



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of March 11, 2024

Title/Subject

Annexation & Comprehensive Plan Amendment- Hermiston Home Works, Inc 4N2813 TL 200 & 500 - 1295 SE 10th St

Summary and Background

Hermiston Home Works Inc. has submitted an application to amend the comprehensive plan map designation for approximately 80 acres of land and to annex the amended land to the city for residential and commercial development. The land is located on the east side of SE 10th Street near Blue Mountain Community College and the Eastern Oregon Higher Education Center. The site extends from SE 10th Street northerly and easterly to E Highland Ave and is located north of the Hermiston Municipal Airport.

Hermiston Home Works has purchased the property with the intention of developing the land residentially and commercially. The property sits adjacent to a variety of uses and is large enough to develop compatible uses with all surrounding land uses. The site is adjacent to low-density rural residential housing to the north. The Hermiston Municipal Airport forms the south boundary of the property. The Eastern Oregon Higher Education Center, BMCC, and various other governmental uses are located west of the site. Topographically, the property is generally flat or undulating. The property is bisected by the Union Pacific Railroad mainline. Approximately 55 acres lies north of the mainline and 26 acres lies south of the mainline. The property physically abuts the A-Line Canal along the entire north property line and the Feed Canal along the south property line. Access is provided by SE 10th Street and E Highland Ave.

The property currently sits within the urbanizable portion of the urban growth boundary. The city's comprehensive plan map designates the property as Future Industrial (FI). The county's zoning map designates the property as F2. The existing F2 zoning is classified as a general rural zoning designation intended for farmlands that are otherwise not suited for EFU zoning. Since this land is within the Hermiston UGB, EFU zoning is not appropriate as it needs to be planned for future urban uses. The existing zoning allows for farm uses, single-family dwellings, schools, golf courses, veterinary clinics, and other low density commercial, industrial, and governmental uses. The minimum parcel size in the F2 zone is 19 acres. Therefore, the property in its current state can accommodate up to four dwellings or other rural uses. As noted, the City planned this property for future industrial use at the time of comprehensive plan adoption in 1983, based primarily on its proximity to the Hermiston Municipal Airport and Union Pacific railroad.

The applicant proposes to remove the property from the city's Future Industrial inventory. Lands along SE 10th Street (approximately 6 acres) is proposed to be annexed as Outlying Commercial (C-2), and another 25.7 acres between the railroad tracks and Feed Canal are also proposed to be annexed as C-2. The remaining 48.9 acres is proposed to be annexed as a mixture of Medium High Density Residential (R-3) and Medium Density Residential (R-2). The residential mix is proposed as 15.06 acres of R-3 land abutting SE 10th Street and 33.6 acres of R-2 land extending eastward from the R-3 boundary to E Highland Avenue. The changes to the city maps constitute a comprehensive plan map amendment. The city automatically includes changes to the zoning map when changes to the comprehensive plan map are made. In this case the city comprehensive plan map will change from Future Industrial (FI) to Commercial (C), Low Density Residential (L), and Medium Density Residential (M) and the zoning map will be amended to include the property as C-2, R-2, and R-3. A map visualizing the proposed revised zoning designations is attached to this report.

The site is adjacent to the Village Port subdivision which was created as a planned commercial/industrial development in the 1980s. The zoning for the Village Port area is a mixed C-2/M-1 zoning. However, all of the development within the area has been commercial and governmental. No industrial development has occurred. The City of Hermiston owns several of the existing vacant lots within the development and has filed restrictive covenants on those properties limiting the uses to commercial and government uses, prohibiting industrial uses. Staff concurs that amending the property from industrial to commercial along SE 10th Street and between the railroad tracks and airport is appropriate. C-2 zoned lands in proximity to the Village Port area provide opportunities for additional complementary commercial uses, either additional public services, or businesses which will provide services for patrons of the existing government office cluster and college uses. An example of complementary commercial services would be a small strip mall development providing dining options for workers and students as well as convenience services like hair and nail services. Professional offices also provide complementary services.

No specific residential development is proposed for this land as part of the application. However, the applicant does intend to build single-family and multi-family units in the future. The intended housing mix will be discussed later in the report.

The area south of the railroad tracks and north of the airport and Feed Canal is proposed for C-2 zoning as well. This portion of the property is exceptionally difficult to properly plan. The railroad tracks and right of way, combined with the Feed Canal, essentially land lock the property on three sides. The only point of access possible for the site is on E Highland Ave. It may be possible in the future to cross the Feed Canal and create a second point of access to Airport Way, but this additional access will require not only consent from the city as the landowner, but also from the FAA as the controlling authority for airport operations. It is therefore prudent for the time being to assume one point of access is all that is feasible for this portion of the site. This 20-acre portion is approximately 250 feet deep (depth varies from 230 to 300 feet) and 4,500 feet wide. It will likely require servicing by a private street and well and septic for most of the area south of the tracks. Water and sewer do cross the site near the western boundary, but the flat topography makes it unlikely this portion will ever be serviced by gravity sewer. Determining the highest and best use for such a geographically constrained and oddly shaped parcel is difficult. Mini-storage, estate home sites of one to two acres, an RV park, or other land intense, but resource light uses are potential uses. The applicant proposes the C-2 zoning as a place holder in order to better plan for the property in the future. Staff concurs with the requested C-2 zoning as it will allow a variety of uses, but also allows for the NCO overlay to be applied at a later date which would open it for multi-family or mini-storage uses.

When considering an amendment to the comprehensive plan map, the city must apply the criteria contained in the Hermiston Code of Ordinances, the comprehensive plan itself, and state law. Specifically, at issue is the statewide Transportation Planning Rule (TPR) in OAR 660-012-0060. In order to comply with the TPR, the applicant commissioned a transportation impact analysis (TIA) from Clemow and Associates, a transportation engineering firm. The TIA looks at potential development from a site and analyzes the impacts of that development within the planning horizon for the local Transportation System Plan. City and ODOT staff each reviewed the submitted TIA and requested additional recommendations and analysis be inserted. The TIA included with this report is the amended report satisfying both the city and ODOT. Additionally, comments from Rich Lani with ODOT are attached to this report. The findings of the analysis demonstrate that the impacted intersections will likely function within an acceptable level of service through the planning horizon (2034) following these changes. However, the analysis also recommends that a trip cap of 657 peak hour trips be implemented. The TIA assumes certain levels of development and mix of housing that may or may not be a part of the ultimate land use application for the property. Therefore, the city will implement a trip cap as a condition of approval and the land use applications which are ultimately associated with the land will be required to provide trip generation data to track the trip generation. Should development at full build-out exceed the 657 peak hour trips, the city shall require a new transportation analysis and/or mitigation measures.

The TIA also considers the A-Line Canal bridge and the disposition of SE 10th Street. This is a narrow, one-lane bridge which has poor visibility and will cause congestion as traffic increases. The TIA acknowledges the bridge's status and notes that although it will structurally function through the life of the development, the level of service will degrade as trip generation increases, leading to delays and congestion waiting to cross the bridge. Replacement of this bridge and widening of SE 10th Street is acknowledged as a need in the city's TSP. SE 10th Street itself is classified as a minor collector. It is not possible to calculate the specific impact of future development on this bridge at this time without specific dwelling unit and commercial unit proposals. However, by the time full build-out of the site is completed, replacement and widening will be necessary to accommodate the traffic generated by the development. Improvements to the bridge will be required, likely requiring replacement of the bridge with a new full-width culvert crossing. Improvements to SE 10th Street and the A Line Canal crossing will be installed by the city prior to or at such time that the peak hour trips generated by the development reach a recommended cap of 657 peak hour trips. A proportional fee shall be added to each building permit issued on the property to help with the financial requirements for any improvement. The city will also use system development charges dedicated for transportation improvements to fund improvements.

Similarly, the intersections for E Highland Ave are capable of handling the development's impacts, but the condition of E Highland Ave should and will be considered during the development review process. Widening and improvement of E Highland Ave will be a requirement for future development. The scope of the widening will be a function of the overall impact of the eventual proposal considered. However, the proposed changes to the map will not change the functional classification of the affected roads. E Highland Ave is classified as a major collector from the site to SE 10th Street and westerly from SE 10th Street the classification of E Highland is upgraded to a minor arterial. These are among the highest functional classifications within the city. Only the major arterial of US 395 is more highly classified.

In addition to considering transportation impacts, the city is required to consider the impacts upon the city's land inventories. Since this proposal removes land from employment inventory and adds land to the residential inventory, impacts on both commercial and residential land shall

be considered. The city has current inventories for both residential and employment lands. The most recent updates to these inventories were in 2021 and 2017 respectively.

When the applicant submitted the application to amend the comprehensive plan for this property, the initial application requested 48 acres of land to be designated as R-3 residential. During the planning commission consideration of the application, the commission considered the requested R-3 designation and determined the total acreage was not appropriate as R-3 land and recommended that the land be zoned a mixture of R-2 and R-3. The commission recommended a split of 75% R-2 and 25% R-3. The applicant has proposed a split of 69% R-2 and 31% R-3. This split is based upon potential street layouts and development considerations of the future lot layouts. The city council will need to consider the planning commission recommendation and the applicant's counter proposal and determine the appropriate zoning split. The council may also choose to require a different percentage. The planning commission's concerns around lower density housing centered on the need for low density housing along the A-Line Canal to best preserve neighborhood compatibility. The discussion prior to the motion considered potential mixes between 25/75 and 33/66. The proposed layout as shown on the attached maps indicates that the low-density portion extends as far west as is practical while maintaining a reasonable parcel size and shape for the R-3 portion. Staff concurs with the recommended zoning layout.

Hermiston has a robust supply of residential land. The 2021 Housing Needs Analysis demonstrates that the city has an oversupply of residential land. Through 2040 the city will need to provide an additional 2,030 housing units. These housing units will comprise a mixture of single-family, attached single-family, multi-family, and manufactured home units. The city's vacant and partially vacant residential land supply contains 2,400 acres of land with a capacity of 18,000 units. These are 2021 numbers. In the intervening time, the city has built just over 200 additional housing units, keeping pace with demand. Approximately 50 acres of the supply has been absorbed as well. Thus, the city still has a need for 1,800 additional housing units and a supply of land capable of supplying that demand. It is important to note that the city's 2,000 acre land supply is not all in readily developable tracts. Looking at the northeast and northwest quadrants of the UGB shows that many of these partially developed tracts are rural homesites of between one and five acres. These sites constitute development capacity but are far less likely to develop in a short time frame than large, flat sites such as the tract under consideration. Forty-five acres of relatively flat land is much more likely to provide meaningful residential development. Additionally, the proposed R-2 and R-3 zonings provide land use flexibility. Hermiston has historically produced an ample supply of single-family detached housing. The proposed 33.6 acres of R-2 land will continue to provide one and two-family dwellings. The land may potentially provide up to 145 additional low-density units. R-3 allows for both single-family homes and also allows for a variety of multi-family options. The city continues to struggle to produce adequate market rate multi-family housing options. The proposed fifteen acres of R-3 land has a capacity of 300 multi-family or 86 single-family units. At least 450 multi-family housing units are needed by 2040.

As noted, the proposed amendments also require consideration of the city's employment land supply. Employment land absorption has been spirited in the past few years with significant land being purchased and developed for data centers. This land has been designated as a future industrial area for forty years now and has seen no development pressure in that time. It is likely the land was originally designated for industrial development due to its proximity to the railroad and airport. However, the land's proximity to education, public service, and residential uses makes it generally unsuited for industrial use. Many industries, data centers and others using diesel generators on-site in particular, are prohibited from locating within one half mile of

residential clusters due to air quality concerns. This property is thus subject to many of the same industrial prohibitions that led to the rezoning of the industrial tract on Diagonal Blvd in 2017. Land that looked well suited to industrial development in prior years has instead been rendered incompatible by nearby residential development. Removing the land from the industrial inventory quickly spurred residential development on Diagonal Blvd and is also likely to happen with this tract. The city's employment lands inventory is not as current as the residential inventory. This document dates to 2017 rather than 2021. A new update is being prepared for a potential industrial UGB expansion and will be before the planning commission in 2024.

The city's industrial inventory is relatively robust and exceeds projected demand for general industrial development. The city had 605 acres of industrial land in the 2017 study. The 80 acres under consideration is included in that figure so rezoning will immediately reduce the supply to 525 acres. Additionally, the city has seen major industrial development from Amazon Data Services and Meyer Distributing reducing the inventory by another 140 acres to 385 acres. However, even with these industrial developments, the industrial acreage demand through 2037 is anticipated to be 145 acres. Thus, even with the industrial absorption the city has experienced and removing this land from the industrial inventory, the city still exceeds the 20-year demand by 240 acres.

This narrative does not consider the acquisition of 149 acres by Amazon Data Services in 2023. That there is a tentative development plan for the site is not factored into the inventory until the developer has broken ground on a building. In conversations with DLCD staff, they will not allow the city to remove the land from the industrial inventory until building permits are issued. In order to counter the potential loss of this large site from the industrial inventory, the city is working to expand the UGB in the Feedville Road area as a project for 2024. Data centers require very specific siting requirements which the city cannot accommodate on the site under consideration or on many other industrial sites in the UGB. Eventual development of the 149-acre site still leaves a 91-acre surplus of employment land.

The overall annexation area contains approximately 80 acres owned by Hermiston Home Works. However, the mapped annexation area and legal description contains an additional 35 acres of railroad land and county road right of way. It is necessary to include these adjacent portions of public and semi-public land to maintain contiguous city limits and avoid creating islands of unannexed county land. If the railroad land bisecting the property is not included in the annexation, eventual jurisdictional conflicts will create uncertainty and cause future issues. The city is able to annex railroad property under the authority granted in ORS 222.170. Consent of owners of property not subject to ad valorem taxation is not necessary.

150.05 of the Hermiston Code of Ordinances provides the requirements for annexations. The requirements for annexation are as follows:

1. The proposal is in conformance with all applicable state annexation requirements.
2. The property is contained within the urban portion of the urban growth boundary as identified on the comprehensive plan.
3. The proposed zoning is consistent with the underlying comprehensive plan designation.
4. Findings of fact are developed in support or denial of the annexation.
5. All city services can be readily extended, and the property owner is willing to bear costs associated with sewer, water, and roads.

Chapter 156 of the Hermiston Code of Ordinances provides the procedures for amendments to the comprehensive plan. Specific criteria are not detailed within the code, but all amendments to the comprehensive plan and implementing ordinances are required to demonstrate compliance with the statewide planning goals and the Hermiston Comprehensive Plan policies. Findings of fact demonstrating compliance are attached as Exhibit A.

Public notice requirements have been satisfied through the following actions:

1. Notice was provided by direct mail to all property owners within 300 feet on December 20, 2023.
2. Notice was published in the Hermiston Herald on December 20 and 27, 2023 and February 7 and 14, 2024.
3. A sign displaying a notice of public hearing was placed on the property on December 20, 2023.
4. Oral announcements of additional public hearings and any changes to those times were made at each scheduled meeting.

The planning commission held a public hearing on the proposed land use actions on February 14. After taking public testimony and considering the application the planning commission made the following recommendations to the city council.

- The city council should adopt the amended comprehensive plan map amendment and designate 25% of the residential land as R-3 and 75% as R-2.
 - *The recommended acreage would be 12.2 acres of R-3 and 36.5 acres of R-2.*
 - *The proposed application is 15.06 acres of R-3 and 33.6 acres of R-2.*
- The city council should amend the remaining 31.5 acres of land to Commercial on the comprehensive plan map.
- The city council should impose conditions of approval on the amendment as shown on Exhibit B to this report.
- The city council should annex the land to the city as a mixture of C-2, R-2, and R-3 land.

Tie-In to Council Goals

Construction of affordable and market rate housing is a council goal each year.

Fiscal Information

There is no fiscal impact resulting from amendments to the comprehensive plan. However, annexation will add the land to the city's property tax base. The property is currently in farm deferral for taxing and has an assessed value of \$60,139. Eventual residential and commercial development will remove the property from agricultural deferral and significantly increase the tax base. The property has the potential to add 200+ dwellings and additional multi-family units. Residential development will likely generate approximately \$450,000 annually at full build-out. Commercial development on five acres will likely generate a similar amount.

Alternatives and Recommendation

Alternatives

The city council may choose to:

- Accept the planning commission's recommendation and require the applicant to provide a mixture of 25/75 R-3 and R-2 land.
- Accept the applicant's modified proposal of 31/69 R-3 and R-2 land.
- Require a different mixture of residential land.
- Accept the planning commission's recommendation that 31.5 acres be designated as commercial.
- Modify the planning commission's recommendation and specify a different commercial area.
- Reject the planning commission's recommendation and maintain the existing comprehensive plan map designation.
- Annex the land as proposed.
- Reject the annexation and the property will remain in the urban growth boundary.

Recommended Action/Motion

Staff has reviewed the proposed changes to the proposed comprehensive plan map amendment since the planning commission hearing and finds that the proposed 31/61 R-3 to R-2 mix is acceptable based on the housing mix it will provide and the geographic constraints put on the property by the canal boundary along the north property line and the need to extend SE Columbia Drive westward through the property. Staff recommend that the city council accept the proposed R-2/R-3 split and amend the comprehensive plan map from urbanizable to urban as proposed and annex the land with the corresponding zoning designations to the new comprehensive plan designations.

Staff recommends the following motions:

- Motion to adopt findings of fact
- Motion to impose conditions of approval
- Motion to approve Ordinance #2356 amendment of the comprehensive plan map as proposed
- Motion to approve Ordinance #2357 annexing the property as proposed

Submitted By:

Clint Spencer, Planning Director