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# HERMISTON INDUSTRIAL LANDS

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## SITE DEVELOPMENT ASSESSMENT



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*Prepared for*

**CITY OF HERMISTON**

HERMISTON, OREGON

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*Project No. M2343.01.001*

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*The material and data in this report were prepared  
under the supervision and direction of the undersigned.*

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- 1-1 STUDY AREA MAP

## ACRONYMS AND ABBREVIATIONS

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city	City of Hermiston
county	Umatilla County
DLCD	Oregon Department of Land Conservation and Development
EOA	Economic Opportunity Analysis
MFA	Maul Foster & Alongi, Inc.
OAR	Oregon Administrative Rules
OED	Oregon Employment Department
the region	the Columbia Basin Region; consists of Umatilla and Morrow counties
RMV	real market value
TA	Technical Assistance
UGB	Urban Growth Boundary

## 1.1 Project Background

Planned and recently completed large-scale industrial developments in the City of Hermiston (city) and Umatilla County (county) have resulted in job creation and fortified their tax base. These developments demonstrate to the market that the city is well located, is business friendly, and has the workforce to support industrial businesses. However, there is reduced availability of industrially zoned property to support new industrial users seeking large tracts of land. Because of this land availability concern, the city engaged Maul Foster & Alongi, Inc. (MFA) to quantify the readiness and suitability of its remaining supply and evaluate the developability of industrially zoned properties beyond the city limits. Based on this information and a review of current market demand for industrial land, the city can take measures to ensure a sufficient supply of developable and shovel-ready industrial land in the city.

## 1.2 Study Area

The study area is comprised of the following three subareas: land within the city limits, unincorporated county land outside the city limits but within the Urban Growth Boundary (UGB), and unincorporated county land that is within 1 mile of the UGB. The map on the attached Figure 1-1 depicts the study area and three subareas.

## 1.3 Large-Scale Industrial Development

For purposes of this study, large-scale industrial development is defined as manufacturing or distribution uses on land that covers 5 acres or more. A 5-acre site could support a roughly 65,000-square-foot industrial building. This assumes that a typical building footprint would occupy 30 percent of the site and the remaining land would be used for parking, circulation, stormwater management, and setbacks. The analysis also assumes that a site may include the sum of adjoining parcels if the parcels have related ownership.

## 1.4 Summary of Findings

- The city has identified planned developments (lands with issued building permits) on existing vacant industrial-zoned land in the study area that limit potential industrial development.
- The city includes roughly 234 acres of readily developable industrial land.
- Only 10 acres of land in the study area are utility-served, platted, and graded, and most available industrial sites require infrastructure investment.
- There are nearly 800 acres of developable land within one mile outside the UGB.

- Working-age demographic groups are growing in the county and the city.
- Industrial job growth and land demand in the Columbia Basin Region (the region) are expected to grow into 2030.
- The city and the county have limited large industrial building stock and nearly no industrial vacancy.
- City annexations and a UGB amendment by way of an updated Economic Opportunity Analysis (EOA) or “Replenishment Method” will be required to make new industrial land available in the city.

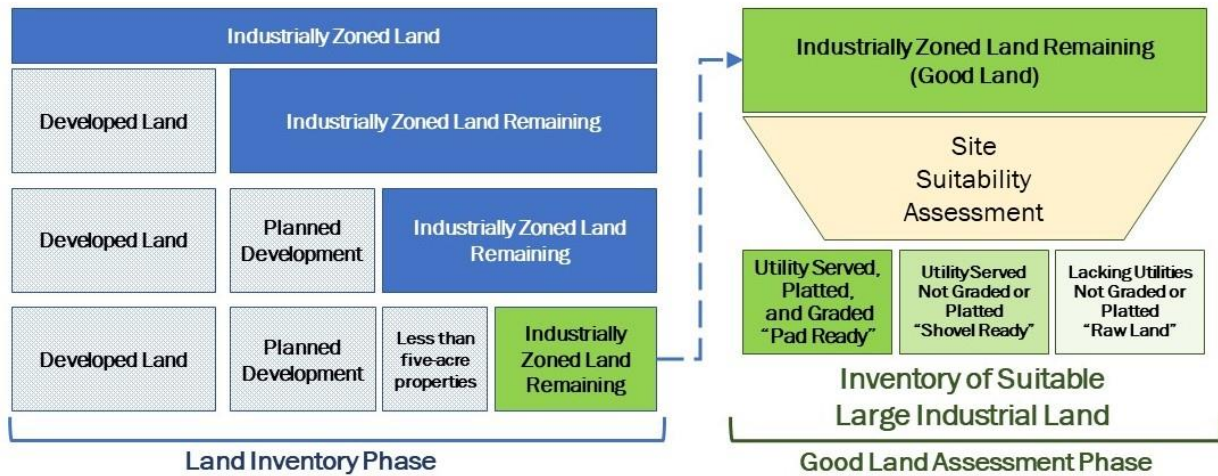
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# 2 INDUSTRIAL LANDS IN HERMISTON

## 2.1 Approach

MFA used a two-step approach to develop an inventory of industrial land suitable for large-scale development. First, the study took a filtered or tiered approach to narrow the potential industrial developable lands in the area. Next, MFA assessed the potential for industrial development of the sites that are over 5 acres and meet the “Good Land” criteria of being vacant or underutilized<sup>1</sup> and not having any planned development. Figure 2-1 illustrates this approach. Prevalence of industrial sites of less than 5 acres can strengthen the city’s portfolio of industrial land, but this study focuses on large industrial development. Acreage of all available industrial land regardless of size is captured in Section 2.2.2. Property profiles of the Good Land were created to detail opportunities for and constraints against development (see Appendix A). This approach allows inventory and categorization of land as pad-ready, shovel-ready, or raw.<sup>2</sup> Further, this analysis summarizes the quantity and acreages of sites in each readiness category.

**Figure 2-1: Study Approach**



<sup>1</sup> Utilization category is calculated based on the utilization ratio criteria established in OR 660-038-0120. If the ratio of real market value (RMV) of the improvements over the RMV of the land is less than 0.05 or the RMV of the improvement is less than or equal to \$5,000, then the property is considered vacant. If the utilization ratio is between 0.05 and 0.4, then the land is partially vacant. If the utilization ratio is greater than 0.4, then the property is considered developed. MFA conducted a visual survey using an aerial image dated November 2021 to verify that vacant land had not been improved. If new construction was observed, then the property was changed from vacant to developed.

<sup>2</sup> Readiness categories are defined by MFA as pad-ready, shovel-ready, and raw land. Pad-ready is industrial land that is platted, served with utilities, and graded. These sites are nearly ready for vertical construction. Shovel-ready is industrial land that has utilities but is not graded or platted. Earthwork and city processes are required before vertical construction can begin. Finally, raw land is industrially zoned land that lacks utilities, grading, and plating.



## 2.2 Inventory of Industrial Land

The inventory of vacant or partially vacant land zoned for industrial use in the study area informed where and how much land is available for development. MFA analyzed the Umatilla County parcel and building data and paired them with the regulatory zoning designation for the city or the county, depending on jurisdiction. For parcels where zoning designation data did not exist, MFA used the Comprehensive Plan future land use designation (City 2010). The following subsections characterize the inventory in the study area.

### 2.2.1 Utilization of Industrial Land in the Study Area

The study area includes land—in the city, within the UGB but outside the city, and within a mile of the UGB—that was analyzed for industrial development potential. In this section, MFA analyzes the parcels based on their utilization ratio to determine if they were vacant, partially vacant, or developed.

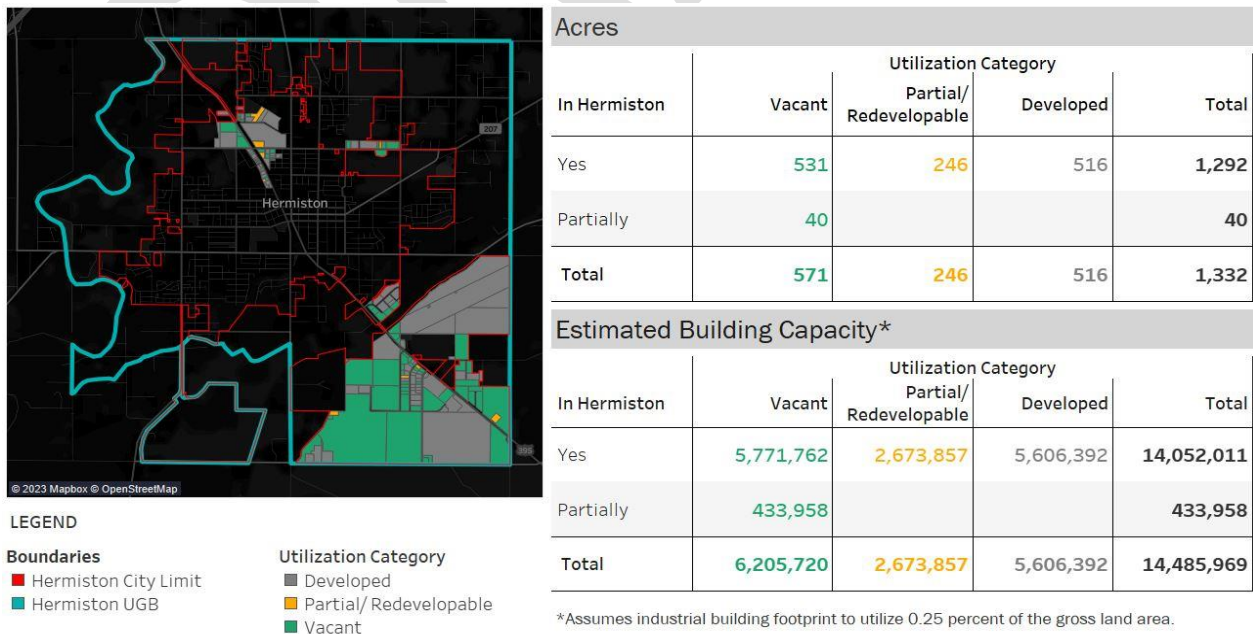
#### 2.2.1.1 Industrial Land in the City

The city currently contains the following acreages of developed, partially vacant, and vacant industrial permitted lands:

- 1,332 acres of industrial permitted land under all utilization categories
- 516 acres (39.9 percent) of industrial permitted land: currently developed
- 246 acres (19.0 percent) of industrial land: partially vacant
- 571 acres (44.2 percent) of the share of industrial permitted land in the city: vacant

Figure 2-2 summarizes the acres of industrial land in the city.

**Figure 2-2: Industrially Permitted Land in the City of Hermiston**



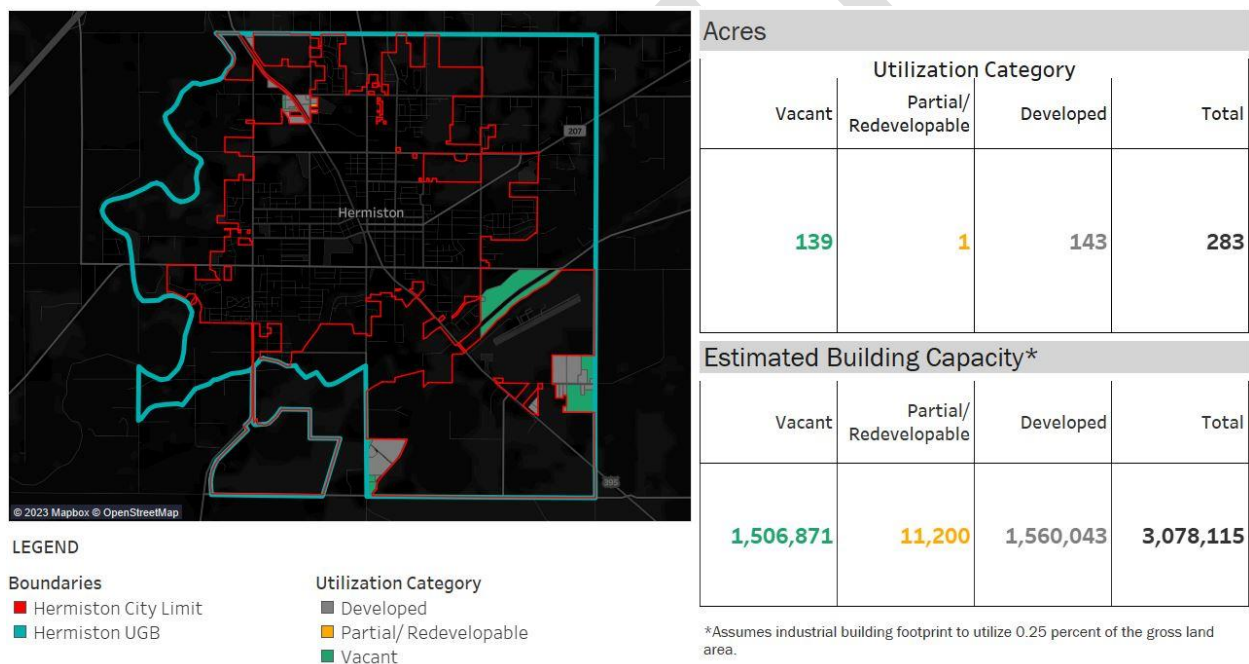
### 2.2.1.2 Available Industrial Land within the UGB

This area currently contains the following acreages of developed, partially vacant, and vacant industrial permitted lands:

- 283 acres of industrial permitted land under all utilization categories
- 143 acres (50.5 percent) of industrial permitted land: currently developed
- 1 acre (<1 percent) of industrial land: partially vacant
- 139 acres (49.1 percent) of the share of industrial permitted land in the city: vacant

Figure 2-3 profiles the acres of industrial land in the UGB.

**Figure 2-3: Industrially Permitted Land within the UGB**



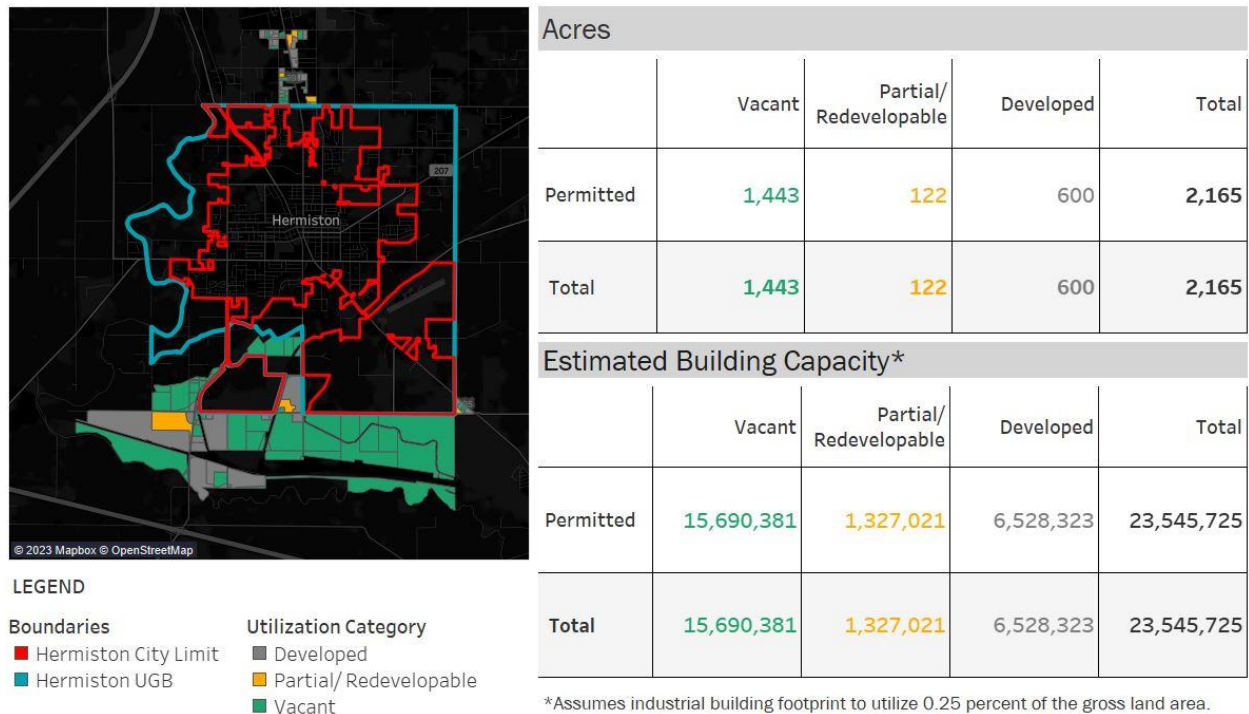
### 2.2.1.3 Available Industrial Land Outside the UGB

The area within 1 mile of the UGB area currently contains the following acreages of developed, partially vacant, and vacant industrial permitted lands:

- 2,165 acres of industrial permitted land under all utilization categories
- 600 acres (29.0 percent) of industrial permitted land: currently developed
- 122 acres (6.3 percent) of industrial land: partially vacant
- 1,443 acres (64.7 percent) of the share of industrial permitted land in the city: vacant.

Figure 2-4 profiles the acres of industrial land in the UGB.

**Figure 2-4: Industrially Permitted Land up to 1 Mile beyond the UGB**



## 2.2.2 A Closer Look

MFA advanced the analysis of 3,740 acres of vacant, partially vacant, and developed industrial land by verifying and enhancing the parcel data. The following steps were taken to enhance the vacant and redevelopable parcel data:

- Verified that vacant and partially vacant land had not been developed since the last refresh of the assessor data. Several significant parcels were identified as developed and reclassified.
- Classified parcels for which development had been planned and that therefore were unavailable for new industrial uses.
- Classified parcels with definitive ownership such as Union Pacific Railroad or local utilities that would deter future development as developed or utility land.

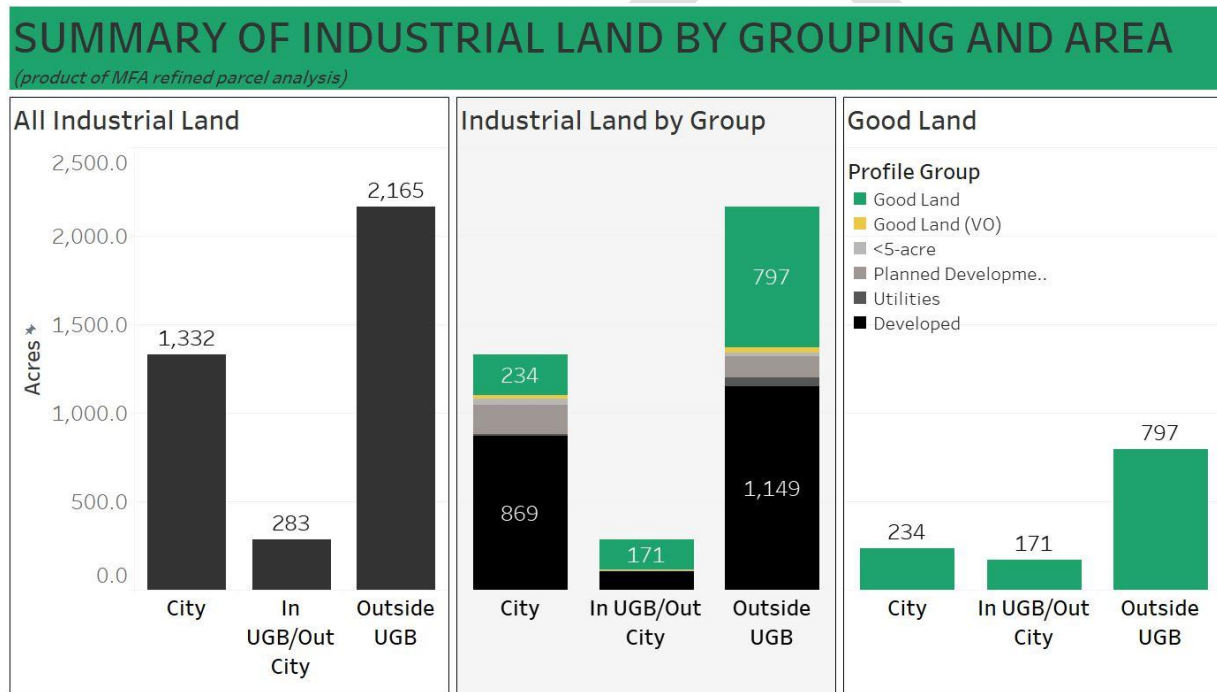
The remaining vacant and partially vacant parcels were then grouped by common ownership. Assemblages of more than 5 acres in area and with varying ownership were identified as “Good Land (VO).” Parcels and assemblages of under 5 acres were identified and grouped into their own category because industrial properties of this size are unlikely to be developed by a major industrial user. What was left over was Good Land or land that was at least 5 acres and vacant or partially vacant.

While the utilization ratio analysis found 2,153 acres of vacant land and 369 acres of developable land (2,522 total), the additional scrutiny placed on the data revealed less than half that amount to be

suitable for industrial development. After accounting for on-the-ground conditions, planned developments, railroad-owned property, utility-owned land, and land of less than 5 acres, the study area has 24 properties that are vacant or partially vacant and at least 5 acres, for a total of 1,202 acres. The total acreage of vacant and partially vacant industrial sites in the study area that are less than 5 acres in area is 58 acres, 34 of which are in the city.

Only 234 acres, or 20 percent, of the total 1,202 acres in the study area available for industrial development are in the city. There are 171 acres of vacant and partially vacant industrial land on four properties within the UGB but outside the city. Most of the developable industrial land in the study area is outside the UGB. There are 797 acres representing 66 percent of the total on 11 properties. Figure 2-5 shows the summary of industrial land in the study area between the three geographies. Maps illustrating the locations of these properties can be found in Appendix A.

**Figure 2-5: Developed Land Summary**



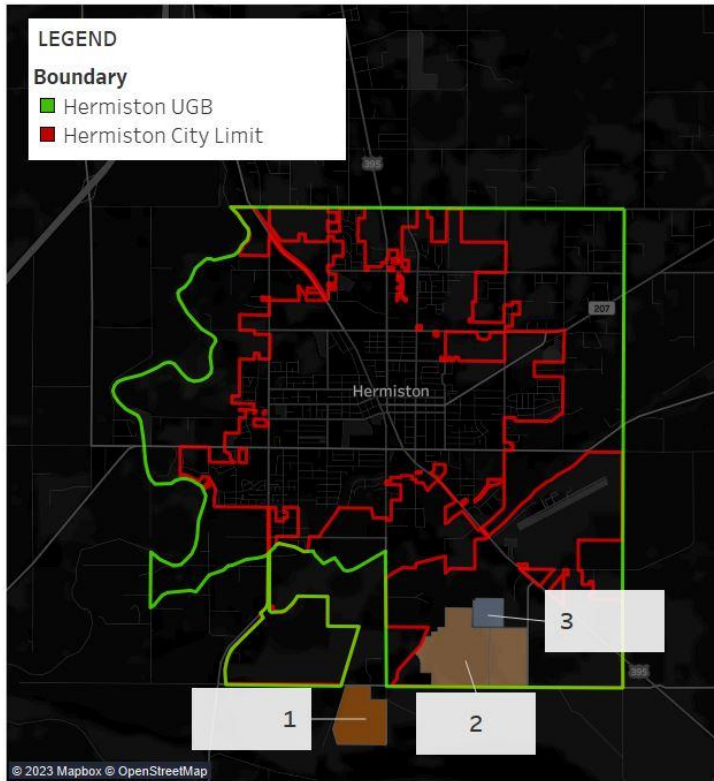
### 2.2.3 Summary of Proposed Developments

Two hundred eighty-two acres (7.3 percent) of industrial permitted land in the city is proposed for development and therefore is unavailable for future industrial development (see Table 2-1). Amazon Web Services holds permits and has had Enterprise Zone benefits allocated to their developments on properties one and two (shown in Figure 2-6).

**Table 2-1 Summary of Proposed Development Land Profiles**

Assemblage/ Property Number	Assemblage/Property Title	Acres	Ownership	Location
1	Planned Development: 118-acre property; Amazon	118	Amazon Web Services	Outside UGB
2	Planned Development: 125-acre assemblage; Amazon	125	Amazon Web Services	In city
3	Planned Development: 38-acre property; Auto Parts Project	38	Starline Properties LLC	In city

**Figure 2-6: Proposed Development Summary**



**In Hermiston**

Acres	Property Count	Acres Per Property	Building Capacity (Est)
164	2	81.9	4,593,752

**Outside UGB**

Acres	Property Count	Acres Per Property	Building Capacity (Est)
118	1	118	3,322,903

\*Assumes industrial building footprint to utilize 0.25 percent of the gross land area.

# 3 PROPERTY PROFILES

Excluding proposed developments, 24 properties in the study area, totaling 1,202 acres, meet the Good Land criteria. These properties and assemblages are profiled to highlight development challenges, especially in the city. The property profiles and the results of the market assessment in Section 4 underscore the need for UGB amendment. Appendix A provides a location map and profiles for the properties included in Table 3-1. The properties are given “Development Potential” scores based on whether they are pad-ready (high), shovel-ready (medium), or raw land (low). Development

Potential scoring was based on criteria including access to utilities, transportation access, shape, and geographic and topographical barriers.

The Almaguer Property (9.9 acres) is the only identified pad-ready property within city limits despite not having readily available access to sewer connection. Most of the available sites in the city are undeveloped and without broadband or utility access. For the largest property in the UGB (Kopacz Raymond Property), a rezone to residential use is pending. The remainder of the UGB would require annexation for access to utilities. Most of the available profiled properties are outside the UGB. All these sites would require UGB amendment and annexation to access utilities. Several sites face access challenges posed by rail location, irregular shape, and other topographic barriers. The two largest properties identified, JB Land Property (240 acres) and TCNB Property (232 acres), abut the city limits.

**Table 3-1: Development Challenges to Good Land in the City of Hermiston**

Profile Properties	Acres	Challenges to Development	Development Potential
<b>In City</b>			
Verdon Property	89.3	Significant truck traffic	Medium
Medelez_Benito Property	31.7	Irregular shape	Medium
Medelez_Benito Property	8.8	Undeveloped and divided by access road	Low
Stanfield Property	25.5	No direct highway access	Medium
JJA Properties Property	7.6	Undeveloped, no broadband	Medium
Hanson Property	5.5	Undeveloped, no broadband	Medium
LULU Property	38.6	Undeveloped, no broadband	Medium
Cook Property	17.4	Undeveloped, no sewer connection, no broadband	Medium
Almaguer Property	9.8	Pad-ready, no sewer connection	High
<b>In UGB</b>			
Arthur Property	33.5	No utilities, adjacent to residential area	Low
Kopacz Raymond Property	80.4	Undeveloped, limited sewer and water, no broadband, bisected by rail and powerline, pending rezone to residential	Medium
Murray Property	19.5	Access to water and sewer requires annexation, no broadband	Medium
Hall Property	37.1	No utilities, irregular shape	Low
<b>Outside UGB</b>			
JB Land Property	239.8	No sewer connection, no broadband, split power territory, access challenges due to rail location	Medium
TCNB Property	232.5	No utilities, split power territory, and unknown power capacity	Medium
Blanc Realty Property	79.6	Irregular shape, no utilities, and unknown power capacity	Medium
JB Land Property	11.8	No utilities and unknown power capacity	Medium
Newman Property	134.9	No sewer, no broadband, split power territory and unknown power capacity	Medium
State of Oregon Property	34.6	No utilities, challenging to access, unlikely seller	Low
Newman Property	26	No utilities, challenging to access	Low

Profile Properties	Acres	Challenges to Development	Development Potential
Jaber Property	16.6	Irregular shape, no water, no sewer	Low
Bruce Property	9	Water and sewer capacity concerns	Medium
Lopez Property	6.7	Access to water and sewer requires UGB amendment and annexation; no broadband, unknown power capacity	Low
Menchaca Property	5.5	No utilities, significant topographic and geological barriers	Low

Table 3-2 summarizes the development potential assessment. There are limited opportunities (234 acres) for industrial development in the city. Most of the Good Land in the city is shovel-ready. There are only 10 acres of pad-ready industrial land in the city and the study area. Most of the Good Land identified in the study area is outside the UGB and is shovel-ready.

**Table 3-2: Summary of Good Land Development Potential**

Development Potential	Acres	Properties
<b>In City</b>		
High	10	1
Medium	216	7
Low	9	1
<b>Total</b>	<b>234</b>	<b>9</b>
<b>In UGB</b>		
High	0	0
Medium	100	2
Low	71	2
<b>Total</b>	<b>171</b>	<b>4</b>
<b>Outside UGB</b>		
High	0	0
Medium	708	6
Low	89	5
<b>Total</b>	<b>797</b>	<b>11</b>

## 4 MARKET ASSESSMENT

### 4.1 Demographics

#### 4.1.1 Population

The region consists of Umatilla and Morrow counties and is home to about 94,320 people as of 2020. Between 2010 and 2020, the area grew by over 7,258 residents, with an annual growth rate of 0.8

percent (Table 4-1). The county accounts for most (86 percent) of the region’s population and grew by 5,605 people between 2010 and 2020.

**Table 4-1: Population Change by County and Region, 2010–2020**

Area		2010 Population	2020 Population	Growth 2010–2020	Annual Growth Rate
Regional Market Area	Umatilla County	75,889	81,495	5,605	0.7%
	Morrow County	11,173	12,825	1,652	1.3%
	<b>Columbia Basin Region</b>	<b>87,062</b>	<b>94,320</b>	<b>7,258</b>	<b>0.8%</b>
Sources: PSU. 2010. <i>Population Estimates for Oregon Counties</i> . Portland State University: Portland, OR. July 1. PSU. 2020. <i>Population Estimates for Oregon Counties</i> . Portland State University: Portland, OR. July 1.					

Based on ten-year projections, population in the region will dip slightly (Table 4-2). The county’s growth rate is expected to drop from 0.7 percent to 0.5 percent, and Morrow County’s growth rate is expected to dip from 1.2 percent to 0.5 percent.

**Table 4-2: Projected Population Growth by County and Region, 2020–2030**

Area		2020 Population	2030 Population	Growth 2020–2030	Annual Growth Rate
Regional Market Area	Umatilla County	78,692	82,943	4,251	0.5%
	Morrow County	12,329	12,960	631	0.5%
	<b>Region</b>	<b>91,021</b>	<b>95,903</b>	<b>4,882</b>	<b>0.5%</b>
Source: PSU. 2022. <i>Current Forecast Summaries for All Areas</i> . Portland State University: Portland, OR. June 30.					

Between 2020 and 2030, both the county and the region are expected to experience growth in working age populations (15 to 54 years old) (see Table 4-3). It is expected that during the same time, the county and the region will lose members of the population aged between 55 and 69, who typically have more working experience. Overall, growth in younger working age populations signifies the potential for a labor force that can support an increased demand for industrial space in the county and the region.

**Table 4-3: Projected Population Growth by Age Group, Umatilla County and the Region, 2020–2030**

Age	Umatilla County			Region		
	2020	2030	Change	2020	2030	Change
00-04	4,818	5,241	423	5595	6016	421
05-09	5,545	5,265	-279	6401	6141	-259
10-14	5,747	5,128	-618	6702	6022	-680
15-19	5,461	5,609	148	6333	6421	88
20-24	4,974	5,395	421	5776	6102	326
25-29	5,220	5,388	168	5958	6020	62



Age	Umatilla County			Region		
	2020	2030	Change	2020	2030	Change
30-34	4,967	5,309	342	5609	6140	530
35-39	5,255	5,585	331	6095	6494	400
40-44	4,827	5,143	315	5594	5887	292
45-49	4,593	5,112	519	5355	5974	618
50-54	4,545	4,680	134	5199	5440	242
55-59	4,865	4,534	-331	5597	5324	-272
60-64	4,821	4,370	-450	5681	5046	-635
65-69	4,530	4,463	-68	5256	5163	-93
70-74	3,413	4,146	732	3985	4900	915
75-79	2,271	3,586	1,315	2638	4160	1522
80-84	1,482	2,344	862	1705	2718	1013
85+	1,358	1,646	288	1543	1937	394
<b>Total</b>	<b>78,692</b>	<b>82,943</b>	<b>4,251</b>	<b>91021</b>	<b>95903</b>	<b>4,882</b>

Sources: PSU. 2019. *Coordinated Population Forecast for Morrow County, Its Urban Growth Boundaries (UGB), and Area Outside UGBs 2019–2069*. Portland State University: Portland, OR. June 30.  
PSU. 2019. *Coordinated Population Forecast for Umatilla County, Its Urban Growth Boundaries (UGB), and Area Outside UGBs 2019–2069*. Portland State University: Portland, OR. June 30.

## 4.2 Employment

### 4.2.1 Labor Force and Unemployment

The county has a total labor force of over 38,000 people (Table 4-4). Since 2012, the county’s labor force has grown at a slower rate than growth across the state. The unemployment rate in the county is 4.3 percent, 0.3 percent higher than Oregon’s.

**Table 4-4: Labor Force Trends, 2012–2022**

Column Head	Umatilla County			Oregon		
	2012	2022	Annual Change	2012	2022	Annual Change
Labor force	36,889	38,000	0.3%	1,964,662	2,196,152	1.2%
Employment	33,549	36,359	0.8%	1,791,248	2,108,952	1.8%
Unemployment	3,340	1,641	-5.1%	173,414	87,200	-5.0%
Unemployment rate	9.1	4.3		8.8%	4.0	

Source: Oregon Employment Department. n.d. Qualityinfo.org, accessed January 4, 2023.  
<https://www.qualityinfo.org/uesti?lfAreacode=4101000000,4104000059&lfAdjusted=y&lfMeasure=all&lfYear=2012&lfRpt=statistic&lfYear=2022>

## 4.2.1 Employment by Industry

The Oregon Employment Department (OED) estimates and forecasts employment trends in eastern Oregon. According to OED estimates, total employment in the region is anticipated to jump from 39,810 to 45,390 between 2020 and 2030 (Table 4-5). Manufacturing jobs in the region are expected to grow by 730 between 2020 and 2030. New industrial development will be required to accommodate the growing manufacturing job base in the region over the next decade. Assuming that each new industrial employee will require 1,000 to 3,000 square feet<sup>3</sup> of employment land, the region will need 730,000 to 1,095,000 square feet of new industrial land by 2030. This amount of land could be absorbed by one or two major developments. The city will be required to increase its industrial lands inventory to remain competitive for large-lot and data center industrial site selection.

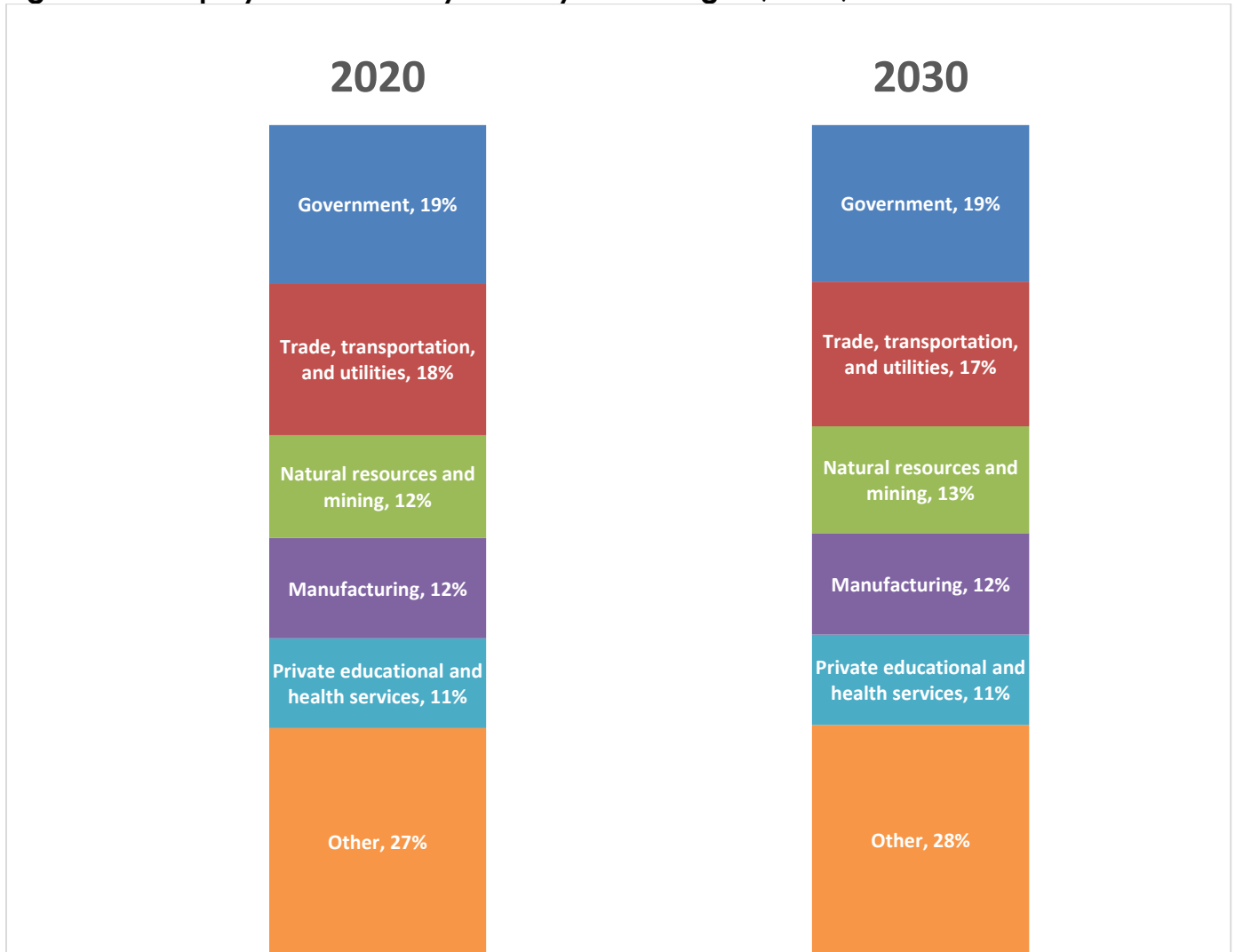
**Table 4-5: Employment by Industry, Eastern Oregon, 2020–2030**

Industry	2020	2030	Change
Construction	1,310	1,410	100
Natural resources and mining	4,940	5,850	910
Manufacturing	4,810	5,540	730
Trade, transportation, and utilities	7,280	7,910	630
Information	940	1,210	270
Financial activities	850	920	70
Professional and business services	1,610	1,840	230
Private educational and health services	4,300	4,940	640
Leisure and hospitality	2,480	3,260	780
Other services	770	920	150
Government	7,590	8,560	970
Self-employment	2,930	3,030	100
<b>Total employment</b>	<b>39,810</b>	<b>45,390</b>	<b>5,580</b>
Source: OED.2021. <i>Eastern Oregon Industry Employment Projections, 2020–2030</i> . Oregon Employment Department: Pendleton, OR. November 4. Accessed January 4, 2023. <a href="https://www.qualityinfo.org/documents/20126/110687/Eastern+Oregon+Industry+Employment+Projections%2C+2020-2030/09252ab5-adc7-bd46-28c2-71b2baf14023?version=1.9">https://www.qualityinfo.org/documents/20126/110687/Eastern+Oregon+Industry+Employment+Projections%2C+2020-2030/09252ab5-adc7-bd46-28c2-71b2baf14023?version=1.9</a> .			

In 2020, the industrial employment categories trade, transportation, and utilities (18 percent) and manufacturing (12 percent) were among the top four employment categories in the region (see Figure 4-1) (OED 2021). The employee share for the trade, transportation, and utilities industry is projected to dip slightly to 17 percent of the job share in 2030. The share of manufacturing employees is expected to remain at 12 percent into 2030. Despite stagnant growth in manufacturing employment share, industrial employment is expected to increase between 2020 and 2030 based on the expected increase in total regional employment. Government jobs are the largest source of employment in the region, accounting for 19 percent of employment. Figure 4-1 features the top five sectors for the region in 2020 and 2030.

<sup>3</sup> This range was established to account for smaller, light industrial operations with fewer space requirements and for larger manufacturing and data center operations that require more space per employee.  
 C:\Users\MeetingsOfficeUser4\AppData\Local\Temp\tmpEC14.tmp

**Figure 4-1: Employment Share by Industry in the Region, 2020, 2030**



### 4.3 Market Overview

This section provides an overview of industrial market trends in the county. Note that the industrial building inventory summarized below includes commercially available buildings that may be marketed for lease or sale. Owner/user industrial buildings are not a part of this data set.

#### 4.3.1 Market Fundamentals

The county has a total of 48 industrial buildings, half of which are in the city (see Table 4-6). Only one 25,000-square-foot commercially available industrial building, 1 percent of total square footage in the county, has been built the since 2012. Only eight buildings in the county are 100,000 square feet or more, and half are in the city. There has been no development of commercially available buildings totaling 100,000 square feet or more since 2012. While the data do not show any recent commercially

available development activity, there have been two new major owner-user construction projects by Walmart and Amazon Web Services in the study area.

**Table 4-6: Industrial Market Metrics, Umatilla County and City of Hermiston**

Overall	Buildings	Square Feet	Average Building Size	Total Square Feet Built Since 2012	2012+ Share	Buildings Built Since 2012	Average Building Size Built Since 2012
Umatilla County	48	2,434,004	50,708	25,000	1%	1	25,000
City of Hermiston	24	938,756	39,115	25,000	3%	1	25,000
<b>Buildings 100,000 Sq Ft or More</b>							
Umatilla County	8	1,528,133	191,017	0	0%	0	0
City of Hermiston	4	657,588	164,397	0	0%	0	0
<b>Buildings 100,000 Sq Ft or Less</b>							
Umatilla County	40	905,871	22,647	25,000	3%	1	25,000
City of Hermiston	20	281,168	14,058	25,000	9%	1	25,000

Source: CoStar. 2022. "Property Search Data" and "Market Analytics." Accessed September 2022.

The overall vacancy rates in the county and city as of the first quarter 2023 are low in commercially available industrial buildings, amounting to 0.9 percent and 1.6 percent, respectively (see Table 4-7). Businesses looking to locate in the region will have limited choices for marketed industrial space.

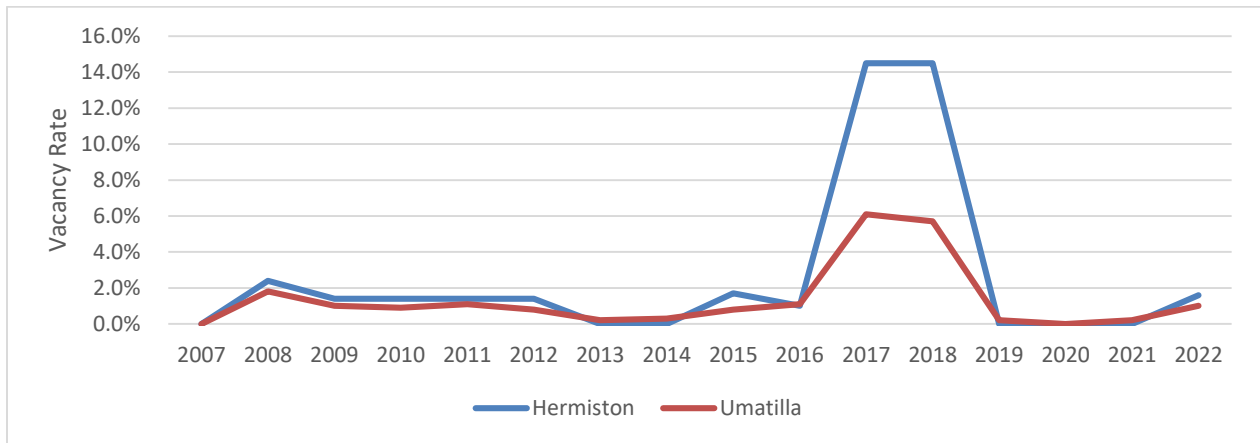
**Table 4-7: Vacancy and Rent, Umatilla County and City of Hermiston**

Overall	Vacant Space	Vacancy Rate
Umatilla County	21,304	0.9%
City of Hermiston	15,304	1.6%

Source: CoStar. 2022. "Property Search Data" and "Market Analytics." Accessed September 2022.

The vacancy rate has been consistently low in the city and county, rarely going above 2 percent. In a relatively small market, one or two businesses moving may create a spike in the vacancy rate. This occurred in the city in 2016; however, the vacant space became occupied in 2019, showing that the county industrial market is resilient. Figure 4-2 illustrates this.

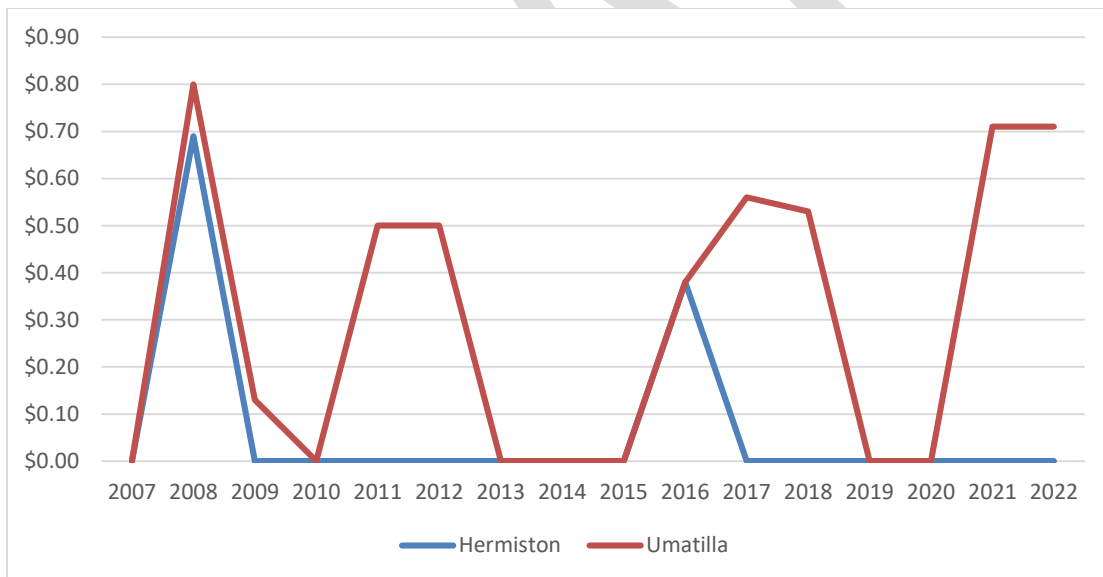
**Figure 4-2: Vacancy Rate Trends, Umatilla County and City of Hermiston**



Source: CoStar. 2022. "Property Search Data" and "Market Analytics." Accessed September 2022.

Asking lease rates are a function of marketed industrial space. When there is no space available, the corresponding asking rental rate for that year will be null. Overall, asking lease rates for industrial space have consistently been between \$0.50 per square foot per month to upwards of \$0.80 per square foot per month, as shown in Figure 4-3.

**Figure 4-3: Asking Lease Rate Trends, Umatilla County and City of Hermiston**



Source: CoStar. 2022. "Property Search Data" and "Market Analytics." Accessed September 2022.

### 4.3.2 Land Transactions

Since January 2020, the county assessor has recorded a limited number of land transactions that are intended for future industrial activity. Amazon closed on four transactions totaling 373 acres. The planned use of this land is for data centers. The quantity of sales over the past three years emphasizes the findings associated with suitable and ready industrial land in and around the city. While the city

has received inquiries from companies interested in locating in the city, land availability has been a factor in forcing them to look elsewhere.

## 5 NEXT STEPS

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### 5.1 Available Lands outside the City and within the UGB (Annexation)

Annexation will be required for properties within the UGB and outside city limits. Per chapter 150 of the Hermiston Code of Ordinances, the city may annex a property that is located in the urban portion of the UGB. Areas outside of the urban portion must be converted during annexation, and a comprehensive plan map amendment is required to annex a property with a zoning designation that is different from the proposed annexation (City n.d.). This section describes the procedures for annexation, conversion and annexation, and comprehensive plan map amendment and annexation.

#### 5.1.1 Annexation Procedures

The annexation process typically requires a predevelopment meeting with the city and a completed annexation application and related fee. Once city staff determines that the application is complete, the application will be referred to the city council to initiate annexation proceedings. The city council will then set the dates for hearings before the planning commission and city council. The planning commission will hold a public hearing on the proposed annexation and make a recommendation to the city council to accept or deny the annexation. The city council will then hold a public hearing and adopt findings to either accept or deny the annexation.

#### 5.1.2 Conversion and Annexation Procedure

The conversion and annexation process typically requires a predevelopment meeting with the city and a completed conversion and annexation application and related fee. Once city staff determines that the application is complete, the city council will initiate conversion and annexation proceedings. After the conversion and annexation are initiated, the city submits a notice of proposal to the Oregon Department of Land Conservation and Development (DLCD). The DLCD is given a 45-day comment period to review the conversion proposal. This means that 45 days must elapse before the initial evidentiary hearing may be held.

The city will then notify by mail all property owners whose land is within 100 feet of the proposed conversion. The planning commission will then hold a public hearing on the conversion and annexation and make a recommendation to the city council to accept or deny the proposal. If the city council accepts the planning commission recommendation and approves the conversion and annexation request, the city council will move to officially convert and annex the property. The proposal is then sent to the county for co-adoption. Once the county has co-adopted the proposal, the city will move to officially annex the property. If the county does not co-adopt the conversion, the property cannot be annexed. A notice of decision is then sent to DLCD, and there is a 21-day

period to allow an appeal to the Land Use Board of Appeals. If there is no appeal, the decision is final. State and county agencies are then notified to record the changes.

### 5.1.3 Comprehensive Plan Map Amendment and Annexation Procedures

The comprehensive plan amendment and annexation process typically requires a predevelopment meeting with the city, a completed comprehensive plan amendment application, and an annexation application with related fee. Once staff determines that the application is complete, the city council will initiate comprehensive plan map amendment and annexation proceedings. After the comprehensive plan map amendment and annexation are initiated, the City shall submit a notice of proposal to the DLCDC. The DLCDC is given a 45-day comment period to review the proposed comprehensive plan map amendment. This means that 45 days must elapse before the initial evidentiary hearing may be held.

The city will then notify by mail all property owners whose land is within 300 feet of the proposed change. The planning commission will then hold a public hearing on the comprehensive plan map amendment and annexation and make a recommendation to the city council to accept or deny the proposal. Following the 45-day DLCDC comment period, the proposal is scheduled for a city council hearing. If the city council accepts the planning commission recommendation and approves the comprehensive plan map amendment and annexation request, the city council then moves to officially amend the comprehensive plan map and annex the property. The proposal is then sent to the county for co-adoption. Once the county has co-adopted the proposal, the city will move to officially annex the property. If the county does not co-adopt the comprehensive plan map amendment, the property cannot be annexed. A notice of decision is then sent to the DLCDC, and there is a 21-day period to allow an appeal to the Land Use Board of Appeals. If there is no appeal, the decision is final. State and county agencies are then notified to record the changes.

### 5.1.4 Hermiston Annexations

The city has 171 acres across four properties in the UGB that can be annexed for industrial use. Currently, none of these properties would require a comprehensive plan change during annexation because they have planning designations that allow for future industrial use. However, all four properties in the UGB identified by this study are not in urban portions of the UGB and would require conversion and annexation (City 2017). Generally, three months is required for annexation, six months for conversion and annexation, and six months for comprehensive plan map amendment and annexation.

## 5.2 Available Lands outside the UGB (UGB Amendment)

The city will be required to apply for a UGB amendment through the DLCDC to bring identified external industrial lands into the UGB. This section describes the standard method, simplified method, and land replenishment method for amendment of UGBs.

## 5.2.1 UGB Amendment: Standard Method

Policies governing the standard method of adoption and amendment of a UGB are established under Oregon Administrative Rules (OAR) 660-024-000. The UGB amendment application is a land use decision that identifies the need for additional industrial and other employment lands through the criteria established in 660-024-0040 through 660-024-0080. These criteria cover land inventory and response to deficiency, alternatives analysis for metro boundary location, prioritization of lands targeted for inclusion, summary of public involvement efforts, utilities impacts, and transportation analysis. The application must demonstrate that the estimated needs of industrial and other employment lands cannot reasonably be accommodated on land already inside the existing UGB.

OAR 660-009-015 under Statewide Goal 9 establishes the Economic Opportunities Analysis (EOA), the economic component of comprehensive planning that demonstrates the need for industrial land. The EOA forecasts anticipated population and employment growth for a 20-year period and compares future land demand to available vacant industrial land. The city can use the findings of an EOA to justify a UGB amendment under the standard method if land deficiency and need for additional industrial lands are identified.

The city's existing 2010 EOA, titled General Economic Policy in the comprehensive plan (City 2010), does not identify a need for additional industrial acreage through 2030 and therefore will require an update to demonstrate the need for additional industrial land. According to DLCD staff, permitted large-lot Amazon developments (see Section 2.2.3) cannot be considered committed or developed in an EOA or UGB amendment application until site construction begins. Construction timelines for large, proposed developments may delay updated EOA supply analysis. An EOA update cannot justify the need for additional industrial land if these large, proposed developments are still considered available industrial land supply.

The state offers a \$50,000 Technical Assistance (TA) grant under the DLCD General Fund Grant Program for procurement of a consultant to conduct the EOA or the UGB Amendment application itself. These grants run on a two-year cycle, starting in the summer of 2023. A general timeline for a UGB amendment application is up to two years and includes the following steps:

- Update the EOA to demonstrate deficiency and need of additional industrial land.
- Apply for TA grant in Summer 2023 to support completion of UGB Amendment application.
- Submit to the DLCD a UGB amendment application for periodic review under ORS 197.628 to 197.650. The DLCD director must either (1) approve the local decision, (2) deny the decision and return it to the local government for revision, or (3) refer it to the DLCD within 120 days from the date on which the DLCD received the information.
- Once UGB amendment is approved, submit for a comprehensive plan map amendment and annexation.

Table 5-1 shows the benefits and drawbacks of pursuing the standard method for UGB amendment.



**Table 5-1: Benefits and Drawbacks of the Standard Method**

Benefits	Drawbacks
<ul style="list-style-type: none"> <li>• Most common and replicable method of UGB amendment.</li> <li>• Findings of industrial land deficit in an EOA update will last for a 20-year planning period, making future UGB amendments easier.</li> </ul>	<ul style="list-style-type: none"> <li>• Contingent on large-lot development construction timeline</li> <li>• Does not accommodate short-order demand</li> </ul>

### 5.2.2 Simplified UGB Method

The simplified UGB method, effective January 1, 2016, was established under OAR 660-038-000 to reduce costs, complexity, and time in the UGB adoption and amendment processes. A city that amends a UGB under this method is not required to also satisfy the EOA requirements under Goal 9 (OAR 660-009). Under the simplified method, a city must forecast the amount of fully committed buildable lands that will be needed to accommodate projected population and employment in the UGB over a 14-year period. The city is required to create a buildable lands inventory that captures the existing supply of buildable industrial lands within the UGB. The forecasted demand is compared against the existing supply to determine if UGB amendment is necessary to accommodate employment needs.

The city must identify a study area of potential UGB inclusions if the need for industrial land is established. The identified UGB inclusions are ranked based on specific industrial needs. The city must notify the affected county, state agencies, and special districts that it is reviewing the comprehensive plan and land use regulations and must provide an opportunity for public and agency comment during the application process. This method can only be used once by a municipality to expand a UGB. The timeline for UGB amendments under this method are uncertain due to lack of precedent.

Table 5-2 shows the benefits and drawbacks of pursuing the simplified method for UGB amendment.

**Table 5-2: Benefits and Drawbacks of the Simplified Method**

Benefits	Drawbacks
<ul style="list-style-type: none"> <li>• Does not require formal update to EOA.</li> </ul>	<ul style="list-style-type: none"> <li>• No previous examples to rely on for precedent and guidance.</li> <li>• Requires additional steps to incorporate UGB changes into comprehensive plan.</li> <li>• Can only be used once.</li> </ul>

### 5.2.3 Land Replenishment

The Land Replenishment approach is established under OAR 660-024-0045 and is available only to local governments in Crook, Deschutes, or Jefferson Counties. This approach was utilized by the City of Prineville and Crook County in recent years to address the rapid absorption of industrial lands by data center development. The City of Prineville was forced to apply for several site-specific UGB amendments to accommodate the development. Crook County applied for a UGB amendment

directly south of an existing Alphabet data center in 2014. Crook County argued in the application that “the property is similar in size and dimensions and is located in close proximity to the [Alphabet] site, thereby representing a ‘like-kind’ replenishment.” The Cook County applicants were also able to reference explicit EOA policies identifying a deficit of employment land to support their UGB amendment application. The application was approved without formal update to the EOA and was viewed by the DLCDC as a logical southern amendment of the existing Alphabet site.

Table 5-3 shows the benefits and drawbacks of pursuing the standard method for UGB amendment.

**Table 5-3: Benefits and Drawbacks of the Replenishment Method**

Benefits	Drawbacks
<ul style="list-style-type: none"> <li>• Does not require formal update to EOA.</li> <li>• Expedited compared to the standard and simplified methods.</li> </ul>	<ul style="list-style-type: none"> <li>• Not available to use for UGB amendments in Umatilla County.</li> <li>• Requires that EOA identify a deficit of employment land within the UGB</li> </ul>

## 6 RECOMMENDATIONS

MFA recommends the city take the following measures to ensure a sufficient supply of developable and shovel-ready industrial land in the city:

1. Move forward with standard method of UGB amendment.
2. Coordinate with Umatilla County and DLCDC on plans to update the EOA and apply for UGB amendment and comprehensive plan amendment and annexation pursuant to chapter 150 of the City of Hermiston Municipal Code.
3. Update the existing EOA per OAR 660-009-015 to demonstrate the deficiency and need for additional industrial lands to support economic development.
4. Use DLCDC TA grant funds to procure a consultant and apply for a UGB amendment using the findings in the EOA update. Use site specific information from this report to establish the study area and prioritize properties for UGB inclusions.
5. Simultaneously apply for comprehensive plan map and annexation.
6. Consider pursuing the ability to conduct Land Replenishment UGB amendments in the future by lobbying to include Umatilla County in the list of applicable counties under OAR 660-024-0045.

## LIMITATIONS

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The services undertaken in completing this report were performed consistent with generally accepted professional consulting principles and practices. No other warranty, express or implied, is made. These services were performed consistent with our agreement with our client. This report is solely for the use and information of our client unless otherwise noted. Any reliance on this report by a third party is at such party's sole risk.

Opinions and recommendations contained in this report apply to conditions existing when services were performed and are intended only for the client, purposes, locations, time frames, and project parameters indicated. We are not responsible for the impacts of any changes in environmental standards, practices, or regulations subsequent to performance of services. We do not warrant the accuracy of information supplied by others, or the use of segregated portions of this report.

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## REFERENCES

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# FIGURE 1-1

STUDY AREA MAP



# APPENDIX A

## PROPERTY PROFILES

