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July 15, 2004

TO: Todd Chase, OTAK
FROM: David Helton
SUBJECT: REVISED MARKET STUDY FOR INDUSTRIAL PROPERTY IN JUNIPER RIDGE

SUMMARY

In 2000 the City of Bend conducted an *Economic Lands Study* that examined supply and demand conditions for commercial and industrial land in Bend over the next 20 years. This study found that demand for industrially-zoned land over the 20-year period exceeded the existing supply by 744 acres. To address this shortage of industrial land, the City of Bend is working to expand its Urban Growth Boundary (UGB) to include a 513-acre Juniper Ridge area. Juniper Ridge lies at the northeast corner of Bend's existing UGB, immediately east of Highway 97. Of the 513 acres in the Juniper Ridge site, right-of-way, topography, and other factors could reduce the developable land area to about 375 to 400 buildable acres.

Historical and recent development trends in Bend indicate strong demand for industrial land. Absorption of industrial land in Bend has ranged from roughly 5 to 45 acres per year over the 1981–1999 period, with an average of about 25 acres per year. Local real estate brokers report brisk sales of lots in Bend's industrial parks. A listing agent for the Basalt Business Park reports that all but 2-3 lots in this 26.6-acre industrial park were reserved within 90 days of its initial listing this year. Local brokers report that most lots in industrial parks are in the range of 0.5 to 4.0 acres.

Strong demand for industrial land in Bend is expected to continue. State forecasts show substantial levels of population and employment growth are expected in Deschutes County. The City's 2000 *Economic Lands Study* estimates that industrial land absorption will average 32 acres per year through 2020, including land needed for roads and easements. As with historical absorption of industrial land, annual absorption in the future will vary from year-to-year with levels well above and below the projected 32 acres per year.

The City's 2000 *Economic Lands Study* notes the lack of large industrial parcels of 10 acres or more in Bend. Since demand in the market is primarily for lots in the 0.5 to 4-acre range, private land owners are unlikely to hold lots of 10 or more acres for potential buyers. The *Economic Lands Study* recommends that public agencies acquire and hold some lots of 10 or more acres for potential large-lot industrial uses. Local brokers contacted for this study could recall only two users in the last decade that used a lot of 10 acres or more in Bend. The scarcity of large-lot industrial users, however, primarily reflects the lack of large lots in

Bend. Economic Development for Central Oregon (EDCO) reports contacts by numerous clients each year who need a lot of 10 acres or more. Most firms that need 10 or more acres of industrial land locate in other Central Oregon communities where these large lots are available—one firm built on 13 acres in Redmond this year and another project is underway in Prineville that will use 15 acres.

The City's current inventory of buildable industrial land shows a total supply of 333.2 acres in the Bend UGB. This supply would last about 10 years with an average absorption rate of 32.2 acres per year. This apparently large supply, however, overstates the availability of industrial land in Bend. Most of this supply is in small scattered lots rather than large lots that can be subdivided into an industrial park. Local brokers estimate that Bend will run out of industrial land in 6 months to 3 years based on recent sales activity and the supply of land suitable for industrial park developments.

Whether Bend has an 10-year supply or a 3-year supply of industrial land the implication is the same: the supply of industrial land in Bend is tight. Existing industrial parks are full or almost full, and there are no large parcels zoned for industrial development that can be subdivided into an industrial park. Remaining industrial lots in Bend are primarily small and scattered, and there are no industrial lots over 10 acres currently available in Bend. The supply conditions suggest that the need for expanding the UGB to include Juniper Ridge is extremely urgent.

Given long-run growth in Central Oregon, recent development trends, forecasts of population and employment growth, we expect strong demand for industrial land in Bend to continue into the future. The forecast absorption rate in the *Economic Lands Study* indicates that industrial land absorption in Bend should continue at rates higher than the historical range, roughly 10 to 50 acres per year. Since Juniper Ridge will soon be the only industrial park in Bend we expect it to receive 50% to 80% of industrial land absorption in Bend or 5 to 40 acres per year or an average of about 25 acres per year. Given the current strong demand for industrial land in Bend, we expect absorption in Juniper Ridge will be high in the early years and taper off as the area reaches build-out and as additional industrial areas are added to Bend's UGB.

Historic industrial absorption trends suggest that almost all of Juniper Ridge users would require parcel sizes in the range of 0.5 to 4 acres. With the capacity for large-lot users, Juniper Ridge should increase absorption of large lots over the historical level. Based on our interviews with local real estate professionals, we expect absorption of lots of 10 acres or more to occur about once every 2 to 5 years on average. Thus, over the 20-year planning horizon for this study we expect about 40 to 100 acres may be absorbed by these large-lot users, leaving 275 to 335 acres for small-lot users. This supply of land would last about 11 to 13 years at the expected level of absorption. Thus it appears that adding Juniper Ridge to the Bend UGB will be a substantial step in providing a 20-year supply of buildable industrial land for future development, but additional industrial land will be necessary some time in the 20-year planning horizon.

Based on the existing pattern of employment and recent industrial development trends, we expect demand for land in Juniper Ridge to come from a mix of uses that includes the following:

- Manufacturers in industries that already have a presence in Bend, such as aircraft and avionics, transportation equipment, medical devices and other high-tech equipment, specialty food products, and recreational gear.
- Wholesale trade and distribution.
- National and regional corporate headquarters—with consolidated on-site activities such as administration, management, research & development, marketing, light manufacturing and distribution.
- Some retail space, either as part of a manufacturing/wholesale facility or as stand-alone retail to serve employees and customers in the Juniper Ridge area.
- Commercial firms that typically use industrial space, such as automobile painting and repair, gyms and recreation centers, storage facilities, and wholesale suppliers to other businesses.

Other than allowing large-lot users, there is nothing about the Juniper Ridge site that will allow Bend to attract industrial users that would otherwise not come to Bend. The degree to which retail and commercial uses are allowed in Juniper Ridge depends on zoning and other restrictions adopted by the City of Bend to control allowed uses in the area.

The data and analysis supporting these conclusions are contained in the rest of this report, which is organized as follows:

- **Introduction** describes the events that led to this study, and its purpose.
- **Economic Context for Juniper Ridge Development** defines the market area in which Juniper Ridge will compete, and describes recent trends in growth and development, the outlook for growth and development, and the supply of industrial land in that market area.
- **Advantages and Disadvantages of Juniper Ridge as an Industrial Site** describes the advantages and disadvantages of Juniper Ridge as an industrial site and how these may affect the rate and type of industrial development.
- **Strategies to Reduce or Mitigate Disadvantages at Juniper Ridge** identifies strategies the City can use to address the disadvantages in Juniper Ridge, including infrastructure and public service delivery, zoning, marketing, and other strategies.
- **Applicability of Eco-Industrial Design Principles in Juniper Ridge** identifies eco-design and “green” building principles, how they might be applied in Juniper Ridge, and the implication of applying these principles for the type and level of development.
- **Likely Development in Juniper Ridge** summarizes the implications from previous sections for the amount and type of development expected in Juniper Ridge over the next 20 years.

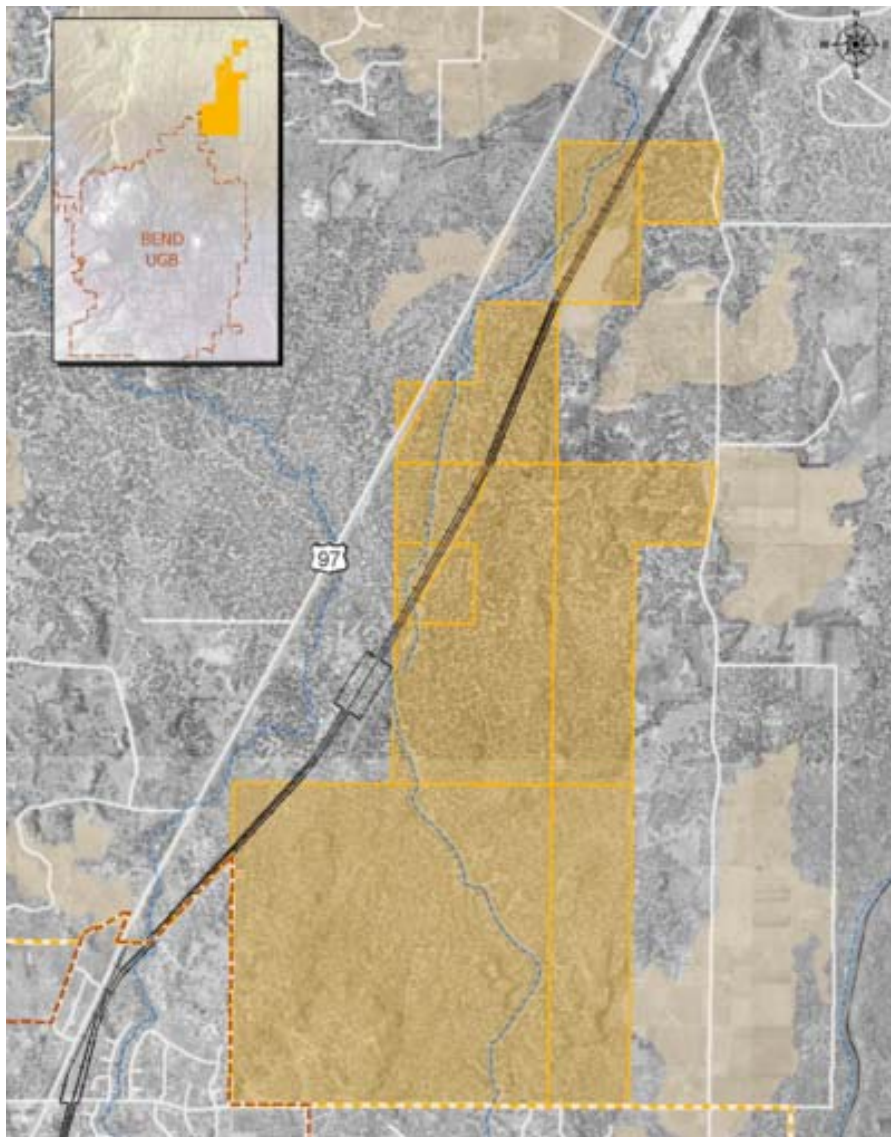
INTRODUCTION

BACKGROUND

In 2000 the City of Bend conducted an *Economic Lands Study* that examined supply and demand conditions for commercial and industrial land in Bend over the next 20 years. This study found that demand for industrially-zoned land over the 20-year period exceeded the existing supply by 744 acres. This study found that most of the demand for industrial land is for lots in the 0.5 to 2-acre size range, but that there is also a need for about 60 acres to be held in lots of at least 10 acres for users of large industrial sites.

At the same time, there is increasing statewide interest in the supply of industrial land as it pertains to economic development in Oregon. The 2001 Oregon Legislature passed House Bill 3557, which established a committee to provide recommendations to the State “to help ensure that Oregon communities are providing sufficient buildable commercial and industrial lands.” Among the conclusions of this committee were that competitive market-ready development sites are in short supply, and that strategic industrial sites should be projected for industrial use.¹

¹ Advisory Committee on Commercial and Industrial Development, OTAK Incorporated, and ECONorthwest. 2002. *Sufficiency of Commercial and Industrial Land in Oregon: Recommendations for Oregon Communities*. Prepared for the 2003 Oregon Legislature, Department of Land Conservation and Development, and Economic and Community Development Department. December.

Figure 1. Location of Juniper Ridge

In February 2003, Governor Kulongoski established the Industrial Lands Task Force to address the widely-held perception that many of the fastest-growing and economically critical areas of the state have not maintained an adequate supply of industrial lands to meet the needs of a growing and prosperous state. The Task Force concluded that there is a significant shortage of project-ready industrial land (land that can be made ready for construction within six months) in parts of Oregon, including Bend. Areas without a sufficient supply of industrial land appear to have both short-term and long-term supply shortages, and shortages of parcels of the right size, configuration, or location suited to certain uses.²

In this context, the City of Bend is working to expand its Urban Growth Boundary (UGB) to increase the supply of industrial land in Bend. In February 2004, the Bend and Deschutes

² Industrial Lands Task Force. 2003. *Positioning Oregon for Prosperity*. Report to Governor Kulongoski. October.

County planning commissions voted to approve expansion of Bend's UGB to bring in a 513-acre area known as Juniper Ridge. This area is currently owned by the City of Bend and is located northeast of the City's current UGB, north of Cooley Road and east of Highway 97. Figure 1 shows the location of Juniper Ridge relative to Bend's UGB. Figure 1 also shows that railroad tracks pass through Juniper Ridge; these tracks are part of a north-south mainline operated by the Burlington Northern and Santa Fe Railway Company (BNSF).

Of the 513 acres in the Juniper Ridge site, right-of-way, topography, and other factors reduce the total number of buildable acres to about 375.

PURPOSE

The City of Bend is in the process of developing a master plan that will guide development of the Juniper Ridge area. This report is part of that master planning process. The purpose of this report is to:

- Evaluate the industrial land market in the primary market area for Juniper Ridge.
- Estimate the demand for industrial land in Juniper Ridge over the next 20 years, based on our assessment of the industrial land market and the strengths and weaknesses of Juniper Ridge as a location for industrial development.
- Identify potential development strategies that could be pursued by the City to help facilitate desired development.
- Investigate the applicability of "eco-industrial" design principles and green building techniques for Phase I of the industrial park plan.