability of large market-ready industrial sites is thus a key asset for areas hoping to expand or attract traded-sector jobs.
- Yet many regions of the state lack an adequate supply of such sites. Even when sites are zoned, planned and designated for future industrial jobs, significant investments may be required to make them market ready. These investments may include due diligence and capital investments for transportation, sewer, water, brownfield cleanup, wetland mitigation and site aggregation.
- Many property owners and jurisdictions are unable to afford these investments, or are unwilling to incur significant up-front costs without some level of risk-sharing.
- A recent study on industrial land site readiness in the Portland metropolitan region underscores these points. The study was commissioned by NAIOP (the Commercial Real Estate Association), the Portland Business Alliance, the Port of Portland, Metro and Business Oregon.
- The Oregon Economic Development Association and other economic development districts echo these concerns for other regions across the state.

The opportunity:

- Potential economic benefits from successful traded-sector development (direct and indirect jobs, income and property tax revenues) are significant.
- Growth in income tax revenues would make the state's general fund the largest beneficiary from an increase in traded-sector industrial jobs. In many cases, the state's potential benefit exceeds the cost of addressing the constraints that are preventing a site from being ready for employers to use.

The solution:

State assistance to reduce the cost and risk to property owners and local jurisdictions of making large-lot industrial sites market-ready.

Industrial Site Readiness Bills for 2013 legislation:

- **Due diligence grants (Senate Bill 253/House Bill 2285):** Make available a limited pool of grants for eligible projects to conduct necessary investigations to better understand constraints on large industrial sites and reduce risk and uncertainty about site preparation costs needed to attract private capital. A portion of the grant funds may also be used to

(over)

assist regions in conducting an inventory and readiness assessment of large industrial sites in their area.

- **Direct site preparation assistance (Senate Bill 246/House Bill 2284):** Provide forgivable loans and/or low or no interest loans to local governments and property owners to underwrite a portion of the costs of site preparation, subject to specified eligibility criteria (e.g., site investment plan, "but for" evaluation, new traded-sector jobs to Oregon, wage premium). Loans would be partially forgiven based on realized state income tax gains from successful traded-sector investment in the site.

Return on Investment, 10 Case Study Sites from Portland Metro Area

Market viability gap* for case study sites (20-year cost at 5% annual interest)	$192 M
State's 50% share of market viability gap†	$96 M
Return on investment	
• Net increase in state income tax revenue over 20 years (direct jobs only)†	$622 M
• Net increase in state income tax revenue over 20 years (direct and indirect jobs)†	$2.1 B
• Net increase in property tax over 20 years†	$90 M
• Direct jobs	11,000
• Average annual wage	$100,000+

(Source: Regional Industrial Site Readiness Report, August 2012. The report examined 12 case study sites in the Portland Metro area. The return on investment for 10 sites is summarized here; two of the sites are excluded as they did not have a market viability gap.)

* * The market viability gap is the difference between the future market value of the site and the total investment needed to make the site market ready, including site acquisition costs, on- and off-site infrastructure and mitigation costs, soft costs, risk and time costs.

† These net investment and tax generation numbers assume the state and local jurisdictions will each be responsible for 50% of the market viability gap.

For more information:

www.valueofjobs.com/land_study_2012/ls_land_readiness.html
www.oregonmetro.gov/sitereadiness

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