

**SECTION 3.0: MARKET ASSESSMENT
BACKGROUND INFORMATION & ANALYSIS**

AUTHOR: BRIAN COLE

This Page Intentionally Left Blank

DRAFT



Section 3.0: Table of Contents

EXECUTIVE SUMMARY	6
PURPOSE OF ASSESSMENT	6
OVERVIEW	6
NATIONAL, STATE, AND REGIONAL ECONOMIC CONTEXT	8
STARTING WITH THE NATIONAL PERSPECTIVE	8
OREGON IMPACTED SIGNIFICANTLY	10
REGIONAL ASSESSMENT—MORROW AND UMATILLA COUNTIES	11
ASSESSMENT OF POSSIBLE LAND USE TYPES	15
AGRICULTURAL USES	15
COMMERCIAL USES	16
INDUSTRIAL USES	16
RECREATIONAL USES	17
SUMMARY OF AGRICULTURAL, COMMERCIAL, INDUSTRIAL, AND RECREATIONAL LAND USE DESIGNATIONS	18
OBSTACLES AND CHALLENGES	19
OVERCOMING OBSTACLES	19
MATCHING LAND TO OPPORTUNITIES	20
CURRENT TOP INDUSTRIES	20
PACE OF BUSINESS DEVELOPMENT ACTIVITY	20
IMPROVING SITUATION FOR EASTERN OREGON	20
FORECAST OF MARKET DEMAND	21
SUMMARY AND RECOMMENDATIONS	22



Section 3.0: Table of Figures

Table 1: US Real Gross Domestic Product.....	8
Table 2: Disposable Personal Income (DPI)	8
Table 3: BLS 10 yr Unemployment Trend	9
Table 4: Unemployment Rates by month, 10 yr, seasonally adjusted	9
Table 5: Jobs gained by month, May 2008	9
Table 6: Oregon Job Growth	10
Table 7: Oregon Economy at a Glance.....	11
Table 8: Current Employment.....	12
Table 9: 2009 Salary per occupation estimate, <i>WorkSource Oregon</i>	13
Table 10: Key economic highlights.....	14
Table 11: Strategies Prioritized by Key Success Factor Results	15
Table 12: Overarching Recommendations.....	18
Table 13: Market Area by Land Use Type	18
Table 14: Reuse Obstacles and Challenges.....	19
Table 15: Positive and Negative Redevelopment Forces.....	22

This Page Intentionally Left Blank

DRAFT

EXECUTIVE SUMMARY

Purpose of Assessment

This Market Assessment forecasts market demand for short-term leasing and long-term potential for redevelopment based upon regional economic conditions, trends, and pressures affecting redevelopment. The scope of this study addresses land use types including agricultural, commercial, industrial, and recreational.

Obstacles and challenges to redevelopment of the UMCD are identified and mitigating actions to these challenges are suggested.

Planning LRAs that move into the implementation phase frequently conduct a more in-depth, 10-year business plan and pro forma based upon the broader recommendations provided in planning-phase market assessments.

Overview

This Market Assessment evaluates all of the market conditions, trends, obstacles, and challenges to a variety of potential reuses of the UMCD land.

From an economic context, the condition of the national, state, and regional economy is challenged. With the national unemployment rate recently exceeding 10%, and a state and local unemployment rate even higher, communities and businesses across America are simply looking to “keep what they have”, rather than engage in significant job-creating investments. On the brighter side, the forecast for the national, state, and regional economy is improving. The Obama administration announced in December 2009 that the national economic recession is over, and the stage is set for growth in the national Gross Domestic Product that eventually will stimulate job creation at all levels (national, state, and local).

This Market Assessment provides high-level economic statistics showing the trends and current conditions of the economy at all three levels. The relevance of the economic statistics to the reuse decision making by the LRA is emphasized in this analysis.

The report analyzes four types of land reuses: agriculture, commercial, industrial, and recreational. The following are the conclusions from this analysis:

- Value-added agriculture opportunities may be possible, but the viability of this strategy is impacted by the availability of water and the existing capacity of the Port of Morrow and Port of Umatilla to accommodate such development.
- Commercial and recreational uses are also possible, but are not likely to dominate the reuse of the UMCD. If specific alternatives for commercial and recreational reuse opportunities are considered desirable then the site selection is most likely to occur in the southeastern quadrant of UMCD, and capitalize on access to Interstate 84 and Interstate 82.
- Industrial reuse opportunities clearly represent the greatest prospect for UMCD. Outstanding access and location, combined with the prospect for huge parcel sizes, affords numerous industrial reuse opportunities.

Despite these opportunities, significant obstacles and challenges hamper many of the reuse possibilities that a typical community could advance. The key success factor methodology utilized by the Dana Mission Support Team concludes that 38 of 85 development factors rank substandard. This eliminates most economic development strategies from viable implementation. Focusing upon development strategies with greater success potential is recommended by the Dana Mission Support Team.

Despite the limited opportunities, the top strategies that remain stand a significant likelihood of success. The State of Oregon identifies three industrial development strategies as the top strategies for 2010 and 2011. Simultaneously, the key success factor analysis for UMCD pinpoints these three strategies as the approaches with the greatest likelihood for success.

- Energy development,
- Transportation distribution centers/logistics, and
- Telecommunications businesses

Finally, this market analysis forecasts that demand for reuse opportunities will increase as the state and national recession dissipates. In fact, the timing for the reuse of UMCD may coincide very well with a rebounding economy.

NATIONAL, STATE, AND REGIONAL ECONOMIC CONTEXT

Starting with the National Perspective

As recently noted by Patrick J. O'Brien, Director of the Department Defense Office of Economic Adjustment, the weakness of the US economy is making it as challenging as ever for communities to find viable reuse opportunities for BRAC sites. Weakness in the US economy impacts the possibilities for reuse and the implications for the future zoning and development/preservation of the UMCD land. This assessment, therefore, must start with a broad overview of the current condition of the US economy.

As shown on the table to the right, the US Real Gross Domestic Product (GPD) dropped significantly throughout 2008, and has only begun to rebound in 2009. According to the Bureau of Economic Assessment (BEA), Real GPD increased 3.5 % at an annual rate in the third quarter of 2009.

The UMADRA should recognize that: 1) economic development strategies for BRAC sites are all challenged with this economic reality, and 2) local reuse authorities will be well served that set the stage for success when the national (and state and local) economy inevitably rebounds.

One significant factor affecting the financial economy is the decrease in real Disposable Personal Income (DPI). DPI decreased 3.4% in the third quarter of 2009. The downturn in current-dollar DPI reflected a downturn in personal income and an upturn in personal current taxes.

According to the US Bureau of Labor Statistics (BLS), the US unemployment rates eclipsed 10% for October 2009. The national unemployment rate was as low as 4.4% in March 2007, and then began a steep increase in May 2008 jumping from 5.5% to a rate of 10.0% in November 2009.

The tables below present the 10-year unemployment rate trend.

Table 1: US Real Gross Domestic Product

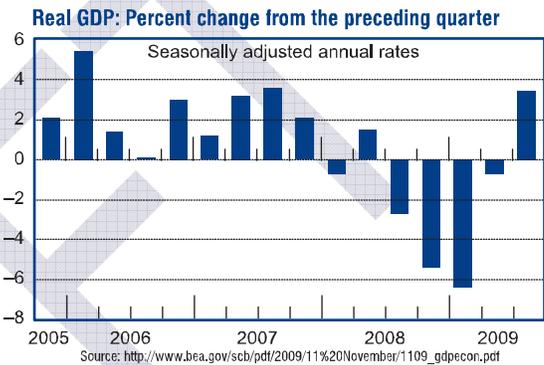


Table 2: Disposable Personal Income (DPI)

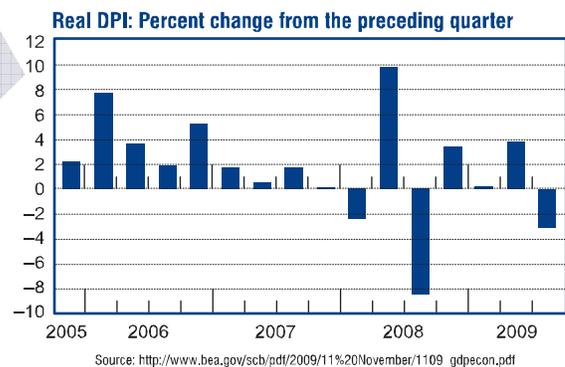
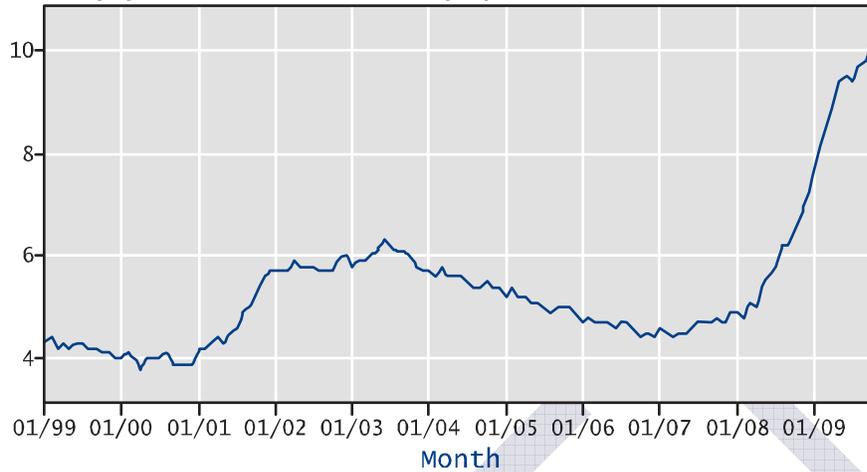


Table 3: BLS 10 yr Unemployment Trend
Unemployment Rate 1999-2009, seasonally adjusted



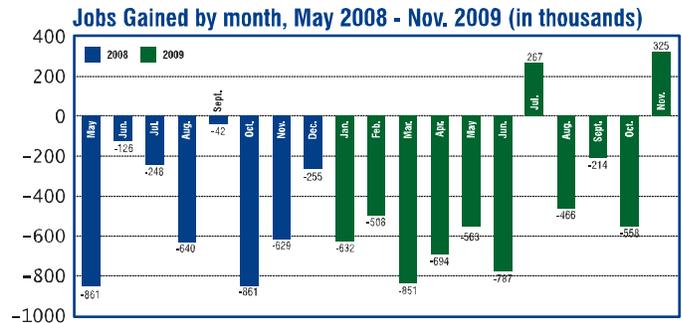
Source: http://data.bls.gov/PDOQ/servlet/SurveyOutputServlet?data_tool=latest_numbers&series_id=LNS14000000

Table 4: Unemployment Rates by month, 10 yr, seasonally adjusted

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	4.3	4.4	4.2	4.3	4.2	4.3	4.3	4.2	4.2	4.1	4.1	4.0
2000	4.0	4.1	4.0	3.8	4.0	4.0	4.0	4.1	3.9	3.9	3.9	3.9
2001	4.2	4.2	4.3	4.4	4.3	4.5	4.6	4.9	5.0	5.3	5.5	5.7
2002	5.7	5.7	5.7	5.9	5.8	5.8	5.8	5.7	5.7	5.7	5.9	6.0
2003	5.8	5.9	5.9	6.0	6.1	6.3	6.2	6.1	6.1	6.0	5.8	5.7
2004	5.7	5.6	5.8	5.6	5.6	5.6	5.5	5.4	5.4	5.5	5.4	5.4
2005	5.2	5.4	5.2	5.2	5.1	5.1	5.0	4.9	5.0	5.0	5.0	4.8
2006	4.7	4.8	4.7	4.7	4.7	4.6	4.7	4.7	4.5	4.4	4.5	4.4
2007	4.6	4.5	4.4	4.5	4.5	4.6	4.7	4.7	4.7	4.8	4.7	4.9
2008	4.9	4.8	5.1	5.0	5.5	5.6	5.8	6.2	6.2	6.6	6.8	7.2
2009	7.6	8.1	8.5	8.9	9.4	9.5	9.4	9.7	9.8	10.2	10.0	

The US economy has shed a staggering number of jobs since May 2008. The table below shows the monthly gain or loss of US jobs since May 2008. The broad weakening of the job market underscores the importance of identifying reuse opportunities that can succeed despite the soft economy.

Although the national economic statistics are gloomy, the LRA can positively work to put a plan in place that can allow the region to capitalize upon the national economic rebound. Indeed, such a strategy should set the foundation for the future. Recognizing that the chemical demil mission will remain operational through early 2011, the timing for initiating reuse during an economic upswing may be well timed.



Source: http://data.bls.gov/PDOQ/servlet/SurveyOutputServlet?data_tool=latest_numbers&series_id=LNS13000000&output_view=net_1mth

Table 5: Jobs gained by month, May 2008

Oregon Impacted Significantly

Oregon's economic picture is even more challenging than the national economic outlook. In recent months, Oregon has ranked as high as second nationally in terms of the highest unemployment rate (only behind Michigan).

According to WorkSource Oregon, Oregon has lost 89,400 jobs in the one year period ending October 2009. The table below presents how every sector except for "Educational and Health Services" has shown a decline in employment over the one-year period.

Oregon Job Growth - NONFARM PAYROLL EMPLOYMENT, IN THOUSANDS SEASONALLY ADJUSTED					
	Oct 2009	Sept 2009	Oct 2008	Sept 2008	Oct 2008
Total	1616.2	1618.1	1705.6	-1.9	-89.4
Construction	76.5	78.4	89.8	-1.9	-13.3
Manufacturing	162.6	165.0	188.9	-2.4	-26.3
Trade, Transport, and Utilities	313.0	312.2	331.5	0.8	-18.5
Financial Activities	94.8	93.4	99.6	1.4	-4.8
Professional and Business Services	181.8	180.3	192.9	1.5	-11.1
Educational and Health Services	226.9	226.1	223.0	0.8	3.9
Leisure and Hospitality	162.3	163.8	174.5	-1.5	-12.2
Other Services	58.3	59.0	60.6	-0.7	-2.3
Government	297.7	298.4	300.5	-0.7	-2.8

Source: <http://www.qualityinfo.org/olmis/OlmisZine>

Table 6: Oregon Job Growth

Table 7: Oregon Economy at a Glance presents the broader challenge of creating jobs in the top reuse strategies of energy development, transportation, telecommunications businesses, and manufacturing. On one hand, these sectors are clearly the growth sectors for Oregon. On the other hand, the broad weakening of Oregon's economy has impacted even these top economic sectors.

Oregon Economy at a Glance						
Data Series	May 2009	June 2009	July 2009	Aug 2009	Sept 2009	Oct 2009
Civilian Labor Force	1,997.7	1,978.5	1,972.5	1,962.2	1,958.0	1,956.9
Employment	1,754.1	1,741.4	1,740.5	1,726.1	1,736.9	1,734.8
Unemployment	243.6	237.1	232.0	236.1	221.2	222.0
Unemployment Rate	12.2	12.0	11.8	12.0	11.3	11.3
Total Nonfarm	1,634.4	1,631.0	1,631.5	1,624.1	1,618.1	1,616.2
12-month % change	-5.5	-5.4	-5.6	-5.9	-5.8	-5.2
Mining and Logging	7.0	7.0	7.0	6.9	6.9	7.2
12-month % change	-18.6	-17.6	-18.6	-20.7	-20.7	-14.3
Construction	78.9	79.7	77.8	77.9	78.4	76.5
12-month % change	-18.2	-16.5	-17.8	-16.7	-15.3	-14.8
Manufacturing	169.3	167.8	165.0	165.9	165.0	162.6
12-month % change	-14.6	-14.4	-15.0	-14.4	-14.3	-13.9
Trade, Transportation, and Utilities	313.8	311.9	313.8	314.1	312.2	313.0
12-month % change	-7.3	-7.5	-6.9	-6.4	-6.6	-5.6

Oregon Economy at a Glance						
Data Series	May 2009	June 2009	July 2009	Aug 2009	Sept 2009	Oct 2009
Information	35.0	35.5	35.5	35.1	34.6	35.1
12-month % change	-3.6	-3.0	-1.7	-3.0	-4.2	-2.2
Financial Activities	95.6	95.0	94.2	93.4	93.4	94.8
12-month % change	-7.1	-7.0	-7.5	-8.0	-7.4	-4.8
Professional & Business Services	180.4	180.4	180.4	178.6	180.3	181.8
12-month % change	-8.9	-8.1	-8.6	-9.3	-8.0	-5.8
Education & Health Services	224.9	227.0	227.3	226.4	226.1	226.9
12-month % change	3.1	3.3	2.9	2.2	1.8	1.7
Leisure & Hospitality	167.7	167.1	166.8	163.5	163.8	162.3
12-month % change	-3.7	-3.9	-4.0	-5.7	-5.6	-7.0
Other Services	60.1	59.7	60.0	60.2	59.0	58.3
12-month % change	-1.6	-2.1	-2.0	-1.6	-3.8	-3.8
Government	301.7	299.9	303.7	302.1	298.4	297.7
12-month % change	1.8	1.1	0.2	-0.3	-0.6	-0.9
Layoff events, all industries	41	43	49	21	15	35
Initial claimants, all industries	4,775	5,525	5,492	1,691	1,402	3,936

Source: <http://www.bls.gov/eag/eag.or.htm>

Table 7: Oregon Economy at a Glance

It is not unusual for the State of Oregon to have an economic condition that swings more radically than the national economy. While the specific targeted sectors of energy development, telecommunications businesses, and transportation distribution centers/logistics may have softened in 2009, these sectors still remain the greatest prospects for Oregon's economic rebound. This portends well for the assets at UMCD.

Regional Assessment—Morrow and Umatilla Counties

Finally, it is useful to examine local and regional economic data to identify the context for local reuse strategies.

Morrow and Umatilla Counties are referenced as Region 12 by WorkSource Oregon for the purpose of providing economic data. In general, although unemployment rates in the region have increased, they have generally remained below the statewide average over the past year. Specifically, while the Oregon unemployment rate in October 2009 was 11.3%, the unemployment rate in Morrow County was 10.3%, and in Umatilla County it was 10.6%. Both counties, however, have unemployment rates above the national average.

Approximately 90% of the total employment in the two-county region is in Umatilla County. Table 8: Current Employment (next page) and Table 9: Employment and Wages by Industry (next page) present recent changes in total employment for Oregon, Morrow County, and Umatilla County.



Current Employment – TOTAL NONFARM PAYROLL EMPLOYMENT NOT SEASONALLY ADJUSTED							
	Oct 2009	Sept 2009	Oct 2008	Sept 2009	Oct 2008	Sept 2008	Oct 2008
Oregon	1,633,100	1,624,600	1,723,400	8,500	-90,300	0.5%	-5.2%
Morrow County	3,520	3,250	3,460	0	60	0.0%	1.7%
Umatilla County	27,870	27,930	28,620	-60	-750	-0.2%	-2.6%

Source: <http://www.qualityinfo.org/olmisj/Regions?area=000012&page=2>

Table 8: Current Employment

Employment and Wages by Industry – Region 12 (2008 COVERED EMPLOYMENT AND WAGES)			
	Firms	Empl.	Payroll
Total	2,259	34,006	\$1,115,968,707
Natural Resources & Mining	209	3,659	\$98,275,338
Construction	186	1,016	\$35,496,678
Manufacturing	90	4,329	\$140,013,876
Trade, Transportation & Utilities	467	6,826	\$226,118,666
Information	33	245	\$8,679,382
Financial Activities	181	831	\$28,313,692
Professional & Business Services	190	2,405	\$103,881,855
Education & Health Services	219	2,881	\$95,483,873
Leisure & Hospitality	215	2,534	\$32,216,523
Other Services	232	738	\$15,818,468
Private Non-Classified	6	0	\$0
Government	234	8,538	\$331,470,138

Source: <http://www.qualityinfo.org/olmisj/Regions?area=000012&page=2>



WorkSource Oregon also attempts to forecast the demand for jobs in various sectors of the economy. In addition to the projection of job growth over a ten year period (2006-2016), WorkSource Oregon estimates the average 2009 salary per occupation as shown in the following table.

Occupations – Region 12 (SORTED BY PROJECTED ANNUAL OPENINGS)						
Occupation	Employment		Annual Openings			2009 Salary
	2006	2016	Growth	Replace	Total	
Combined Food Preparation and Serving Workers, Including Fast Food	648	766	12	31	42	\$19,946
Retail Salespersons	736	850	11	29	40	\$25,838
Laborers and Freight, stock, and Material Movers, Hand	979	1,037	6	33	39	\$27,025
Cashiers	639	697	6	33	38	\$19,675
Waiters and Waitresses	406	487	8	23	31	\$22,661
Assemblers, Multi-Task or Team	718	798	8	20	28	\$28,817
Farmworkers and Laborers for Crops, Nurseries, and Greenhouses	772	798	3	22	25	\$19,881
Truck Drivers, Heavy and Tractor-Trailer	972	1,049	8	17	24	\$33,736
Farmworkers, Farm and Ranch Animals	307	410	10	10	21	\$23,713
Teacher Assistants	581	661	8	12	20	\$23,230
Customer Service Representatives	401	528	13	7	20	\$23,762
Office Clerks, General	652	706	5	15	18	\$27,129
Agricultural Equipment Operators	512	542	3	15	18	\$27,563
Elementary School Teachers, Except Special Education	487	550	6	11	16	\$47,513
Correction Officers	555	594	4	12	16	\$45,917
Registered Nurses	386	458	7	9	16	\$62,063
Janitors and Cleaners	473	535	6	10	15	\$24,493
Production Workers, All Other	306	378	7	8	14	\$25,160
Stock Clerks and Order Fillers	264	296	3	10	13	\$28,180
Packaging and Filling Machine Operators and Tenders	400	447	5	8	13	\$23,150
Bookkeeping, Accounting, and Auditing Clerks	415	460	5	8	13	\$31,337
Secondary School Teachers, Except Special and Vocational Education	293	332	4	9	11	\$49,793
Maintenance and Repair Workers, General	364	399	4	7	11	\$38,112
Cooks, Restaurant	197	239	4	7	11	\$21,151
Supervisors and Managers of Office and Administrative Support Workers	270	319	5	6	11	\$40,920
Secretaries, Except Legal, Medical, and Executive	354	395	4	7	11	\$27,248
General and Operations Managers	290	344	5	6	11	\$90,695
Packers and Packagers, Hand	367	396	3	7	10	\$23,376
Service Station Attendants	203	211	1	9	10	\$20,405

Source: <http://www.qualityinfo.org/olmisj/Regions?area=000012&page=2>

Table 9: 2009 Salary per occupation estimate, *WorkSource Oregon*

As Table 9 indicates, the top growth occupations include:

- Combined Food Preparation and Serving Workers, Including Fast Food
- Retail Salespersons
- Laborers and Freight, Stock, and Material Movers, Hand
- Cashiers
- Waiters and Waitresses
- Assemblers, Multi-Task or Team
- Farmworkers and Laborers for Crops, Nurseries, and Greenhouses

The list above underscores that, absent an aggressive reuse strategy, much of the growth of the local economy is in the service sector. Capitalizing on the unique assets of UMCD may allow the region to continue to diversify its economic base with business activity that imports capital, exports goods and services, and creates a new property tax base for the two-county region. Targeting reuse opportunities that offer higher wage levels is also a benefit. In particular, the energy development sector typically offers above-average wages.

Finally, the Oregon Progress Board has established an excellent reporting system that allows counties to examine their economic performance and overall conditions vis-à-vis other Oregon Counties. An examination of the *county benchmark report generator* provides the following highlights for Morrow and Umatilla Counties, respectively.

Table 10: Key economic highlights

Economic Highlight	Morrow Ranking*	Umatilla Ranking*
Home Ownership	4	9
Affordable Housing	4	1
Net Overall Job Growth	5	32
Pay Per Worker	8	18
Overall Per Capita Income	21	30
Percentage Of County In Poverty	22	25
Unemployment Rate	23	26

*Of Oregon's 36 Counties

Key economic highlights for the counties are shown at right (note: the relative ranking of the respective county benchmark is in the broader context of Oregon's 36 counties; the rankings are for the most recent three statistical years).

As the above statistics for the Morrow/Umatilla region summarize, the economic condition for the region is generally stronger than the statewide average, but weaker than the national average.

The prospect of losing 1,173 jobs currently located at UMCD represents a significant portion (3.2%) of the covered employment for the region. Softening this blow is the fact that just over one-half of these jobs are currently held by Oregon residents. Nonetheless, the prospect of such significant job losses underscores the need for a viable redevelopment strategy based upon a high likelihood of success.

ASSESSMENT OF POSSIBLE LAND USE TYPES

The UMADRA Request for Proposals required that the Dana Mission Support Team include an assessment of potential land use types including agricultural, commercial, industrial, and recreational.

Agricultural Uses

Utilizing the *Building Communities Key Success Factor Test*, a value-added agriculture strategy ranks ninth of the twenty-five strategies, and scores 61.3 points on a scale of 0-100, based on the viability of implementing a successful strategy (see ranking in table at right). In general, the Building Communities methodology recommends seriously considering implementing particular strategies if they score 70 or higher on the 100-point scale.

Building Communities recognizes eight key success factors with respect to a value-added agriculture strategy. UMCD ranks high with respect to “proximity and access to markets,” and significantly above average with respect to “proximity to large volumes of agricultural commodities,” “available local labor force,” and “access to large-scale capital.” With respect to the local expertise to understand the industry trends and opportunities, the Building Communities score was “average.” Three of the eight key success factors ranked below average: “availability of local land/building/infrastructure,” “access to water and sewer infrastructure capacity,” and “the ability to successfully market agricultural products.”

While a value-added agriculture strategy, in this broader context, must be successful in a generic sense, it also makes sense to evaluate an agriculture strategy on a more specific basis.

Advocates for dry land and irrigated agriculture, for example, see a potential reuse opportunity—at least in the short-term—for crop production. The top crops produced in the area include potatoes, onions, corn, wheat, and grass seed. Potatoes and onions are probably not an option given the potential of metal contamination in the ADA area, however. The only commodities that could likely be farmed, therefore, are corn and wheat, and these would probably be suitable only as feed for livestock.

Notably, the Ports of Morrow and Umatilla are well equipped meet the infrastructure and access requirements for the value-added agriculture industry. As such, the deployment of a value-added agricultural strategy should only be advanced in consideration of the unique advantages (if any) offered by land at UMCD not possessed by either of the two port districts.

Finally, the availability (or lack thereof) of large volumes of water must be emphasized. Both primary and value-added agricultural activities typically require large volumes of water. As noted in the infrastructure section of this overall report, UMCD is in a critical groundwater area, and may only be able to provide sufficient water for large-scale use through a cooperative arrangement with the Port of Umatilla due to their significant water-rights holdings. Yet another opportunity for water availability may be afforded through the groundwater recharge initiative being advanced by local leaders.

Strategies Prioritized by Key Success Factor Results	
Strategy	Score
Energy Development	91.3
Telecommunications Businesses	83.8
Transportation Distribution Center	77.5
Attracting Government Funding	75.0
Environmental Restoration	73.8
Business Recruitment	73.0
Education Development	70.0
Infrastructure Development	62.5
Value-Added Agriculture	61.3
Business Retention & Expansion	55.6
Business Cultivation	53.8
Value-Added Mining	47.5
Entrepreneurial Development	45.0
Attracting Government Jobs	43.8
Attracting Lone Eagles	40.0
Value-Added Fisheries	37.5
Destination Tourism	33.8
Attracting Retirees	30.0
Value-Added Forest Products	27.5
Health Care	27.5
Cultural Tourism	20.0
Pass-Through Visitor Services	20.0
Bedroom Community	17.5
Downtown Development	10.0
Local/Regional Tourism	7.5

Table 11: Strategies Prioritized by Key Success Factor Results

Commercial Uses

Of the 25 prospective strategies, six generally have significance for needing commercially zoned land. These six strategies, and their relative ranking amongst the 25 strategies, are presented in the table at right.

Strategies with Commercial Zoning Implications	
Strategy	Ranking*
Destination Tourism	17
Attracting Retirees	18
Cultural Tourism	21
Pass-Through Visitor Services	22
Downtown Development	24
Local/Regional Tourism	25
*overall ranking of the 25 strategies	

In short, all six of the commercial-zone-related strategies rank in the bottom third of viability for successful Implications implementation. In other words, none of the typical strategies that would require large acreages of commercial land were deemed viable by the LRA and subject matter experts.

Similar to agricultural land, however, it is also beneficial to look at specific applications rather than the generic assessment.

Specifically, the portion of the UMCD that would have the greatest likelihood for commercial use would be the southeast portion of the overall land. Due to excellent freeway ingress and egress off of both I-84 and I-82, very specific commercial applications may be made possible in the southeastern-most corner of the overall acreage.

Although in a broader more generic sense many of the commercial development-related strategies tally a very low score with respect to viability, the LRA may desire to establish some type of Urban Reserve Zoning classification in order to preserve commercial development opportunities in the future.

Industrial Uses

Clearly, the redevelopment strategies with the highest score with respect to strategy viability demand large acreages of industrial land. Strategies such as Energy Development, Telecommunications Businesses, Transportation Distribution Centers, and Business Recruitment all require land that is industrially zoned, served by infrastructure, and immediately available. With the exception of current infrastructure challenges, UMCD is clearly well positioned for industrial development reuse.

Fully 13 of the key success factors score a perfect '4' that are relevant for the utilization of industrially zoned land:

- Local Government Support
- Capable, Experienced Economic Development Professionals
- Support from Local Businesses
- Competitive Recruitment Incentives
- Proximity and Access to Market
- Relationship with Site Selectors
- Availability of Energy Resources
- Supportive State Policies and Incentives
- Ability to Secure Power Purchase Agreements
- Ability to Build a Team Comprised of Energy-Development Experts
- Availability of Industrial-zoned Land
- Strategic Location for Distribution Centers
- Adequate Telecommunications Bandwidth

There are two overarching considerations that might limit the designation of industrially-zoned acreage:

- The desire to balance economic goals with environmental restoration goals
- The availability of existing-zoned land already available in Morrow and Umatilla Counties

In general, it is clear that UMCD presents a significant opportunity for industrial reuse. Identifying the appropriate acreage for such land designation is important. The most likely areas for industrial development are the southwest quadrants and perhaps the northeast quadrant. Given the industrial buildings (albeit generally in poor conditions), industrial reuse in the southwestern-most corner would still capitalize on large volumes of open land, existing rail, and the opportunity for infrastructure improvements. Should the LRA successfully save several of the UMCDF structures, industrial reuse could be a beneficial strategy in the northeast quadrant as well.

Recreational Uses

Similar to the (lack of) need for commercial-zoned land, recreationally-zoned land may also have limited demand.

In the generic sense, four of the 25 strategies relate to tourism and recreation. These strategies, and their relative ranking, are presented in the table at right.

In short, the LRA and subject-matter experts ranked tourism-related strategies very low on the list of strategy viability.

Strategies with Recreational Zoning Implications	
Strategy	Ranking*
Destination Tourism	17
Cultural Tourism	21
Pass-Through Visitor Services	22
Local/Regional Tourism	25
*Overall ranking of the 25 strategies	

The reason why tourism and recreation-related strategies scored low from a viability standpoint stems from the following very low ranked key success factors:

- Proximity to scheduled air service
- Proximity to nationally-recognized attractions
- Sufficient marketing, promotion, and public relations budget
- Existing or prospective cultural attractions
- Cultural development advocacy organizations
- Local recreational and visitor attractions
- Relative sophistication in coordinating and marketing local events
- Proximity to travel routes

Notably, however, there may be individuals and local advocacy organizations that would desire to preserve and enhance many of the tourism and recreational assets at UMCD. Tourism advocates and historic preservation advocates may, for example, desire to preserve the buildings, equipment, and overall World War II setting that is uniquely presented at UMCD. Similar to locational advantages that benefit industrial uses, the ease in which UMCD is accessed from throughout the Pacific Northwest could present opportunities for a tourism development strategy. Proximity to the Tri-Cities, Washington, with its relatively strong economy, is a significant opportunity.

Similar to the potential longer-term demand for commercial-zoned property, a concept of creating some type of urban reserve for recreational uses, particularly around the Administrative Area, may be warranted.

Summary of Agricultural, Commercial, Industrial, and Recreational Land Use Designations

Table 12: Overarching Recommendations, provides a brief summary of the conclusions offered above with respect to appropriate land use designations.

Overarching Recommendations with Respect to Reuse by Land Type		
Land Type	Overarching Recommendation	Likely Location
Agriculture	As a redevelopment strategy, value-added agriculture ranks in the top third in terms of viability. Competing land and infrastructure offered by the two neighboring port districts must be considered when determining zoning for this purpose. Short term opportunities for primary agricultural uses may be desirable by several constituencies, but also may conflict with goals to preserve and enhance the Shrub Steppe vegetation.	Western most
Commercial	In general, strategies that demand large acreages of commercial land rank low in terms of reuse viability. A longer term outlook may lead the LRA to reserve land in the southeast corner of the overall plan in order to capitalize on the access to two Interstate freeways.	Southeast quadrant
Industrial	Clearly, given the location, land size, and other factors, industrial reuse opportunities abound. Even with significant capacity offered regionally by the ports, cities, counties, and Tribes, the opportunity to set aside industrial land for job creation is a high priority—especially for top economic development prospects such as energy development, transportation distribution centers, and telecommunications businesses.	Southwest quadrant and northeast quadrant
Recreational	In general, strategies that demand large acreages of tourism/recreational land rank low in terms of reuse viability. One major factor to consider is the desire and willingness of local organizations and constituencies to advance one or more tourism/recreation initiatives related to UMCD. The historic assets of the army depot, combined with tremendous visibility and access, do present an opportunity for tourism development.	Southeast quadrant

Table 12: Overarching Recommendations

The table below defines the relevant market area for each of these land use designations.

Market Area By Land Use Type			
Agricultural	Commercial	Industrial	Recreational
Primary agricultural practices have a local market area in terms of likely use; value-added opportunities have a regional or even national market in terms of the types of businesses that would be developed at UMCD.	Two markets exist for commercial development. First, local or regional developers may desire to locate or expand at UMCD. Second, location and access advantages could attract a national commercial developer.	Because of the sheer size of the land mass, combined with superb access infrastructure, UMCD is well positioned in the national (and even international) marketplace. A team approach by the region and state could attract large-scale industrial development.	The limited recreational market most likely will be developed by local or regional interests looking to capitalize on the area's significance as a historic World War II Army Base. Broader markets are unlikely but possible.

Table 13: Market Area by Land Use Type

OBSTACLES AND CHALLENGES

The top obstacles and challenges for the redevelopment of UMCD are presented by examining the 85 Key Success Factors that scored either a ‘1’ (comparative disadvantage) or ‘0’ (major comparative disadvantage).

That table below presents a listing of the seven Key Success Factors that scored ‘1’ and the 31 Key Success Factors that scored ‘0’. These 38 conditions or “low abilities” all factor into the ranking of the 25 strategies in terms of viability, and are significant signals as to the challenges of implementing many of the 25 alternate strategies.

Reuse Obstacles and Challenges			
Comparative Disadvantage ('1')	Significant Comparative Disadvantage ('0')		
Availability of local land, buildings, and infrastructure	Sufficient base of UMCD businesses	Ability to successfully market forest products materials	Relative sophistication in coordinating and marketing local events
Proximity to raw materials and minerals	Sufficient local entrepreneurial base	Proximity to fisheries commodities	Proximity to travel routes
Sophisticated tourism marketing, promotion, or public relations budget	Ability to identify product and service gaps	Proximity to scheduled air service	Implementation of National Main Street Four-Point Approach™
Existing or prospective cultural attractions	Dedicated business coaching staff	Proximity to nationally-recognized attractions	Recognizable central business district/downtown
Local focus on revenues from visitors	Excess water and sewer infrastructure capacity	Sufficient marketing, promotion, or public relations budget	Downtown organization and staff
Advantageous location for government or education expansion	Proximity and access to forests and forest products	Cultural development and advocacy organization	Local funding for downtown development
Existence of recreational amenities	Ability to secure long-term contracts for forest materials	Local recreational and visitor attractions	Active engagement of downtown building and business owners
	Financially sound existing healthcare facility	Prospect of an expanded geographic market for health care	Absence of industrial business activity
	Quality residential neighborhoods	Community support for needed infrastructure rate increases	High availability of urban services
	Availability of desirable housing	Support for attracting retirees	Projected growth in government buildings
	Favorable state policies with respect to office locations		

Table 14: Reuse Obstacles and Challenges

Note that in the Social and Economic Assessment of this overall report, each of the key success factors are more fully defined and described.

Overcoming Obstacles

The UMADRA RFP suggested that a set of “mitigating actions” should be offered in order to overcome the obstacles and challenges at UMCD.

Given the significant number of key success factors that scored either a '0' or a '1', the DMST recommends that the LRA focus upon the strategies that are deemed viable (perhaps meeting a threshold of 60 points), and not expend significant energy addressing areas of significant weakness that, even if addressed, will not likely put the LRA on a path to successful strategy implementation given the boarder challenges that remain (i.e. challenging economic times, competing local interests, and the need to focus energies on the most viable positive outcomes). The DMST believes that the LRA can be very successful meeting its three overarching goals (economic development, environmental restoration, and military use) even with the challenges and obstacles that are listed above.

MATCHING LAND TO OPPORTUNITIES

Ted Werth, Business Development Specialist for Business Oregon (formerly the Oregon Economic and Community Development Department) manages the bulk of business development leads for the State of Oregon. Businesses that are seeking expansion locations typically contact Business Oregon, and Ted Werth is frequently on point to ensure that proper information reaches the business development prospects.

Current Top Industries

The top three industries seeking to expand or relocate into Oregon include renewable energy, distribution centers, and telephone call centers (significantly, these are the top three prioritized strategies through the Building Communities process). Werth estimates that between 50-70% of the business development activity is in the renewable energy sector. Combined with distribution centers and telephone call centers, the top three industries comprise over 90% of the business development activity in 2009. Other sectors with some business development activity include food processing and miscellaneous manufacturing.

Pace of Business Development Activity

Prior to the recession which began in the fall of 2008, Oregon was experiencing significant business development activity. In fact, from January 2007 through August 2008, Oregon's business development activity was near record pace. Significantly, international trade and investment was responsible for about 50% of the overall activity. Distribution centers and renewable energy development were the top sectors in 2007 and 2008.

Currently, with the national recession, most of the business development activity is focused upon business retention and expansion efforts. Communities, lacking significant business development leads, are ensuring that they "hold their own" with respect to local business activity.

Improving Situation for Eastern Oregon

According to Ted Werth, Eastern Oregon is increasingly in a stronger position vis-à-vis Western Oregon for business development opportunities. This primarily stems from the build-out of industrial sites and utility capacity in Western Oregon. Eastern Oregon remains very competitive with respect to the availability of industrial land as well as, in general, the capacity of the utilities serving such industrial land.

Werth anticipates that the national economic rebound will bring a continuation of transportation distribution center opportunities. Of particular importance will be industrial sites that have "large lot sizes". Such industrial parcels are largely "built out" in Western Oregon.

Two other major trends are impacting business development opportunities in Oregon. First, many businesses are in a wait-and-see mode related to the impact of potential changes in health care costs and benefits. The health care legislation considered by Congress is having an impact on businesses looking to expand in the future. Until such certainty is determined with respect to the passage and implementation of the health care reform, many businesses may simply sit on the sidelines.

Second, international investment in Oregon is likely to rebound as the national and world economies rebound. As noted earlier, international investments accounted for approximately 50% of the business development activity in 2008 before the economic recession. Upon the stabilization of the economic market and conditions, such international investment is likely to resume in Oregon. Oregon continues to be very well positioned for international investment according to Werth.

Finally, Werth notes that Oregon is well positioned to effectively and efficiently respond to business development leads based upon the State of Oregon's industrial property website, Oregon Prospector. Oregon Prospector is also managed by the non-profit Oregon Economic Development Association (OEDA). Notably, the economic development professionals in the Morrow/Umatilla region make use of Oregon Prospector.

FORECAST OF MARKET DEMAND

In order to forecast a high-level market demand for UMCD property, all of the aforementioned factors and conditions must be considered:

- The weak national, state, and regional economic condition
- Specific factors and implications for the four major land use designations (agriculture, commercial, industrial, recreational)
- Obstacles and challenges for reuse
- Matching the condition of the existing land to potential reuse opportunities

While the immediate prospects for reuse are very challenging given all of these factors, the forecast for reuse is much brighter.

On the national front, the Obama Administration announced in December 2009 that the national recession is over. Many of the economic indicators have shown a marked improvement over the past two quarters.

Typically, the creation of jobs is a lagging indicator. In other words, the prospective reuse of UMCD in 2011 (over a year from the formulation of this Plan) may be well timed for many businesses and industries looking to expand and create jobs. Emphasis on job creation in the national agenda improves the likelihood of federal assistance for projects that create jobs.

Business development specialists for the State of Oregon forecast resurgence in industrial development prospects beginning in 2010. Continued growth in the energy development sector, coupled with forecasted growth in transportation distribution centers matches the top prospects for redevelopment at UMCD.

Opportunities for reuse for agriculture or recreational uses are likely to emerge on a case-by-case basis. Simply the availability of the UMCD land and its unique assets may bring about market opportunities that

are currently unforeseen. Efforts by the LRA to promote the availability of the land for a variety of uses can impact the market demand.

Finally, recent responses to the call for Notices of Interest have successfully generated many possible public benefit conveyances. Any or all of the projects and redevelopment uses encompassed within the responses to the NOIs demonstrates demand from the local marketplace.

The recommendations and conclusions of this analysis form the basis for a more in-depth, 10-year business plan and pro forma should the LRA choose to conduct further analysis as an implementation LRA.

SUMMARY AND RECOMMENDATIONS

The ability of the LRA to identify and implement reuse strategies that are both desirable and viable is strongly affected by many forces and dynamics—several of which are beyond the control of the LRA itself.

The table below summarizes many of the significant redevelopment forces—both positive and negative.

Major Redevelopment Forces	
Positive Forces	Negative Forces
The strategies determined as most viable (Energy Development, Telecommunications Businesses, and Transportation Distribution Centers) are the same as the most prevalent statewide business development leads	State and national economy exceptionally weak
Extraordinary site location and access	In general, UMCD lacks many of the Key Success Factors to enable viability for many strategies
Strong, capable network of economic development and local government professionals	Poor current condition of buildings and infrastructure
Successful economic development track record possessed by the Tribes, ports, cities, and counties	Challenge to overcome chemical contamination legacy
State and national incentives triggered by recessionary times	Competing industrial sites already available in two county region

Table 15: Positive and Negative Redevelopment Forces

UMCD does not provide many “middle of the road” circumstances. Rather, because so many of the key success factors scored either a ‘4’ or ‘0’, the economic prospects for UMCD are either *hot* or *cold*.

Perhaps most fortunate for UMCD is the conclusion that the top three economic reuse strategies (energy development, telecommunications businesses, and transportation distribution centers) are precisely the top three current prospects for economic diversification in Oregon. Therefore, while economic prospects may be limited, they are prospects with viable upside potential.

Finally, there are three additional factors to weigh when considering the major direction of the reuse plan.

First, during its August 2009 regular LRA monthly meeting, the Local Reuse Authority concluded that “economic development” was only 40% of the overall reuse priority. The LRA also valued environmental restoration and protection of the land (40%) and opportunities for reuse by the Oregon Army National Guard (20%). These two additional values (environmental protection and use by the military) must be weighted accordingly.

Second, it should be noted that the Building Communities methodology places a significant emphasis on *viability* based upon the presence (or lack thereof) of key success factors. This process logically elevates strategies that are most likely to succeed based upon such factors for success. Selecting strategies and alternatives that align with success factors will increase the likelihood of achieving the strategic goals for reuse.

Finally, and very importantly, one intangible that the Building Communities methodology also recognizes is *desire*. In other words, in addition to the “logically viable” strategies, what other reuse opportunities can be advanced by the collective desire of either the LRA and/or other community sectors?

The LRA, therefore, should be cognizant of such “desired strategies” that may be beyond the top three to ten most viable approaches. The strategies with positive implications to zone land for commercial, recreation, or agricultural use may still have some short-term or long-term prospects given steady advocacy by certain constituencies.

DRAFT



DRAFT



DRAFT