

prepared for

**State of Oregon
City of Salem**



**Salem Regional
Employment
Center**

Development
Program

May 2004

prepared by
Leland Consulting
Group
in association with
Otak, Inc.



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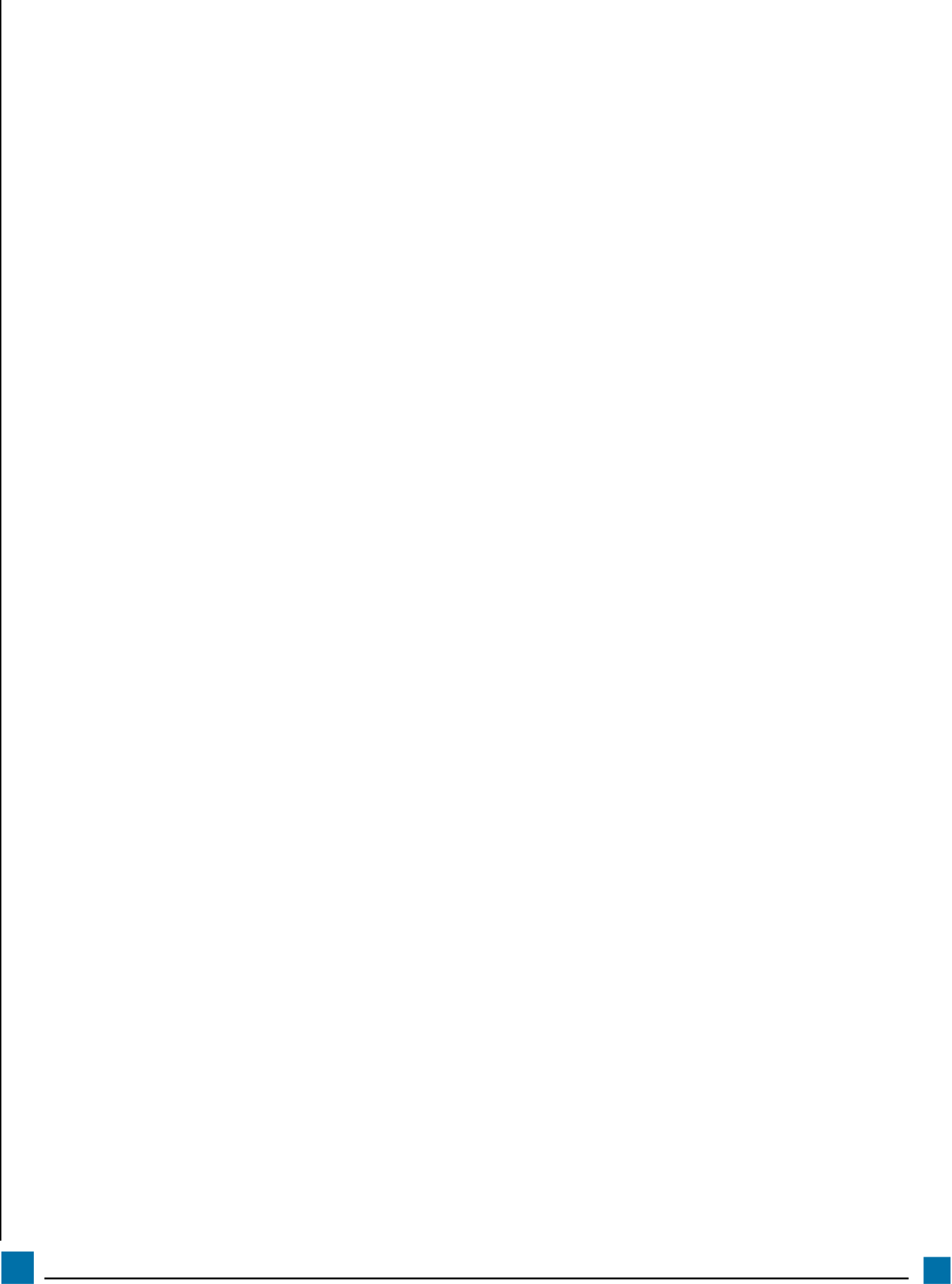
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Executive Summary

The industrial property at Mill Creek offers a once in a generation opportunity to provide the City of Salem and the Mid-Willamette Valley region with a new engine for jobs and economic development. This document outlines the potential for the Mill Creek property and provides a guiding structure for ensuring that this potential is met.

The State of Oregon and the City of Salem have partnered to transform the property into a regional resource. Their shared goal is to respond to the state's shortage of large, well-located "shovel-ready" parcels of industrial land, the region's need for employment, the city's strong desire for family wage jobs and increased tax base, and the unique potential of the site.

In developing an agreement to achieve this goal, the partnership has considered the unique opportunity presented by the site, the goals of the City of Salem, strategic factors, and the interests of involved stakeholders. Exploration of these considerations has resulted in a set of shared principles that serve as the basis of a Memorandum of Understanding (MOU) between the City and the State and which ultimately provides the basis for an Intergovernmental Agreement (IGA).

The proposed Salem Regional Employment Center (SREC) will attract new firms, increase employment, generate economic activity, and provide added tax revenue. At the same time, the project will bring other tangible benefits including enhanced natural areas, opportunities for linkages with the area's trade schools and technical colleges, and enhanced community pride.

The development program for the SREC provides a complementary balance of different employment uses and is intended to maximize both employment and revenue generation. Providing a variety of uses allows employment centers to succeed throughout business cycles by offering a range of building types that satisfy a wide market. The inclusion of office and flex buildings can provide attractive frontage for the development and act as a buffer between pure industrial uses and the adjacent community.

A phased approach to development best responds to the size of the SREC, the limited public resources for infrastructure construction, and the size of the market. The phasing plan anticipates that Phase I development will occur first in the western portions of the property that can be developed with the least expensive infrastructure investments. Revenue generated by the development of Phase I (including system development charges and tax increment) will be used to support infrastructure investments needed to prepare Phase II areas for development.

The proposed uses and their phasing is summarized in Table 1.

Phase	Land use description	Sub Acres
IA	Industrial Park - Light Industrial/5-20 acre parcels	80
	Business Park - Flex space with light industrial and office, 2-10 acre parcels	72
	Service Center - Locally oriented commercial services (e.g., food, banking, retail)	10
IB	Large Industrial - Large user, one or two parcels (potentially warehouse/distribution center)	126
IC	Large Industrial - Large user 10-20 acre parcels, includes prison-related employment	39
	Inmate Employment -	12
IIA	Large Industrial - Large users, 40+ acre parcels	126
IIB	Business Park	33
	Total	498

Source: Leland Consulting Group and Otak

Table 1. Salem Regional Employment Center Property Program

The steps involved in transforming the property into the SREC fall into two categories: 1) preparing the site to accommodate a regional employment center, and 2) attracting development that supports public goals. The major implementation milestones are as follows:

- *Formalize partnership between the City and State through an IGA;*
- *Institute zoning and other entitlements required for the development of the property;*
- *Qualify developers through a request for qualifications (RFQ) process;*
- *Negotiate disposition of property through a memorandum of understanding (MOU) followed by a disposition and development agreement (DDA);*
- *Establish covenants, conditions and restrictions (CC&Rs) to ensure a high quality environment;*
- *Assure phased provision of off-site infrastructure and any publicly funded on-site expenses; and*
- *Initiate a coordinated marketing effort.*



Source: ACI Real Properties

Private developers will ultimately be responsible for developing the property. In order for development to occur, the price of land and anticipated development charges must be low enough to allow finished structures to be produced at a competitive price.

To provide a preliminary estimate of this value, Leland Consulting Group utilized three approaches: 1) an appraisal and survey of current real estate transactions, 2) discussions with industrial developers and industry experts, and 3) a residual land value analysis. These analyses support an average sales price to developers of approximately \$1.50 per square foot for industrial portions of the property with higher values of approximately \$5.00 per square foot for the commercial service center.

The timing of land sales and development is an important, yet difficult to anticipate, component of the project. While the site is well positioned for warehouse distribution uses, the market for business park components is less tested. Disposition agreements will address these risks through a variety of strategies, potentially including land banking, phased infrastructure investment, performance guarantees, and linkages of public infrastructure investment with private development commitments. ■



Source: ULI Guide to Classifying Industrial Property

Introduction

The Mill Creek property offers a unique opportunity to provide the City of Salem and the Mid-Willamette Valley region with a major generator of employment, tax revenue, and economic development. This document seeks to advance the effort to achieve these benefits by:

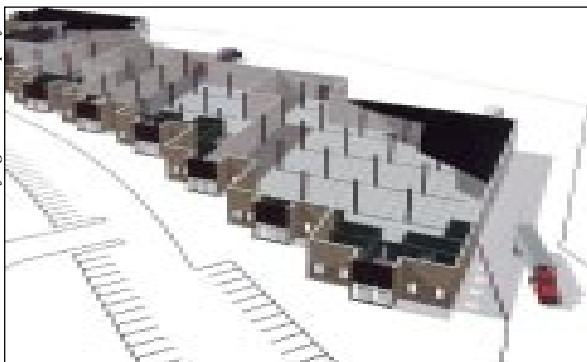
- *Explaining the history, market forces, and public goals that are shaping the future of the Mill Creek property;*
- *Describing the economic, environmental, and social benefits of developing the state-owned property into a regional employment center;*
- *Defining the likely combination and size of employment land uses on the site; and*
- *Providing a strategy for developing the property into a nationally competitive employment center.*

The strategy responds to the economic and job creation needs of the City of Salem, the site's environmental resources, state disposition regulations, market conditions, and the need for financing off-site infrastructure through user-generated property taxes and system development fees. The development program will guide the transformation of Mill Creek into the Salem Regional Employment Center (SREC) for the City of Salem and the Mid-Willamette Valley. The master planned environment will provide distinct but integrated settings tailored to the needs of different business owners and employers including distribution, manufacturing, assembly, warehousing, and related office and supporting service uses.

By accommodating a diverse mixture of employment uses and support services, the SREC will allow large firms to consolidate their operations in a single environment, allow smaller firms to co-locate with larger businesses (and frequently clients), and provide all firms with a quality of environment and package of support services that does not currently exist in the Mid-Willamette Valley. The depth and diversity of employment opportunities created by an employment center will stimulate thousands of new jobs for the Salem area, and provide a new anchor to the city's long-term tax base.



Source: John Gillan



Source: ULI Guide to Classifying Industrial Property



Source: Leland Consulting Group

Source: Kenneth M. Boyce, *Urban Land*, 2001, page 34



In explaining this goal and providing a path to achieving this vision, this program document is divided into the following chapters:

Project background including the history, economic trends, and public goals that have informed the project to date;

Benefits the project offers to the City of Salem including those relating to tax base, job creation, public amenities, economic multiplier effects, image, and long-term economic development;

Development program including the quality and specific environments and buildings that will be built on the employment center property;

Implementation strategy including the recommended steps for transforming the state's surplus property into the SREC; and

Financial feasibility including summary of anticipated public costs and revenues.

Project Background

The State of Oregon and the City of Salem have partnered to transform the property into a regional resource. Their shared goal is to respond to the state's shortage of large, well-located "shovel-ready" parcels of industrial land, the region's need for employment, the city's strong desire for family wage jobs and increased tax base, and the unique potential of the site.

In developing an agreement to achieve this goal, the partnership has considered the unique opportunity presented by the site, the goals of the City of Salem, strategic factors, and the interests of involved stakeholders. Exploration of these considerations has resulted in a set of shared principles that serve as the basis of a memorandum of understanding (MOU) between the City and the State and which ultimately provides the basis for an intergovernmental agreement (IGA).

Site Suitability

The project is made possible by the fact that of available sites within the region, the property is uniquely suited to accommodate a large-scale employment center. The site, particularly the western portion, is flat, and at approximately 700 acres, is the largest undeveloped industrial site along Interstate 5 in the region and possibly in the state. While full development of the site will require major off-site investments in water, sewer, and transportation infrastructure, initial development of select portions of the site can be achieved with relatively minor off-site investments. Other characteristics making the site particularly well suited to industrial use include:

- *Direct access to Interstate 5*
- *Large site with flat topography*
- *Excellent road access to the site*
- *Suitable soils for construction*
- *Utilities adjacent, but limited infrastructure on site*
- *Large nearby labor force*
- *Adjacent institutional uses (DPSST¹ and corrections)*
- *Limited residential nearby*

¹ The Department of Public Safety Standards and Training.

Of the approximately 700 acres of potentially available land, approximately 488 acres will actually be developed. In general, the amount of developable acreage reflects deductions for wetlands, storm water storage, and internal circulation routes. Planning for development anticipates that most of the area's existing wetlands will be preserved and that these areas, along with water detention areas, can be designed to provide non-intrusive recreational use and enjoyment. The Mill Creek property is shown below, in Figure 1.



Figure 1: Map of the Mill Creek property: Shaded area is approximately 700 acres

Source: Otak

City of Salem Goals

The SREC program was also developed because of its consistency with the goals of the City of Salem. By developing the property as a well designed, environmentally sensitive, intense center of economic activity, the program can best achieve the City's goals for enhanced livability, economic benefit, quality, open space, and environmental sensitivity. The City of Salem's recently adopted goals for the development of the property are as follows:

- A. Livability** - Enhance the long-term quality of life in Salem and the region.
- B. Economic Benefit** - Provide a range of employment and business opportunities that contribute positively to the local and regional economy in the short- and long-term. Employment opportunities should include family wage jobs. Business opportunities should contribute to a sustainable and diversified economy in Salem. Create local jobs for our community.
- C. Implementation** - Develop plan implementation strategies, so that the project can be equitably financed, and readily marketed and permitted.
- D. Community Involvement** - Involve the community during the planning process, and incorporate community input into plan recommendations in concert with the project goals.
- E. Quality Development** - Assure a quality built environment that is a positive addition to the community.
- F. Compatibility** - Plan the location and nature of land uses to promote integration, transition, and compatibility with neighboring uses.
- G. Open Space and Scenic Features** - Provide open space to address the needs of the Salem area and the local community and in balance with industrial uses of the property.
- H. Environmental Protection and Enhancement** - Protect and enhance key natural features and sensitive environments in balance with industrial uses of the property.
- I. Heritage** - Preserve important historical and cultural features and amenities.
- J. Infrastructure and Services** - Provide local infrastructure and public services in concert with development needs. Integrate infrastructure planning with environmental planning.
- K. Salem Futures** - Be consistent with applicable principles of Salem Futures.

Economic Conditions

The development program has been prepared to directly support the State of Oregon, Salem and Mid-Willamette Valley in recovering from a significant economic downturn. The availability of large industrial sites that can be quickly developed (in six months or less) is seen as increasingly critical to attracting new industries and jobs to the state and region. This program addresses that need by providing large flexible parcels that can be quickly developed for employment uses.



Source: Arup Associates



Stakeholders

Stakeholders and Participants

Achieving consensus for the site's future has involved and will continue to involve participation by the numerous stakeholder groups. These include, but are not be limited to:

- *Oregon State Legislature*
- *Salem City Council and Planning Commission*
- *Salem operating departments – planning, public works, community development*
- *Oregon Department of Administrative Services*
- *Oregon Department of Corrections*
- *Oregon Cultural Trust*
- *Oregon Corrections Enterprises*
- *Oregon Department of Land Conservation and Development*
- *Oregon Economic and Community Development Department*
- *Oregon Department of Transportation*
- *SEDCOR*
- *Representatives of nearby cities and communities*
- *Marion County*
- *Nearby homeowners and homeowner associations*
- *Environmental and recreation groups*
- *Industrial users, developers, lenders and investors*

The SREC offers an opportunity to meet the needs of key stakeholders including the State of Oregon, the City of Salem, businesses, job seekers, nearby homeowners, and environmental and open space advocates.

The opportunity to create the SREC has been made possible by the Oregon Department of Correction's decision to surplus its land, and the decision of the State of Oregon's Department of Administrative Services (DAS) by direction of the Oregon State Legislature to partner with the City of Salem in planning for the development of the property. The development program allows the State to receive fair market value for its property (a legislative requirement) while generating jobs, tax base, and economic development for the City of Salem.

The program responds to the sensitivities of the environment and surrounding uses. The program minimizes impacts on existing wetlands, and will enhance the quality and accessibility of these natural resources by incorporating them into a comprehensive trail system. Noise and visual pollution will be minimized through setbacks and vegetative screening.

In developing the program, interests of the groups at left have been thoughtfully considered.



Source: ULI Guide to Classifying Industrial Property

Strategic Considerations

Finally, both the proposed SREC and the strategy to implement it responds to the particular needs, capabilities, and constraints of both the City and the State. The most important of these considerations are as follows:

- *Both the City of Salem and the State of Oregon have a shared goal of creating jobs and generating revenue as rapidly as possible. A diversified development program is proposed to accelerate the pace of development and job creation by accommodating a full range of potential employers with a diverse set of employment environments.*
- *Neither the City of Salem nor the State of Oregon has the funding capacity to initiate on-site infrastructure improvements. As a result, the development strategy involves private sector developers as early in the development process as possible, and seeks to initiate the phased development on portions of the site requiring minimal infrastructure investments. System development charges (SDCs), tax increment, and similar development-related revenues will be required to fund the infrastructure necessary for subsequent phases of development.*
- *Neither the City of Salem nor the State of Oregon has the development expertise or capital (for on-site improvements) required to successfully develop the SREC. Therefore, in order to reduce risk to both governments and to minimize both governments' management responsibilities, private developers will develop the project and will be legally responsible to maintain the property to the standards that are designated within the adopted plan and attendant regulatory documents such as design standards, development and disposition agreement (DDA), and related controls.*



Source: Charles Lockwood

Intergovernmental Agreement

In order to ensure that the preceding issues and concerns are appropriately addressed, the City of Salem and the State of Oregon DAS have begun negotiations on an intergovernmental agreement (IGA). The IGA is an operating agreement that will detail the rights and obligations of each party. At minimum, the IGA will address the following goals and objectives:

- *Development of the Mill Creek property as the SREC, which can include a combination of distribution, warehousing, manufacturing, flex, office, and limited supporting retail and service uses. Use of portions of the property for improved habitat and recreational activities will be developed concurrent with employment development. Environmentally sensitive areas within the industrial sector of the property will be mitigated and relocated to larger environmental enhanced areas of the site.*
- *Deliver jobs to residents of the City and region and increased tax revenues to the City and the State to fund essential programs.*
- *Sell the Mill Creek property, as required by state law, at or above the property's appraised value in order to provide funds for state designated purposes.*
- *Provide for joint approval of the following:*
 - *A financing plan for predevelopment and land use approval costs, as well as for providing infrastructure improvements necessary to allow for development of the Mill Creek property.*
 - *A master site plan, transportation plan, zoning plan, plans for the maintenance of mitigation land, and other plans that support the successful implementation of the SREC.*



Source: Stockley PLC

Benefits

The proposed SREC will attract new firms, increase employment, generate economic activity, and increase the city's tax base. At the same time, the project will bring other tangible benefits including enhanced natural areas, opportunities for linkages with the area's trade schools and technical colleges, and enhanced community pride. Each of these benefits is described below.

Attract New Firms and Industries to the Salem Region

Oregon's unemployment rates are among the nation's highest. The State of Oregon, the Oregon Legislature, and the governor's office have identified the provision of an increased supply of large "shovel-ready" industrial parcels as a key component of the state's strategy to attract and encourage economic growth. A severe shortage of such parcels throughout the state has limited opportunities for large businesses to relocate to Oregon or expand.

The SREC will attract new firms and industries to the Salem region by providing a combination of large flexible sites, a high quality environment, and a package of support services that cannot be found elsewhere in the Mid-Willamette Valley. In particular, the SREC will accommodate large operations that cannot locate elsewhere in the region, provide opportunities for smaller firms to co-locate with larger firms and support operations, and provide an attractive setting for employees and visitors. Following the pattern found in the most competitive new centers, the project will incorporate environments that are attractive to employees such as open space, trail networks, and convenient access to restaurants and other services needed on a daily basis. Distribution or industrial components of the center will be segregated from the more employee-oriented environments and from the community at large.

Provide Employment Opportunities

By providing large flexible sites and a high quality environment, the development program is tailored to attract firms and industries that would not otherwise locate within the Salem region. At build out, the proposed SREC could accommodate over 5,000 jobs as described in Table 2.

Phase	Acres	Net Acres	Floor Area Ratio	Building Square Feet	Square Feet per Employee	Employment Potential
Business Park	105	99.8	0.30	1,304,221	910	1,433
Industrial Park*	92	88.7	0.40	1,603,008	1,170	1,370
Distribution Center	291	284.8	0.35	4,436,586	1,850	2,398
Service Center	10	9.0	0.25	108,900	415	262
TOTAL	498	482.2	0.34	7,452,715	1,364	5,464

* Includes inmate employment

Source: Leland Consulting Group, Urban Land Institute Guide to Classifying Industrial Properties, Target Corporation, Portland Metro, and SKATS Regional Transportation System Plan - 2002 Interim Update.

Table 2. Employment Potential At Project Buildout

Support Economic Development

At build out, the total value of development on the Creek site is anticipated in the range of \$300 million to \$360 million. The economic impact of this activity will be much greater, however, because the project will generate construction jobs, increased purchases of goods and services from existing Salem businesses, investment of debt and equity by local sources, and increased economic support for Salem's existing office and retail districts—particularly downtown Salem.

Increase Tax Base of the City of Salem

The property is currently State-owned and generates no tax revenue for the City of Salem. Once developed, and following the expiration of any tax increment financing mechanisms, the project will constitute one of Salem's largest sources of tax revenue. Moreover, as the project will have no residential components, it will have minimal direct impact on public services such as schools, and reduced demand on services such as police (relative to a similar investment in residential development).

Leverage Existing Resources

The project will provide an opportunity for the area's technical colleges and trade schools to form partnerships with firms located in the SREC. In addition, the project will support increased utilization of McNary Field for general aviation and possibly encourage a return of regional and/or national air carrier passenger service to Salem.

Protect the Natural Environment

The site plan also adopts the approach of avoiding existing wetlands wherever possible. By approaching the site's environmental resources from a holistic, rather than piecemeal perspective, the plan provides larger continuous habitat and wetlands environments that can potentially be incorporated into a trail system. As the area is currently inaccessible to the public, the proposed project will increase public access and enjoyment of the site's natural resources. ■



Source: Tom Fox/The SWA Group

Development Program

A development program is a narrative description of how a property or area should be developed. The program serves as a guide to the physical planners (land planner, architect, landscape architect, and others) who are responsible for translating the narrative program into a physical plan. The development program describes the overall identity for the project including theme, image and attributes to be merchandized. The overall objective is to capture target markets, ensure an adequate funding stream for on-site and off-site infrastructure improvements, and create a positive, long-term identity for the project.

The development program goes far beyond what is found at a typical industrial park. Instead, the program recognizes the unique opportunity to create the SREC with a variety of industrial and employment environments. Distribution centers, light industrial parks, business parks, and support services will be integrated into an attractive and efficient environment. Such a center will meet the needs of companies serving markets throughout the Pacific Northwest and Northern California at a desired location along Interstate 5 extending from Portland to Eugene. This approach maximizes the sites' potential in several ways:

- *A variety of compatible industrial, employment, and support uses will accelerate market acceptance and therefore, development of the property.*
- *A regional employment center meets the intent, spirit and expectations of the Salem Futures growth concept. Industrial and employment uses are compatible with the adjacent correctional institutions.*
- *Employment uses have proven to be a better neighbor to wetlands and areas of habitat than housing (less 24-hour human habitation, less lawn fertilizer, no pets, etc.).*
- *A broad range of employment components within the overall center can accommodate local employment needs while attracting new businesses and family wage jobs into the greater Salem community.*

- To serve the needs of potential employers, the proposed SREC is being planned to accommodate a variety of project components including:
 - o Warehouse and distribution
 - o Light industry and manufacturing
 - o Technology
 - o Flex space
 - o Commercial
 - o Supporting commercial services



Source: Chamberlin Associates

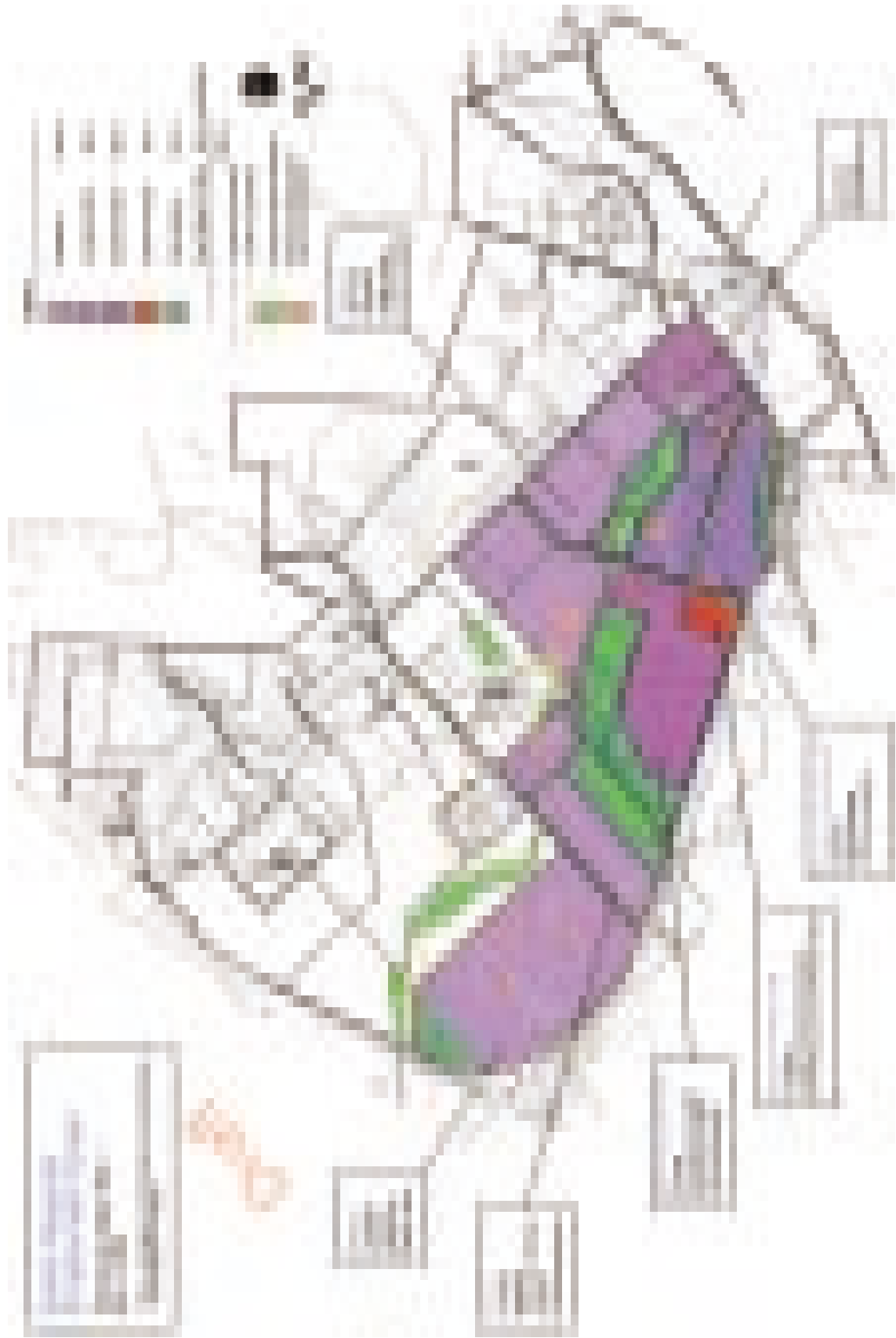
Supporting uses include a very limited amount of retail commercial and services designed to serve tenants, employees, and guests within the SREC as well as nearby residents and drive-by traffic.

Land Allocation

Phase	Land use description	Sub Acres
IA	Industrial Park - Light Industrial/5-20 acre parcels	80
	Business Park - Flex space with light industrial and office, 2-10 acre parcels	72
	Service Center - Locally oriented commercial services (e.g., food, banking, retail)	10
IB	Large Industrial - Large user, one or two parcels (potentially warehouse/distribution center)	126
IC	Large Industrial - Large user 10-20 acre parcels, includes prison-related employment	39
	Inmate Employment -	12
IIA	Large Industrial - Large users, 40+ acre parcels	126
IIB	Business Park	33
Total		498

Source: Leland Consulting Group and Oriskany

The development program provides a complementary balance of different employment uses and is intended to maximize both employment and revenue generation. Providing a variety of uses allows employment centers to succeed throughout business cycles by offering a range of building types that satisfy a wide market. The inclusion of office and flex buildings can also provide attractive frontage for some development and act as a buffer between pure industrial uses and the adjacent community. Landscaping will also be used to buffer uses adjacent to public right of way. The program components are summarized in Table 3 and Figure 2 and are described in greater detail in the text that follows.



Source: Ofak

Figure 2. Proposed Development Program

Program Components

The full spectrum of employment opportunities at the SREC will provide users with operating efficiencies, allow companies to co-locate different aspects of their operations, and maximize their rate of employment and tax revenue generation.

Source: Gary Knight and Associates / IDI



Distribution Center

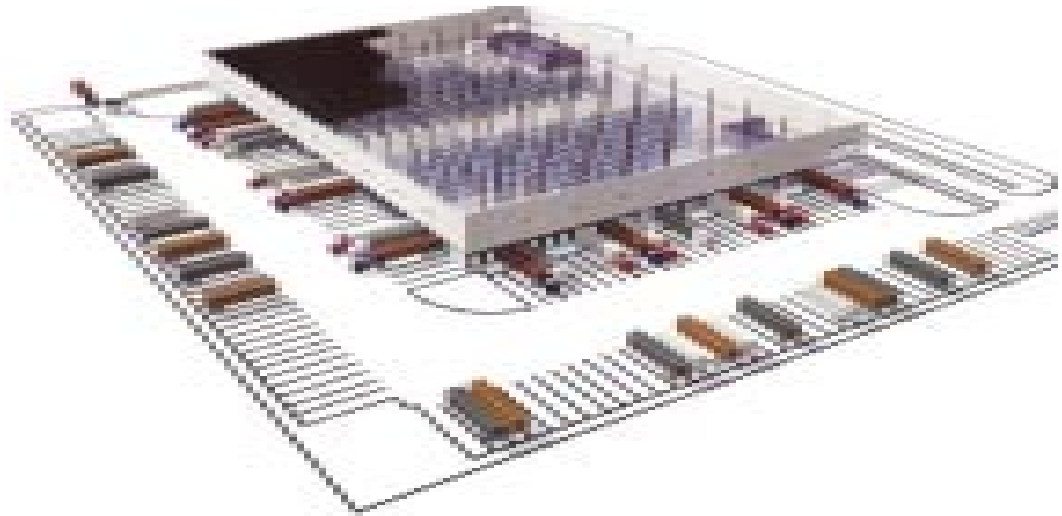
The warehouse distribution center portion of the SREC is defined as a regional hub, intended to provide cost competitive sites with access to major population centers. The close proximity to Interstate 5 will allow warehouse and distribution facilities located at the SREC to readily access Seattle to the north and the San Francisco Bay Area to the south. The site is also suitable for serving points of product accumulation such as the Port of Portland.

Warehouse distribution use is currently the strongest sector of the industrial employment market and is anticipated to remain so for the near future. As a result, the largest portion of the SREC program is planned to accommodate distribution uses. The development program allocates 126 acres for warehouse distribution in Phase IB, up to 39 acres in Phase IC, and up to 126 acres in Phase IIA, for a total of up to 291 acres, as summarized in Table 4.

	Phase IB	Phase IC*	Phase IIA	Total
Land Allocated to Use	126	39	126	291
Net Land After Internal Circulation	123.9	37.4	123.5	284.8
Floor Area Ratio	0.35	0.35	0.35	0.35
Building Area	1,889,294	569,892	1,882,169	4,341,354
Square Feet per Employee	1,575	1,575	1,575	1,575
Employment at Build Out	1,200	362	1,195	2,756
* Excludes 12 acres of inmate employment				

Source: Leland Consulting Group, Urban Land Institute Guide to Classifying Industrial Property, and Target Corporation.

Table 4. Warehouse / Distribution Center Program



Source: ULI Guide to Classifying Industrial Property

Distribution warehouses are the dominant, and typically exclusive, building type in distribution centers. The size of these structures has increased over time with newly constructed facilities sometimes exceeding one million square feet and serving far more expansive geographic areas than in the past. Nestlé, for example, is consolidating 37 warehouses around the United States into eight giant warehouses.² The typical Target distribution center is 1.3 million square feet and employs between 700 to 1,000 people, or 1,300 to 1,850 square feet per employee.

The SREC site is expected to attract two or more large distribution facilities (350,000 to over one million square feet). Because of the requirements for truck circulation and parking, site coverage is slightly lower than for other industrial uses, as seen in Table 5.

Source: Urban Land Institute Guide to Classifying Industrial Property

Size (Square Feet)	Percentage Office	Percentage Manufacturing	Ceiling Height	Dock Ratio	Site Coverage
100,000 to over 1 million	Below 5%	0%	30'+	1 dock per 5,000 square feet or less	30% to 40%

Table 5. Configuration of Distribution Warehouse Buildings

² Urban Land Institute Business Park and Industrial Handbook, Second Edition.

Source: Cary Knight and Associates / IDI



Industrial Park

The industrial park portion of the SREC will cater to light industry and manufacturers, regional warehouses, and flex space users. Industrial park uses are proposed for approximately 80 acres within Phase IA and 12 acres of inmate related employment within Phase IC. Typical industrial park structures include warehouses, light and heavy manufacturing facilities, and flex space.

Lot sizes are expected to range from 5 to 10 acres in Phase IA to over 40 acre sites in phase IIA. The predominant building types in phases IA and IC are expected to be light manufacturing, multi-tenant, and flex buildings. Phase IIA can accommodate these uses or, potentially, heavy manufacturing or large-scale warehouse and distribution uses.

Manufacturing buildings will be confined to areas set back from Kuebler Road; areas with direct visibility from Kuebler Road will be reserved for flex structures built to office-like exterior design standards. This use of 'liner' buildings along frontages is common to many higher quality industrial parks.

Industrial park employment density varies significantly by use. In Portland, for example, machinery equipment workers require 300 square feet, food-manufacturing workers require 650 square feet, and textile-manufacturing workers require 930 square feet. In Salem, average industrial employment density is 15 workers per acre or, assuming a floor area ratio (FAR) of 0.40, 1,170 square feet of building per worker.³

The Industrial Park/Manufacturing Program is summarized in Table 6.

Source: Urban Land Institute Guide to Classifying Industrial Property, Portland Metro 1999 Employment Density Study, and Leland Consulting Group.

	Phase IA	Phase IC*	Total
Land Allocated to Use	80	12	92
Net Land After Internal Circulation	76.7	12	88.7
Floor Area Ratio	0.40	0.40	0.40
Building Area	1,336,181	209,088	1,545,269
Square Feet per Employee	1,170	1,170	1,170
Employment at Build Out	1,142	179	1,321
* Includes inmate employment			

Table 6. Industrial Park/ Manufacturing Program

³ Portland Metro 1999 Employment Density Study and SKATS Regional Transportation Systems Plan - 2002 Interim Update.

Source: IDI



Business/Corporate Park

A business park is a multi-building development planned to accommodate a range of uses, from light industrial to office space, in an integrated park-like setting with supporting uses for the people who work there. Business parks are similar to industrial parks except that, while retaining a predominately industrial identity, they incorporate a greater amount of office space and are designed to provide a more attractive environment for employees and visitors.

Corporate parks are the latest step in the evolution of business parks. Often located at high profile sites, they may look like office parks, but often the activities and uses housed in them go beyond traditional office space to include research laboratories, flex space, and even light manufacturing. These new style corporate communities place considerable emphasis on their environments. Not only are they typically more integrated with surrounding neighborhoods, they also provide a sense of place for the community and employees working there. For example, Cisco System's 143-acre campus in Fremont, California features, office, R&D, and warehouse and distribution as well as services such as shopping and transit.

Source: IDI



The employment density associated with Business/Corporate parks will depend heavily on the mix of office versus other uses. Office uses can have relatively high employment densities (300 square feet per employee or less), while warehouse and manufacturing uses require more space per worker. Assuming a 30 percent office buildout (at 300 square feet per worker) and a 70 percent industrial buildout (at 1,170 square feet per worker), it is estimated that the Phase IA and IIB business parks would achieve an employment density of approximately 910 square feet per worker.

The Business/Corporate Park program is summarized in Table 7.

Source: Urban Land Institute Guide to Classifying Industrial Property, Portland Metro 1999 Employment Density Study, and Leland Consulting Group.

	Phase IA	Phase IIB	Total
Land Allocated to Use	72	33	105
Net Land After Internal Circulation	68.5	31.3	99.8
Floor Area Ratio	0.30	0.30	0.30
Building Area	894,965	409,256	1,304,221
Square Feet per Employee	910	910	910
Employment at Build Out	983	450	1,433

Table 7. Business/Corporate Park Program



Service Center

Expectations for on-site amenities and services for employees have become higher in recent years. Convenient access to services such as restaurants, lodging, banking, personal services (barber, cleaners, etc.), service station, and other convenience-oriented facilities strengthen the working environment and can be important determinants in attracting potential employers.⁴ Locating some commercial services on site also reduces vehicle miles traveled (VMT) by enabling employees to meet daily needs (food, banking, etc.) without having to leave the site.

While a major commercial presence at the project is not appropriate, a limited allocation of supporting commercial retail and services will provide needed amenities to the SREC. The land assigned to this element is estimated at 10 acres. In order to maximize access to this use, the service center would be located along Kuebler Boulevard in close proximity to the most employment intensive uses.

Based on retail employment density in Salem, the service

center is anticipated to employ approximately one worker per 415 square feet, as summarized in Table 8.

Source: Urban Land Institute Guide to Classifying Industrial Property, Portland Metro 1999 Employment Density Study, and Leland Consulting Group.

	Phase IA
Land Allocated to Use	10
Net Land After Internal Circulation	9.0
Floor Area Ratio	0.25
Building Area	97,851
Square Feet per Employee	415
Employment at Build Out	236

Table 8. Service Center Program

Correctional Work Facility

The Department of Correction Services requires that a small amount of land be made available for industries that will provide work opportunities for inmates. The Oregon Legislature has mandated inmate employment standards. This use can best be accommodated on an easily secured portion of the property in the vicinity of the Santiam Correctional Facility.

⁴ Urban Land Institute Business Park and Industrial Handbook, Second Edition.

Phasing

A phased approach to development best responds to the size of the SREC and the limited public resources for infrastructure construction. The phasing plan anticipates that Phase I development will occur first in the western portions of the property that can be developed with the least expensive infrastructure investments. Revenue generated by the development of Phase I will be used to support infrastructure investments needed to prepare Phase II areas for development.



Source: Apple Computer

Phase I

The earliest sales and development are expected to occur in areas with the least infrastructure investment needs. State sponsored grants and loans may provide the initial revenue required to prepare any of three areas (IA, IB and IC) as shown in Figure 2 (page 17) for development. Development related revenues (SDC and tax increment) will then be used to fund infrastructure required to develop the remainder of the site.

Phase IA consists of a 148-acre portion of the site along Kuebler Road that will include a business park, industrial park, and service center. This approach is appropriate because:

- *Visibility and access from Kuebler Road make this area most suitable for a business and industrial park built to architectural and landscaping standards.*
- *The Phase IA area's higher concentration of employees, as well as its visibility and access from Kuebler Road, make it a logical location for a service center. As the Phase IA area successfully attracts business and industrial park development, a service center should be developed to serve businesses located within the SREC.*

Phase IB consists of a 126-acre parcel at the northernmost portion of the property that will be sold for warehouse distribution use. This approach is appropriate because:

- *Access to Kuebler road makes this area suitable for one or two large users, such as warehouse or distribution centers.*
- *Landscaping will limit visibility from Kuebler Road.*

Phase IC will consist of industrial employment, potentially including warehouse distribution use, and will also incorporate employment associated with the Marion County Jail.

Source: Gary Knight and Associates / IDI



Source: James Oesch Photography/Donnelly, Lederer, Vujcic





Phase II

Phase II is distinguished from Phase I by the additional infrastructure investments required to support development on this portion of the property. While Phase IIA is reserved for large industrial or warehouse/distribution users, Phase IIB is planned to accommodate business park office or institutional users.

The decision to reserve Phase IIA for large users warehouse distribution or industrial users is driven by the following considerations:

- *Anticipated future market demand for warehouse distribution sites is strong.*
- *The parcel can accommodate large warehousing and distribution users or development as an industrial park.*
- *Extended time horizon prior to development makes it desirable to retain program flexibility in order to adjust to future market conditions.*

The decision to plan Phase IIB for business park or institutional use is driven by the following considerations:

- *Slopes make this area suitable for smaller building footprints including light industrial, flex space, offices, or institutional buildings.*
- *Topography separates this parcel from other portions of the property.*
- *Elevation provides potentially attractive views, which would achieve a greater premium for these types of users.*



Implementation Strategy



The implementation strategy outlines the steps involved in transforming the property into the SREC. In general, these actions fall into two categories: 1) preparing the site to accommodate a regional employment center, and 2) attracting development that supports public goals.

As part of the process for defining the SREC development program, a series of confidential interviews was held with senior representatives of major industrial and business park development organizations. Companies interviewed included:

- *IDC*
- *Melvin Mark Development Company*
- *Opus Northwest*
- *PacTrust*
- *Panattoni Development Company*
- *Specht Development*

The developers reviewed the land use allocation by product type, the phasing schedule, and the land release price schedule. With very limited exception, all of the interviewed developers supported the program and schedules.

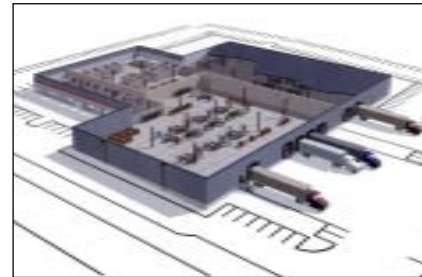
The developers consistently supported the strategy that



Source: Don Wong Photography/Julie Snow Architects

the primary demand, at least in the initial years, will be generated by warehousing and distribution companies. No developers felt that other markets should be in any way neglected; however, the primary thrust for a major land sale and initial investment should be targeted to warehousing and distribution. Developers consistently reiterated the need for flexibility in the program. In addition, developers stated that the entitlement process should allow adjustments to the allocation of uses as necessary to address market demand while respecting adopted City and State goals.

Once a tenant makes the decision to locate at the SREC, it is very important to be able to provide a finished building in a very short period of time, often in as few as four to six months. Achieving these targets requires that most entitlements be in place, and that any additional permits can be processed in a timely and predictable manner. Success also requires a development organization with experience in meeting the demands of national firms and the ability to construct products to the center's standards. Covenants conditions and restrictions (CCRs), which specify quality and maintenance standards and can be enforced privately, offer a valuable tool for ensuring quality development while minimizing delays associated with public design review processes.



Source: ULI Guide to Classifying Industrial Property

The major milestones in achieving this program vision are as follows:

- *Formalize partnership between the City and State through an IGA;*
- *Institute zoning and other entitlements required for the development of the property;*
- *Assure phased provision of off-site infrastructure and any publicly funded on-site expenses;*
- *Initiate a coordinated marketing effort;*
- *Qualify developers through a Request For Qualifications (RFQ) process; and*
- *Negotiate disposition of property through a Memorandum Of Understanding (MOU) followed by a Disposition and Development Agreement (DDA) including covenants, conditions and restrictions (CCRs).*

While the process has complexities and associated costs, it will ensure that the property can attract and support employment uses, and that the resulting development meets the criteria established by the City and State. The following section details the actions and reasoning informing each of these steps.



Source: John Gillan

Formalize Intergovernmental Agreement

The City of Salem and the State of Oregon are in the process of negotiating an intergovernmental agreement (IGA). This document will define the rights and responsibilities of each party as they work together to establish the SREC. The IGA will address:

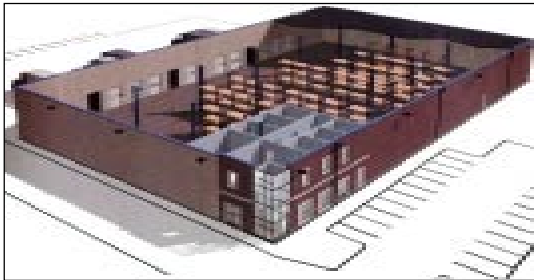
- *Goals;*
- *Costs to be borne by each party; and*
- *Participation of each party in different phases of the process.*



Source: Beth Singer

As described earlier, the City and State have already reached a MOU that lays out the principles upon which the IGA will be based. These principles are as follows:

- *Develop the Mill Creek property as an employment center, which can include a combination of distribution, warehousing, manufacturing, flex, and office, with limited supporting retail and service uses. Use of portions of the property for improved habitat and recreational activities that can be developed concurrent with employment development. Mitigate environmentally sensitive areas within the developed portion of the property.*
- *Deliver jobs to residents of the region and increased tax revenue to the City and the State to fund essential programs.*
- *Sell the Mill Creek property at or above the property's fair market value in order to provide funds for state designated purposes.*
- *Provide for joint approval of the following:*
 - o *A financing plan for predevelopment and land use approval costs, as well as for providing needed infrastructure improvements necessary to allow for development of the Mill Creek property.*
 - o *A master site plan, transportation plan, zoning plan, and marketing plan informing the successful implementation of the SREC.*



Source: ULI Guide to Classifying Industrial Property

Provide Zoning and other Entitlements

Before the site can accommodate potential users, a new zone as well as an amendment to the comprehensive plan must be in place. The first part of this effort, an Economic Opportunity Analysis, is already underway. This analysis is a requirement of state land use laws.

In addition to zoning, efforts will be made to address wetlands permits in a proactive manner. The goal will be to seek approval from the Army Corps of Engineers and the Department of State Lands for a plan that addresses the site's water and wetland systems in a comprehensive manner. Such an approach will relieve developers of the need to pursue separate permit applications, and will ensure that the area's wetland systems are addressed in an integrated fashion.



Establish Covenants Conditions and Restrictions

While zoning is essential to establishing the overall uses that will be allowed within the SREC, covenants, conditions and restrictions (CCRs) are the appropriate mechanism for ensuring the *quality* of development. Unlike zoning, CCRs are enforceable by other property owners within the park, usually through deed restrictions. In cases where a property is out of compliance, affected property owners have the authority to cure violations at the delinquent property owner's expense. Rather than discouraging development, quality and maintenance standards encourage investment by assuring developers that surrounding development will contribute to the image and desirability of their property.

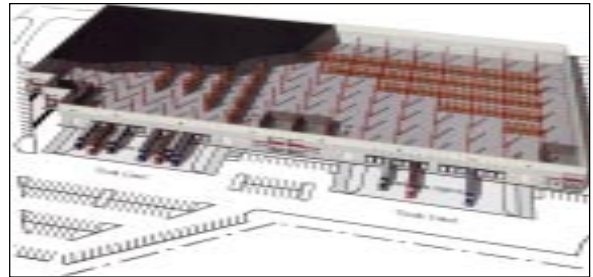
Source: Gary Knight and Associates/IDI



Provide Infrastructure

Off-site infrastructure will be provided in phases and property will be sold with assurances that off-site infrastructure will be provided in order to allow a steady flow of building permits. This can be accomplished through a combination of measures including system development charges, tax increment financing, and, potentially, low interest state loans. In general, the areas described as Phase IA in the program map can be developed with minimal off-site infrastructure investment, while Phase IB would require the extension of a sewer line. More extensive investment in utility and transportation improvements will be required prior to development of Phase II.

The State/City partnership will provide mitigation land, and intends to provide a pre-approved master strategy for stormwater and wetland mitigation. Subject to negotiation, private developers may take responsibility for the conveyance of water to mitigation areas and for the actual construction and maintenance of mitigation areas. Alternatively, wetland mitigation will be constructed by the State/City partnership.



Source: ULI Guide to Classifying Industrial Property

Marketing

The marketing strategy will involve both local and national expertise. Sites identified for distribution use can be marketed either by the developer selected through an RFQ process or possibly through an exclusive brokerage agreement. Non-distribution sites will be marketed directly to a qualified private sector development organization. SEDCOR will play an important role in identifying potential tenants and working as part of the marketing team.

Request for Qualifications

The State of Oregon (DAS) with the participation of the City of Salem will conduct a competitive RFQ process to select one or more private sector development organization to purchase and develop the site. Experience with large-scale industrial development, integrity, marketing capability, financial capacity, and a shared vision for the SREC will be criteria in selecting the developer.

Disposition and Development Agreement

The DDA will be a negotiated contract between the selected developer, the State of Oregon DAS, and the City of Salem. The contract will address the rights and responsibilities of all parties and provide mechanisms for relief in instances of non-performance. It is anticipated that the document will, at minimum, address the following issues:

- *Location and price of purchased parcel;*
- *Land banking or other phased purchase terms;*
- *Performance requirements for the development organization (such as timetables for marketing, land development, and vertical development), along with clawback provisions in the event of non-performance; and*
- *Rights of development organization relating to purchase of additional portions of the property (such as exclusivity, options to purchase, or rights of first refusal).*



Financial Feasibility

The SREC program must be financially feasible for both the public and private sectors. For the private sector, this means that users must be willing to pay a price that supports the acquisition of land and the construction of improvements. For the public sector, feasibility means that the property can be sold at appraised value and that the project generates sufficient revenue to generate tax increment and system development charges necessary to finance the cost of required off-site infrastructure improvements. Analyses by the SREC consulting team and city and state staff indicate that the program will be feasible for both the public and private sectors. By phasing land sales and development, as well as the infrastructure investments required to support that development, the SREC program distributes public costs over time, and avoids prematurely oversupplying the market's demand for industrial land.

Provision of Infrastructure

Total public infrastructure costs are estimated to be approximately \$33.4 million as summarized in Table 9 below at left.

The timing of required wetland mitigation and transportation improvements is still being determined. Wetland mitigation could be provided in one effort at the start of the project or could be phased. It is anticipated that transportation improvements would be phased over the life of the project. Preliminary estimates for wetland mitigation costs total approximately \$3.26 million, while transportation improvements are anticipated to total \$12.45 million.

Water, sewer, and stormwater investments would be tied to the development of specific parcels and are preliminarily estimated to total approximately \$17.75 million. Of this amount, approximately \$3.5 million would be required for development of Phase IA, while development of the Phase IB and Phase IC areas will require investments of approximately \$4.5 million. Development of Phase II areas will require investments of approximately \$9.75 million.

As the Phase I portion of property will require less infrastructure investment, it is planned to be developed first. Revenue generated through system development charges and tax increment will be banked to fund infrastructure required for Phase II.

Water	\$4,250,000
Sewer	\$4,250,000
Storm	\$9,250,000
Wetlands	\$3,260,000
Transportation (from DKS memo, 12/5/03)	\$12,453,000
Total	\$33,463,000

Source: Tashman Johnson LLC, City of Salem, Clark, and DKS.

Table 9. Preliminary Infrastructure Costs as of April 12, 2004.

Raw Land Sales

The State Legislature (and Oregon State law) has stipulated that the Mill Creek property be sold at or above appraised value. To determine this value, Integra Realty Resources conducted an appraisal indicating a combined value for the parcels described in the development program of between \$28,500,000 and \$34,000,000, with parcel values ranging from \$1.25 to \$1.75 per square foot for industrial and business park uses (average \$1.50 per square foot) to \$4.00 to \$5.00 per square foot for Service Center land. These values assume that necessary zoning is adopted and in place, that requisite utilities are available to the site, that required infrastructure improvements are completed or otherwise assured, and that a plan is in place to satisfy any wetlands related requirements.

Discussions with industrial developers confirmed that this sales price of an average of \$1.50 per square foot for the larger parcels was achievable. It is unlikely however, that a developer will have the desire or capacity to purchase all of this property at one time. Instead, it is anticipated that a developer will acquire land over time. The projected land sales schedule is presented below in Table 10.

		0	1	2	3	4	5	6	7
	Total Acres Sold	2005	2006	2007	2008	2009	2010	2011	2012
Acres Sold									
IA Business Park	72.0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
IA Industrial Park	80.0		10.0		10.0		12.0		12.0
IA Service Center	10.0			5.0		5.0			
IB Large User (Distribution Center)	126.0		63.0		63.0				
IC Industrial Park (Excluding Inmate Employment)	39.0						39.0		
IC Industrial Park (Inmate Employment)	12.0	12.0							
IIA Industrial Park	126.0								42.0
IIB Business Park	33.0								
Total	498	19.5	80.5	12.5	80.5	12.5	58.5	7.5	61.5
		8	9	10	11	12	13	14	15
	Total Acres Sold	2013	2014	2015	2016	2017	2018	2019	2020
Acres Sold									
IA Business Park	72.0	7.5	4.5						
IA Industrial Park	80.0		12.0		12.0		12.0		
IA Service Center	10.0								
IB Large User (Distribution Center)	126.0								
IC Industrial Park (Excluding Inmate Employment)	39.0								
IC Industrial Park (Inmate Employment)	12.0								
IIA Industrial Park	126.0		42.0		42.0				
IIB Business Park	33.0		3.0	7.5	7.5	7.5	7.5		
Total	498	7.5	61.5	7.5	61.5	7.5	19.5	0.0	0.0

Source: Leland Consulting Group

Table 10. Land Sales Schedule

Raw Land Sales Revenue by Year

Using the appraised value of land and the sales schedule from Table 10, projected raw land sales revenue by year is presented in Table 11.

Use	PPSF/ Total Revenue	0	1	2	3	4	5	6	7
		2005	2006	2007	2008	2009	2010	2011	2012
IA Business Park	\$1.50	\$490,050	\$490,050	\$490,050	\$490,050	\$490,050	\$490,050	\$490,050	\$490,050
IA Industrial Park	\$1.50	\$0	\$653,400	\$0	\$653,400	\$0	\$784,080	\$0	\$784,080
IA Service Center	\$5.00	\$0	\$0	\$1,089,000	\$0	\$1,089,000	\$0	\$0	\$0
IB Large User (Distribution Center)	\$1.50	\$0	\$4,116,420	\$0	\$4,116,420	\$0	\$0	\$0	\$0
IC Industrial Park	\$1.50	\$0	\$0	\$0	\$0	\$0	\$2,548,260	\$0	\$0
IC Inmate Employment	\$1.50	\$784,080	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IIA Industrial Park	\$1.50	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,744,280
IIB Business Park	\$1.50	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$1.57	\$1,274,130	\$5,259,870	\$1,579,050	\$5,259,870	\$1,579,050	\$3,822,390	\$490,050	\$4,018,410
Use	PPSF/ Total Revenue	8	9	10	11	12	13	14	15
		2013	2014	2015	2016	2017	2018	2019	2020
IA Business Park	\$1.50	\$490,050	\$294,030	\$0	\$0	\$0	\$0	\$0	\$0
IA Industrial Park	\$1.50	\$0	\$784,080	\$0	\$784,080	\$0	\$784,080	\$0	\$0
IA Service Center	\$5.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IB Large User (Distribution Center)	\$1.50	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IC Industrial Park	\$1.50	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IC Inmate Employment	\$1.50	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IIA Industrial Park	\$1.50	\$0	\$2,744,280	\$0	\$2,744,280	\$0	\$0	\$0	\$0
IIB Business Park	\$1.50	\$0	\$196,020	\$490,050	\$490,050	\$490,050	\$490,050	\$0	\$0
Total	\$1.57	\$490,050	\$4,018,410	\$490,050	\$4,018,410	\$490,050	\$1,274,130	\$0	\$0

Source: Leland Consulting Group and Integra Realty Resources

Table 11. Revenue from Land Sales

Value of Development

The cost of completed products was analyzed to determine both the feasibility of private development and to support an analysis of public finance. In depth discussions with industrial developers were used to estimate the cost of developing the different phases of the SREC as well as the structures within each phase. These costs were then compared to current asking prices in the Salem market. The value of buildings and the timing of sales are summarized below in Table 12.

Table 12. Value Of Property at Full Build Out

	IA Business		IA Industrial		IA Service		IB Warehouse		IC Industrial		IIA Industrial	
	Park	Park	Park	Park	Center	Center	Distribution	Center	Distribution	Center	Distribution	Center
Raw Land Sales												
Gross Acres	72.0	80.0	10.0	126.0	51.0	33.0						
Total Land Acquisition Cost	\$4,704,480	\$5,227,200	\$2,178,000	\$8,232,840	\$3,332,340	\$2,156,220						
Land Acquisition Per Gross SF	\$1.50	\$1.50	\$5.00	\$1.50	\$1.50	\$1.50						
Lot Development												
Net Acres	68.5	76.7	9.0	123.9	49.4	31.3						
Land Development Cost and Profit	\$8,096,726	\$8,665,937	\$3,407,250	\$11,895,035	\$5,250,208	\$3,751,775						
Value PSF of Useable Lot	\$2.71	\$2.59	\$8.71	\$2.20	\$2.44	\$2.75						
Building Development												
FAR	0.30	0.40	0.25	0.37	0.37	0.30						
Adjusted FAR (for conservative analysis)	0.27	0.36	0.23	0.33	0.33	0.27						
Adjusted Building Area	805,468	1,202,563	88,066	1,797,528	716,277	368,330						
Structure Development Cost and Profit	\$54,335,848	\$60,492,293	\$11,809,950	\$74,828,227	\$30,397,203	\$24,903,044						
Value PSF of Building	\$67.46	\$50.30	\$134.10	\$41.63	\$42.44	\$67.61						

Source: Leland Consulting Group

Schedule of Development

The timing of development is contingent on economic conditions that are external to the control of the Partnership. Based on discussions with industry experts and Oregon Economic and Community Development Department staff, it was projected that three large parcels for distribution could be absorbed between 2006 and 2011 and that an additional three large parcels could be absorbed during phase II, from 2013 to 2020. The absorption of non-distribution space was assumed to occur at a rate of less than 20 acres per year, representing approximately 50 percent of Salem's anticipated demand for such development, as shown in Table 13 below.

Use	Total Acres Built	0 2005	1 2006	2 2007	3 2008	4 2009	5 2010	6 2011	7 2012
IA Business Park	72.0		7.5	7.5	7.5	7.5	7.5	7.5	7.5
IA Industrial Park	80.0		0.0	10.0	0.0	10.0	0.0	12.0	0.0
IA Service Center	10.0		0.0	0.0	5.0	0.0	5.0	0.0	0.0
IB Large User (Distribution Center)	126.0		0.0	63.0	0.0	63.0	0.0	0.0	0.0
IC Industrial Park	39.0		0.0	0.0	0.0	0.0	0.0	39.0	0.0
IC Inmate Employment	12.0		12.0	0.0	0.0	0.0	0.0	0.0	0.0
IIA Industrial Park	126.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
IIB Business Park	33.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	498		19.5	80.5	12.5	80.5	12.5	58.5	7.5

Use	Total Acres Built	8 2013	9 2014	10 2015	11 2016	12 2017	13 2018	14 2019	15 2020
IA Business Park	72.0	7.5	7.5	4.5	0.0	0.0	0.0	0.0	0.0
IA Industrial Park	80.0	12.0	0.0	12.0	0.0	12.0	0.0	12.0	0.0
IA Service Center	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IB Large User (Distribution Center)	126.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IC Industrial Park	39.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IC Inmate Employment	12.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IIA Industrial Park	126.0	42.0	0.0	42.0	0.0	42.0	0.0	0.0	0.0
IIB Business Park	33.0	0.0	0.0	3.0	7.5	7.5	7.5	7.5	0.0
Total	498	61.5	7.5	61.5	7.5	61.5	7.5	19.5	0.0

Source: Leland Consulting Group

Table 13. Building Development Schedule

Value of Development by Year

The value of completed development by year was estimated to support the fiscal impact analysis. The projection, shown below in Table 14, is based on the estimated value of development shown in Table 12 and the projected development schedule shown in Table 13.

Table 14. Building Development Value, including both land and structure

	0	1	2	3	4	5	6	7
	2005	2006	2007	2008	2009	2010	2011	2012
Total Value								
IA Business Park	\$0	\$5,659,984	\$5,659,984	\$5,659,984	\$5,659,984	\$5,659,984	\$5,659,984	\$5,659,984
IA Industrial Park	\$0	\$0	\$7,561,537	\$0	\$7,561,537	\$0	\$9,073,844	\$0
IA Service Center	\$0	\$0	\$0	\$5,904,975	\$0	\$5,904,975	\$0	\$0
IB Large User (Distribution Center)	\$0	\$0	\$37,414,114	\$0	\$37,414,114	\$0	\$0	\$0
IC Industrial Park	\$0	\$0	\$0	\$0	\$0	\$0	\$23,244,920	\$0
IC Inmate Employment	\$0	\$7,152,283	\$0	\$0	\$0	\$0	\$0	\$0
IIA Industrial Park	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IIB Business Park	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annual Value of Development	\$0	\$12,812,267	\$50,635,635	\$11,564,959	\$50,635,635	\$11,564,959	\$37,978,748	\$5,659,984
Cumulative Value	\$0	\$12,812,267	\$63,447,902	\$75,012,861	\$125,648,496	\$137,213,455	\$175,192,203	\$180,852,187
Total Value								
IA Business Park	\$5,659,984	\$5,659,984	\$3,395,991	\$0	\$0	\$0	\$0	\$0
IA Industrial Park	\$9,073,844	\$0	\$9,073,844	\$0	\$9,073,844	\$0	\$9,073,844	\$0
IA Service Center	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IB Large User (Distribution Center)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IC Industrial Park	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IC Inmate Employment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IIA Industrial Park	\$24,964,473	\$0	\$24,964,473	\$0	\$24,964,473	\$0	\$0	\$0
IIB Business Park	\$0	\$0	\$2,263,913	\$5,659,783	\$5,659,783	\$5,659,783	\$5,659,783	\$0
Annual Value of Development	\$39,698,301	\$5,659,984	\$39,698,220	\$5,659,783	\$39,698,099	\$5,659,783	\$14,733,627	\$0
Cumulative Value	\$220,550,488	\$226,210,472	\$265,908,692	\$271,568,475	\$311,266,574	\$316,926,357	\$331,659,984	\$331,659,984

Source: Leland Consulting Group

Public Finance

Preliminary analysis performed by Tashman Johnson LLC indicates that the anticipated building values and development schedule will be adequate to finance required public infrastructure, as seen in Table 15. The projection is subject to further review and analysis, especially as relates to supply and demand for industrial land. The projections assume that all the incremental assessed value is used to retire urban renewal debt and no boundary adjustments are made to return revenue to the City and other taxing districts.

Revenues	
Present Value of Urban Renewal Debt Proceeds	\$ 35,979,877
Present Value of Total SDCs From Previous Analysis	\$ 7,853,086
Total	\$ 43,832,964
Costs	
Water	\$ 4,250,000
Sewer	\$ 4,250,000
Storm	\$ 9,250,000
Wetlands	\$ 3,260,000
Transportation (from DKS memo, 12/5/03)*	\$ 12,453,000
Total	\$ 33,463,000
* Excludes on-site roadways and "background mitigation projects"	

Source: Tashman Johnson LLC

Table 15. Preliminary Public Finance Feasibility Estimate as of April 12, 2004.

6 Conclusion

By accommodating a diverse mixture of employment uses and support services, the SREC will create opportunities for large firms to consolidate their operations in a single environment, allow smaller firms to co-locate with larger clients, and provide all firms with a quality of environment and package of support services that does not currently exist in the Mid-Willamette Valley. The depth and diversity of employment opportunities created by the SREC will draw thousands of new jobs for the Salem area, and provide a new anchor to the City's tax base.