Newberg’s Industrial Land Planning

Presentation to Cascadia Collaborative
October 21, 2011
Barton Brierley, AICP
Planning and Building Director, City of Newberg

Newberg South Industrial Master Plan

- Plan provides for industrial land needs through 2040
- Area contains about 150 buildable acres
- Economic Opportunities Analysis
- Infrastructure Financing Plan
- UGB amendment for part of area

Economic Opportunities Analysis

- Must haves
  - Employment projections
  - Land needs projections
  - Buildable lands inventory
  - Trends
  - Advantages and disadvantages
- Should gets
  - Overall economic development vision for your community
  - Buy-in from elected officials and community leaders
  - Site suitability criteria

Master Plan Process

- Involve
  - Property owners
  - DLCD
  - ODOT
  - Realtors
  - Chamber of Commerce
  - Other jurisdictions

Community Visioning Meeting

Elements to consider

- Transportation
- Utilities
- Zoning - keeping it industrial
- Buffers and compatibility
- Design
Infrastructure Finance Plan

Recommended Tools

- System Development Charges
- Tax Increment Financing
- Developer Installed Improvements
- ODOT
- Special Parks SDC

UGB process

- Alternatives analysis
- Developing findings
- Legal requirements

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Cutting Edge Industrial Land-Use Planning

Bill Mandeville, AICP
APA Cascadia Convention
October 19, 2011

Uses and Sources Statement

USES:
- Hard Costs + Soft Costs + Working Capital = Total Funds Needed

SOURCES:
- Debt + Equity + Gap Financing = Total Funds Available

For any project to be viable —

USES > SOURCES

WAYS PLANNERS EFFECT THE BOTTOM LINE

Ways planners can help solve the big parcel problem
- Industrial Zones Outside of UGAs (RCW 36.70A.365)
- Industrial Land Banks (RCW 36.70A.367)

Ways planners can help reduce costs
- Development Agreements (RCW 36.70B.170)
- Planned Action Ordinances (RCW 43.21C.031)

Other Tools & Incentives
- Overlay Zones
  - Mixed-Use Developments
  - Nodal (Corridor) Developments
- Innovation Partnership Zones

Gap Financing

TIF – Lite Programs
- CFR: Community Revitalization Financing
- LIFT: Local Infrastructure Financing Tool
- LRF: Local Revitalization Financing
- TBD: Transportation Benefit Districts

Tax-Exempt Industrial Revenue Bonds
- Lower Interest Loans
- Indirect subsidies through tax credits

Federally Funded Programs
- CDIR / Section 108
- Brownfields Revolving Loan Fund
- Rural Washington Revolving Loan Fund
- EDA Revolving Loan Fund
- Forestry (USDA) Revolving Loan Fund

Debt Coverage Ratio (DCR)

DCR = Net Operating Income (NOI) / (Principle + Interest)
- NOI / DCR = Payment of Debt
- NOI = Payment of Debt x DCR
- If DCR = 125%, then a $3.6 million bond would need as a minimum more than $4.5 million in NOI to be credit worthy

How do planners fit into this equation?
- Transitional Growth
  - Transitional Growth = increasing a community’s demography,
  - Transitional Growth is critical to the repayment of debt
  - Without it – just debt alone will lead to future decline and decay.

How do planners fit into this equation?

Washington Success Stories
A Few Smart Growth Award Winners
- Vancouver Waterfront Development Master Plan
- City of Bothell OIP
- Adams County Strategic Economic Development Plan
- City of Everett Southwest Subarea Plan

Rough Draft - Not Ready for Public Distribution
CONTACT INFORMATION

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Cascadia Collaborative

Industrial Land Planning

Panelists
- DJ Heffernan, Moderator - Heffernan Associates
- Barton Brierley, AICP - City of Newberg
- Nick Lelack, AICP - Deschutes County
- Tom Hoague - Oregon DLCD
- Bill Mandeville, AICP - Washington Dept of Commerce

Industrial Land Planning

- Industrial Land Planning and Finance
  - Fiscal Policy and Industrial Development
  - Local Initiative: South Newberg Industrial Park
  - Regional Initiative: Central Oregon Regional Opportunities Analysis
  - State Initiatives:
    - OR SB 766 and the Economic Recovery Council
    - WA Finance Tools for Industrial Development

Fiscal Policy and Industrial Land Development

- Industrial Land Value
  - Industrial Land has Lowest Market Value
    - Use allowances is highly variable
    - Rent varies across that range of allowed uses
    - Highly specialized improvements
  - Irregular Development Cycles/Opportunities
  - These factors drive land values down
  - Patient Capital Required

Fiscal Policy and Industrial Land Development

- The Industrial Land Quick Play
  - Industrial Land has Lowest Market Value
  - Obtain value by securing change in allowed use: Industrial to Commercial
  - Pocket a profit with limited investment
  - Erodes inventory, “downstream” infrastructure effects
Fiscal Policy and Industrial Land Development

- Public Facilities Planning Framework
  - Industrial Development Impact Variance
  - Costly infrastructure solutions
  - Legal requirement to adopt a “fiscally constrained” plan
  - “Growth Pays for Itself”
  - Solution: Impact Fee/SDC

Fiscal Policy and Industrial Land Development

- Development Dilemma
  - Low land value = Limit for carrying off-site improvements
  - Impact Fees load costs on the front end
  - “Home-runs” but no singles
  - Need flexible financing strategies

Fiscal Policy and Industrial Land Development

- Financing Options to Impact Fees
  - Parse the impact fee (base fee w/ add ons)
    - The Dalles industrial area TIF
    - Bend’s “peak hour” offset
  - Shift cost from capital obligation to operating expense
    - Finance new water storage with a rate surcharge
    - Enact a transportation utility district to pay for select TSP projects w/ incentives for trip reduction

Fiscal Policy and Industrial Land Development

- Financing Options to Impact Fees
  - Tax Increment District
    - City of Canby Downtown/Industrial District
    - captures maximum incremental gain
  - Tax Deferral/Transfer
    - % of ad valorem revenue dedicated to infrastructure financing
    - Bend Juniper Ridge Income Tax dedication

Fiscal Policy and Industrial Land Development

- Financing Options to Impact Fees
  - All the above reduce the cap-rate for the off-site infrastructure improvements
  - Require some risk participation by the public sector
  - Without flexibility many low and medium size developments won’t pencil
  - Strategy needs to be in place in advance

Fiscal Policy and Industrial Land Development

- Financing Options to Impact Fees
  - Reimbursement districts?
  - Market-based approaches?
Fiscal Policy and Industrial Land Development

- Financing Options to Impact Fees
- Complex policy and fiscal issues
- Develop solutions collaboratively
Central Oregon Large Lot
Regional Economic Opportunity Analysis
October 21, 2011

Overview
1. State & Central Oregon’s Unmet Need for Large Lot Industrial Sites
2. Regional Economic Opportunity Analysis: An Innovative & Collaborative Approach
3. Implementation
4. Lessons We are Learning

State & Regional Large Lot Land Need
- OECD identified a statewide need for large industrial lots in 2008, and especially those 100-200 acres.
- EDCO has identified challenges with large lot sites in Central Oregon (e.g., lack of supply, current supply in locations with least interest, difficult for cities to compete individually for large lot employers)
- Traditional industrial land need determined based on formulaic approach (population & employment projections applied to sq. ft. per employee ratio to arrive at acreage). Need a new approach – focused on global, statewide and regional need, and on sites rather than acreage.

REOA Results
1. Competing as a cohesive region means Central Oregon to market a larger available work force, the size of which is often a key locational criteria for firms.
2. Critical mass of competitive and diverse vacant, developable industrial sites needed in order for site selectors representing potential industrial recruitment to consider the region
3. Economic development focuses on short-term, 5-year time frame – not 20-year land need or supply as required by the Oregon Planning Program.
4. Short term need is 6 sites in 3 jurisdictions at a minimum of 50 acres, based on need for diversity of sites in different locations, including:
   a. 2 sites: 100 - 200 acres
   b. 3 sites: 200+ acres
   c. 1 site: centrally located large property near the region’s geographic and workforce center, where key infrastructure is in place and has excess capacity – north end of Bend or southern end of Redmond.
**REOA Results**

5. Regional entity needed to organize, coordinate & promote a regional industrial lands strategy

6. REOA provides a roadmap for:
   - A. Entitlements
   - B. Collaboration/partnerships with willing property owners
   - C. Regulations to protect lands for large lot industrial purposes
   - D. Replenishment strategy

7. Site need characteristics:
   - 50 acres or above, flat slopes, rectangular sites, infrastructure, affordable, workforce

**Implementation**

- **Deschutes County**:
  - Adopting REOA (technical document) and policies into Comprehensive Plan
  - Initiating statutory coordination authority to compel cities/parks to meet this land need
  - ODIC becomes regional authority, coordination
  - Cities:
    - Update Comprehensive Plans & Development Codes
    - Perform buildable lands inventories and public facility / infrastructure assessments
    - Meet with property owners
  - EDCO: Conducts business recruitment & marketing
  - All: initiate replenishment strategy as sites are developed

**Lessons we are learning...**

- Difficult to develop a statistically rigorous methodology to support large lot industrial need, particularly in a region the size of Central Oregon
- Elected officials & economic development professionals must be involved
- Need to identify & agree on a regional entity to organize, coordinate & promote a regional industrial lands strategy
- New approaches take more time, cost more money, are greater risks, and may identify needed updates to State Planning rules for regional planning
- Address differences between economic development and State Planning Program (5 yrs vs. 20 yrs, site vs. acres)

**Discussion**

- Regional Economic Opportunity Analysis (REOA) is a comprehensive plan that provides a roadmap for:
  - Entitlements
  - Collaboration/partnerships with willing property owners
  - Regulations to protect lands for large lot industrial purposes
  - Replenishment strategy

**City Example**

Sisters, Oregon

**Regional Economic Development Policies**

2011 Comp Plan Amendment

- Amend Comprehensive Plan to recognize REOA, large-lot industrial land policies, replenishment strategy & new coordination responsibilities

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Facebook Data Center, Prineville

- 125-acre site; phase 1 built, phase 2 in process, will build additional phases as needed
- 52 FTE; 12-15 more jobs in 2012; additional phases planned
- Over 1,200 workers constructed facility
- National / international interest in Central Oregon due to Facebook
- Invested hundreds of millions of dollars in community
- Enterprise Zone, climate, power, utilities, telecom