

BAKER CITY ECONOMIC OPPORTUNITIES ANALYSIS

INVENTORY AND EVALUTION OF VACANT AND UNDERUTILIZED INDUSTRIAL AND COMMERCIAL SITES

November, 1996

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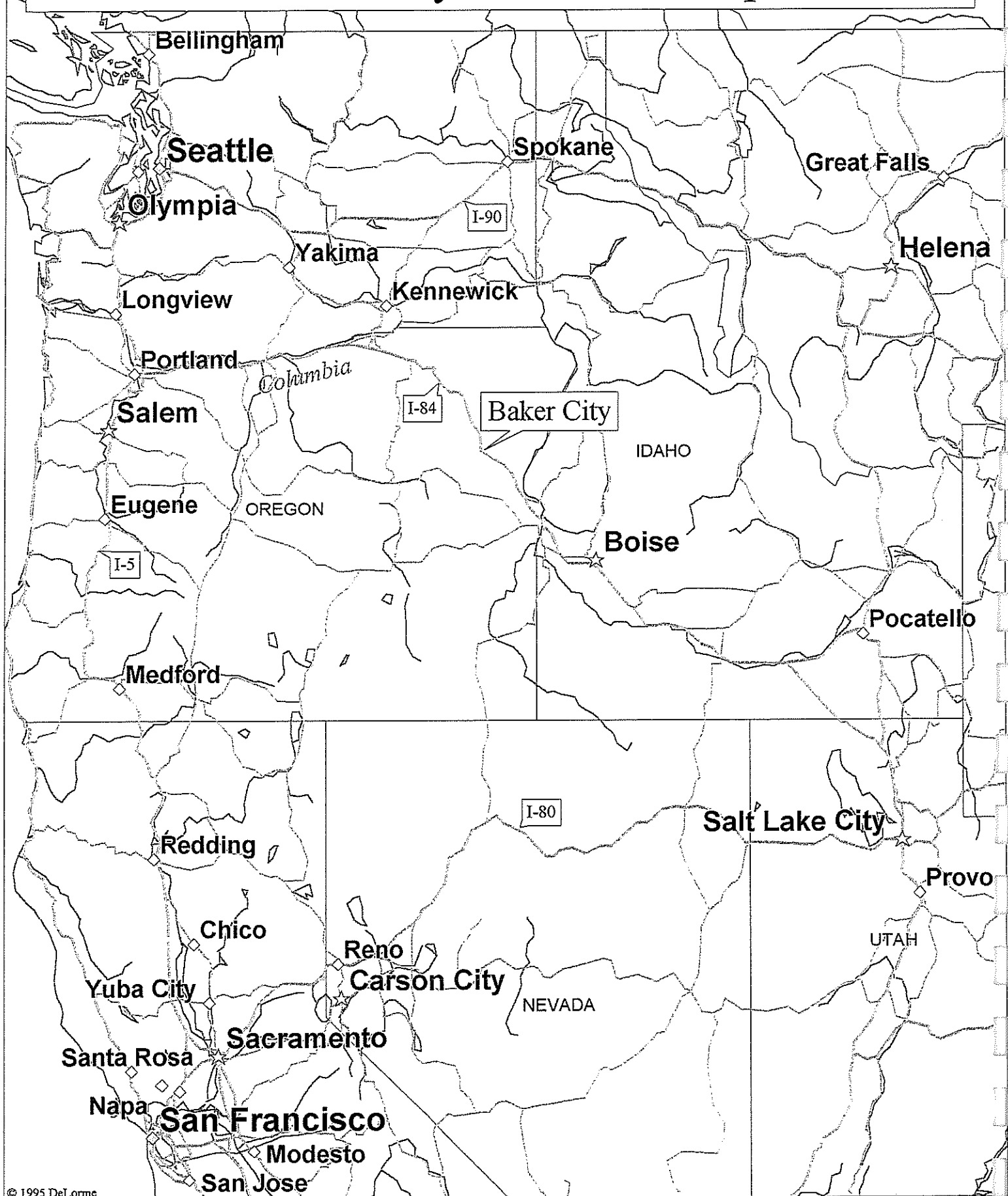
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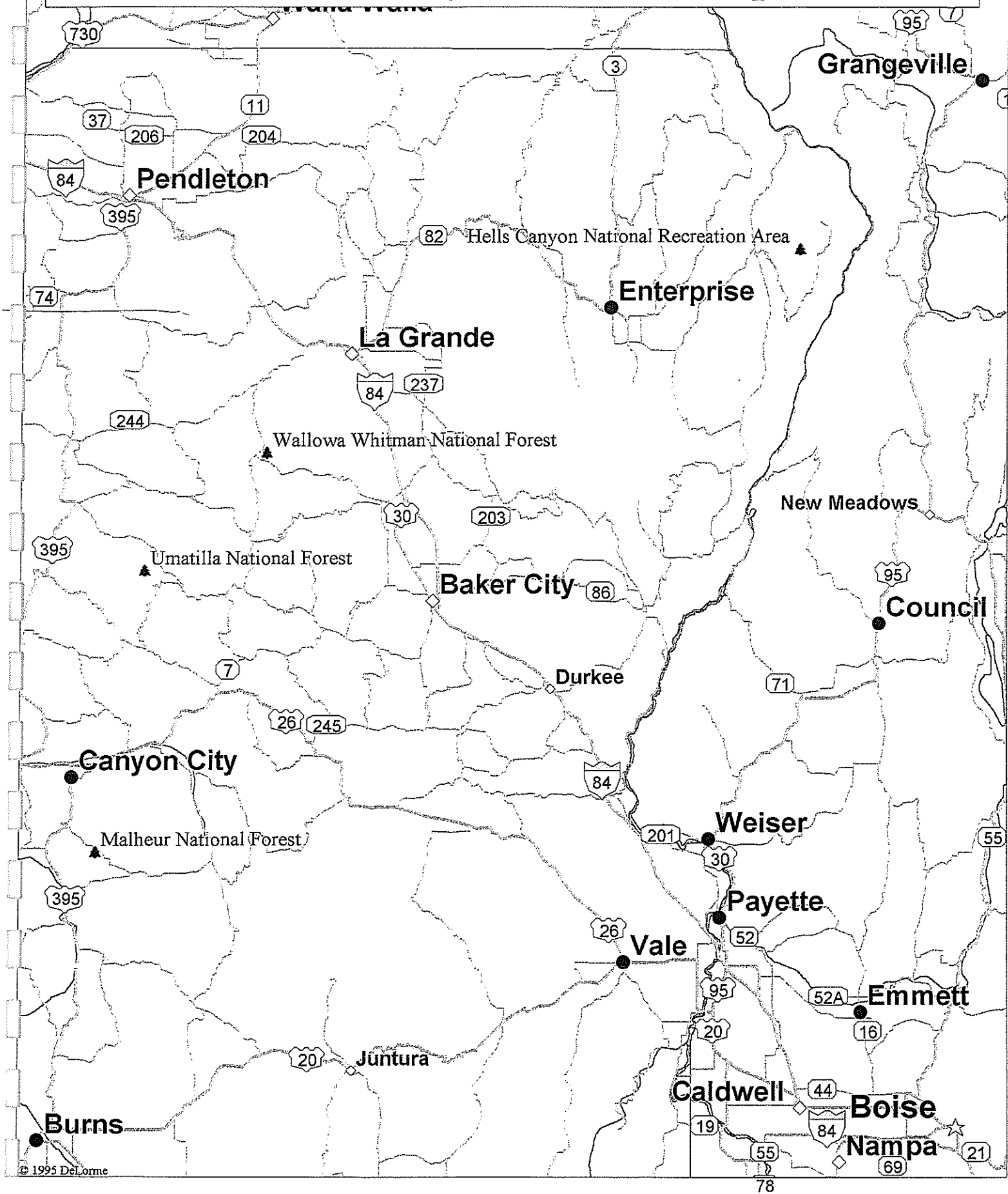
SECTION 5

Site maps and other location graphics are provided for a potential new site

Baker City Location Map



Baker City Location Map



BAKER CITY ECONOMIC OPPORTUNITIES ANALYSIS

SECTION 1: REVIEW OF NATIONAL, STATE AND LOCAL TRENDS

INTRODUCTION

This section provides an overview of national, state and local trends to identify the major categories of industrial and commercial uses that could reasonably be expected to locate or expand in Baker City. It presents current and trend data, including assumptions and forecasts where practical, with the purpose of defining existing levels of activities and predicted future levels of activity by sector.

It can be reasonably assumed that opportunities for location or expansion are based on one or more of the following criteria:

- (1) Overall growth of the sector
- (2) Shifts in the locational patterns of the sector
- (3) Enhanced capability of local area to participate in the sector

Based on these three criteria, high rates of growth are not necessarily required to qualify for location or expansion opportunities. Regional shifts in location patterns may be due to changing markets, changes in raw material supplies, or competitive drives to lower costs. Opportunities may also be driven by community actions which expand their support capabilities and enable them to provide serviceable and competitive locations, such as developing industrial sites or initiating labor force training programs. This last factor is explored in more detail in Section 4 in the Assessment of Community Economic Development Potential.

The review of activities and trends in this section begins at the national level, then narrows to the state and local levels. It quickly focuses on the major sectors operating in Baker City's regional market area and avoids detailed analysis of sectors that are not present in that market area. The purpose is not to provide a comprehensive analysis of the national and state economies, but to identify activities and trends in sectors that offer reasonable opportunities for location and/or expansion in Baker City.

NATIONAL TRENDS

The data and analysis presented in this part of the report are intended to provide useful insights into those factors that most influence demand for industrial sites through the location and expansion of industrial facilities, rather than a comprehensive economic overview.

1. General Economic Trends

The U.S. economy experienced its strongest overall growth in 1994 since the early 1980's with gross domestic product (GDP) increasing by 4.1 percent, employment for the year up over three million, and an annual average inflation rate of 2.6 percent. The year showed strength in consumer durables, business spending on equipment, residential construction, and inventory accumulation. Areas of weakness were Federal spending on goods and services and the international trade sectors, reflecting fiscal policy and a relatively softer global economy.

In the latter part of 1994 and the first part of 1995 the economy slowed and long-term interest rates declined. In the first and second quarter of 1995, GDP growth fell to 2.7 and 1.3 percent respectively at seasonally-adjusted annualized rates. Performance indicators during the spring fell sharply with a series of three declines in industrial production, a decline in leading indicators, and weakness in retail sales and employment growth.

This appears to have been a short-term correction, however, primarily associated with inventory corrections; it was essentially a period of slow growth within a long expansion. The underlying forces in the economy continued to be relatively strong, such as a low inflation rate, lower consumer debt burdens than in the 1980's, lower inventory levels, and strong banking and real estate markets. Third quarter GDP came back to an annualized growth rate of 4.2 percent.

Data for first part of 1996 show continuing low levels of inflation and a moderately expanding economy. Inflation rose only 2.9 percent on a one-year basis as of August, 1996, with a slight increase to 3.0 percent in September. Continued strength is also exhibited in business output, supported by a rebound in the trade sector and slow growth in consumer spending. The Business Week Production Index was up 7.1 percent in October, 1996, over the prior year and a GDP growth rate of 2.6 percent is predicted for the full year, with inflation at 3 percent or less and stable long term interest rates. Fiscal policies will continue to constrain Federal spending

Similar forecasts are made for 1997. The Federal Reserve has been effective in controlling inflation without raising interest rates and that policy is expected to continue, with some expectations of moderate increases in 1997 if inflation should show signs of threatening the economy.

Most economists predict continued slow growth for 1997. Economic growth has averaged 1.9 percent since 1990. Despite a temporary jump to 4 percent in the second quarter of 1996, most forecasters expect the economy to revert to an average annual growth rate in the range of 1.75 - 2.25 percent during the 1996 -1997 biennium.

One of the factors inhibiting higher growth rates is the low rates of savings and investment, which are running about 5 percent and 2 percent respectively. These rates are about one-half the rates experienced during prior high growth periods.

Statistically, some of the key figures representing the overall performance of the U.S. economy are shown below. These represent a consensus of bank and investment economists annual numbers for 1995/96 and forecasts for 1997:

Table 1-1: General Economic Indicators

	<u>1995/96</u>	<u>1997 Forecast</u>
GDP Growth	1.8 %	1.5 - 2.5 %
Inflation (CPI)	2.4 %	2.5 - 3.0 %
Employment Cost Index	2.6 %	2.5 - 3.0 %
Interest rates:		
30-month U.S. bonds	6.7 - 7.2 %	7.0 - 7.5 %
3-month T Bills	5.0 - 5.7 %	5.2 - 5.75 %
Prime rate	8.25 - 8.5 %	8.25 - 8.75 %

While some economists (and politicians) are concerned about what they call a "sluggish" economy growing at a rate of only two percent annually, even that historically low rate of growth means substantial expansion over the longer term. Over a period of ten years, for example, that rate of growth compounds into nearly 22 percent overall growth of the economy. Increasing the annual average to 2.5 percent compounds to more than 28 percent growth over a ten-year period. This longer-term outlook is fueling the expansion of new facilities at rates much higher than the growth of the overall economy.

2. Industrial Trends

The key component of the national economy influencing demand for industrial land is growth of the manufacturing sector. With capacity utilization averaging more than 85 percent during the past two years, it is not surprising that there has been significant growth in spending for plants and equipment, for both new facilities and expansions. According to the PPH Fantus Company, a leading site location firm, there were more than 4,000 new facilities built in 1994 and more than 6,000 in 1995.

A listing of new plants and expansions by SIC codes in 1995 shows 3,836 new or expanded facilities in the United States during that year. The following table shows the breakdown of those facilities by SIC code and by regional location within the country.

Table 1-2: 1995 U.S. Regional Distribution of Mfg. Growth by Industry

SIC MAJOR INDUSTRY GROUP	NE	MA	ENC	WNC	SA	ESC	WSC	MT	PC	TOT
20 Food & Kindred Products	2	19	64	45	63	29	52	11	34	319
21 Tobacco	0	0	0	0	2	1	0	0	0	3
22 Textile Mill Products	1	1	3	0	76	17	10	1	3	112
23 Apparel Products	1	2	4	0	48	30	19	1	7	112
24 Lumber & Wood Products	0	9	38	6	61	32	26	4	12	188
25 Furniture & Fixtures	0	4	20	1	28	27	11	3	12	106
26 Paper & Allied Products	0	18	50	6	37	24	19	7	15	176
27 Printing & Publishing	0	5	33	7	22	8	11	4	2	92
28 Chemicals & Allied Products	2	13	49	12	78	30	114	6	8	312
29 Petroleum Refining	0	1	9	2	3	6	21	1	4	47
30 Rubber & Plastic Products	2	15	142	13	92	50	37	5	15	371
31 Leather	0	1	4	1	6	0	1	0	2	15
32 Stone, Clay & Glass Products	0	8	40	3	34	14	19	4	10	132
33 Primary Metals	2	13	112	11	30	41	24	5	11	240
34 Fabricated Metal Products	4	7	111	12	62	33	43	5	19	296
35 Machinery, Except Electrical	5	16	170	27	94	39	31	10	27	419
36 Electrical & Electronic Equip.	11	19	92	13	90	27	50	28	38	368
37 Transportation Equipment	3	8	128	14	73	38	34	4	18	320
38 Instruments & Related Products	2	4	27	7	36	5	7	3	8	99
39 Miscellaneous Products	2	11	27	2	18	3	17	5	15	100
TOTAL	37	174	1,123	182	953	454	546	107	260	3,836

NE = New England MA = Middle Atlantic ENC = East North Central WNC = West North Central
 SA = South Atlantic ESC = East South Central WSC = West South Central MT = Mountain
 PC = Pacific

Source: Industrial Development Research Council

These data reveal some interesting information regarding both the types of industrial facilities being located or expanded in the United States as well as where those facilities are being constructed. Measured by percentages and ranked by the number of new or expanded facilities, the breakdown in 1995 was as follows:

Table 1-3: Rank Order of New & Expanded Facilities by SIC Group, 1995

SIC INDUSTRY GROUP	% of Total	PC % of Total
35 Machinery Except Electrical	10.9	6.4
30 Rubber & Plastic Products	9.7	4.0
36 Electrical & Electronic Equipment	9.6	10.3
37 Transportation Equipment	8.3	5.6
20 Food & Kindred Products	8.3	10.7
28 Chemicals & Allied Products	8.1	2.6
34 Fabricated Metal Products	7.7	6.4
33 Primary Metals	6.5	4.6
24 Lumber & Wood Products	4.9	6.4
26 Paper & Allied Products	4.6	8.5
32 Stone, Clay & Glass	3.4	7.6
22 Textile Mill Products	2.9	2.7
23 Apparel Products	2.9	6.3
25 Furniture & Fixtures	2.8	11.3
39 Miscellaneous Industries	2.6	15.0
38 Instruments & Related Products	2.6	8.1
27 Printing & Publishing	2.4	2.2
29 Petroleum Refining	1.2	8.5
31 Leather	0.4	13.3
21 Tobacco	0.1	0.0

This list essentially represents the "market" that Baker City and all other communities were competing for during 1995. There were additional plant locations and expansions not included in this list because their SIC code information was not disclosed or they were below the measurement size, but these numbers represent the major share of the total market. These figures will be referenced again later in this report to compare the national industry data against the industrial activity patterns in Baker City to see what share of the total represented realistic opportunities for Northeastern Oregon.

An indication of market share opportunities is revealed in the breakdown of plant locations and expansions by region. These are shown in Table 4.

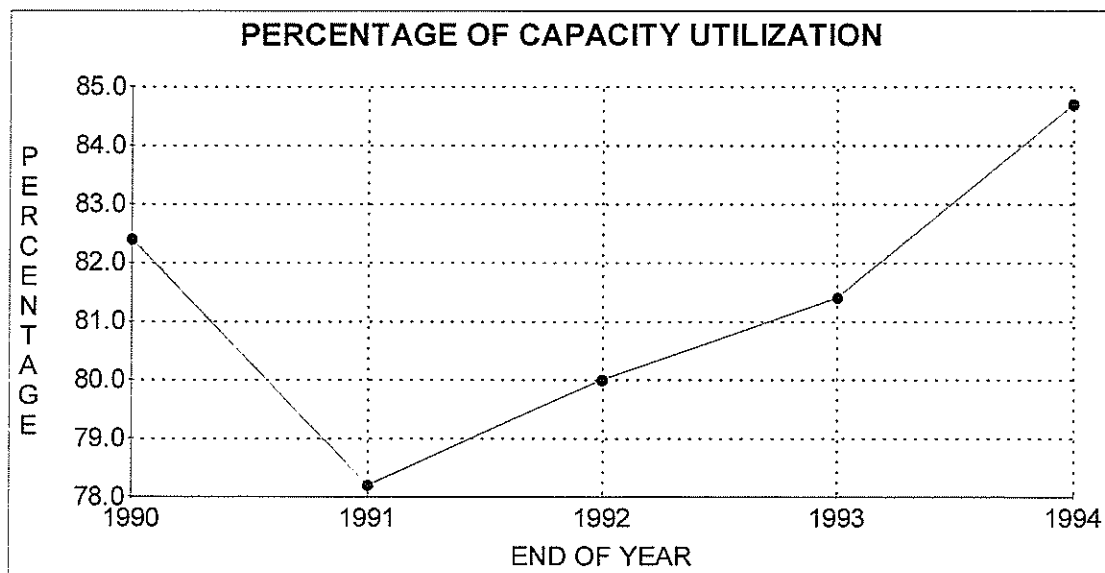
Table 1-4: Share of New & Expanded Facilities by Region, 1995

REGION	% of Total
New England	1.0
Middle Atlantic	4.5
East North Central	29.3
West North Central	4.7
South Atlantic	24.8
East South Central	11.8
West South Central	14.2
Mountain	2.8
Pacific	6.8

On a percentage basis, the Pacific Coast region captured its largest market shares in Miscellaneous Industries (15.0%); Leather Products (13.3%); Furniture & Fixtures (11.3%); Food & Kindred Products (10.7%); and Electrical & Electronic Equipment (10.3%). It is interesting that in the Lumber & Wood Products sector the Pacific Region captured only 6.4% of the national market, indicating the continuing shift to the southeastern and middle Atlantic regions of the country, although the Pacific Region was relatively strong in the Paper & Allied Products sector (8.5%). When it is considered that the Pacific Region includes California and Washington, however, it appears that Oregon's market share opportunities are fairly small.

Will 1995's relatively high level of activity in new plants and expansions continue? As noted above, much of this activity is caused by the current high levels of capacity utilization in U.S. industry. Chart 1 shows the trends in capacity utilization between 1990 and 1994 based on Federal Reserve figures.

Chart 1: Capacity Utilization



Capacity utilization can be expected to decline as the massive new investments in plant and equipment come on line. Signs of this occurring are already showing up in some sectors of the economy. In terms of dollar volume of new plant and equipment investment, the electrical and electronic equipment category led the list in 1995 with thirteen new or expanded chipmaking plants recording investments of \$1 billion or more. In the third quarter of 1996, however, chip production took a nose-dive as world demand softened. Predictions call for substantial oversupply of capacity as the plants started in 1995 are completed. As an indication of how the industry is reacting, Micron Technology's \$1.2 billion memory chip production plant near Salt Lake City has been put on a three-year hold until the market stabilizes. Other announced projects can be expected to share this fate.

Despite these sectoral adjustments, the overall demand for new and expanded facilities across the nation should continue to produce the need for industrial sites to accommodate them. Continued overall economic growth, even at low rates, will require that new capacity be developed to meet both the increased demand and to replace obsolete facilities.

OREGON TRENDS

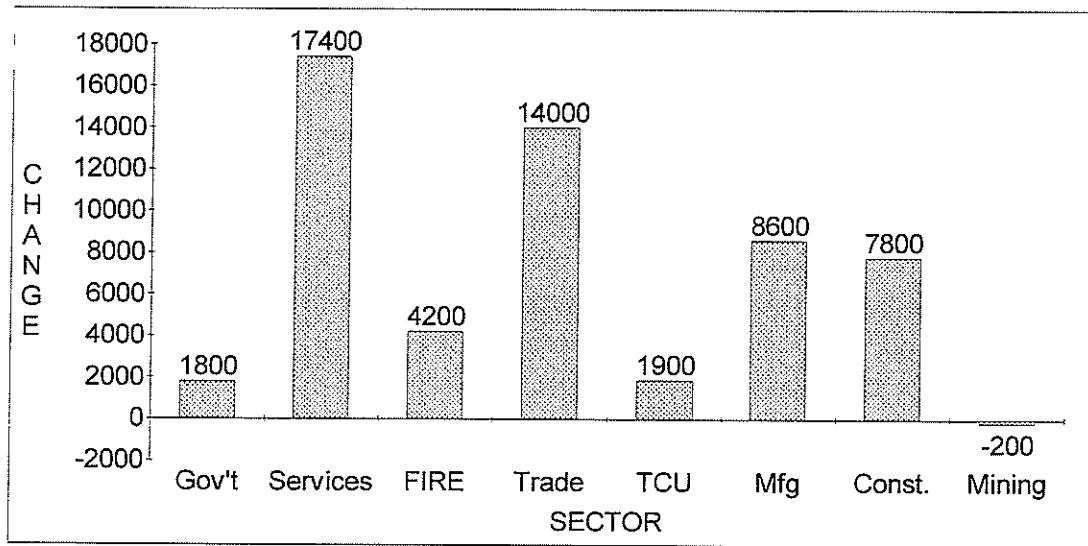
Overall economic trends in Oregon are highly skewed toward the Portland Metropolitan Area and the Willamette Valley. The data and analysis presented in this section show overall trends in Oregon, but will be substantially modified in the next part of this section when the focus narrows to Northeastern Oregon and the Baker City area.

1. General Economic Trends

Oregon experienced one of the strongest state economies in the nation during the 1994 - 1995 period. Wage and salary employment grew at 4.0 percent in 1995 after a growth of 4.2 percent in 1994. Oregon's unemployment rate of 5.2 percent in 1995 was below the national average of 5.6 percent. Some parts of the state experienced skilled labor shortages, particularly in the Portland area. Employment growth is expected to ease to 2.5 - 3.0 percent in 1996 and 2.5 percent in 1997, but these are still well above national rates.

Employment growth in Oregon has been encompassing every industry with the exception of mining. The following chart shows the numerical changes in employment by sector in 1994 over 1993.

Chart 2 - Changes in Employment by Sector, 1994 over 1993



Personal income has also improved in Oregon over the past few years, where it has been relatively static at the national level. At the beginning of the 1990's, per capita income in Oregon was 92 percent of the national average; with a 7 percent increase in personal income in 1995, Oregon rose to 95 percent of the national average.

2. Industrial Trends

Most of the industrial growth in Oregon in 1995 was led by the electronics industry with a series of high tech expansions and new plant announcements representing potential total investments in excess of \$8 billion. Included on the list were LSI Logic, Fujitsu, Hyundai, Siltec, and Komatsu Electronic Metals. These high tech expansions and new plants are expected to provide a construction stimulus and continue the high demand for labor through the end of this century.

Expansions in Oregon resulted from the world wide demand for computer chips, the state's availability of high quality water, low cost power, educated workforce, and tax incentives. Oregon's Strategic Investments Program allows assessed values to be capped at \$100 million for up to fifteen years at the option of individual counties. This is particularly attractive to high technology companies that often require investments of \$1,000 per square foot or more in plant and equipment. As noted above, however, there has since been a significant slowdown in chip demand which may also slow the growth of this sector in Oregon.

In order to illustrate the relative changes in employment by sector in recent years, the following table shows annual average nonfarm payroll employment in Oregon for the years 1986 and 1995, with the percentage changes over that period.

Table 1-5: Changes in Oregon Industrial Employment, 1986 - 1995

SECTOR	1986 Emp.	1995 Emp.	% Change
TOTAL EMPLOYMENT	1,058,500	1,417,000	33.9
Total Manufacturing	198,400	227,600	14.7
Durable Goods	143,400	162,200	13.1
Lumber & Wood Products	64,600	52,100	-19.3
Furniture & Fixtures	2,700	3,600	33.3
Stone, Clay, Glass, Concrete	3,300	4,200	27.3
Primary Metals	8,600	10,600	23.3
Fabricated Metals	10,600	13,500	27.4
Machinery	15,000	21,100	40.7
Electronic & Electrical Equip.	12,900	27,800	115.5
Transportation Equipment	10,100	15,400	52.5
Instruments & Related Products	13,100	9,200	-29.8
Miscellaneous Manufacturing	2,500	4,500	80.0
Nondurable Goods	55,000	65,400	18.9
Food & Kindred Products	23,700	25,100	5.9
Textile Mill Products	1,600	1,600	0.0
Apparel	2,300	2,900	26.1
Paper & Allied Products	9,100	9,000	-1.1
Printing & Publishing	12,000	16,200	35.0
Chemicals & Allied Products	2,000	3,100	55.0
Petroleum & Asphalt Products	500	400	-20.0
Rubber & Plastic Products	3,400	6,700	97.1
Leather Products	400	500	25.0

Changes in non-industrial employment, which affect demand for commercial land, will be measured in the next part of this section that looks specifically at Northeastern Oregon and the Baker City area.

Table 5 measures employment by industry in Oregon, whereas Table 2 looked at national industrial growth in terms of new and expanded manufacturing plants constructed in 1995, so the two tables are not comparable. It is still interesting to note, however, that similar patterns emerge between the two systems of measurement.

The Electrical and Electronic Equipment category produced the largest percentage increase in employment in Oregon, and it also represented the largest capital investment sector nationally and the third largest in terms of new plant construction in 1995. It is evident that this sector has been a driving force in manufacturing growth both in Oregon and the nation.

The number two industry in the national rankings was Rubber & Plastic Products, and this category also produced the second-highest increase in manufacturing employment in Oregon, at 97.1 percent. The Machinery category was the third leading sector in new plant construction in the nation in 1995, and it was also a leading sector for employment growth in Oregon, with 40.7 percent. Transportation Equipment and Chemicals & Allied Products are two other categories where national plant expansion and percentage growth in Oregon correlated.

On the other hand, some of Oregon's traditionally largest industries saw slow growth or even declines during the nine-year period measured above, despite plant expansions nationally. Employment in the Lumber & Wood Products sector declined by nearly 20 percent between 1986 and 1995, while employment in the Food Products sector increased by only 5.9 percent.

The high rates of employment growth in Oregon, combined with the patterns shown above, indicate that demand for industrial land will continue but that the demand will come from industries outside the traditional resource sectors.

3. Summary and Forecasts by Industrial Sectors

The following is a summary of forecasts by SIC code sectors, extrapolated from data produced by the Oregon Employment Department.

SIC 20 - Food & Kindred Products

Annual average employment in food & kindred products has experienced very little change since 1990. The 1994 average, at 25,500, was the peak employment level for the industry but is only 300 more than the last peak employment level of 25,200 attained in 1979. In 1995, employment dropped back slightly to 25,100. Part of the reason for this low growth rate is the increasing use of temporary employees who are not reflected in the count of average annual employment. No significant growth of employment is expected in this industry.

SIC 22 - Textile Mill Products

SIC 23 - Apparel

Textile mill products and apparel employ relatively few workers in Oregon, with 1995 annual average employment levels measuring 1,600 and 2,900 respectively. In the late 1970's both industries experienced several years of employment losses, a trend that stabilized in the mid-1980s.

SIC 24 - Lumber & Wood Products

While 1994 was a comparatively good year for lumber & wood products employment by recent standards, with an actual addition of 700 jobs, job *losses* in 1995 numbered 2,100 and a forecasted loss of about 3,000 jobs in 1996 is projected to further erode the industry. Lumber & wood products, which employed 86,400 workers in 1951 and 81,400 in 1978, had dropped to 68,800 employees in 1988. By 1995, only 52,100 workers were counted in the industry.

SIC 25 - Furniture & Fixtures

Furniture and fixtures had employment of 3,900 in 1994. This level matched the all-time high which has been reached in three other years since the Employment Department began keeping records in 1947. In 1995, employment dropped back by 200. This sector is expected to remain relatively stable, with no significant changes in the near-term future.

SIC 26 - Paper & Allied Products

Paper and allied products has maintained a stable employment level throughout the most recent downturn and subsequent recovery. That trend continues, with employment levels for 1995 about equal with levels which have been holding at about 9,000 for over a decade. The industry has been modernizing with substantial investments in automated equipment, allowing for expansion of output without commensurate expansion of employment. Experimental farms growing softwood pulp trees may help to provide additional sources of raw materials to keep this sector viable in the age of declining timber harvests.

SIC 27 - Printing & Publishing

Printing and publishing, with 1995 annual average employment of 16,200, represented nearly one out of every four nondurable goods manufacturing jobs. Prior to a slight downturn in 1992, this sector had been one of nondurable goods manufacturing's strongest job creators. Printing and publishing is not expected to see another strong growth period like that observed over the 1983 - 1991 period (+5,000) in the foreseeable future.

SIC 28 - Chemicals & Allied Products

SIC 29 - Petroleum & Asphalt Products

SIC 30 - Rubber & Plastic Products

SIC 31 - Leather Products

Of the remaining nondurable goods manufacturing industries, only rubber & plastic products and chemicals & allied products have shown a clear growth trend. For chemicals & allied products, employment growth has averaged about 100 per year for the past decade, with 1995 annual average employment measuring 3,100. Rubber & plastic products, on the other hand, has shown very strong growth since emerging from the 1991 downturn. Since that year, employment in this sector has increased 46 percent with 1995 annual average employment at 6,700. Employment growth over the past three years has been 600, 700, and 400 respectively.

SIC 32 - Stone, Clay, Glass & Concrete Products

Stone, clay, glass, and concrete, with a 1995 employment level of 4,200, has remained relatively stable throughout the most recent economic slowdown and subsequent recovery period. It is not expected to be a growth sector in the foreseeable future.

SIC 33 - Primary Metals

The primary metals sector, which increased to over 11,000 employees during the recession years of 1990 and 1991, declined to 9,700 in 1994. In 1995, the industry began to show signs of recovery, with employment coming back to 10,600. The combination of low-cost foreign imports and environmental restrictions in the U.S. have constrained the domestic growth of this industry. It is not expected to be a leading growth sector in the future.

SIC 34 - Fabricated Metal Products

Employment growth in this sector was nearly 11 percent in 1995, following steady improvement since the 1991 recession. Much of the stimulus for this growth has been the expansion of the construction industry. It is likely that this sector will continue to be strong as long as Oregon's overall economy remains healthy.

SIC 35 - Machinery, except Electrical

Employment in the state's machinery industry is riding on three years of solid performance, as the industry added 1,100 jobs in 1993, another 1,300 jobs in 1994, and 1,600 jobs in 1995. Industry growth during the 1992-1995 period was nearly 23.4 percent, while the rate for manufacturing as a whole was 8.9 percent. The growth in this sector has not been uniform. The office and computing machines segment has added only 200 jobs since 1992, while other machinery added 3,500 jobs in the same period. Within the office and computing machines segment, both electronic computers and computer storage devices experienced a loss of employment in 1994, while computer peripheral equipment showed a gain of 15.4 percent. Other strong performers included wood working machinery; construction machinery; conveyors and conveying equipment; blowers and fans; and industrial machinery not elsewhere classified (n.e.c.). Various components of this industry will continue to create opportunities for job growth and new facilities and expansions in the near-term future.

SIC 36 - Electronic & Electrical Equipment

Electronic and electrical equipment is expected to experience above-average growth in Oregon during 1996 and beyond. Between 1991 and 1994 the industry added 5,300 jobs, representing nearly 30 percent growth. In 1995, some reclassification of industrial codes within the industry created a non-comparable series. However, throughout 1995 the industry experienced growth each month and ended the year with the addition of 4,400 jobs, an increase of 17 percent. Annual employment growth is expected to remain above five percent until after the turn of the century, according to recent forecasts. In the short term, however, this industry is expected to be affected by the worldwide glut of computer chips and the softening of demand.

SIC 37 - Transportation Equipment

1993-1995 saw 1,700 new jobs added in this sector. However, forecasts of the Department of Administrative Services predict a slowing of growth in 1996 and beyond. The breakdown by industry in 1994 showed motor vehicles and car bodies attained a 20 percent growth rate, adding 656 jobs. Travel trailers and campers grew at a faster rate - 24 percent - adding 231 jobs. Motor vehicle parts and accessories added another 150 jobs. Losses occurred in aircraft parts and equipment and shipbuilding, although an upswing in aerospace employment in Washington State in 1996 may signal increased employment in supporting industries in Oregon, as well.

SIC 38 - Instruments & Related Products

Instruments and related products is the only major industry in Oregon's high-tech cluster that has not enjoyed employment growth and has actually been losing jobs, declining from 12,000 jobs in 1991 to 10,400 jobs in 1994. Industry reclassifications in 1995 make it impossible to directly measure changes beyond 1994, but the weakest component that year was SIC 3825 - instruments to measure electricity- which lost more than 1,000 jobs. In other categories, growth averaged five percent in 1994 spread across all other components.

4. Industrial Summary and Outlook

Overall, durable goods manufacturing added nearly 16,000 jobs in 1994 and 1995, a 7.5 percent increase over the two-year period. Many of the jobs created by this manufacturing sector were in relatively high-paying, technology-oriented industries.

Employment in nondurable goods manufacturing is dominated by food and kindred products, which accounts for nearly 40 percent of the total. While employment growth for nondurable goods manufacturing has been less strong than in the durable goods sectors, these industries continued to add employment regardless of the prevailing business cycle. This means that while the nondurable goods sectors did not lead the high growth rates experienced in Oregon during 1994 and 1995, they added an important element of stability to overall manufacturing employment.

The general economic forecasts for Oregon call for continued growth in employment through the end of this century, although somewhat moderated by shortages of labor in some areas and the slowing of the national economy to its long-range growth rate of 2 percent annually. The high-technology sector, which has fueled Oregon's high growth rates during 1994 and 1995, is showing signs of vulnerability due to oversupply of both capacity and products on world markets, but rapid changes in technology and widening of technology applications are expected to keep the long-term trends in this sector positive.

5. Geographic Distribution of Employment Gains in Oregon

The patterns of industrial activities and employment gains throughout the state of Oregon have not been uniform. The strongest growth has been occurring in the metropolitan areas of the state, with the weakest growth in the rural and non-metropolitan areas.

In the one-year change between 1993 and 1994, the statewide average growth in employment was 4.2 percent. Counties that exceeded that rate included Washington (5.6%); Clackamas (5.5%); Lane (5.9%); Marion (4.4%); Jackson (5.4%); Deschutes (5.4%); Jefferson (6.8%); Tillamook (6.8%); Benton (6.3%); Sherman (6.8%); and Crook (7.0%). One year changes do not measure long-term trends, of course, but it is worth noting that the Tri-county area of Washington, Multnomah and Clackamas counties accounted for 50.2 percent of all employment gains in Oregon that one-year period.

By contrast, most of the rural areas saw only modest employment gains or even employment losses. In northeastern Oregon, both Baker and Umatilla counties grew by 2.5 percent, but Union County only added 1.9 percent and Wallowa County showed a decline of -3.9 percent. Clearly the high rates of employment growth in Oregon during that year did not spread to northeastern Oregon.

6. Oregon Industrial Growth Patterns

Except for employment changes, there is no reliable way to measure industrial location patterns throughout the state. No records are made or maintained of the number of industrial building permits by county for new or expanded facilities. However, the Oregon Economic Development Department tracks its own activities by region, showing business loans and other development projects for twelve regions that comprise Oregon's 36 counties. While many of these projects are intended to enhance basic community development capabilities, many others are designed to meet the needs of individual companies and enable them to locate facilities in the regions.

OEDD tracks these activities in six primary categories:

1. Workforce and Key Industry Development Projects
2. Industrial Modernization Projects
3. Business Retention Services
4. Business Finance Projects
5. International Trade Contract Services
6. Business Development Projects

For purposes of this report, the primary interest is in the Business Development Projects. A report issued by OEDD dated March 24, 1995, showed the individual business development projects assisted by the Department during the period of July 1, 1993 to January 31, 1995. The report showed some very significant findings. (Note: This report has not yet been updated to show activities for the 1995 - 1996 period.)

For example, the chart showing the total value of company investments by region (excluding a \$2.2 billion investment by Intel Corporation in Hillsboro) showed that 68% of the company investments were in the Metro region (Multnomah and Washington counties); another 16% were in the Mid-Valley region (Marion, Polk and Yamhill counties), and 11% were in the Benton-Lane-Lincoln-Linn region. Except for the inclusion of Lincoln County, this represents a combined **95%** of all company investments in the state locating in the Willamette Valley corridor between Eugene and Portland!

In the more rural areas, the Jackson-Josephine region received 2% of the total, while Central Oregon (Deschutes, Jefferson, Crook counties) received 1% along with the Coos-Curry-Douglas region and the Northeast region (Umatilla-Union-Wallowa counties). The Baker-Malheur region received less than 1% of the investments, as did the South Central region (Harney, Klamath, Lake counties), the Northwest region (Clatsop, Columbia, Tillamook counties), and the Mt. Hood region (Clackamas and Hood River counties). There was *no* investment shown for some of the most rural counties in Oregon that are in the North Central region (Gilliam-Grant-Morrow-Sherman-Wasco-Wheeler counties).

When the value of the Intel investment is included, the share of total investment in the state that was captured by the three regions in the Willamette Valley increases to 98%! That trend is continuing, with announcements in 1995 of multi-billion dollar plants by the Fujitsu Corporation and LSI Logic in Multnomah County.

The percentages shift slight more in favor of the rural areas when the numbers of jobs created are measured, instead of the value of investments. For the number of jobs created (or retained) by region, the OEDD report shows the following distribution:

Urban Regions

Metro	30%
Mid-Valley	6%
Benton-Lane-Lincoln-Linn	<u>29%</u>
Total Share	65%

Secondary Markets

Mt. Hood (Clackamas, Hood River)	8%
Jackson-Josephine	<u>4%</u>
Total Share	12%

Rural Areas

Central Oregon	9%
Coos-Curry-Douglas	6%
Northeast Region	6%
Northwest Region	1%
South Central	1%
Baker-Malheur	<u><1%</u>
Total Share	23%

It should again be noted that the 23% share in the rural areas does not include *any* new jobs created in the six-county North Central region.

In terms of the numbers of successful projects, the numbers shift a little more in favor of the rural areas. The report summarizes these as follows:

Urban Regions

Metro	14%
Mid-Valley	9%
Benton-Lane-Lincoln-Linn	<u>22%</u>
Total Share	45%

Secondary Markets

Mt. Hood Region	10%
Jackson-Josephine	<u>5%</u>
Total Share	15%

Rural Areas

Central Oregon	14%
Coos-Curry-Douglas	13%
Northeast Region	6%
Northwest Region	5%
South Central	2%
Baker-Malheur	<u>1%</u>
Total Share	41%

(Note: Adds to 101% because of rounding)

According to these statistics, the rural areas of Oregon, excluding six rural counties of the North Central region, attracted 41% of the total number of business development projects in the state, but only 23% of the number of jobs created and retained, and only about 3% of the total amount of capital investment during this eighteen-month period.

The obvious conclusion that can be drawn from these data is that the projects in rural areas of Oregon were significantly smaller than those in the urban areas, in terms of both employment and investment.

The report lists the actual business development projects by region, showing the key industry identifier, the name of the firm, the amount of private investment, the number of jobs, the date of the decision, and the specific location. It should be noted again that the list only includes companies which OEDD helped the local communities obtain and may therefore exclude other companies that were obtained without OEDD assistance.

In the Baker-Malheur region the only project listed during the 18-month period is S&R Industries, Inc., a metals firm, with \$70,000 in private investment, creating 12 jobs, and locating in Baker City in December, 1994.

In the Northeast region there are two projects listed under the category of Forest Products. These are: (1) Guerdon Homes, a producer of manufactured homes, with a \$4 million investment creating 250 jobs in Pendleton; and (2) Northwood Homes, with an investment of \$1,050,000 creating 50 jobs in La Grande. Other projects include Big Foot Travel Trailers in Boardman, with a \$500,000 investment creating 66 jobs, and two tourism projects in Umatilla.

All of the projects are listed according to OEDD's "Key Industry" identifiers, which are selected industries that have been targeted for development in the state. There is also an "Other Traded Sector" category to list projects that are not in the key industry groups.

Table 6 shows a list of individual projects, ordered by key industries, that took place during the 18-month period in the rural areas of Oregon east of the Cascade Mountains. It is presented here to show the various kinds of industries that located in these areas as an indicator of the types of industrial opportunities that may exist in the region.

It is worth noting that of the 17 projects listed in central and eastern Oregon, twelve are in the Central Oregon region, two are in the Northeast region, two are in the South Central region, and only one is in the Baker-Malheur region.

These data clearly reinforce the earlier analysis which concluded that the rural areas of the Northwest, at least in Oregon, are participating in the economic growth of the state at a much lower level than the major urban centers and the secondary cities. This fact has significant implications for the development of industrial sites in eastern Oregon.

Table 1-6: Key Industry Projects in Oregon, 6/93 - 12/94

<u>Key Industry</u>	<u>Company</u>	<u>Investment</u>	<u>Jobs</u>	<u>Date</u>	<u>Location</u>
Aerospace	AT Aerospace	400,000	25	9/94	Redmond
	Lancair	8,000,000	500	12/94	Redmond
Ag./Fd. Proc.	Crooked River Meat	195,420	4	9/94	Prineville
Forest Prod.	Century Pine Prod.	761,401	41	12/93	Redmond
	Guerdon Homes	4,000,000	250	9/94	Pendleton
	Lone Pine Products	300,000	30	9/94	Bend
	Northwood Homes	1,050,000	50	9/94	La Grande
High Tech.	Bauer Electronics	400,000	10	12/94	Bend
	Columbia Med. Dev.	100,000	23	12/93	Redmond
Metals	Guarantee Baffle	100,000	22	12/93	Bend
	S&R Industries	70,000	12	12/94	Baker City
Plastics	Aqua Glass	265,000	50	12/94	Klamath Falls
	Top-Knot	200,000	8	9/94	Prineville
Other Sectors	Les Schwab Tires	7,500,000	216	12/94	Prineville
	Machine Systems	100,000	20	6/94	Bend
	Scotty's Auto (kit cars)	135,000	8	9/94	Klamath Falls
	Warm Springs - DE	1,000,000	110	6/93	Madras

The conclusion that can be drawn from this analysis is that employment changes do not necessarily provide an accurate measurement or predictor of the demand for industrial land. While more than one-half of the *employment* growth during the 1993-1994 period was concentrated in the Portland Metropolitan Area, fully 55 percent of all *projects* were located in secondary and rural markets throughout the state. This is an important consideration in determining the needs for industrially-zoned properties in the rural areas.

BAKER CITY AREA TRENDS

1. General Economic Trends

While the focus of this report is Baker City, additional data are provided in this section for Baker County and the neighboring counties of Union and Wallowa to indicate the general economic trends that are affecting northeastern Oregon.

A. Population Changes

Baker County has experienced some dramatic population cycles since 1960. From 1960 to 1970 the county population declined from 17,295 to 14,919, a drop of 13.7 percent. It rebounded by 1980 to 16,164, representing an increase of 8.3 percent, but fell back again by 5.2 percent in 1990 to 15,317. Since then it has risen steadily to an estimated 16,500 as of July 1, 1995, which is still lower than the 1960 level.

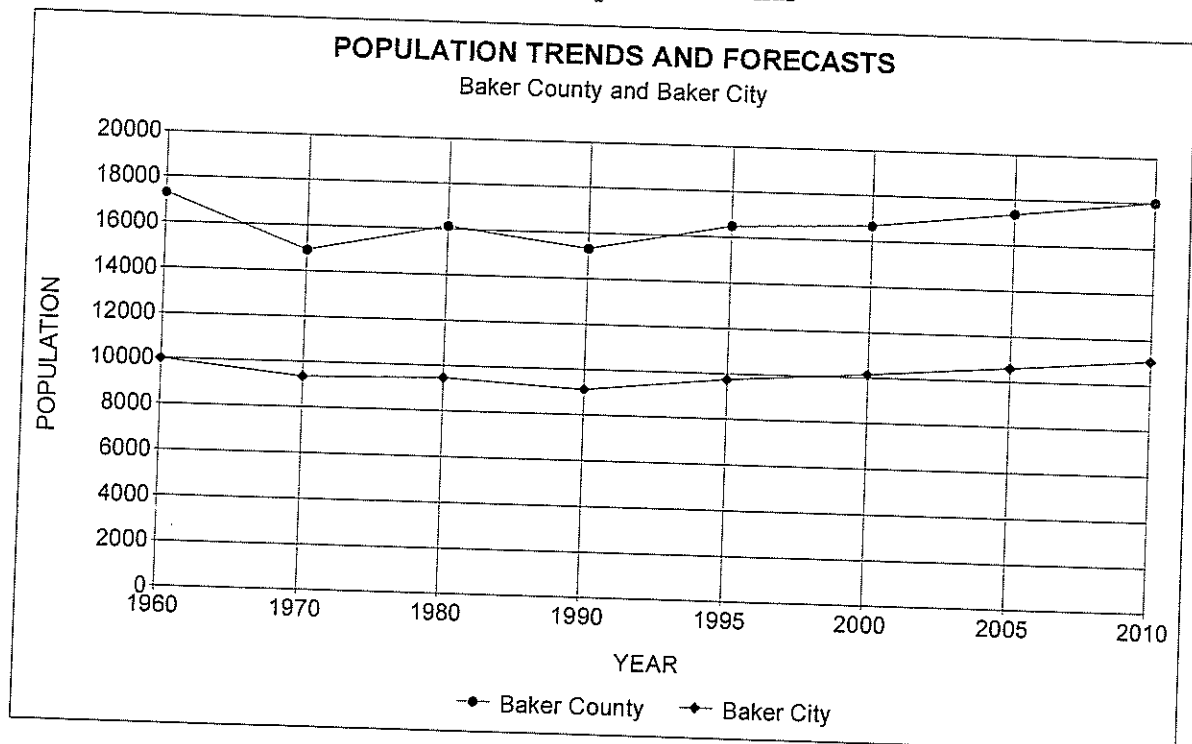
Baker City shared a similar pattern, declining from 9,986 in 1960 to 9,354 in 1970 and rising again to 9,471 in 1980. It also dropped between 1980 and 1990, falling by 3.5 percent to 9,140 residents. Since then, the July 1, 1995 population estimate showed an increase to 9,730 people. This represents a gain of 6.5 percent in only five years.

Source: U.S. Census Bureau; PSU Center for Population & Census

Forecasts predict a steady rise in population through the year 2010. A projected population of 18,050 for Baker County in 2010 represents an annual compounded growth rate of 0.82 percent over the 20-year period from the 1990 Census. The annual rate of growth for Baker City is projected at 0.85 percent, rising to about 11,050.

These population changes are presented in graphic form in Chart 3.

Chart 3 - Population Trends



Neighboring Union County has shown a more consistent growth pattern since 1960, experiencing only a slight decline between 1980 and 1990, although its overall growth rate has been fairly low. Its estimated July 1, 1995 population of 24,400 people was only 2.0 percent greater than its population recorded in the 1980 Census.

Wallowa County, on the other hand, has been relatively static with only minor changes up and down over the past 35 years. Its population in 1960 was 7,102 people compared to a July 1, 1995 population of 7,250. Measured since 1980, Wallowa County's population *declined* during this 15-year period by 0.3 percent. Most of this was due to a dramatic drop of 5.0 percent from 1980 to 1990, followed by a slow rise from 1990 to 1995 of 4.9 percent.

The overall population trends for this area do not show significant growth patterns, although Baker County has been experiencing the highest rates of growth in the three-county area. The closures of two major wood products plants in Baker City have pretty well worked their way through the population and economic statistics so it is not likely that the area will experience the severe downturns that have plagued it in the past. While the area may continue to suffer occasional cyclical swings, it appears that most of its structural problems are behind it.

B. Employment Changes

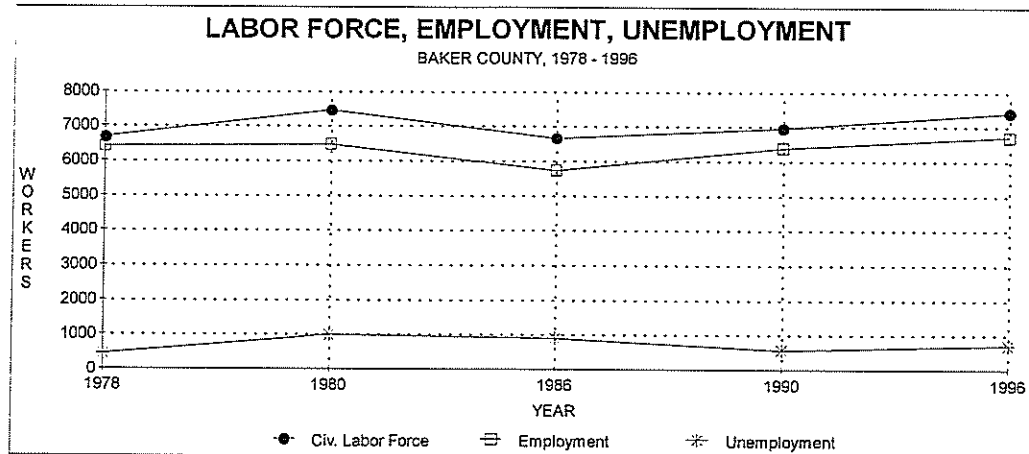
Employment is only measured at the county level, so the following data is presented to show trends in overall employment in Baker County. Changes in employment by industry are shown in the next part of this section.

Employment in Baker County showed a similar pattern to the population changes, with a significant drop during the period 1980-1990 and a slow recovery since then. Table 7 and Chart 4 show the changes graphically since 1978, with preliminary estimates for May, 1996.

Table 1-7: Labor Force, Employment, Unemployment in Baker County

	1978	1980	1986	1990	1996
Civ. Labor Force	6680	7450	6650	6950	7400
Employment	6410	6470	5730	6380	6700
Unemployment	450	980	900	570	700
% Unemployed	6.6%	13.2%	13.6%	8.2%	9.5%

Chart 4 - Baker County Labor Force and Employment



Baker County had an estimated jobless rate of 9.5 percent in May, 1996, down from the revised April 1996 rate of 12.2 percent. May's labor force estimates showed 6,700 employed local residents and 700 unemployed.

May's rate marked the first time in 1996 that the unemployment rate was below 10 percent. However, the rate was 1.5 percentage points above that for May 1995 and the number unemployed was up by more than 100.

Nonfarm payroll employment rose by 90 jobs over the month but was down by 190 from employment levels in May 1995. The largest over-the-month employment gains occurred in the trade (+40) and construction (+20) sectors, while nondurable goods manufacturing (-10) was the only sector to lose employment over the month. Only the finance, insurance, and real estate sector gained employment over the prior year (+10). Total nonfarm payroll employment remained below year-ago levels throughout 1996.

The general pattern in all of this shows a continuing trend of static employment or only marginal growth. A major factor depressing employment statistics was the closure of the Ellingson Lumber mill in Baker City in early 1996. While other manufacturers have been adding employment, those gains were not sufficient to offset the losses due to the shutdown of this major employer.

2. Industrial Patterns and Trends

Table 8 shows the composition of nonfarm payroll employment in Baker County as of May, 1996.

Table 1-8: Employment by Sector: May, 1996

<u>Sector</u>	<u>Employment</u>	<u>% of Total</u>
Total Employment	4,870	100.0
Manufacturing Total	510	10.5
Durable Goods	420	8.6
Lumber & Wood Products	290	6.0
Other Durable Goods	130	2.7
Nondurable Goods	90	1.8
Nonmanufacturing Total	4,360	89.5
Construction & Mining	200	4.1
Trans., Comm., Utilities	290	6.0
Wholesale & Retail Trade	1,200	24.6
Finance, Insurance, Real Est.	230	4.7
Services	1,120	23.0
Government	1,320	27.1

This static look at employment by sector shows strong concentrations in trade, services, and government employment, with relatively smaller concentrations in manufacturing and business-commercial services.

These sectors can also be examined for changes in numbers of establishments and employment to see if any trends can be identified. Table 9 shows these short-term changes for the recent three-year period of 1991 - 1994.

The table shows that construction led all other sectors in the growth of both the number of establishments and employment during these three years, although it still represented only 4.4 percent of total non-governmental covered employment in 1994. The retail trade and service sectors also showed substantial growth, both in number of establishments and employment, but these grew on much larger base numbers. These sectors are obviously important drivers in the Baker County economy.

By comparison, manufacturing declined in number of establishments and grew almost insignificantly in employment. Lumber & wood products manufacturing showed absolute declines in both categories.

Table 1-9 : Changes in Private Establishments and Employment, Baker County, 1991-1994

	1991		1994		% Change	
	# of Est	Empl.	# of Est.	Empl.	# of Est.	Empl.
Ag/Forestry/Fish	17	71	21	80	23.5	12.7
Mining	9	44	5	33	-44.4	-25.0
Construction	32	112	54	161	68.8	43.8
Manufacturing	44	638	40	641	-9.1	0.5
Lumber & Wood Prod.	27	448	26	422	-3.7	-5.8
Trans/Util/Comm	29	236	34	259	17.2	9.7
Wholesale Trade	29	140	30	163	3.4	16.4
Retail Trade	106	944	119	1,055	12.3	11.8
Finance/Ins/Real Est.	36	217	42	188	16.7	-13.4
Services	<u>127</u>	<u>884</u>	<u>151</u>	<u>1,029</u>	<u>18.9</u>	<u>16.4</u>
Totals	456	3,734	522	4,031	14.5	8.0

Establishment data later than 1994 are not available; however, some significant changes have occurred in the employment statistics between the 1994 averages and May, 1996. For example, manufacturing employment declined from 641 in 1994 to only 510 in May, 1996, representing a decline of 20.4 percent. All of this decline can be attributed to Lumber & wood products employment, which fell from 422 to 290 for a drop of 31.3 percent. The fact that the rest of the economy was not dragged down by this steep drop in a major employment sector testifies to recent diversification and the strength of other sectors.

While these statistics measure only a short-term trend, they are indicative of the changes that are taking place in the economy of Baker County. The county is increasingly becoming a tourism and trade center, as well as a center for Federal, State and local government agencies. The overall slow growth of population and employment is being driven by infusions of revenue from the trade, service and government sectors while the primary manufacturing sector has been eroded by the decline in lumber & wood products.

At the same time, other manufacturing has been relatively stable or has seen moderate growth. When the lumber & wood products sector stabilizes, whatever level it reaches, it will no longer drag down the overall employment statistics and the data should begin to show a steady upward trend again.

BAKER CITY ECONOMIC OPPORTUNITIES ANALYSIS

SECTION 2: SITE REQUIREMENTS

INTRODUCTION

A survey conducted in January, 1996, ranked the top location factors considered by major companies in deciding where to build new facilities. While the survey was generalized to the process of selecting geographic locations rather than specific sites, it provides some useful introductory information for the topic of site requirements.⁽¹⁾

The survey was conducted by Conway Data, Inc., with the results tabulated in percentages representing the proportion of surveyed economic development executives who said that a respective location factor is currently among "the top five issues of greatest importance to corporate site seekers." The summary of results was as follows:

Table 2-1: Top Location Factors in 1996

<u>Site Location Factor</u>	<u>Percentage</u>
1. Labor availability and quality	89%
2. Overall operating costs	75%
3. State & local business climate (e.g., regulatory environment, tax structure, attitude of government leaders, etc.)	65%
4. Transportation and other infrastructure (e.g., highways, airports, water capacity, etc.)	59%
5. Availability of financial incentives (e.g., tax breaks, loans, grants, etc.)	50%
6. Work-force training	35%
7. Quality of life	28%
8. Low labor costs	24%
9. Cost and reliability of electric power & natural gas	21%
10. Proximity to large markets	18%

(1) Source: Site Selection, Conway Data, Inc., April, 1996

It is evident from this survey that the most important factors influencing geographical site location decisions are those involving the economics of the location and the quality of resources available, especially labor. While "quality of life" is still mentioned, it cannot substitute for the hard requirements to operate the facility efficiently and competitively.

It is also worth noting that the #4 factor - Transportation and other infrastructure - ranked higher than proximity to large markets or several other factors that are usually considered key locational determinants. This would indicate that the ability to get products and people to and from markets is more important than being close to those markets, and that operating infrastructure is a sufficient site variable to affect the competitiveness of alternative communities. These factors can easily apply at the site-specific level in the location decision process as well as at the general community level.

SITE-SPECIFIC REQUIREMENTS OF INDUSTRY

The purpose of this section is to identify the types of sites that are likely to be needed by industrial and commercial uses which might expand or locate in Baker City. A major resource in this process is a list of site requirements provided by the Oregon Economic Development Department for 16 companies that have recently investigated site locations in northeastern Oregon. Some of these companies have chosen to locate in the region, while others have located elsewhere or their decisions are still pending.

The list covers the period from January 1, 1994 to May 15, 1996, a period of 28 months. Some companies are named, while others are identified by code names or are simply listed as "confidential". A general description of their respective industries is provided, along with acreage requirements, need for existing structures, and various infrastructure requirements. Following is a general summary of the characteristics.

Industry Types

The firms looking at northeastern Oregon with OEDD assistance covered a wide range of industry types. Five companies were related to some aspect of agriculture and/or food processing. Manufactured housing and travel trailer parts accounted for two companies. There was one livestock equipment manufacturer (which has located in Baker City), one semi-conductor manufacturer, a metals company, one secondary wood products firm, and a manufacturer of vinyl windows. The remaining three firms were in non-manufacturing categories, including a distribution warehouse, a building products distributor, and two telephone call centers.

In terms of zoning requirements, it would appear that thirteen of the companies would have required industrial zoning, while the remaining three could have been accommodated in either industrial or commercial zones.

OEDD ASSISTED INDUSTRIAL PROSPECTS FOR NORTHEAST OREGON: Jan 1, 1994 - May 15, 1996

COMPANY	INDUSTRY	LAND	EXISTING BUILDING	INFRASTRUCTURE				DECISION/LOCATION IN OREGON	
				WATER	SEWER	RAIL	FREEWAY		
Guerdon Homes	Manuf. Housing	15 acres	Considered	Yes	Yes	No	Yes	No	Pendleton
Wal-Mart	Whse/Distribution	225 acres	No	Yes	Yes	No	Near	No	Hermiston
Behlen Mfg. Co.	Livestock Equip.	20 acres	Considered	Yes	Yes	Preferred	Preferred	No	Baker City
Merricks	Agriculture	10 acres	No	Yes	Yes	No	No	No	No
Tortilla & Chip Bakery	Food Products	5 acres	No	Yes	Yes	No	No	No	No
Micron	Semi-Conductors	600 acres	No	Yes	Yes	No	No	No	No
R&R Bates	Pet Food	3 acres	No	Yes	Yes	No	No	No	La Grande
(Confidential)	Travel Trailer Pts.	Unknown	Yes	Yes	Yes	No	No	No	Pending
(Confidential)	Metals	10 acres	Preferred	Yes	Yes	No	Preferred	No	Pending
Nalley's Canada Ltd.	Potato Chips	10 acres	Yes	Yes	Yes	Yes	No	No	Hermiston
US Timber	Sec. Wood Prod.	5 acres	Yes	Yes	Yes	No	No	No	Baker City
Gentek	Vinyl Windows	10 acres	Yes	Yes	Yes	No	Preferred	No	Pending
IWBE	Beef Slaughtering	20 acres	Preferred	Yes	Yes	Yes	No	No	Pending
Sykes Enterprises	Tele. Call Center	20 acres	No	Yes	Yes	No	Preferred	Yes	Pending
"Rock"	Building Products	20 acres	No	Yes	Yes	Yes	Preferred	Preferred	Pending
"Spend"	Tele. Call Center	20 acres	Preferred	Yes	Yes	No	Preferred	Preferred	Pending

Land Requirements

The largest requirement was for 600 acres for the Micron semi-conductor manufacturing firm. While this company considered proposals submitted from communities in northeastern Oregon, it should probably not be considered to have been a viable candidate for a facility there. This site requirement was an aberration and should not be considered as typical of industrial site requirements in the region.

The second largest site requirement was 225 acres for the Wal*Mart regional distribution center which has been announced for Hermiston. The actual facility is expected to occupy nearly 25 acres under roof, so the balance of the site will be open or used for supporting facilities such as parking lots, truck areas, landscaping, etc. This will still leave a large amount of open space. It is not certain whether this amount of land was a site requirement of Wal*Mart or if they simply took it because it was available. It is probable that a smaller site would have sufficed and that this amount of land should not be considered as representative for this kind of facility.

For the remaining firms on the list the site requirements are more typical. The requirements of one firm are unknown, but five companies specified a need for 20 acres, one company needed 15 acres, four companies wanted 10 acres, two were looking for 5-acre sites, and one needed only three acres. These size ranges are common for companies looking for sites in rural communities where industrially-zoned land is available at reasonably low cost. In larger cities, site size requirements would normally be reduced because of higher costs and the availability of developed industrial parks.

Need for Existing Buildings

Four of the 16 companies on the list specified that they wanted existing buildings, while three others "preferred" existing buildings and two more "considered" them. The last two both located in northeastern Oregon and both constructed build-to-suit facilities on developed sites. The importance of existing buildings to those firms listing them as "preferred" is not known as their decisions were still pending as of the date of the listing.

Nalley's Canada acquired a former Lamb-Weston food processing plant in Hermiston so the requirement for an existing building was serious. US Timber acquired one of the buildings of the former Ellingson Plywood mill for its operation in Baker City, so it appears that was also an important site location factor. The other two firms requiring existing buildings still have their decisions pending, so it is not known how this factor will influence their final selections.

That leaves seven companies that said they wanted bare sites without existing buildings.

Water and Sewer

All of the companies on the OEDD list specified the availability of municipal water and sewer systems as a requirement. Few companies are willing to locate on sites where they have to supply their own water from wells and discharge their wastewater into septic tanks and drain fields.

Rail

Three companies on the OEDD list required rail service capabilities and one listed it as "preferred". That company was Behlen Manufacturing, which chose a site in Baker City with a rail spur available. The facility acquired by Nalley's Canada already had rail service to it, and the other two decisions are pending so it is not known whether they will actually choose to locate on rail service or not. The remaining 12 companies specifically stated that rail service was not a factor in their location decisions.

Freeway

This factor is usually defined in terms of freeway availability, freeway proximity, and/or freeway visibility. Some firms want to be within five miles of an Interstate Highway, while others want direct access to an interchange. It depends on traffic volumes and patterns for the movement of products, employees and customers.

Eight of the 16 companies cited a requirement to be on or near a freeway, or listed this factor as "preferred". Of the six firms that have made location decisions in northeastern Oregon, they were evenly split between three companies that cited a need or preference for a freeway location and three companies that said this was not a factor.

Airport

Only one company listed an airport as a location factor and two listed it as "preferred". None of these three companies had made a location decision at the time the list was produced, so it is not known whether they will actually choose a site with an available airport. It is also

not known whether they want an airport with commercial passenger service available or a general aviation airport for company aircraft. In either case, thirteen companies said an airport was not important to their location decisions.

Summary of Factors

The site requirements of industries looking at northeastern Oregon can be summarized in the following general terms:

1. Acreage requirements generally range from three to twenty acres, with most of the demand in the five-to-twenty acre range.
2. About one-half of the firms either want existing buildings or are willing to consider existing buildings. The remaining one-half want bare land sites.
3. All of the companies want municipal water and sewer systems rather than having to provide their own well and septic systems.
4. About one-half of the firms want sites that are either near a freeway or have freeway exposure and proximity to an interchange.
5. Rail is important to about one-quarter of the firms looking for sites.
6. An airport is not an important factor or consideration for most of the firms.

While this generally summarizes the site requirements of industry in northeastern Oregon, there are also community planning considerations for the location of industrial sites. Highway access, traffic volumes, and traffic in sensitive areas such as school zones, residential areas and hospital zones are examples. In planning future industrial and commercial sites, these considerations need to carry at least equal weight to the requirements of the users.

BAKER CITY ECONOMIC OPPORTUNITIES ANALYSIS

SECTION 3: INVENTORY OF INDUSTRIAL & COMMERCIAL LANDS

INTRODUCTION

This section provides an inventory of vacant and significantly underutilized lands within the Baker City planning area which are designated for industrial or commercial use. It examines the various site location options that are available in the Baker City area in terms of their ability to meet the kinds of siting criteria identified in Section 2 of this report. It focuses on two primary considerations: (1) the development capabilities of each site including access, off-site infrastructure, environmental constraints, costs, and other factors that affect the ability to develop the site and deliver it to potential users; and (2) an assessment of each site for the projected uses, including the marketability of the site and the ability to deliver lots at prices that are competitive with other locations in the region.

This evaluation is based on the City's zoning map, which is dated 1978 but is reported to have had only minor changes since that time. Assessor's maps and planning maps were used to identify specific parcels within the zoning designations. City utility maps were utilized to identify municipal utility service locations, with discussions with Public Works officials used to determine how these sites could be served.

The analysis also draws from two inventories and evaluations of industrial properties and potential sites that have recently been completed. In November, 1994, the Baker City/County Economic Development Department prepared a site inventory for a potential industrial park in the Baker City area. In July, 1995, *Elesco, Ltd.*, delivered an Industrial Park Study and Development Strategy to the Baker City/County Economic Development Department that evaluated both industrial and commercial properties in and near Baker City for the purpose of developing a ready-to-build, multi-tenant industrial park.

Determination of which sites are "vacant and significantly underutilized" was made by on-site inspections and discussions with officials of the Baker City/County Economic Development Department. Where appropriate, individual property owners were also contacted to determine whether they had plans for utilization of their properties which would prevent them from being included in the inventory of available sites. Partition plats were examined to identify development activities currently affecting several sites.

The marketing evaluation represents the judgments of the consultants based on their experiences in industrial site development and marketing, along with their analysis of the market for industrial land in the region and their assessments of competing locations.

The sites are evaluated individually in an order selected by the consultants. Only those properties that are zoned industrial or general commercial that are vacant or significantly underutilized are included, although there is some discussion of other sites that are currently in use or are being developed in order to show patterns of use and development trends.

As appropriate, contiguous parcels of one-to-five acres are inventoried together, with individual vacant or significantly underdeveloped parcels identified and evaluated.

Sites of five acres or larger include maps showing specific parcels along with the site boundaries, sizes, proximity of public utilities, and an analysis of development constraints.

OVERVIEW OF INDUSTRIAL AND COMMERCIAL LANDS IN BAKER CITY

Most of the vacant or underutilized industrially-zoned lands in Baker City are located along the main line of the Union Pacific Railroad and U.S. Hwy 30 on the west side of the city. These two transportation arterials run diagonally northwest/southeast. They are key parts of the transportation infrastructure of the region, as well as the city, and were responsible for directing the industrial siting patterns of most of the resource-based industries that historically located in the Baker City area.

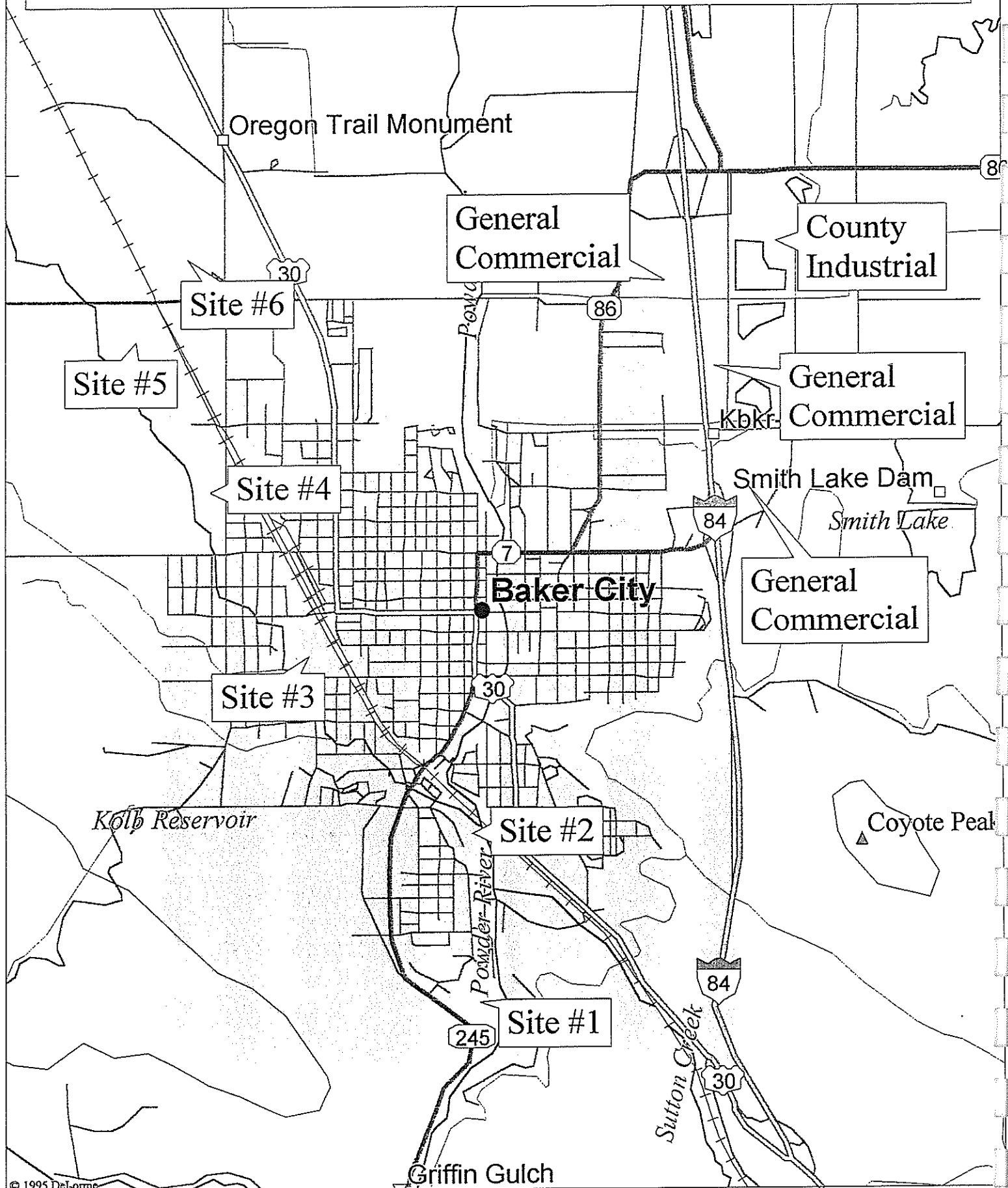
Several of the larger vacant or significantly underutilized parcels of industrially-zoned land in Baker City are sites of former mills that located along this corridor but have subsequently closed due to the changing resource base or other economic factors.

On the other hand, most of the available large tracts of commercially-zoned land in Baker City are located along the I-84 freeway on the east side of the city. The development of this Interstate Highway shifted some of the tourist services and other commercial activities away from the downtown area and Hwy 30. There are three distinct areas of C-T zoning (Tourist Commercial) near the freeway intersections, with several areas of C-G (General Commercial) zoning along the major arterials connecting the freeway with other areas of the city, as well as along Hwy 30. The downtown area has its own commercial zone designation: C-C (Central Commercial).

A GIS scan of the Zone Map indicates there are approximately 806 acres of industrially-zoned land within the Baker City Urban Growth Boundary. (Note: This figure may not agree with other zoned acreage estimates because of the relatively large scale used for GIS scanning methods.) All of this land is in the general purpose industrial zone (L) except for only *one-half acre* that is in the light industrial zone (I-L). About 450 acres are vacant or significantly underutilized, including two former mill sites.

The vacant and underutilized land zoned C-G along the I-84 freeway encompass about 286 acres according to the GIS scan.

Baker City Site Locator Map



BAKER CITY ECONOMIC OPPORTUNITIES ANALYSIS

SECTION 5: SUMMARY AND RECOMMENDATIONS

INDUSTRIAL TRENDS AND OUTLOOK

Baker County's economy has historically been tied to resource-based industries, especially mining, agriculture, and forest products. This has caused significant cyclical fluctuations in the area's employment and incomes over the past several decades, occasionally producing net out-migration and overall declines in the city's population.

The current trend, however, appears to be toward slow but stable growth. After declining 8.3 percent from 16,164 in 1980 to 15,317 in 1990, the county's population rose to an estimated 16,500 on July 1, 1995 and is forecast to continue growing to 18,050 in the year 2010. The population of Baker City is expected to grow from 9,730 people in 1995 to about 11,050 in 2010.

Part of this growth trend is due to diversification of the local economy, with the leading sectors becoming government, wholesale and retail trade, and services which together accounted for 63.7 percent of all nonfarm payroll employment in Baker County in May, 1996. Most of the economic activity in Baker County is centered in Baker City, which is the commercial and industrial center for the county.

The area is experiencing mixed trends in its primary industries, with continuing declines in the basic lumber sector being at least partially offset by the recruitment and expansion of companies in secondary wood products and other sectors. For example, the shutdown of Ellingson Lumber Company in 1995 came at the same time that the community was successfully recruiting Behlen Industries, a major manufacturer of livestock handling equipment, and US Timber Company. Local companies that have recently expanded include S&R Manufacturing (metals), Marvin Wood Products (windows), and Orchard Wood Products (miscellaneous consumer products).

Forecasts of future growth in the Baker City area are based, in part, on continued growth of both the national and state economies. The U.S. economy has been growing at varying annualized rates between 1.25% and 4.0%, with continued growth of 1.5% - 2.5% forecast for 1997 and beyond. Interest rates are predicted to remain relatively low, along with low rates of inflation.

The major sectors of industrial growth have been in the basic industrial categories of machinery, rubber and plastics, electronics, transportation, food, chemicals, and metal products, with lesser rates of growth in lumber, paper, textiles, furniture and other industries. Despite the overall good performance of the national economy, most of the new investment in plant expansions and new facilities is taking place in the eastern, mid-western and southern parts of the country, leaving less than 7.0 percent of the new investment in the Pacific Region states of California, Oregon, and Washington.

Within Oregon, the trend is also toward concentration of new plant investment in the heavily populated areas west of the Cascades. During a recent 18-month period, the Oregon Economic Development Department showed that 95% of all new company investment took place in the Willamette Valley corridor between Eugene and Portland while only 1% occurred in the Baker-Malheur region.

In terms of job creation during that 18-month period, the urban region recorded 65% of all new jobs while the Baker-Malheur region showed less than 1%. The Baker-Malheur region received only 1% of all OEDD projects during that period, while the urban region received 45%.

Based on these trends, the outlook for industrial expansion in the Baker City area is limited even with continued growth in the national and state economies. Most of the demand for industrial land is expected to come from expansion of local companies, although there will be continuing successful efforts to recruit new companies to the community.

INDUSTRIAL LAND REQUIREMENTS

The land requirements for those new industries and expansions can be characterized by the site specifications of the companies that look at the area with assistance by the Oregon Economic Development Department. There were 16 companies that OEDD assisted to investigate site locations in northeastern Oregon between January 1, 1994 and May 15, 1996. Their site requirements are summarized as follows:

1. Size: 3 - 20 acres, with most of the demand in the 5 - 20 acre range.
2. About ½ want existing buildings; the other ½ want bare land sites.
3. All firms want municipal water and sewer, rather than well and septic systems.
4. About ½ want a freeway location for access and/or visibility.
5. Only ¼ are interested in having rail service.
6. An airport is not a factor for most of these companies.

BAKER CITY'S INDUSTRIAL/COMMERCIAL SITE INVENTORY

In terms of the overall supply of zoned land, Baker City appears to have an abundance of land to accommodate industrial growth and expansion. However, an evaluation of that inventory reveals that the net supply of land that is suitable for expansions of existing industries or the recruitment of new owners may not be so large.

A GIS scan of the zoning map showed about 806 acres of industrially-zoned land, of which about 450 acres are vacant or significantly underutilized. The scan also showed about 280 acres of general commercial zoning along the I-84 freeway, with most of that land vacant. According to Baker City's zoning ordinances, the C-G zone will accommodate most light industrial operations.

Virtually all of the vacant industrial land is located on the west side of the city, along the Union Pacific Railroad mainline tracks and U.S. Hwy 30, which was the major transportation arterial through the area prior to construction of the I-84 freeway on the east side of the city. That means that none of this land meets the needs of companies that are looking for freeway locations.

Also, much of this land is not realistically usable, especially at the south and central parts of the inventory. The area known as the Baker Industry and Resources Corporation Subdivision is virtually full, with the principal vacant parcels located on slopes and in flood plain. This area has developed for local industrial service companies and is not likely to attract new firms from outside the area because of the lack of amenities and planned development.

The property surrounding the former Ellingson Plywood plant is also virtually unusable. Much of this site was used as a log dump and has soft soils mixed with wood chips and sawdust. Large areas are in flood plain and there are evident areas of wetlands and associated vegetation throughout the site. The former mill building presents its own set of problems, mostly the costs of converting a 100,000 sq. ft. facility to more modern uses.

In 1995, the Ellingson Lumber Company mill in the center of the strip of industrial zoning was added to the inventory when the facility closed and the equipment was sold at auction. As a former mill site, this area also has all of the environmental and land use concerns of the plywood plant. In addition, it is cut up by railroad spurs, access roads, utility easements, and the foundations of old buildings. While it may be possible to accommodate new users on parts of this site, it will be difficult to utilize the bulk of the property unless these development constraints can be removed.

The best bare-land sites are located on the northern end of the strip of industrial zoning. One of these, the Settler's Park site, has been reduced from about 60 acres of industrial land to about 30 acres of small industrial sites under a new master plan for mixed residential, commercial, and industrial uses. This plan will provide Baker City with a valuable asset of small, fully-developed and ready-to-build lots for small industrial users. It is expected that most of these lots will be sold to local companies for expansion and/or modernization of their facilities. They are generally too small to meet the needs of the new companies that are looking at the area, although several lots could be combined to provide larger sites.

Adjacent to Settler's Park on the north is the Elkhorn View Industrial Park, a major development with all the amenities and services of a planned industrial park. The first tenant, Behlen Industries, is constructing a 100,000 sq. ft. plant there which is expected to employ more than 100 workers when it is fully operational. An additional ± 60 acres will be available for other companies in a variety of lot sizes. This is currently the "flagship" industrial site in Baker City and will be the focus for most of the City's industrial recruitment efforts in the foreseeable future.

Another site of more than 100 acres is located just north of Elkhorn View Industrial Park, with most of the same advantages except a developer to provide ready-to-build lots for individual tenants. Because most firms looking at Baker City require lot sizes of 20 acres or less, it is not likely that a single user will want to acquire this site and develop it. Without a developer to perform this function, the site is generally not usable. There is also a question as to whether or not the current owners are willing to sell it.

That leaves the properties with C-G and County Industrial zoning along the freeway. However, the land zoned County Industrial is virtually all used for gravel extraction with large, water-filled pits and a rock crusher on the property. It is not useful as part of Baker City's inventory of industrial lands. The properties zoned C-G have fewer development constraints and can be expected to attract commercial uses as land on the west side of the I-84 freeway becomes more scarce and expensive.

In total, then, the 806 acres of industrially-zoned land can be reduced to about 90 acres of bare land in the Settler's Park and Elkhorn View projects that can be used to attract new industries to the area. Some of the remaining land may be useful for local company expansions, but most of it will require working around various development constraints caused by prior uses or by natural features such as slopes and flood plains.

In terms of the identified requirements of new industries, the major shortfall is the lack of any industrially zoned land from I-84 freeway visibility and/or access. This is a significant competitive disadvantage for Baker City.

RECOMMENDATIONS

There does not appear to be any imperative need for Baker City to add to its inventory of industrial and general commercial sites in the near future, although it would be desirable to remove the development constraints on existing sites to make them more usable. However, in order to address the competitive disadvantage identified above, it is recommended that Baker City begin the planning process to develop at least one site with Light Industrial zoning at an I-84 freeway interchange. A potential site that has been identified in numerous studies is the 63-acre parcel on the southwest side of the I-84 / Hwy 86 interchange known as the Irene Schaan property. The following is an assessment of that property in the same format as was used in Section 3 of this report.

IRENE SCHAAAN PROPERTY

SITE CHARACTERISTICS / DEVELOPMENT CAPABILITIES

Size: 63.09 acres

Location: Adjacent to north city limits, ¼ mile west of I-84 at the overpass and intersection of State Hwy 86 (Interchange #302).

Zoning: The site is outside the city limits and the Urban Growth Boundary, and is zoned for exclusive farm use (EFU).

Access: The site has excellent access to/from I-84 with an interchange less than ¼ mile from the northeast corner of the site. There is approximately 1,600 feet of frontage on Hwy 86, with Hughes Lane and Cedar Street providing access to/from other areas of Baker City.

Site Profile: The site is rectangular in shape and is 100 percent usable. It is currently in agricultural use (grazing) and has no structures or other physical features that would impair full development. There is a large church adjacent to the southeast corner that would probably require a buffer. Other neighboring uses are primarily agricultural.

Rail: No rail service is available to the site.

Utilities: Municipal water and sewer connections are located approximately 500 feet from the site. Once the site is within the city limits, the line extension charges for extending these services to the site are estimated at \$26,500 or less, depending on the size of the lines and meters. Information from the City

indicates that a lift station will be required for the sanitary service, but no cost estimate has been obtained for that facility. 3-phase electric service is available to the site, and a 2" natural gas line is located near the southeastern site boundary.

Development Constraints: Political concerns present more potential constraints on the development of this site than the engineering considerations. Officials at the City, County and State government levels are certain that approvals can be obtained to extend the Urban Growth Boundary to include this property, and that industrial zoning can be applied when it is annexed into the City. The State processes are not automatic, however, and any opposition to expanding the UGB could impose substantial delays and additional costs, especially if there are court challenges

A high water table is reported but it has not been determined how this will affect development of this site. It is unlikely that surcharging will be required, but an engineering evaluation should be performed to identify any problems associated with soils and load-bearing capabilities, drainage, and underground utility systems.

ASSESSMENT

This site has been recommended in several reports as the prime location for a freeway-oriented industrial park in Baker City. Its primary advantages are (1) its location near a freeway interchange; (2) its visibility from the freeway; (4) its size of 63 acres is sufficient to accommodate development of a variety of individual lot sizes; (5) its configuration allows maximum development and use of the property; (6) it is in single ownership; and (7) it would be relatively easy, and not too expensive, to extend municipal water and sewer services to the site.

This site has outstanding potential for most of the companies identified as being the primary market for Baker City. It does not have rail service, and performance standards would have to be imposed to assure compatibility with neighboring land uses. Those standards would probably restrict outside storage, noise, dust, and other potential conflicts. This tends to favor development of the property as a true industrial park, with landscaping and other provisions for environmental enhancement, rather than simply a subdivision of lots for industrial uses.

Freeway access and visibility are key advantages of this site, offering direct truck access to and from the freeway without traveling through residential or commercial areas, or past schools or the hospital. The development

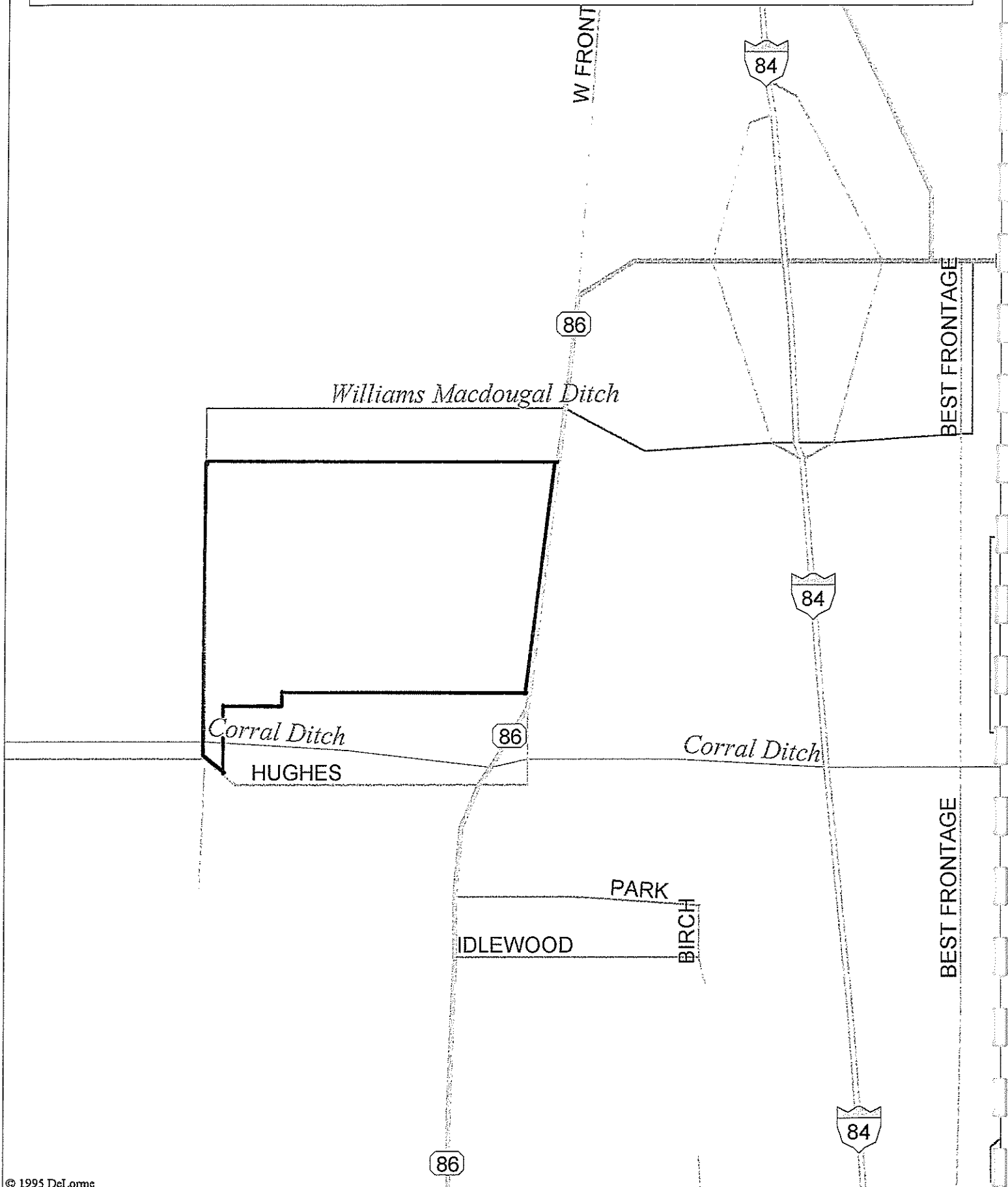
advantages described above also translate into marketing advantages by assuring fully-usable sites at reasonable costs.

The disadvantages of the site include (1) it is outside the Urban Growth Boundary, is zoned for Exclusive Farm Use (EFU), and would require approval at the State level to develop it as an industrial park; (2) it is also outside the Baker City limits, requiring a boundary change; (3) there are neighboring uses, primarily a church, that would need to be considered in the development planning; and (4) there is a high water table under the property.

This is the best site identified in Baker City for a freeway-oriented industrial park. It is recommended that planning begin to include it in the UGB, bring it into the city limits, and rezone it for industrial use.

An ideal industrial land strategy would provide Baker City with three alternatives to show to prospects: (1) Freeway-oriented sites; (2) Rail-served sites; and (3) Airport sites. Unfortunately, these are not all available at one location. Baker City has most of its industrial land concentrated along the UPRR mainline and Hwy 30 on the west side of the city, and also has land suitable for industrial use at the airport. What it lacks is industrial land with visibility and direct access to the freeway. Acquiring and developing the Irene Schaan property for this purpose would eliminate a major competitive disadvantage for Baker City and assure its capabilities of meeting the site needs of all companies looking at northeastern Oregon for expansions or locations of new facilities.

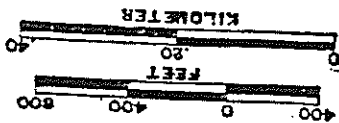
Irene Schaan Property



THIS MAP WAS PREPARED FOR
ASSESSMENT PURPOSE ONLY

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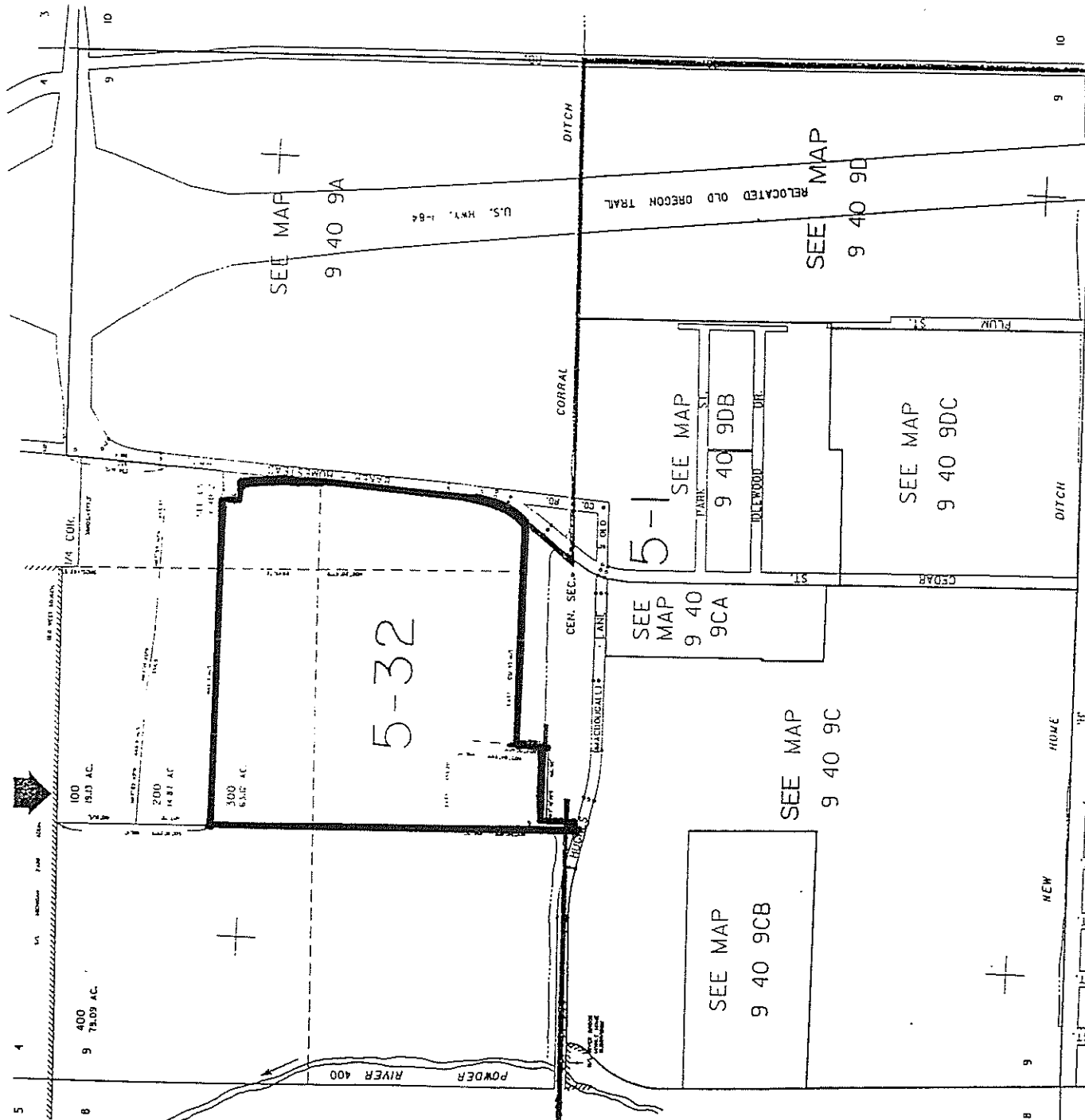
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BAKER CITY



SCALE 1:9600

SEE MAP 9 40 4C

SEE MAP 9 40 4B



SEE MAP 9 40 9A

SEE MAP 9 40 9D

5-1 SEE MAP 9 40 9DB

SEE MAP 9 40 9CA

SEE MAP 9 40 9C

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SEE MAP 9 40 9DC

SEE MAP 9 40 10

SEE MAP 9 40 8

SEE MAP 9 40 8DA

SEE MAP 9 40 8DD

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COUNTY OF BAKER

SITE #1

BAKER INDUSTRY AND RESOURCES CORPORATION SUBDIVISION

SITE CHARACTERISTICS / DEVELOPMENT CAPABILITIES

- Size: This is a platted industrial subdivision containing 21 individual lots ranging from 0.32 acres to 8.15 acres in size. There are about ten (10) acres of undeveloped land left in this subdivision, but they are mostly contained on slopes, behind other uses, or in areas of floodplain. There may be opportunities to redevelop some of the older industrial uses and make larger sites available, but this area is generally designed for smaller users.
- Location: This area is on the south side of Baker City, located south of Colorado Avenue and situated between the Powder River and State Hwy #7 (Baker-Unity Hwy).
- Zoning: Industrial (I)
- Access: David Eccles Road (Industrial Avenue) between Hwy 7 and Colorado Avenue.
- Site Profile: These properties are improved for small, general types of mixed industrial uses. Current users include several mini-storage warehouses, service yards for local utilities, repair shops, a towing yard, and similar types of activities. These are mostly local industrial support operations rather than basic manufacturing.
- Rail: No rail service is available
- Utilities: City water and sewer, electricity, natural gas, telephone
- Development Constraints: Nearly one-half of Lot 4 is within the 100-year flood plain of the Powder River. This effectively reduces the usable size of this parcel to 2½ acres.
- Assessment: This site appears to be able to accommodate 3 - 4 additional small firms, with up to 140,000 sq. ft. of buildings at a 40% site coverage ratio. Access to/from I-84 is circuitous and requires winding through City streets. Likely users are local service and supply companies, rather than new industries locating in Baker City which generally are looking for five-to-twenty acre sites.

SITE #2
SOUTH BAKER CITY / ELLINGSON PLYWOOD MILL AREA

SITE CHARACTERISTICS / DEVELOPMENT CAPABILITIES

Size: About 110 acres, including 24.25 acres in the Ellingson Plywood Mill

Location: In city limits south of downtown Baker City.

Zoning: Industrial (I). Suitable for medium and heavy industries.

Access: Industrial Way from State Hwy 7. Access is awkward and is affected by the bottleneck of the railroad crossing at the Dewey Avenue underpass. North/south traffic flows through downtown Baker City. Traffic to/from U.S. Hwy 30 uses several city streets. Preliminary plans have been drawn to improve the access to/from U.S. Hwy 30 and beyond to I-84. These call for a connector between State Hwy 7 and U.S. Hwy 30 running through the property. This would require a bridge across the Power River and a signaled railroad crossing of the UPRR main line. This road would be necessary for the increased volumes of truck and automobile traffic generated by any significant industrial development, as well as to offer a competitive location for companies oriented to the I-84 freeway.

Buildings: Part of this property is the site of a former plywood plant which was constructed in 1964 and closed in 1981. It includes the main building of 102,750 sq. ft., plus a smaller building of 26,000 sq. ft. which was constructed in 1979. The smaller building is currently back in use and is occupied by US Timber Company.

Site Profile: The balance of the property includes a log yard of 12.95 acres which could probably be acquired and used either for expansion/support of the main facility or developed separately as an industrial site. There are some environmental concerns at this site, typical of any conversion of heavy industrial properties. It is reported that all underground tanks have been removed along with any contaminated soils, but a Level 1 environmental assessment still needs to be performed. Until such an assessment is made, it is not known what remedial actions need to be made, if any, or how much they will cost.

All of the vacant property in this site is owned by Ellingson Timber Company. It has been platted for intensive residential development, despite its industrial zoning. The Assessor's maps show numerous unconstructed streets and small lots. Some of this platted area extends to the east side of Hwy 30. The existing condition of this land, however, is open fields with natural vegetation.

Utilities: The site is close to downtown Baker City and is fully serviced by all municipal utilities, along with electricity and natural gas. These utilities are sized for heavy industrial use, including a 14" water main and both 12" and 8" sewer lines. Natural gas is provided by 2" and 4" lines on site, and 3-phase electric power is provided by a 1500 KV substation on site.

Rail: There is an existing rail spur on the Ellingson Plywood Mill portion of the site, with trackage both inside and outside of the main plant.

Development Constraints: An engineering assessment needs to be made to determine the conditions of the soils in the log yard, along with issues of potential flooding, high water table, and drainage. As the Powder River borders the site on the east, a development plan needs to assure that there would be no surface or subsurface drainage into the river, as well as addressing the constraints imposed by the flood plain on part of the property. According to City maps, the 100-year flood plain includes all of the Ellingson Plywood Mill portion of the site and about one-half of the remainder.

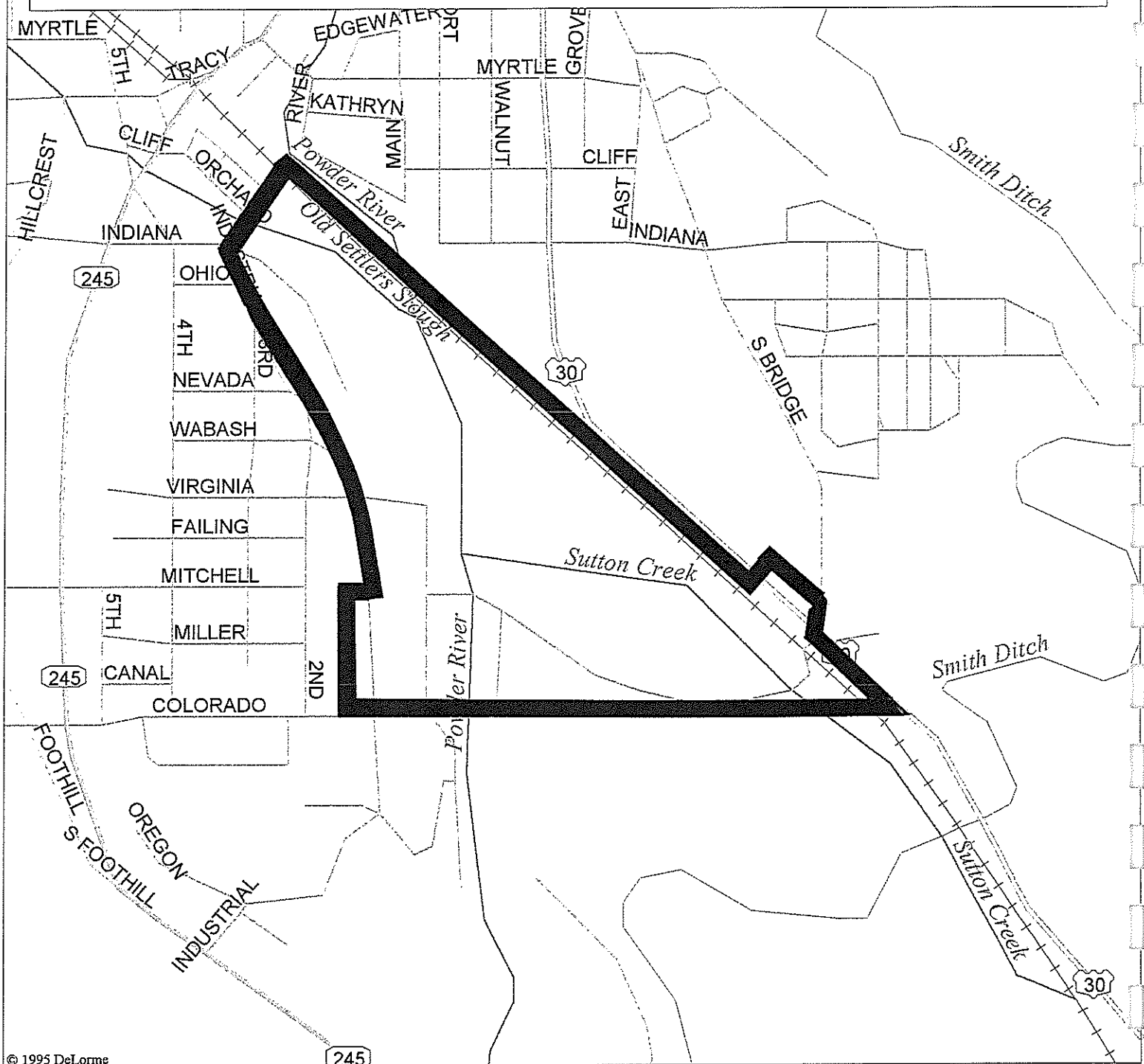
The primary development consideration concerns the conversion and reuse of the main building at the former plywood mill. It may be an asset for a user that can benefit from the size, configuration, and characteristics of the former mill facilities; it is a liability, however, if a new user would require extensive upgrades or modifications which might cost more than new construction.

ASSESSMENT

While this site offers a large tract of unused land, it is doubtful that it will be a primary focus for industrial development. The combination of access issues, the existing old buildings, the soils conditions, flood plain impacts, and other constraints make this site undesirable for most industries that simply want ready-to-build, bare land sites.

There is also the question of whether or not the main plywood plant building is suitable for the uses of typical tenants in the regional market of northeastern Oregon. While the 26,000 sq. ft. building helped attract US Timber to Baker City, a single tenant for the main building would need to be able to utilize 106,750 sq. ft., which excludes small users. The only way to meet the needs of smaller tenants would be for a developer to acquire the building and subdivide it into multi-tenant spaces. It is doubtful that a developer would front-end the costs of acquiring and converting the facilities on a speculative basis, especially where there is no demonstrated market for this kind of space in Baker City.

Site #2 - Locator Map



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Scale 1:9,375 (at center)

1000 Feet

200 Meters

- Secondary SR, Road, Hwy Ramp
- State Route
- Interstate/Limited Access
- US Highway
- Railroad
- Population Center
- River
- Intermittent River

SITE 3
WEST BAKER CITY / ELLINGSON LUMBER MILL AREA

SITE CHARACTERISTICS / DEVELOPMENT CAPABILITIES

- Size: Approximately 85 acres, including the numerous parcels on both sides of the UPRR main line extending from A Street on the north to State Hwy #7 on the south. The largest contiguous parcel of vacant or underutilized land is located between Broadway Street and Auburn Avenue. It includes four separate tax lots which total 28.23 acres.
- Location: East side of Baker City, on both sides of UPRR main line. within city limits. It includes the Ellingson Lumber mill property along with several other parcels adjacent and near to it on the east side of Baker City.
- Zoning: The site is zoned industrial (I). There is a parcel of approximately ½ acre that is zoned L-I for light industrial.
- Access: Broadway Street bisects this site east/west. Auburn Avenue is also a major east/west access. Property on east side of UPRR main line is accessed by Hwy 30. Numerous other streets access various parts of this site.
- Site Profile: This area is a primary industrial center in Baker City, with major firms such as Ellingson Lumber Company and S&R Industries located there. These are generally heavy industries, often characterized by older buildings and outside storage of machinery, raw materials and equipment. The Ellingson Lumber mill closed in 1995 and parts of the facility are being dismantled and sold at auction. Many of the parcels have irregular shapes and have unusable portions because of railroad tracks and other easements as well as lack of access.
- Rail: Several rail spurs serve numerous parcels on both sides of the UPRR main line. A major drill track extends into the Ellingson Lumber mill site.
- Utilities: All of this site is serviced by municipal utilities including 10" and 12" water mains and 12" sewer lines, along with electricity and natural gas.
- Development Constraints: The southwest corner of this site is affected by the flood plain of Settler's Slough, which may limit development on about four acres. However, the primary constraint to new development is redevelopment of the former mill site, which may involve environmental issues. There is also the need to remove existing structures and foundations and reconfigure the utility systems, roadways, and railroad spurs to fit new users.

ASSESSMENT

This site offers challenges similar to the Ellingson Plywood mill property, except for the remodeling of existing buildings. There are very few smaller, vacant parcels available so any opportunities to develop new industries on this site will require conversion from the prior use. Unless a single, large user acquires the site, then the best way to utilize this property will require acquisition by a developer who will invest in the cleanup and conversion and develop sites for individual users under a coordinated master plan. This is not likely to happen because of the costs and risks associated with this kind of development and the lack of an established market for this kind of property in Baker City.

One solution would be for the existing owner to undertake that kind of project, either individually or in a joint venture with a land developer, carrying its equity in the land. This would enable the land values to be subordinated to returns at the back end of the project instead of at the front end, substantially improving cash flows during the build-out and early marketing stages. A feasibility analysis might be able to demonstrate a financially viable project depending on costs and market assumptions.

Without that kind of creative development, however, it is doubtful that this property will meet the needs of new industries looking to locate in the Baker City area.

Note: The following Assessor's Map shows the major portion of the Ellingson Lumber Mill site. There is additional land in this site located between 13th Street and 14th Street both north and south of Broadway. The maps showing that area are not informative, however, as they show each block subdivided into 46 small lots although they are, in fact, vacant.

SITE 4
SETTLERS PARK

SITE CHARACTERISTICS AND DEVELOPMENT CAPABILITIES

Size: This area includes a vacant rectangular parcel of about 60 acres located west of 17th Street (Chico) and south of the alignment of "H" Street where it crosses the UPRR main line. Additional industrial zoning in this area is located on the east side of 17th Street and on the east side of the railroad tracks. Most of those areas are occupied.

Location: Within Baker City Limits, NW of downtown area.

Zoning: The site is shown on the current zoning map as being zoned Industrial (I), but there is a proposed Master Plan that would convert the site to mixed residential, commercial, and industrial uses. This would reduce the industrial portion of the site to about 30 acres.

Access: The industrial areas of the proposed Settlers Park site plan are accessed by 17th Street which is the east border of the site. The interior lots would be accessed by extending three arterials west from 17th Street. The primary access from Hwy 30 would be Campbell Street to 17th Street.

Site Profile: Most of the vacant portion of this site has been in agricultural production. It is flat and appears relatively easy to develop. Settlers Slough runs diagonally NW/SE through the site, with a minor floodway but no apparent wetlands or other environmental constraints.

The primary consideration affecting this site for industrial use is the proposed mixed-use development that would substantially reduce the amount of acreage available for industrial development. However, the plan would convert a large, raw-land site into developed, ready-to-build industrial lots.

Rail: The UPRR main line runs through this site providing service to industries located on both sides of the track. On the Settlers Park site, the rail touches the NE corner. It is not planned to extend rail into the site but it would be possible to provide rail service to the lots on the north end.

Utilities: Municipal water and sewer are both available in industrial capacities along 17th Street. An additional 12" water line is being planned through the north area of Settlers Park. Natural gas is also located on 17th Street, along with a 25KV, 3-phase power line.

Development Constraints: In addition to Settlers Slough, there is a main natural gas transmission line with easement running diagonally NE/SE through this site. The Settlers Park site plan uses this easement as a dividing line between lots so it is not a development constraint. However, it could affect the ability to combine lots for a single, larger user. Also, the mixed-use character of the planned development favors use of this site for light industries instead of the medium and heavy industries that are allowed under the (I) zoning.

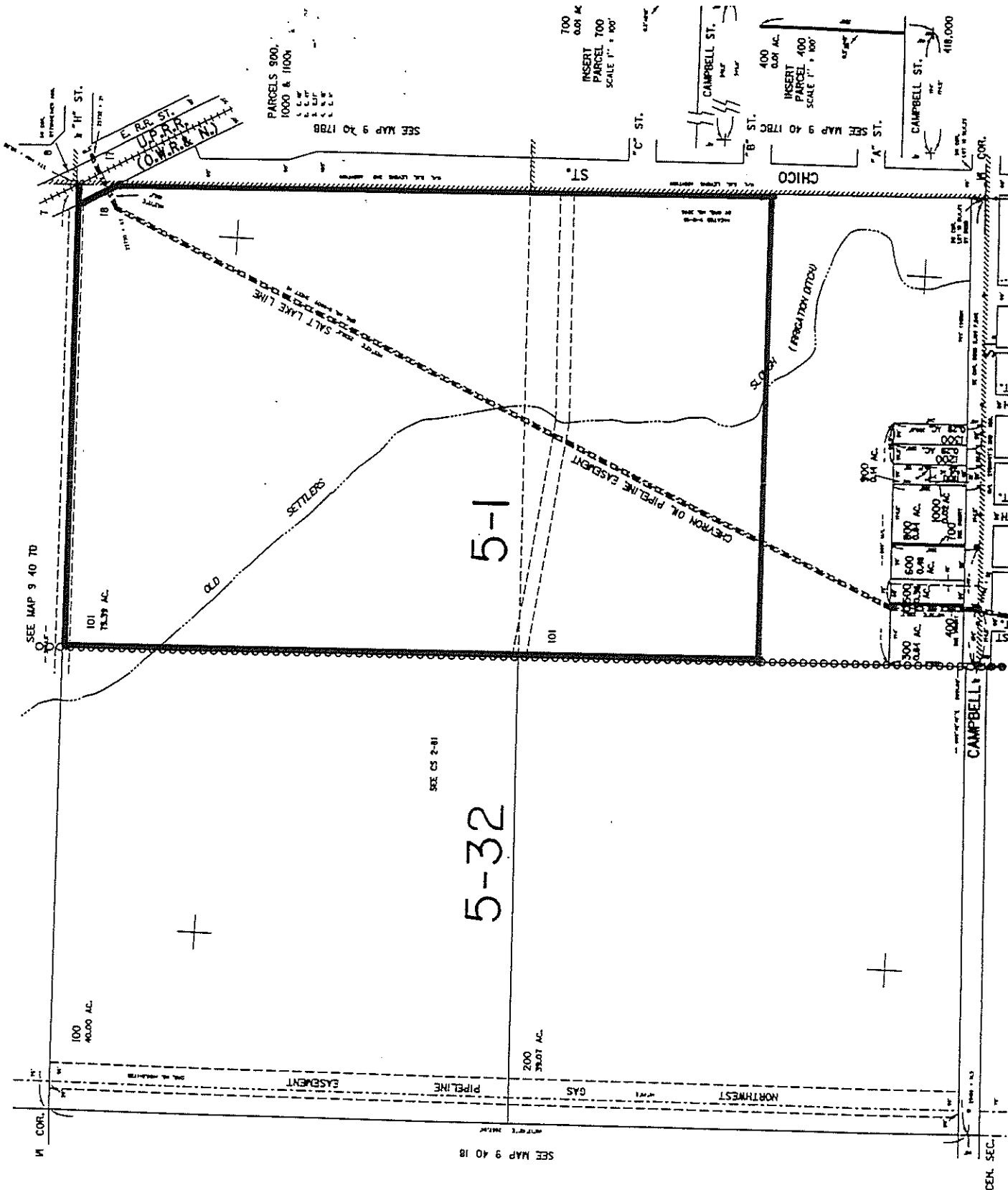
ASSESSMENT

The Settlers Park site plan fills a need in Baker City for smaller, fully-developed, ready-to-build lots for light industries. The adjacent commercial uses can provide services for both the industrial tenants and the residents of the multi-family and single-family lots. A consideration for Baker City's overall industrial land needs, however, is that it reduces the industrial portion of this site by about 30 acres. It is expected that the developer of Settlers Park will actively market the industrial lots along with the overall project.

In terms of the site requirements described in Section 2 of this report, this proposed development plan will provide lots primarily at the smaller end of the range. It can be expected to accommodate smaller local service and supply companies, as well as new firms coming into the area that need lot sizes in the range of 1 to 3 acres. Larger firms could be accommodated by combining lots only during the initial absorption period of the project.

Another consideration is that this site is located in the industrial corridor along the UPRR main line and off of Hwy 30. While there is reasonable access to the I-84 freeway, this site does not serve the needs of those firms that require closer freeway proximity or direct access and visibility.

This proposed development will provide a very positive resource for Baker City's industrial development efforts, but it will not meet all of the needs of new industries being recruited to the area.



100

ARE: 2

28. PARKING RESTRICTIONS

LOT USES.	LOTS 1 TO 100	LOTS 101 TO 150	LOTS 151 TO 199
RESIDENTIAL:			
MULTI-FAMILY AND			
RECREATIVE/WORK:			
INDUSTRIAL:			
COMMERCIAL:			

'G 57." ROAD SECTION

DESIGNED BY: J.B. QJN/GJS/30

THOMPSON CONSULTING

DRAWING NO. BKRSP1	DATE: 1/31/96
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ARE: 2

SITE PLAN—SETTLERS PARK FOR 'COLUMB' DEVELOPMENT

DATA PROVIDED BY: PERRY ENGINEERING & ASSOC.
CIVIL ENGINEERING AND SURVEYING
BASIS PROVIDED BY: LEHNERZ & COYLE
ARCHITECTURE AND
PLANNING

DATA PROVIDED BY: PERRY ENGINEERING & ASSOC.
CIVIL ENGINEERING AND SURVEYING

OUT BASE PROVIDED BY. LERNERTZ & COYLE
ARCHITECTURE AND

ACHIEVEMENT AND PLANNING

SITE 5
ELKHORN VIEW INDUSTRIAL PARK

SITE CHARACTERISTICS / DEVELOPMENT CAPABILITIES

- Size: Approximately 114 acres west of the UPRR main line, with about 80 acres in various parcels located east of the tracks between the railroad and Hwy 30. The primary focus is on the vacant and significantly underutilized portion west of the railroad.
- Location: South of Pocahontas Road and west of 17th Street, on the west side of the UPRR tracks. The site is adjacent to a well-established industrial area in the northwestern part of Baker City.
- Zoning: The site is zoned industrial but most of it is currently in agricultural use. The site is within the UGB but a portion is outside the city limits.
- Access: The north boundary is Pocahontas Road, which becomes Hughes Lane and is a direct access to I-84 approximately three miles east. The eastern boundary is 17th Street, which provides north/south access to Pocahontas Road to the north and Campbell Street to the south. Both of those arterials offer direct routes to the I-84 freeway. 17th Street changes name to Imnaha Road and continues north to where it intersects with U.S. Hwy 30.
- Site Profile: The site is flat and has been in agricultural uses. However, there is a Partition Plat to develop this site into a master planned industrial park, named Elkhorn View Industrial Park. Development work is currently being done on approximately 38 acres at the north end of the site. Behlen Industries, a firm that manufactures livestock handling equipment and related products, was recently recruited to Baker City and is building a 100,000 sq. ft. facility on a 20-acre site adjacent to Pocahontas Road and the railroad. Interior roads and utilities are being developed to service the 18-acre parcel on the west side of the Behlen site. Additional development will extend south and east until the entire site is built out.
- Rail: The site has the advantage of being bordered by the UPRR main line with development potential for rail-served sites. A spur track is being developed to service Behlen Industries.
- Utilities: Municipal water and sewer lines have been extended to the site to service Behlen Industries and the adjacent properties. 12" water and sewer lines have been run along Pocahontas Road and south into the interior area of the site. The water line is being looped back to connect into 17th Street.

Natural gas is available on 17th Street, and there may be an opportunity for a major user to tap into the main Northwest Pipeline which runs along the western border of the property. 25-KV, 3-phase electric service is adjacent to the site.

Development There appear to be few limitations on development of this site. Settlers
Constraints: Slough runs through the west portion of the site, but it is reported to have no continuous flows and a relatively narrow flood plain boundary. The site does not have the high water table that is a concern with properties near the freeway.

ASSESSMENT

Elkhorn View Industrial Park is being developed as a "flagship" industrial park for Baker City and can be expected to serve as the location for additional industries being recruited to the area. It offers all of the services and amenities normally expected in a fully-developed industrial park.

The size and configuration of the property will enable the development of a wide variety of different sizes of individual lots. The phased development plan for this property will provide Baker City with the ability to match the site requirements of most companies looking at the area, including those that require rail. Sites will be provided in a ready-to-build condition with relatively low development costs.

The only drawbacks to this property are its lack of immediate access and visibility to the freeway, and related concerns of increasing truck traffic on Hughes Lane, especially in front of the hospital. The site would benefit considerably from the widening of Hughes Lane to a 4-lane, commercial arterial. Some companies may also express concern about the railroad crossing and the frequency of train traffic on this main line. Providing two points of access would help to reduce potential delays.

Note: The first map that follows shows the primary vacant property associated with the Elkhorn View Industrial Park, along with additional industrially-zoned land located between the UPRR main line and Chico Street. The second map shows an additional area of industrially-zoned land in the same vicinity, with no significant parcels of vacant land available.

THIS MAP WAS PREPARED FOR
ASSESSMENT PURPOSE ONLY

SECTION 14 T.33S. R.40E. W.M.

BAKER COUNTY

1" = 200'

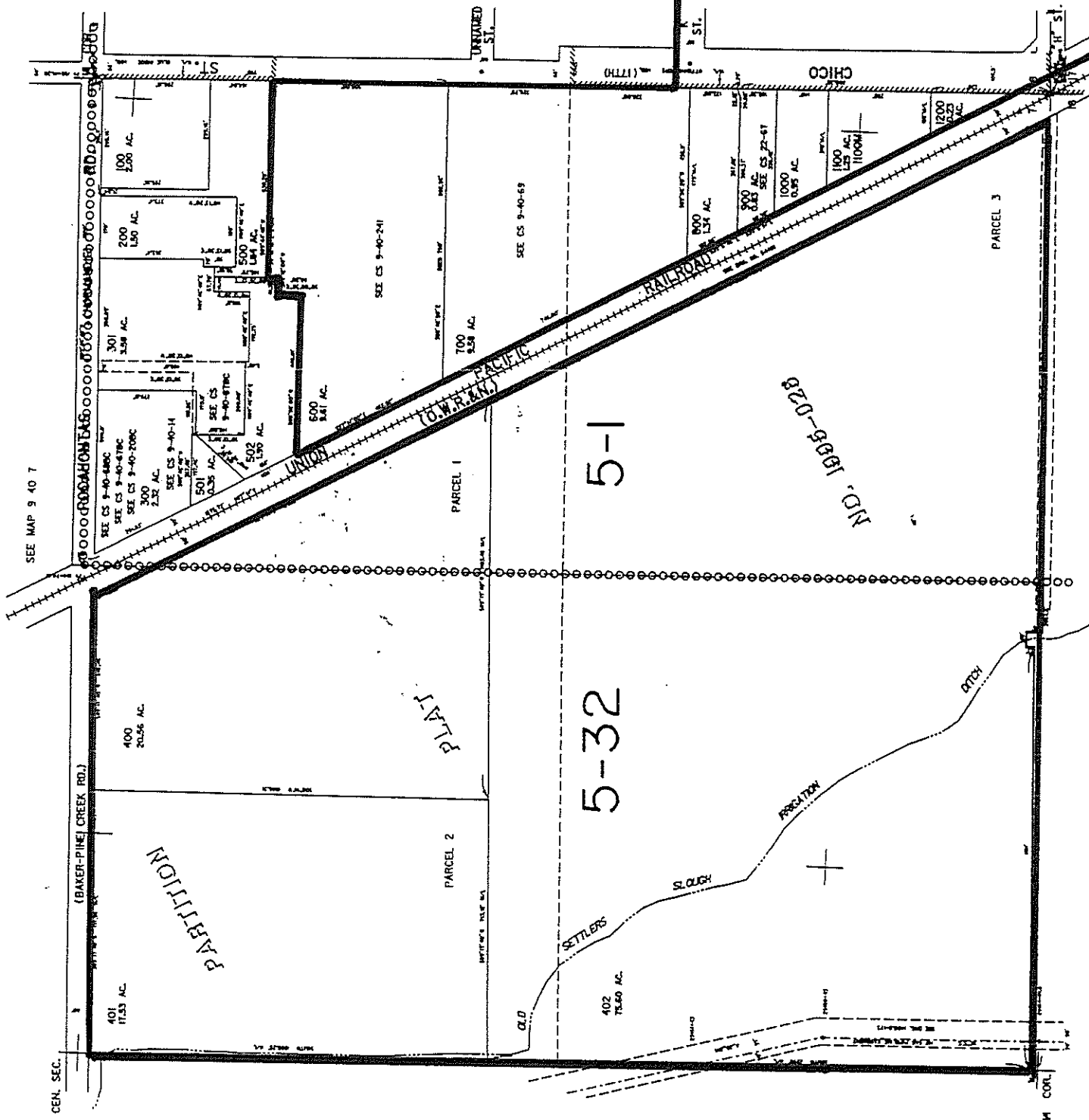
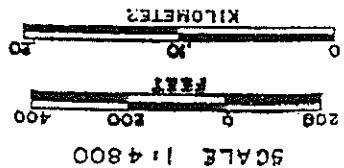
9 40 70
BAKER

RECEIVED

MAR 05 1936

DEPT. OF REVENUE
STATE OF OREGON

SEE MAP 9 40 7



SEE MAP 9 40 7

SEE MAP 9 40 8CB

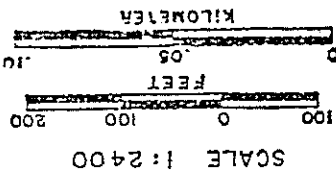
SEE MAP 9 40 RCC

421,000

BAKER CITY
9 40 17BA

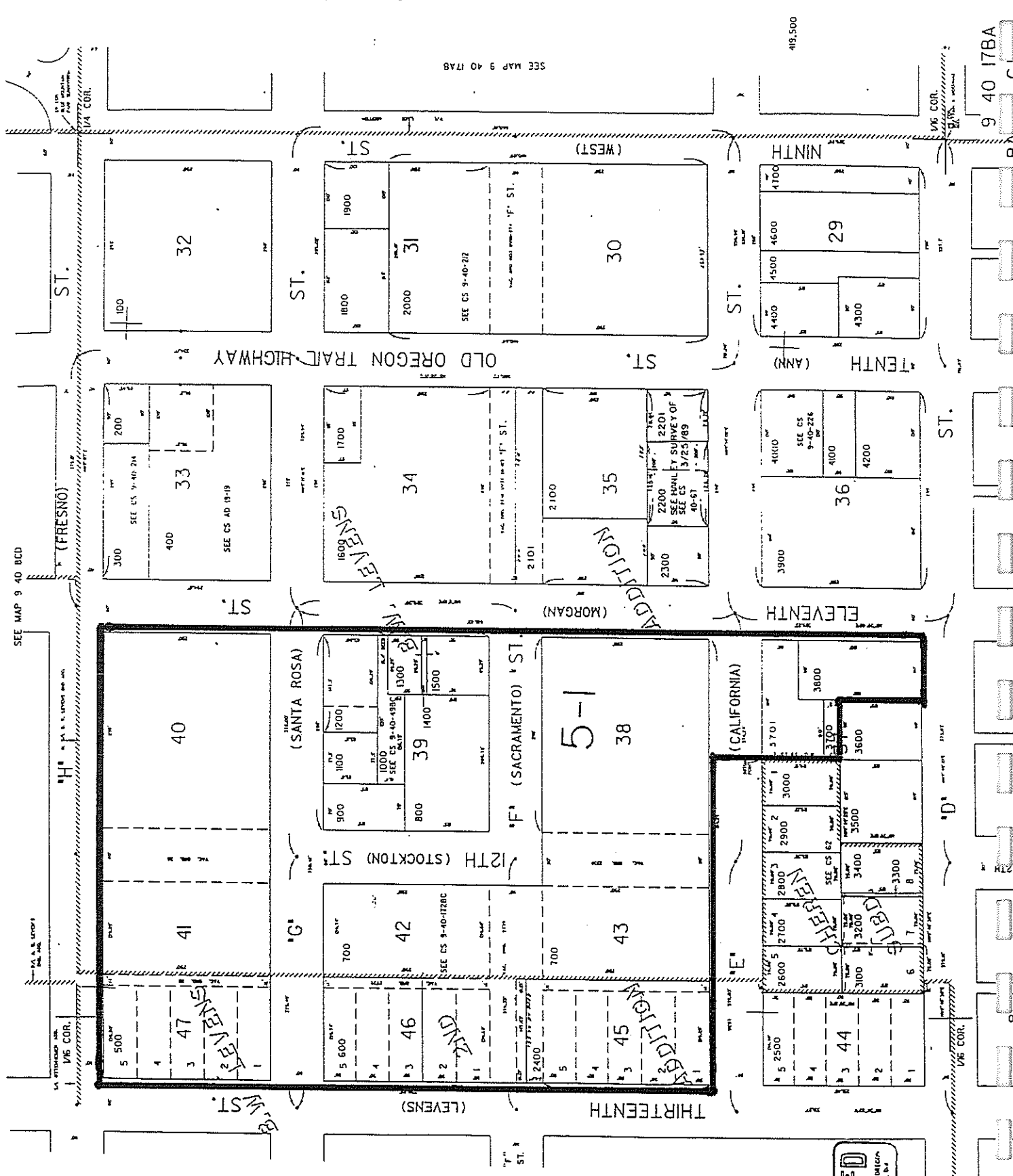
BAKER COUNTY
1" = 100'

ADJACENT TOWN OF UTILITY



SEE MAP 9 40 17BA

RECEIVED
FEB 26 1991
BANK OF AMERICA
BANK OF AMERICA



SITE 6
WARD SITE

SITE CHARACTERISTICS / DEVELOPMENT CAPABILITIES

Size: 112.92 acres.

Location: The site is within the Urban Growth Boundary but outside of the city limits. It is adjacent to north Baker City limits, north of Pocahontas Road and west of Innaha Road.

Zoning: The property is zoned industrial (County).

Access: The site has good road access with Innaha Road forming its eastern boundary, connecting to U.S. Hwy 30 to the north. Access to/from I-84 is via Hughes Lane and the Hwy 86 interchange.

Site Profile: The site is flat and nearly rectangular, with dimensions that would allow for maximum site utilization. It is used for agricultural production and there are no structures or other features that would impair development. There are some residences on the south side of the site, within the industrial zone.

Rail: The UPRR main line runs along the western boundary, providing the ability to develop rail-served sites.

Utilities: An existing municipal water line on Pocahontas Road could be extended to the site at a cost of less than \$20,000. An existing sewer line is already available on Innaha Road. Natural gas is also available on Pocahontas Road, and 3-phase electric power is available with a nearby substation.

Development Constraints: No significant development constraints have been identified. This site would be relatively easy to develop at reasonable costs. There do not appear to be any requirements for road improvements, and the proximity of utilities indicates there would be relatively minor off-site development costs. There are no known problems with the water table, or with soils and drainage. Because of the agricultural usage, an environmental assessment would need to be performed to identify any residue from pesticides or other agricultural chemicals. The site is within the Urban Growth Boundary but outside the city limits, so some delays would be incurred to annex the property into the City.

ASSESSMENT

This site has similar marketing characteristics to the Elkhorn View Industrial Park site, although it is not under a development master plan, with a slightly weaker position for traffic flows between the site and the freeway. Trucks leaving the site and heading toward the freeway would either have to go south on Innaha Road and make a left turn onto Pocahontas Road, or go north to U.S. Hwy 30 and backtrack to Hughes Lane, turning left toward the freeway. Either route would be a minor inconvenience and should not seriously affect the marketability of the site.

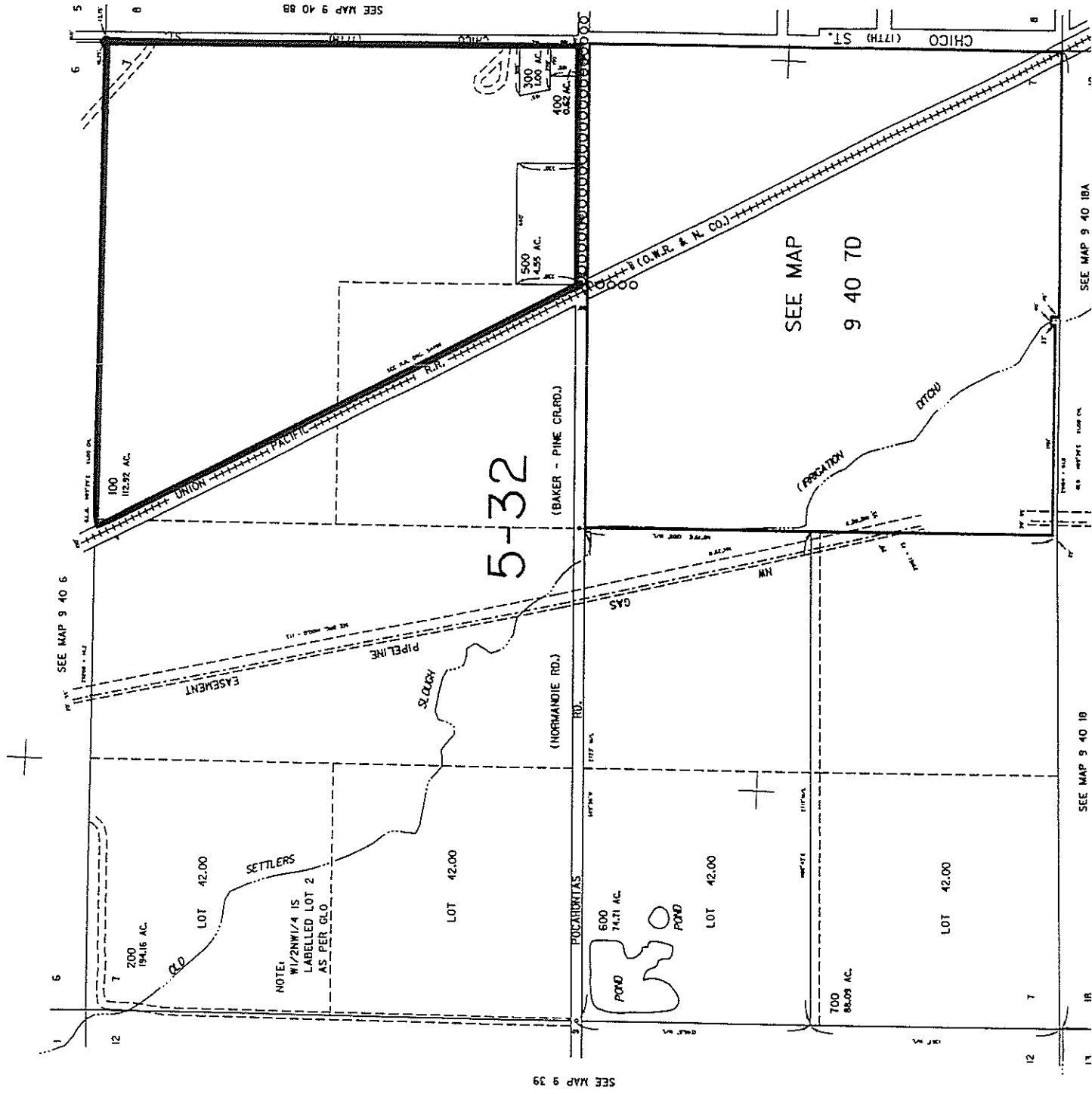
This site also has the same disadvantages in that it does not suit the requirements of firms that want direct access and visibility at a freeway interchange. The three-mile distance between the site and I-84 may make the site less competitive for recruiting those kinds of companies.

Another concern that could affect the marketability of this site is whether it can actually be made available for industrial development. Information from the City indicates that the owners have expressed interest in developing the property, but there have also been conflicting reports that they are unwilling to sell it. Whether they would sell it to a single user or make it available to the City to show as a proposed industrial site is not known.

This site is highly suitable for development as an industrial park or subdivided into smaller lots. A looped interior road system with two access points on Innaha Road could be developed that would facilitate traffic flows and meet code requirements for emergency vehicle access. However, it does not have any special advantages over the Brown/Schaan site, which may be more readily available and offers slightly better road access to the freeway.

9 40 7
& INDEX
BAKER

1900



COUNTY INDUSTRIALLY-ZONED LAND
EAST SIDE OF I-84 & BEST FRONTAGE ROAD

SITE CHARACTERISTICS / DEVELOPMENT CAPABILITIES

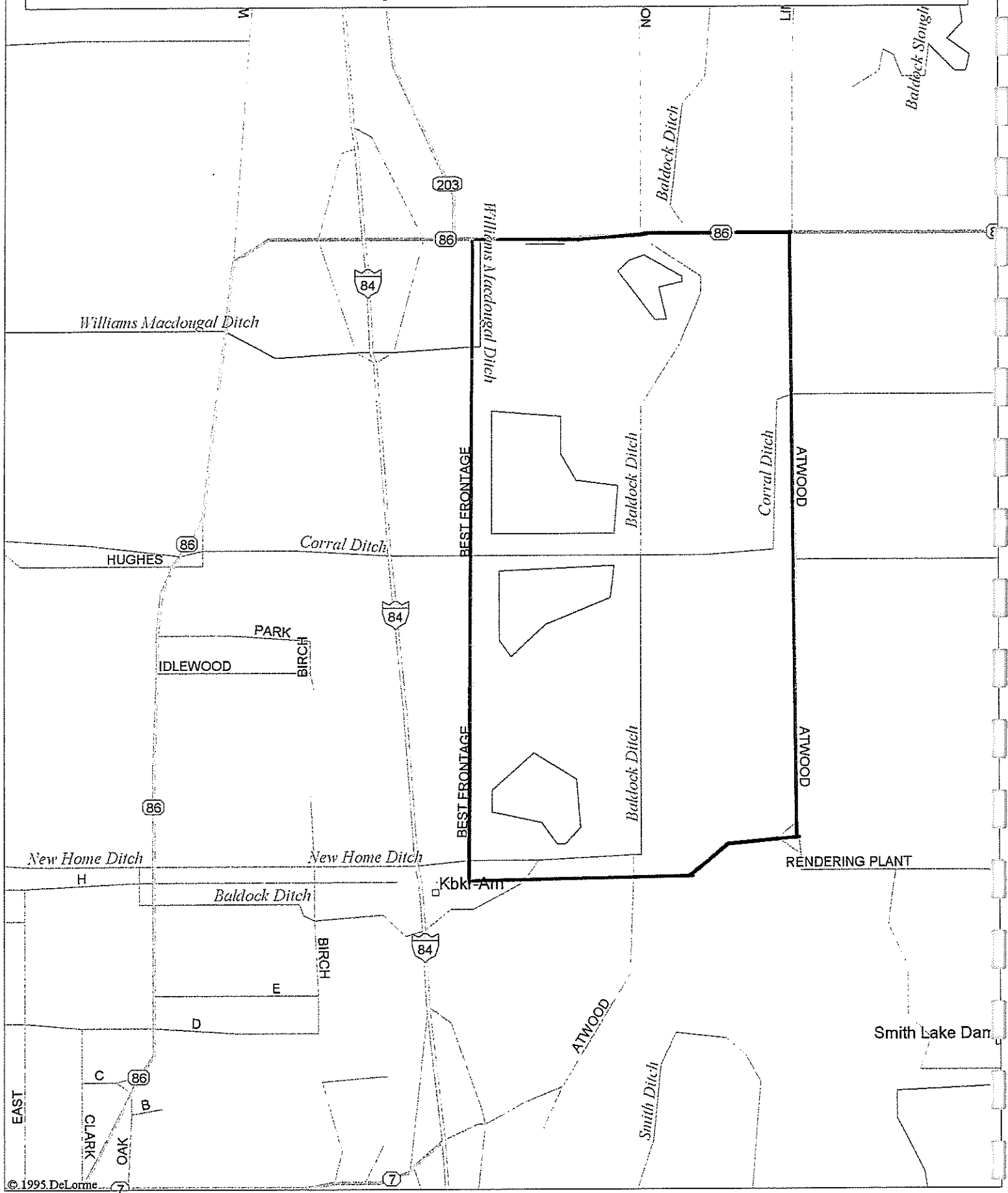
- Size: Variable, 40 - 200+ acres. The total number of acres available at this location has not been determined, but is expected to run as high as 200 acres or possibly even more. The property has been used for extraction of aggregate materials, so any industrial sites would need to be carefully selected.
- Location: East of I-84, east side of Best Frontage Road, between H Street and Hwy 86, adjacent to Baker City limits but within the Urban Growth Boundary.
- Zoning: County Industrial
- Access: Access is via Best Frontage Road. Any significant development along this road will require realignment of the intersection with Hwy 86.
- Site Profile: Virtually all of the property has been mined in the past and is characterized by rough contours and water-filled extraction pits. It would require extensive reworking to provide a level site for an industrial user. Industries locating there would continue to have the sand and gravel operations as their neighbor. There is a high water table, and aggregate land use restrictions are in place.
- Rail: No rail service is available.
- Utilities: Municipal water and sewer services can be provided to the site when it is annexed into the city limits. They are currently located approximately 500' from the site boundaries. System Development Charges will apply. Electric service can be brought to the site, but a new substation will be required for any substantial development. Natural gas can also be extended to the site.
- Development Constraints: The principal development constraints have already been noted above. The land has been used for gravel mining and contains numerous water-filled extraction pits. It would take a high level of creativity to carve out a site that would be suitable for an industrial park. With the added costs of extending utilities, building a substation, and realigning the frontage road, there does not appear to be any rationale for planning an industrial park on this property.

ASSESSMENT

This property should not be seriously considered as an industrial site for the kinds of companies likely to be recruited to Baker City. It offers no special advantages over other properties and presents numerous major disadvantages. It is doubtful that any companies would prefer this site over the other alternatives.

The only exception might be a heavy industrial user such as an agricultural chemicals plant or a smelter. Heavy resource-based industries would more likely locate on the large industrial tracts in the south part of the county, but some may consider the advantages of being able to obtain municipal utilities. These are not the kinds of industries Baker City is trying to attract.

County Industrial Zone



FREEWAY-ORIENTED COMMERCIAL SITES

1. WEST SIDE OF BEST FRONTAGE ROAD

SITE CHARACTERISTICS / DEVELOPMENT CAPABILITIES

- Size:** Parcel A: 18.75 acres at the south end, inside the city limits.
Parcel B: 23.44 acres at the north end, outside the city limits.
- Location:** Both properties are within the UGB and lie in a 600' strip that is bordered on the west by the I-84 freeway and on the east by the Best Frontage Road.
- Zoning:** The properties were rezoned from Light Industrial to General Commercial (C-G) uses. The C-G zoning ordinance also allows most Light Industrial uses in this zone.
- Access:** Access is via the Best Frontage Road. Development may trigger a requirement to realign the existing intersection of Best Frontage Road and State Hwy 86 north of the site. The Oregon Department of Transportation has indicated that the existing intersection is too close to the I-84 interchange to accommodate substantial increases in traffic volumes. It is not known how long it would take to effect the realignment or how much financial participation would be required by the site developers. It would also be desirable to extend Best Frontage Road south to connect directly with Campbell Street on the east side of the #304 intersection instead of using the circuitous routing on H Street that is presently required.
- Site Profile:** The site is in a fairly narrow strip 600 ft. wide by 3,000 ft. long between the freeway and the frontage road. The property is flat and does not appear to present any significant development problems. There is reportedly a high water table under the property but it is not known how this would impact site development. An adequate drainage plan would have to be assured.
- Utilities:** Municipal water and sewer services are located about 1,500 feet from the site. System development charges to bring utilities to the site were estimated at \$48,750 in November, 1994, based on a cost of \$16.25 per linear foot. Actual costs are likely to be higher, with recent estimates of \$26-\$27 per linear foot used to estimate costs to another site.

According to the EDD inventory data, a greater cost would be incurred to construct an electric power substation to serve the site. This appears to be a requirement for any significant development on the east side of the I-84 freeway and was also cited as a requirement for development at the airport. Electric distribution lines would also need to be extended to the site from State Hwy 86 to the north or from H Street to the south.

The site is not served by natural gas. There is reference in the inventory data to possible extension of a gas line under I-84. This would require an easement across a State right-of-way, and also raises questions about costs and technical difficulties. It is assumed these problems can be overcome, but they would certainly delay development until they are resolved.

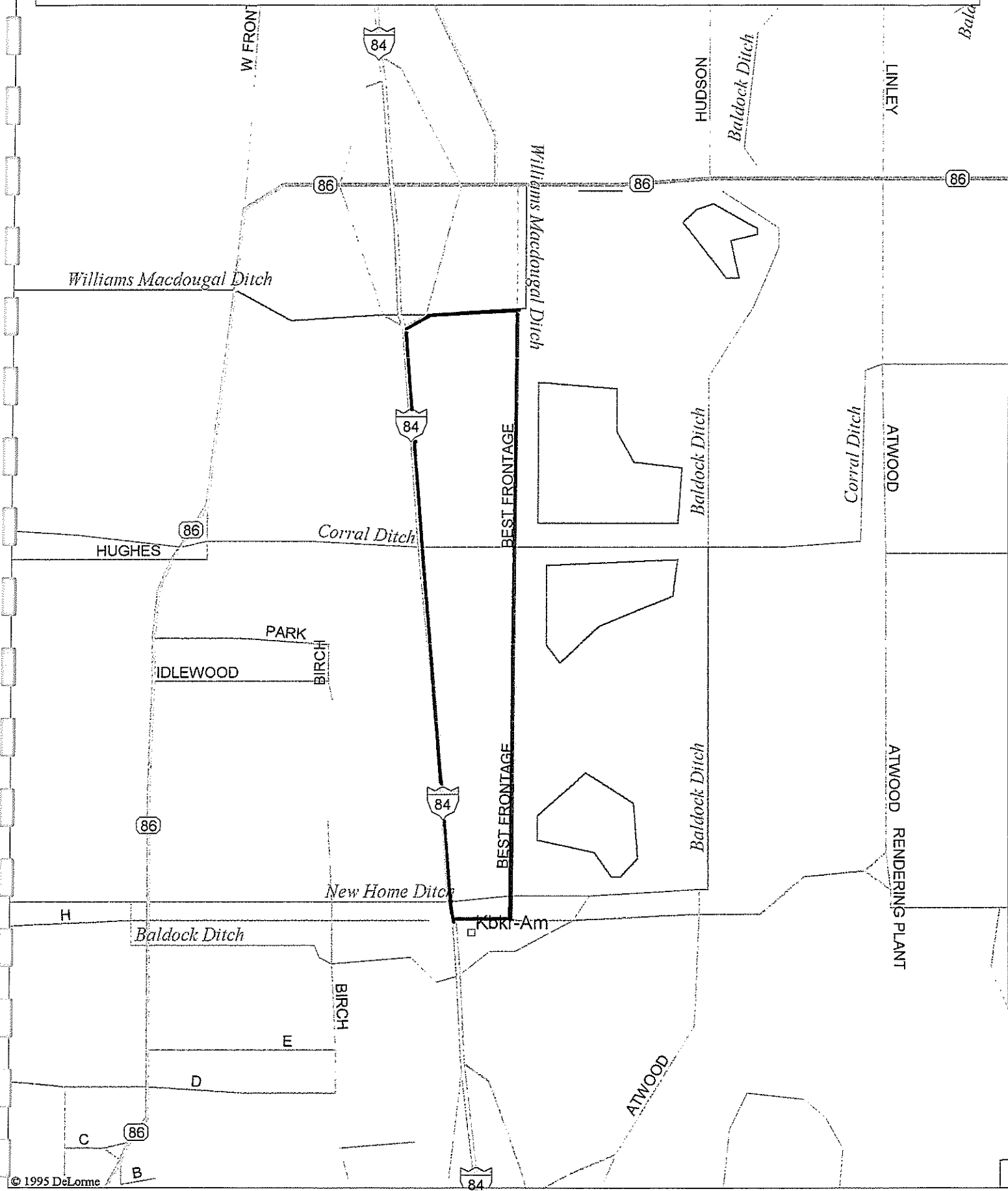
Development There do not appear to be any significant constraints on the development
Constraints: of this property, other than dealing with the high water table and the costs of extending utilities. For full utilization, the northern parcel should be annexed into the city limits.

ASSESSMENT

This property lies directly along the I-84 freeway close to commercial services and between two primary intersections that access Baker City. It is a prime location for firms that want a high-visibility site on the Interstate system and would be relatively easy to market if it can be developed at costs that would allow competitive pricing.

This site would be an excellent location for mixed-use commercial and retail facilities, such as a factory outlet mall. It would also provide a good site for a tourist-oriented industrial/retail operation such as the Swiss Village cheese plant, visitor center, and retail store located at Nampa. These kinds of high-value uses would be better able to cover the costs of development while also taking maximum advantage of the freeway visibility. Light industrial firms that desire freeway visibility might also be able to utilize this site, although they would have to arrange for extensive site development work.

Best Frontage Road



FREEWAY-ORIENTED COMMERCIAL SITES

2. CAMPBELL STREET INTERCHANGE

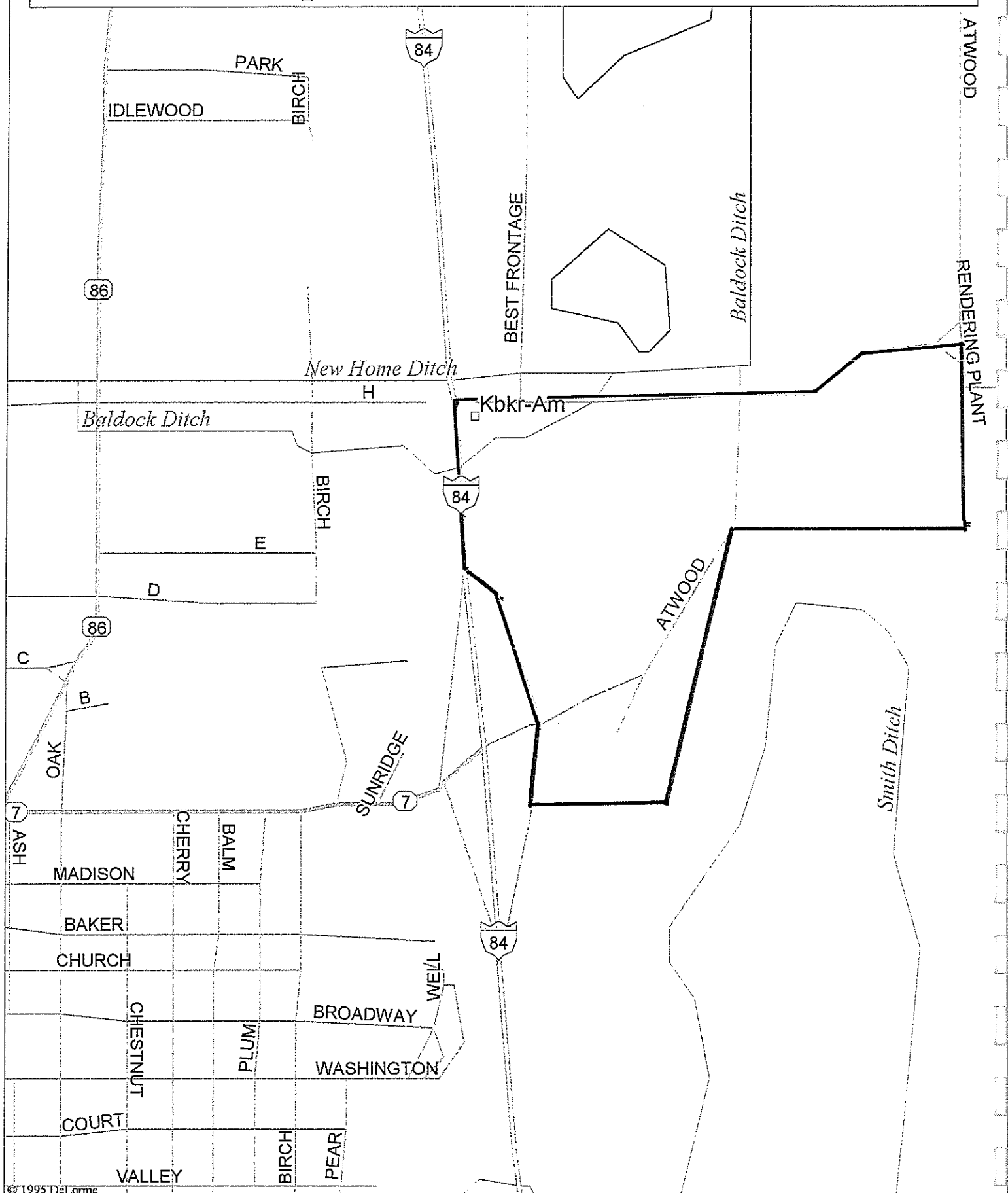
SITE CHARACTERISTICS / DEVELOPMENT CAPABILITIES

- Size: ±60 acres vacant and underutilized. Because of steep slopes on the eastern and southeastern portions of the area, there are only about 30 acres that are fully usable.
- Location: East side of I-84 at Campbell Street Interchange, on both sides of County Road #913.
- Zoning: The area of focus is zoned C-G for General Commercial uses.
- Access: These parcels are located at the freeway interchange, with direct access to I-84. Campbell Street becomes County Road #913 on the east side of the freeway, which provides the frontage road access to the parcels on both sides of that road.
- Site Profile: This area has had much less development than the properties on the west side of the freeway interchange which are zoned C-T for Tourist Commercial uses. Current uses at the freeway intersection include a motel, gas station, and fast-food restaurant and convenience store which are more typical of the C-T zone. There is also a service-commercial area on the northwest side of this site that contains a truck terminal, a package express terminal, and two farm and industrial service companies. There is a radio tower, with guy wires, on the northern portion of the site. There are also various remnants from a livestock operation remaining over portions of the site.
- Utilities: City water and sewer lines are available to this site, along with electricity and natural gas.
- Development Constraints: As noted above, steep slopes to the east and southeast limit development on a sizable portion of this site. There may be some future road easements on the south side of this site that could further reduce the developable acreage. Most of the remaining property is reasonably flat and appears easy to develop. The major development constraints are related to the existing uses and the adjacent gravel pit operations and rock crusher on the north. The site is a relatively unattractive alternative to the cleaner and more cohesively-developed properties on the west side of the freeway.

ASSESSMENT

This area is likely to develop with service-commercial firms that are semi-industrial in their character, such as the existing truck terminals and industrial supply firms. It would be desirable if a single large firm would acquire the bulk of the property and clean it up and provide site amenities to make this area look more attractive. It is unlikely that smaller firms will make that kind of investment and most of them will be discouraged by the present condition of the property. This is the kind of site that appears in the inventory as available for general commercial uses, but in reality is not likely to attract many users.

Campbell Street Interchange



FREEWAY-ORIENTED COMMERCIAL SITES

3. I-84 / U.S. 86 INTERCHANGE

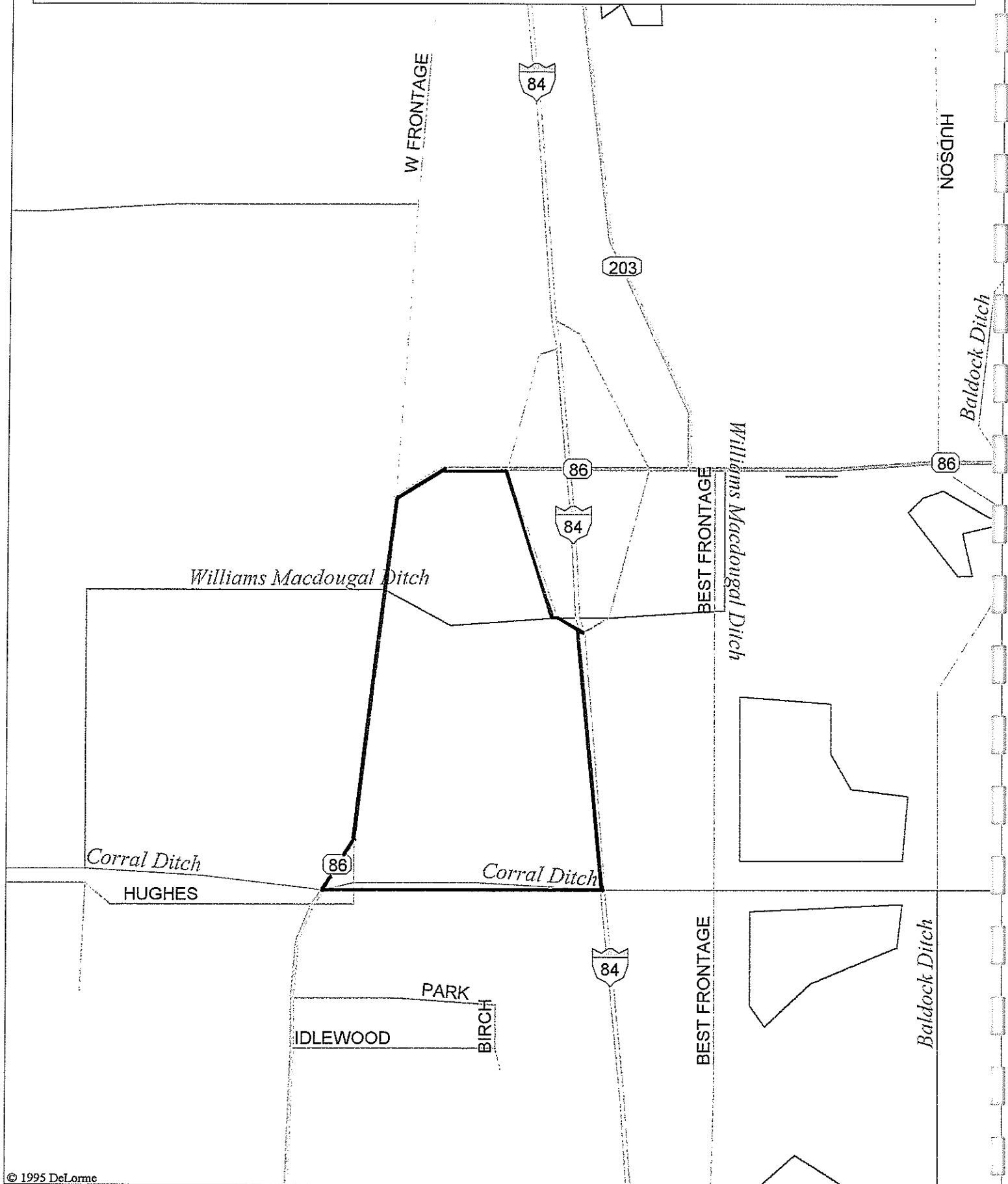
SITE CHARACTERISTICS / DEVELOPMENT CAPABILITIES

- Size: ±40 acres total; about ±30 acres not developed
- Location: West side of I-84 freeway, at southwest quadrant of intersection with Hwy 86. The area lies north of the city limits but is inside the Urban Growth Boundary.
- Zoning: This area is zoned C-G for General Commercial uses.
- Access: The site has direct access to I-84 which is adjacent. Hwy 86 turns sharply south on the west side of the freeway and forms the western boundary of the site. It continues south as Cedar Lane providing direct access to Baker City. Hughes Lane provides a direct route west to Pocahontas Road and the northwest areas of Baker City.
- Site Profile: This property is characterized by small farms (ranches) with individual residences, pastures, and livestock. The only commercial use presently located there is a mini-storage warehouse facility. There are some individual houses also located on this site. Property to the south is zoned residential, with EFU land across Hwy 86 on the west.
- Utilities: Municipal utilities have been extended along Hughes Lane and Cedar Street to the southwest corner of the site. 8" water and 8" sewer mains are available at this intersection.
- Development This area is known to have a high water table, but this is not expected to be a significant constraint on development. A greater problem would be assemblage of individual parcels of land to accommodate any sizable commercial or light industrial development. Except for the mini-storage units, the area is in private homes and small ranches and it is not known whether the owners would sell for commercial development.

ASSESSMENT

This area has all the necessary features for prime commercial or light industrial development, but it would require converting non-commercial uses to make suitable sites available. Because of the individual ownerships of the parcels, this suggests piecemeal development and potentially conflicting uses. Unless a large user were to acquire all of the property that is zoned C-G, it is likely that it will remain in farm/residential uses.

I-84 / Hwy 86 Interchange



BAKER CITY ECONOMIC OPPORTUNITIES ANALYSIS

SECTION 4: ASSESSMENT OF COMMUNITY ECONOMIC DEVELOPMENT POTENTIAL

The purpose of this section is to provide background for the analysis of industrial and commercial diversification and expansion opportunities in the Baker City area, and the implications of those opportunities on the need for sites. Only selected data are presented that are relevant to that purpose. Numerous other documents contain detailed and comprehensive information about the area, and it was not a purpose of this report to reproduce data that are readily available from other sources.

The Community Analysis examines those factors that affect the location and operation of business enterprises in a community, and evaluates those factors in terms of businesses' ability to compete effectively within their market area. This approach offers a different perspective on the community than one that focuses primarily on family lifestyles and community amenities. A community that is a great place to live and raise a family may lack the economic resources necessary to be competitive in attracting new businesses or to cause existing businesses to operate profitably and expand; conversely, communities may have strong business resources even if they lack certain quality-of-life factors.

The first part of this section describes the economic profile and characteristics of the Baker City area that would be examined by businesses looking at the area. These are not so much qualitative factors that can be ranked against other communities, but are the base data that describe Baker City's physical, demographic, and economic characteristics. Some of these data were also described in Section 1 of this report.

Part 2 examines business support capabilities and costs, while Part 3 describes the quality of life factors and living conditions in the Baker City area.

The outcome of this section is a set of conclusions about Baker City's competitive advantages and disadvantages that determine its suitability as a location for industries. Those conclusions are summarized in matrix form on the following page and each factor is given a rank. A ranking of (5) means that Baker City has a strong competitive advantage in that factor; (4) means that the Baker City has an advantage over many other cities with which it competes; (3) is a neutral ranking and means that the factor may be an advantage or disadvantage, depending on the requirements of a specific company; (2) is a slight disadvantage for most companies; and (1) means that Baker City has a strong disadvantage or the factor is not available.

BAKER CITY, OREGON STRENGTHS AND WEAKNESSES FOR INDUSTRIAL DEVELOPMENT			
Location Factor	Strengths	Weaknesses	Rank
Location Market Size	Central to large region between Rocky Mountains and West Coast.	Small local market. Competition serving larger markets.	2
Market Access	On Interstate Highway System. On mainline rail system.	Distances to markets. Higher shipping costs. Lack of air service.	4
Labor	Available for small, medium firms. Competitive wage levels.	Lack of skilled, technical workers.	3
Resources	Some wood products, agriculture. Large tourism, traveler base.	Declining timber supplies.	3
Utilities	All utility services available. Surplus capacity for water, sewer Competitive rates for electric, gas,.	Other locations equally competitive.	4
Business Supplies	Local supply base available for most requirements. Additional sources nearby.	Lack competitive sources. No price discounters or volume warehouses.	2
Government, Taxes, Incentives	Supportive regulatory environment. No extensive delays in permit processes, development. No City business license fees. Enterprise Zone advantages	Oregon tax structure beneficial to some industries, less for others. System development charges.	4
Education, Advanced Research	Eastern Oregon State College and Treasure Valley Community College. Local training and business support services. EDNET, telecommunications	Distances to EOSC and TVCC. Lack advanced technical programs and research.	2
Industrial Sites	Zoned sites available. Reasonable land costs.	Many sites not developed or need to be redeveloped. No freeway sites.	3
Quality of Life	Excellent outdoor recreation opportunities. Clean environment, small town characteristics (quiet, safe, etc.).	Lack of "big city" culture, amenities.	4

Rank: 5 = strong competitive advantage; 4 = advantage to most industries; 3 = neutral; 2 = disadvantage to most industries; 1 = strong competitive disadvantage.

PART 1 - GENERAL CHARACTERISTICS

LOCATION AND DESCRIPTION OF THE STUDY AREA

Baker City is the county seat of Baker County, located on the main route of the Oregon Trail in the Blue Mountain region of northeastern Oregon. Situated on Interstate Highway 84, it is approximately 304 miles east of Portland, 72 miles northwest of Ontario, Oregon, and 128 miles northwest of Boise, Idaho. It is bounded on the north by Union and Wallowa counties; on the west by Grant County; on the south by Malheur County; and on the east by the Snake River and the state of Idaho.

The county is mostly rural in character, with substantial areas of farmland, rangeland, and forests. The population density county-wide is approximately 5.2 persons per square mile. About 60 percent of the county population lives in Baker City.

REGIONAL LINKAGES

Baker City is the regional business and government center for Baker County, and also serves a larger four-county region of Northeast Oregon with a combined population of about 56,100 people. In this role, it interacts with the city of La Grande, 44 miles northwest of Baker City in Union County, as well as other cities in Grant and Wallowa counties. Baker City is a regional manufacturing and distribution center because of historical factors and its location on the main transportation route through the region. It also provides services for an estimated three million people annually who travel through the county on I-84, and 400,000 people or more who visit the area as tourists each year.

About 72 miles southeast of Baker City is the population and economic center comprised of several communities in the rich agricultural region along the Snake River border of Oregon and Idaho, centered around Ontario, Oregon, and Payette, Idaho. Along I-84 within 60 miles further southeast are the Idaho cities of Caldwell, Nampa, and the metropolitan area of Boise, with a regional population of more than 320,000 people.

Crossing the Blue Mountains and descending into the Columbia River Basin, about 90 miles northwest of Baker City is the farming and ranching region served by the communities of Pendleton and Hermiston, Oregon, and Walla Walla, Washington. I-82 exits I-84 at Hermiston and runs northwest through the Tri-Cities and Yakima, Washington, connecting with I-90 at Ellensburg and westward to Seattle. U.S. Hwy 395 runs north from the Tri-Cities to connect with I-90 eastward to Spokane, continuing north to Canada.

Economic linkages between these regions and their respective communities are relatively small; for example, they generally do not share a common labor force. Specific linkages can be identified in (1) retail trade flows, where people in the smaller communities sometimes travel to other regions to shop at discount chain stores or regional malls; (2) air travel, with the Boise International Airport providing the primary scheduled air carrier service for residents of northeast Oregon; and (3) educational services, with Eastern Oregon State College at La Grande, Blue Mountain Community College at Pendleton, and Treasure Valley Community College at Ontario serving the higher education needs of the larger region of northeastern Oregon.

ECONOMIC BASE, PROFILE AND TRENDS

Population and employment trends were assessed in Section 1 of this report. In this section, the focus is more on the economic base and changes in the industries that have the most impact on the local economy.

The economic base is measured in terms of primary industries, which produce and sell goods that bring outside money into the region, and secondary industries, which keep the money circulating within the region instead of flowing back out to other areas.

Primary Industries

The primary industries that are most responsible for bringing outside money into the economy of Baker County are (1) agriculture; (2) mining and mineral production; (3) wood products; (4) tourism; and (5) government services.

Agriculture

Gross farm sales in 1995 were \$40,843,000 in Baker County. The largest component was the sale of cattle and calves, which accounted for \$22,889,000 of the total. Dairy products accounted for another \$2,063,000 in sales, while field crops (potatoes, onions, sugar beets) were valued at \$3,587,000. Hay and silage produced \$2,593,000 in sales; grains accounted for \$2,206,000; and various specialty products earned \$6,880,000.

Employment in agriculture tends to be self-employment, seasonal and/or part-time, so statistics are less reliable than in other industries with covered payrolls. The Oregon Employment Department estimated that Baker County had an average of 580 workers employed in agriculture in 1995, which would represent about 7.9 percent of the average civilian labor force during that year. The number of agricultural workers has shown a steady decline in Baker County, at least since 1986 when it averaged 640 workers.

In addition to direct employment and income, the agricultural sector supports an important agri-business industry in Baker City that supplies products and services to all of northeastern Oregon.

Mining & Mineral Production

Mining activity, combined with its related manufacturing, employed a total of 121 workers in Baker County in 1994 (Note: 1995 average employment by sector was not available at the time this report was written), with a combined payroll of \$4,424,310. The combined average payroll of \$36,565 per worker is among the highest of all industries. Most of the employment in this industry is concentrated with one employer, Ash Grove Cement, located in the southern part of the county. Aggregate production in the Baker City area is also an important part of this industry. No figures are available on the dollar value of production.

Lumber and Wood Products

Timber harvests have declined in Northeast Oregon since their peak in 1989, falling from about 650 million board feet that year to about 360 million board feet in 1994. This has seriously impacted the Baker City economy, resulting in the closure of the Ellingson Lumber mill in 1995.

Dollar values of timber production and shipments by the forest products industry are not available. However, employment and incomes in the industry illustrate its importance in the local economy.

Lumber and Wood Products' share of all manufacturing employment in Baker County in 1995 averaged 65.2 percent, compared to 22.9 percent for the state of Oregon and only 4.1 percent nationally. In 1991 there were 448 persons employed in this sector, rising to 468 in 1992, declining to 412 in 1993, and recovering to an average of 422 workers in 1994.

Total payrolls in this sector were \$9,693,169 in 1994, compared with \$9,787,673 in 1993, \$10,647,875 in 1992 and approximately \$9,683,072 in 1991. The average salary, at \$22,970 in 1994, was significantly higher than the average for all industries of \$19,907. In 1994, L&WP payrolls were 15.4 percent of the total non-government payrolls in Baker County.

It is expected that the L&WP industry will continue to be volatile in response to the uncertainty of long-term supplies of timber, changes in market demand, and other factors. The largest mill in Baker City experienced a temporary shutdown in early 1995 because of supply shortages, and closed permanently later in the year. The area's principal plywood plant has been closed permanently since 1981. Some other mills throughout the region are closing or curtailing their operations and it is not expected that this industry will show any expansion for the foreseeable future. There is a more encouraging outlook for the *secondary* wood products sector, which is represented in Baker City by a large window manufacturer and other companies.

Tourism

By contrast, a high growth industry in the Baker City area is tourism. According to data provided by the Oregon Tourism Division, travel expenditures in Baker County in 1993 were estimated at \$25,407,000 producing 471 jobs with a total payroll of \$4,224,000 (which is less than one-half the average payroll per worker in the L&WP industry). The 1993 travel expenditures were 11.1 percent higher than the estimated \$22,871,000 spent in 1992 and 27.6 percent higher than the estimated \$19.9 million spent in 1991.

The number of visitors who produced these expenditures is not reported at the county level. The "day travel" allocation for Baker County is only 3.7 percent of the total, compared to 11.7 percent for the state as a whole, indicating that Baker County has a higher percentage of transient visitors than the state average. Whether these visitors are from out-of-state or from other areas of Oregon, they represent a substantial infusion of new money into the economy of Baker County.

Major facilities are being developed in Baker County to attract tourists and keep them in the area. One of the recent additions is the Oregon Trail Interpretive Center which is expected to capture 300,000 visitors per year who will generate about \$16 million in direct visitor expenditures. Other tourism developments were projected to add an additional \$22.7 million in annual expenditures to the northeast Oregon economy by 1995.

Tourism expenditures usually show up in the statistics for trade and services, but are not separately itemized in those categories except by survey estimates as shown above. According to *Demographics USA 1993*, total consumer expenditures in Baker County in 1992 were \$177,789,000. Using the Oregon Tourism Division estimates of \$22,871,000 in tourism expenditures that year, that would represent about 12.9 percent of the total.

By another measure, per capita consumer expenditures in Baker County were 92 percent of the Oregon average in 1992, and 91 percent of the U.S. average. As per capita *incomes* were 81.3 percent and 75.6 percent respectively, the higher per capita expenditures in Baker County probably represent the infusion of tourism spending in addition to consumer expenditures by residents.

According to a study of retail sales in Baker County released in 1991, there is still considerable potential to increase retail sales among both residents and visitors. The study estimated that about 15% of the retail potential in the county is lost to other areas, representing about \$10 million in potential sales. One of the conclusions was that "tourism (or visitor services) potentials could become the #1 overall source of added retail business in Baker County, followed by recapture of sales leakage, and then population and income growth".

Government Services

At the local level, State and Federal government spending represents an in-flow of revenues and is therefore considered to be a primary economic sector. Local public employees, including school teachers and administrators, are considered to be part of the secondary economy as their incomes are paid from local tax revenues.

Oregon Department of Employment data show an average of 392 Federal government workers in Baker County in 1994, and an average of 200 State government workers. Their annual payrolls were \$13,715,209 and \$6,153,364 respectively. The combined total was 592 employees earning a payroll of \$19.9 million.

In 1994, government employment in Baker County represented 26.5 percent of total wage and salary employment, compared to 15.2 percent in the whole state of Oregon and 17.0 percent in the United States.

Other than payrolls, data on the total amounts of Federal and State government spending in Baker County are not available. Whatever the amounts are, they represent outside revenues flowing into the county and feeding its primary economy.

Other Industries

The relative sizes of other economic sectors can be shown by distribution of employment. The following table shows percentage distribution of employment by major non-government sectors for Baker County, the state of Oregon, and the nation in 1992.

Table 4-1: Percentage of Wage and Salary Employment by Sector
(Excludes Government Employment)

	<u>Baker Cnty</u>	<u>Oregon</u>	<u>U.S.</u>
Ag/Forestry/Fisheries	0.7	1.1	0.6
Mining	1.2	0.1	0.6
Construction	2.1	5.2	5.8
Manufacturing	18.1	21.0	19.9
Trans/Util/Comm.	7.6	6.2	5.9
Wholesale Trade	5.6	7.4	6.7
Retail Trade	28.1	23.0	21.2
Finance/Insurance/Real Est.	8.1	6.8	7.5
Services	28.5	29.3	31.8

Source: *Market Statistics 1993* 1993 Demographics USA - County Edition

As noted earlier, further declines in the Lumber & Wood Products sector could significantly reduce Baker County's percentage of employment in manufacturing.

RELATIVE CONCENTRATION INDEX

An interesting way to compare the economy of an area with its larger region is by using a Relative Concentration Index (RCI). The RCI shows the percentages of concentrations of establishments, employment, and payrolls in each sector in the local area as a ratio to the percentages in the larger region. Ratios greater than 1:1 indicate that the local area has higher concentrations in those sectors and may be a net exporter of goods or services in that sector. Ratios less than 1:1 indicate that the local area may be a net importer. This analysis is often used to indicate strengths that can be used to build expansion linkages, or to fill gaps through import substitution.

The RCI's for Baker County, compared with the State of Oregon as a whole, were as follows for the year 1994:

Table 4-2: Relative Concentration Indexes - Baker County : Oregon

Sector	Establishments	Employment	Payrolls
Ag., Forest. & Fish	1.03	0.55	0.84
Mining	6.43	5.58	7.33
Construction	0.84	0.72	0.54
Manufacturing	0.97	0.80	0.74
Lumber & Wood Prod.	2.09	2.12	2.10
Printing	0.87	0.72	0.38
Stone, Clay, Glass	2.57	5.77	9.22
Trans., Comm., Util.	1.46	1.08	1.20
Trucking & whse	1.46	0.98	0.80
Wholesale Trade	0.60	0.53	0.32
Retail Trade	1.12	1.12	1.15
Finance, Ins. & Real Est.	0.88	0.70	0.61
Services	0.82	0.86	0.78
Government	4.19	1.65	1.92

These ratios clearly show that Baker City was more dominant in 1994 in mining; lumber & wood products manufacturing; stone, clay & glass manufacturing; transportation, communications and utilities; retail trade; and government than the state as a whole. The ratios in the L&WP sector are likely to have changed significantly since 1994 because of the shutdown of the Ellingson Lumber operation. The most obvious deficiencies were in construction; wholesale trade; finance, insurance and real estate; and services.

It should be emphasized that these ratios do not necessarily define weaknesses or strengths in the local economy. There is no inherent reason why any particular county should be a microcosm of the Portland economy or of the state as a whole. However, they are useful for showing graphically the differences between Baker City and the state.

PART 2 - BUSINESS SUPPORT CAPABILITIES AND COSTS

MARKET SIZE AND COMPETITION

The trade area market for Baker City is primarily northeastern Oregon, which was described in the section above on regional linkages. This area contains a population of about 56,100 people in four counties. Baker City is the second largest city in this trade area and competes with La Grande, about 44 miles northwest in Union County, as a location for businesses to serve this area. The local trade area also includes the substantial spending of several hundred thousand tourists annually, plus the large potential market of an estimated three million pass-through travelers on I-84.

Extending beyond northeastern Oregon expands the market, but also expands the competitive factors. The Ontario-Payette market, for example, has a population of nearly 170,000 people within a 50-mile radius of Ontario. While it may be feasible to service that trade area market from a location in Baker City, firms doing so would have a competitive disadvantage against other companies located in communities within that market.

A similar situation exists when extending the market boundaries to include the region around Pendleton, Hermiston and Walla Walla. While most of this area lies within a two-hour driving distance from Baker City, the highway route travels across the Blue Mountains and often presents difficult driving conditions during the winter months. Firms selling in that trade area would more likely do so from a location in one of those cities, rather than trying to serve their market from Baker City.

The nearest metropolitan area is Boise, about 128 miles southeast of Baker City on the I-84 route. The Boise MSA had a population in 1995 in excess of 360,000 people and was experiencing one of the highest growth rates in the nation. Serving this market from Baker City requires competing with firms not only in Boise, but in other closer communities such as Ontario, Caldwell, and Nampa.

This does not mean that Baker City is limited to businesses that serve only the local trade area. Baker City's location on I-84 gives it a one-day truck delivery market that extends east to Salt Lake City (520 miles), northwest to Seattle (400 miles), and west to Portland (304 miles), all via freeway. California markets are generally within the two-day truck delivery area.

Having this capability, however, does not necessarily give Baker City a competitive advantage. Firms located anywhere along the I-84 corridor between Boise and Pendleton would have similar extended market capabilities. Identifying appropriate industries that could locate in Baker City and sell to the broader market must depend on other factors than simply its location.

Implications for industrial and commercial development: In terms of an economic development assessment, the local Baker City market is relatively small and competitive factors are strong when the market is expanded to include a larger region. This pattern tends to favor two types of companies for an economic development strategy:

- 1) Companies that serve the local trade area market and/or the sizable tourist and travel market in the Baker City area.
- 2) Companies that supply products or services to larger regional markets where Baker City provides a central location, such as between Salt Lake City and Seattle. These are firms that are independent of the size of the local market and can be competitive in their extended markets because of unique product characteristics or other special factors.

The companies that are least likely to be successful in Baker City are firms that provide local products or services but need the larger market area extending into Idaho and/or Washington to obtain a sufficient customer base. Those kinds of firms would be vulnerable to competition from companies located closer to those markets.

MARKET ACCESS AND TRANSPORTATION SERVICES

Market access for both products and people is primarily by highway and rail. Baker City is situated on Interstate Hwy 84, which is the primary freeway route between Portland, Oregon, and Salt Lake City, Utah, where it connects with I-80 for east/west points and with I-15 for north/south points. I-82 at Hermiston connects with I-90 for access to Seattle. State Hwy 7 connects Baker City to U.S. Hwy 26, a primary east/west route through Central Oregon.

Highway Transportation

Being located on an interstate freeway is considered to be a competitive advantage according to most company location surveys. Firms that rely on truck transportation to ship and/or receive products generally prefer direct interstate access rather than locating on secondary or rural highways. According to the 1993/94 Community Profile, there are five motor carriers serving Baker City, along with Greyhound Bus Lines that provides package services as well as carrying passengers. Oregon allows the use of triple-trailer trucks on its interstates.

Rail Transportation

The I-84 route is also the main east/west route for the Union Pacific Railroad eastward from Portland. Companies requiring rail transportation usually look for locations that can offer direct, mainline service rather than branch-line operations. The Union Pacific Railroad provides daily switching at Baker City with major transloading yards approximately 100 miles east and west. This is also considered to be a competitive advantage for Baker City, but only in relation to other communities that can not offer mainline service.

Air Transportation

The Baker Municipal Airport is not presently served by a commercial air carrier, although such service has existed in the past and efforts are being made to restore it. The airport is located only 4½ miles from Baker City and has three runways suitable for most general aviation aircraft including large turbo-props and smaller jets. This favors companies that rely on their own aircraft for air transportation, or can use the air charter services available at the airport. Baker Municipal Airport has two published instrument approaches using a VOR located on the field, is approved for a GPS approach, and offers 24-hour services.

The nearest airport with commercial air services is Pendleton Regional Airport, 95 miles west via I-84. Pendleton offers daily scheduled flights to Portland, Pasco, Walla Walla and Seattle. Boise International Airport, about 128 miles southeast of Baker City, is served by six passenger carriers and five air freight and package express companies. Daily cargo service to and from Baker City is provided by Fleet Air and Pony Express, with daily ground transfer by United Parcel Service, Federal Express, and Airborne Express.

International Transportation Services

There are no U.S. Customs services, bonded warehouses, foreign trade zones, or other international trade facilities in the Baker City area. These services can be obtained at major ports on the West Coast, or at Boise and Salt Lake City on eastern routes. The nearest port facility with barge services to/from Portland is located at the Port of Umatilla, about 120 miles west of Baker City.

Other Transportation Services

The U.S. Post Office processes mail through a sorting facility at Boise. Delivery is provided six days per week, and all major services are available such as Express Mail, Priority Parcel Post, and Special Delivery.

Implications for industrial and commercial development: Baker City's location on an interstate highway and a mainline railroad give it good access to commodity markets in the Northwest and beyond, although distance to markets means higher freight costs. The lack of local commercial air service is a disadvantage for moving people in and out of the area. This tends to favor companies that transport products, with less need for interaction with customers, suppliers, and/or other company personnel. It also favors industries that manufacture and ship larger, bulkier, or heavier products rather than the lightweight, higher value-added products that are normally shipped by air, although the availability of package express services enables Baker City to serve those kinds of requirements.

LABOR FORCE

Availability of Workers

Most of the labor force in Baker County comes from the resident population. Data from the Oregon Employment Department show that 93.8 percent of workers in Baker County are residents, with 2.4 percent commuting from Union County and 3.7 percent commuting from other areas. These figures closely match the outflow patterns, with 93.5 percent of Baker County workers employed within the county, while 2.6 percent commute to jobs in Union County and 4.0 percent commute to jobs in other areas.

The civilian labor force in Baker County was estimated to be 7,400 in May, 1996, with 6,700 people employed and 700 unemployed. The unemployment rate was 9.5 percent. It is generally assumed that the unemployed portion of the labor force represents the number of workers available for new job openings.

As noted above, a large portion of the labor force is either self-employed or is employed in agricultural occupations. Most statistical reporting shows the breakdown of employment by sectors for nonagricultural wage and salary employment which excludes those workers. The average number of nonagricultural wage and salary workers in Baker County in May, 1996, was 4,870 which was only 65.8 percent of the civilian labor force.

This may significantly distort assumptions about the size of the available labor force if only unemployment data are used. It is not known how many of the 580 agricultural workers or the 1,013 self-employed persons (1995 and 1990 figures, respectively) would apply for employment in full-time, wage and salary jobs if they were available. It is probable that many of them would. This could raise the total number of available workers by several hundred.

It is also probable that a substantial number of employed workers would change jobs in order to raise their salary levels or upgrade their occupations. In the November, 1994 issue of Eastern Oregon Labor Force Trends, the Workforce Analysis Section of the Oregon Employment Department reported that the mean salary for all covered payrolls in Baker County in 1994 was \$19,907. This compared to mean salaries of \$24,789 in Oregon and \$26,939 in the United States. OED data showed that 2,442 workers were employed in sectors with average salaries below the mean. Many of these workers are in the services and trade sectors and it can be assumed that at least a portion of them would apply for higher paying jobs if they were available.

The total available labor force in Baker County, then, may be in the range of 1,500 to 2,500 workers, or more, depending on the wage levels and types of jobs offered. Based on an average ratio of five workers for each job opening to obtain the right skill sets, this range could support the addition of 300 - 500 new manufacturing jobs or other types of higher-paying employment in Baker County.

Occupational Skills

Employment by occupation gives a better picture of the types of skill sets available in the local labor force than simply showing the sectors in which people are employed. The following data show the estimates for occupational employment for 4,382 jobs in Baker County in 1992:

Table 4-3: Employment by Occupation, 1992

<u>Occupation</u>	<u># of Workers</u>	<u>% of Total</u>
Administrative Support	751	17.1
Operators, Fabricators, Laborers	662	15.1
Professional Specialty Occupations	428	9.8
Precision Production, Craft and Repair	445	10.2
Marketing and Sales	509	11.6
Executive, Administrative, Managerial	373	8.5
Agricultural Service, Forestry, Fishing, etc.	261	6.0
Federal Government	317	7.2
State and Local Government	769	17.6

Source: *Market Statistics, 1993* 1993 Demographics USA - County Edition

These occupational figures are also shown as: White collar occupations = 2,168; blue collar occupations = 1,107; and service occupations = 1,107. These figures show a pattern consistent with a service, trade, and resource-based economy.

The numbers of job openings by occupations listed with the Oregon Employment Department reveal a similar demand pattern. These are provided on a regional basis only, aggregating the numbers for Baker, Union, Wallowa and Grant counties. Of the 1,950 job openings listed for 1995 (top 30 job openings only), approximately 733 (37.6%) were for unskilled workers. There were 297 (15.2%) job openings for machine operators, assemblers, and related industrial jobs. The balance were for service, trade, or specialty jobs in various occupations.

Noticeably absent from the top occupational demand statistics are any references to electrical engineering, electronics, or other advanced technical positions. This is consistent with the industry composition of Baker County, which does not list any firms in SIC codes directly related to those occupations.

On the supply side, applicants for jobs in Baker County showed the following occupational characteristics during the period between July, 1991 and June, 1992:

Table 4-4: Occupations of Job Applicants

<u>Occupational Preference</u>	<u>% of Applicants</u>
Laborers	25.3%
Service Workers	19.2
Craft Workers	14.9
Office & Clerical	13.9
Sales	11.3
Operatives	9.5
Officials and Managers	2.5
Professionals	2.2
Technicians	1.2

Source: Oregon Employment Department

The supply data by occupation is also weighted toward unskilled and semi-skilled production workers, retail trade workers, and service-sector workers.

Wage Rates

Wage rates in northeastern Oregon tend to be relatively low, as evidenced by the lower per capita incomes in the region. Industrial occupations, however, generally pay wages above the overall averages. A survey by the Oregon Employment Department in 1991 showed the following patterns for selected industrial occupations in the four-county region:

Table 4-5: Occupational Wage Rates, 1991

	<u>Low</u>	<u>Average</u>	<u>High</u>
Bookkeeping/Account Clerks	\$ 4.75	\$ 6.29	\$ 8.30
Data Entry	6.94	6.94	6.94
Electricians	11.00	12.57	16.00
Equip. Operators (Industrial)	7.00	8.83	10.00
Laborers	4.75	6.08	13.99
Machine Operators	4.75	7.69	12.00
Maintenance Mechanics	6.00	8.75	12.00
Material Handlers	4.75	6.34	20.00
Millwrights	9.00	10.55	12.87
Welders & Cutters	4.75	8.39	10.50

The higher wage rates are skewed by several large employers in the region and may be more than what new companies coming into the area would need to pay to attract qualified workers. In general, the cost of labor in Baker County is competitive with other rural communities in the Northwest. Lack of competition among employers tends to keep wages down and discourages turnover among workers with full-time jobs.

Educational Attainment

The level of education attained by the population also has implications for the types of businesses that can be sustained by the region's labor force. The 1990 U.S. Census showed the following data, again comparing Baker County with the state of Oregon:

Table 4-6: Education Level of Persons 25 Years and Older

	<u>Baker County</u>	<u>Oregon</u>
Percent high school graduate	75.0%	81.5%
Percent with 4 years or more of college	13.3%	20.6%
Median years of school	12.5	12.7

The lower percentages of high school and college graduates in Baker County, combined with the figures showing lower percentages in the work force age groups, may reflect a fairly typical pattern of many rural areas where younger, better educated workers migrate to larger cities to find higher paying jobs.

Implications for industrial and commercial development: In terms of competitive advantages and disadvantages, the overall profile of the labor force in the Baker City area is more diverse than would normally be expected for a rural area. New employers can expect to draw from a sizable pool of available workers, although many of them may be unskilled or semi-skilled and would need to be trained for specific job requirements. It may be necessary to recruit from outside the area to hire workers with certain technical skills or experienced professionals. However, it would also be probable that workers who moved out of the area in the 1980's would apply for jobs if they were available in order to move back to Baker County.

Wage costs in Baker City are an advantage for companies moving from larger metropolitan areas. They are competitive with other rural areas, but the dependability and quality of the labor force may be better in Baker City, especially for companies that do not require workers with specialized skills and advanced educations.

UTILITIES

Electricity

Most of Baker County is served by the Oregon Trail Electric Consumers Cooperative (OTEC), with some outlying areas served by Idaho Power Company. OTEC buys its power from the Bonneville Power Administration (BPA) and has capacity to serve additional industrial customers. It is expected that all normal requirements can be accommodated, and special requirements can be met with sufficient advance notice.

Electric power rates in the Northwest are lower than those found in many other parts of the country, but are not a major advantage within the market region. Several other communities that are served by municipal power companies or cooperatives offer the same or lower industrial rates.

Natural Gas

Natural gas is supplied by Cascade Natural Gas Corporation, which draws its supplies from major transmission lines linking production fields in Canada and the southwestern United States. Service capabilities are available up to 50,000 cubic feet per day, with larger amounts possible under certain conditions. Costs for natural gas are uniform with the supplier, and are lower than costs in many other areas.

The availability and costs of natural gas may give Baker City an advantage over some other rural communities that do not offer this service. There is no special advantage over other communities in the region with natural gas service.

Water, Sewer and Solid Waste

Because the City of Baker City is designated as an Oregon Enterprise Zone, certain companies that meet the State's qualifications may be able to qualify for lower utility costs than those shown below. Except for very large process users, however, the *marginal* differences in costs would not be expected to influence site location decisions.

Water

The City of Baker City supplies water to the area from a 3.5 million gallon-per-day well and a 10,000 acre watershed. Storage capacity is 210 million gallons. Current maximum daily capacity is 9 million gallons per day (mgd), with average usage of 1.75 mgd and peak demand of 6.5 mgd. This leaves an unused capacity of 2.5 million gallons per day under peak conditions.

Availability and cost of water is becoming an increasingly important location factor for many industries. The surplus capacity of the Baker City water system gives it a competitive advantage for firms requiring a dependable supply of water. Costs are competitive with production from on-site wells.

Sewer

The City of Baker City also provides municipal sewage collection and treatment, with a current capacity of 3.5 mgd and current usage of 1.5 mgd. Treatment is provided by an oxidation lagoon. These figures indicate there is a surplus capacity of about 2.0 million gallons per day, which is sufficient to handle the wastewater requirements of most industrial users.

Solid Waste

Solid waste collection and disposal is provided by a local private contractor. There is reportedly a 35-year capacity in the existing land fill.

TELECOMMUNICATIONS

Local telecommunications services are provided by U S West Communications, which can satisfy all standard communications requirements in the Baker City area. High-speed digital capabilities are available for data transmissions.

Cellular telephone service is available in the Baker City area as well as other major communities in northeastern Oregon.

Implications for industrial and commercial development: The utility infrastructure in Baker City can supply the normal requirements of new industries without additions to existing capacity. Costs are reasonable and competitive with other areas in the Northwest. Lower costs and available capacity give Baker City a slight competitive advantage over many other communities in the region.

MUNICIPAL SERVICES

Baker City provides full-time professional police, fire protection, and medical emergency services. This is a positive factor for siting high-risk companies that want fast response times and adequacy of service.

BUSINESS SUPPLIES AND SUPPORT SERVICES

The business supply and service base in Baker City is representative of the size of the community, with additional sources available in nearby communities. In 1993, there were 10 companies in Baker County that were listed by the Oregon Employment Department as providing "Business Services". No further breakdown of these firms is available. Telephone directory listings show local firms providing office supplies and equipment, computers and repair services, and most other daily business requirements. Some products and services not supplied from Baker City are available from firms located in La Grande.

There are no "warehouse" outlets in the area that offer discount pricing on business supplies and equipment. Some local firms use mail order purchases from national concerns to obtain lower bulk prices, while others maintain their inventory from discount stores in Boise or other cities. The small business support base in the area tends to favor companies that can operate independently of local suppliers.

Few rural areas offer the number and variety of business services and suppliers available in larger metropolitan cities. Firms needing local custom manufacturers of printed circuit boards, for example, would generally not expect to find them in rural communities. For its size, location and economic structure, Baker City can supply the routine needs of most businesses that do not have these kinds of highly specialized or unusual requirements.

BANKING SERVICES AND CAPITAL INFRASTRUCTURE

Baker City has a larger banking sector than would normally be expected for a community of its size. There are four commercial banks with national affiliations that maintain offices in Baker City, along with a Federal savings bank and one credit union. These firms provide businesses in Baker City with all standard commercial banking services. Bank deposits have been rising steadily in Baker County, from \$91 million in 1988 to nearly \$165 million in 1992.

Limited financial assistance is available through the Oregon Economic Development Department, primarily for site development costs. In general, it is more difficult to obtain venture capital in rural communities than in major metropolitan areas.

There is not presently a business incubator in Baker City to offer subsidized space or shared facilities for small businesses. A small business development center at Eastern Oregon State College assists individuals and small firms with management counseling and access to information sources.

As a locational factor, the presence of major banks is an asset for companies with multi-branch operations or firms with sophisticated banking requirements. However, it does not assure a source of financing for companies that do not meet the credit requirements of those banks.

GOVERNMENT FACTORS: TAXES AND BUSINESS CLIMATE

Tax comparisons of Oregon, Washington and Idaho show that any advantages or disadvantages depend on the type of company and how its operations are structured. It is beyond the scope of this report to try to reach any conclusions about which state offers the best tax climate. Unless there are substantial tax differences, most companies focus more on the local business climate and the costs of meeting local government regulations.

Costs of local property taxes are being equalized at \$15 per \$1,000 of assessed valuation throughout Oregon in compliance with a voter-approved initiative. Baker City does impose permit fees, based on a statewide schedule, but does not require business licenses outside of its Historic District.

The principal local costs facing new businesses coming to Baker City are system development charges (SDC's) for extending municipal utilities and connecting to them. Depending on locations and sizes of lines, these can run anywhere from small amounts to substantial costs. Partial offsets of these costs may be available through Baker City's Enterprise Zone designation, including 3-year property tax exemptions.

There is some concern in Baker City about whether these SDC's make the community less competitive in recruiting new businesses. A recent comparison with other cities in eastern Oregon that impose SDC's showed that the *marginal* difference in Baker City's charges is generally plus or minus 10 percent. This is not enough to alter a site location decision, although it could swing a decision if all other factors are equal.

SDC's are more significant when competing against communities that do not impose them. SDC's for bringing City water and sewer to the airport, for example, could run more than \$1 million, which would be a substantial net additional cost over locations at other airports without such charges. This favors selecting industrial sites that are already served by municipal utilities and improved road systems, thereby incurring minimal off-site improvement costs.

The regulatory climate in Baker City is supportive of new business enterprises and is designed to facilitate the permitting and development processes, consistent with the land use requirements of the State of Oregon. The ability of companies to work closely with local planning agencies and obtain permits in relatively short periods of time is an important advantage of many small communities over the larger metropolitan areas. The Baker City Planning Department administers the zoning regulations, including the City's industrial zoning ordinance.

ADVANCED EDUCATION, RESEARCH AND TRAINING

Educational resources available to support businesses in the Baker City area include the Northeast Oregon Technical Training Center, Eastern Oregon State College at La Grande, Treasure Valley Community College at Ontario, and Blue Mountain Community College at Pendleton.

Northeast Oregon Technical Training Center (NOTTC) integrates education and training services between the region's university, community colleges, school districts, and private providers. NOTTC features state-of-the-art computer classroom and fabrication training facilities, as well as classroom space available for a variety of education uses.

EOSC is a four-year State college offering a variety of general education curricula. There are 22 baccalaureate degrees offered, including programs in business and economics. The Regional Services Institute at EOSC houses the Small Business Development Center, providing technical assistance to public and private organizations and businesses. The SBDC also provides access to electronic databases and interlibrary loan programs. Through Oregon's EDNET system, advanced educational programs can be provided via telecommunications from the State universities and other resources. The only master's degree program offered at EOSC is the Master of Teacher Education.

Treasure Valley Community College is a two-year college serving eastern Oregon with a wide variety of general education and vocational courses.

Blue Mountain Community College serves Baker City through an extensive outreach program called the Business and Industry Services Section. BMCC is the primary contact for industry training and continuing education. Training programs are customized to the needs of employers and can be delivered affordably at the job site or any other convenient location. BMCC also offers two-year associate degrees in arts and sciences by correspondence.

These colleges provide Baker City with better access to higher education than is found in many other rural communities, but they are not primary resources for attracting companies that have needs for advanced training or research.

ENVIRONMENTAL REGULATIONS AND PERMITTING

Baker City is in compliance with Federal air quality standards and is not subject to special environmental requirements. The Oregon Department of Environmental Quality administers regulations and permits for the State of Oregon.

SITE AND BUILDING AVAILABILITY AND COSTS

Baker City has significantly increased its supply of developed industrial sites over the past several years, both through private and public efforts. In addition, several developed sites have become available due to closures of major industries. However, the area does not have many vacant buildings to show to prospective companies other than old mill facilities. The supply of both sites and buildings is discussed in detail in Section 3 of this report. Prices for raw land and developed sites are competitive with other communities in the region and do not present either a deterrent nor an incentive for recruiting new industries.

Implications for industrial and commercial development: Support services and other business factors in Baker City are commensurate for a community of its size and do not appear to present any significant constraints to business operations. As in any rural community, it may be necessary for some firms to purchase from outside the area and maintain their inventories to assure adequate supplies. Baker City has the advantage of access to other nearby communities to obtain what is not available locally, and can even include the large metropolitan base of the Boise area as a source of supplies and services on short notice.

Governmental agencies are accessible and the permit processes may be more simplified than in larger cities. Taxes and fees are comparable with other communities. There are no research universities or other centers of advanced education in the region, but firms not needing those capabilities have access to two institutions of higher education. These factors are assets for Baker City, but do not create any special competitive advantages.

PART 3 - QUALITY OF LIFE FACTORS

Quality of life factors are important for a company's ability to attract and retain qualified, productive employees. The Baker City area enjoys an exceptional environment for outdoor recreation while providing good community amenities for a city of its size.

Climate

Location, topography, and elevation give Baker City a typical inter-mountain climate, with high temperatures in January in the low 30° range and high temperatures in July in the mid 80's. Mean precipitation is 10.63 inches annually, with a mean snowfall of 26.2 inches. The highest mean snowfall is 7.3 inches in January. There are 7286 heating degree days (base 65°) and 227 cooling degree days.

Housing

Another major attraction of the Baker City area is the affordability of housing. In 1992, the weighted average sales price for houses in Baker City was \$50,901, which was less than one-half the average sales price in Portland. Monthly rental rates ranged from \$375 for a two-bedroom home to \$450 for a four-bedroom home. Building lot prices ranged from \$10,000 to \$15,000 for an average lot.

Housing availability is reported as being limited, largely due to the lack of construction during the recession of the 1980's. In 1986, only three permits were issued in Baker City for new residential units.

Since that time, residential building activity has increased. There were 40 permits issued for new homes in 1990, an additional 25 in 1991, and 33 permits in 1992. In 1993, the number of permits for new homes jumped to 61, with an additional 48 permits in 1994. A 24-unit apartment complex was built in Baker City in 1993 with the assistance of the Community Development Corporation. A site plan for Settlers Park, proposed in 1996, shows 106 single-family residential lots and 24 multi-family parcels.

There appears to be adequate housing and building capabilities to accommodate the needs of both large and small industries moving to or expanding in the area.

Education

The public school district that serves Baker City is comprised of seven schools including five elementary schools, one junior high, and one high school. Enrollment in April, 1993 showed 1,394 students in the elementary grades, 391 in junior high school, and 628 students in high school.

The student-teacher ratio was 16:1, which compares favorably with the rest of Oregon. Average expenditure per pupil was \$4,707. Stanford Achievement Test scores for Baker School District rank above national averages in basic skill areas.

The availability of safe, clean schools that provide quality education is becoming an increasingly important factor in site location. Baker City can offer a good educational environment for the children of managers and employees moving into the area.

Retail Shopping and Services

Baker City has a broad range of local retail stores and service companies, with the exception of the large warehouse stores and discount chains. As noted earlier, about 15% of the total potential retail expenditures in the area flow outside of the community, with the other 85% remaining in Baker City. The retail trade "leakage" may be increasing, as cities such as La Grand and Ontario attract the national discounters. Several people surveyed during this study indicated that local retail shopping facilities are not adequate, and that they regularly make major buying trips to Boise and other cities.

Cost of Living

Baker City is not included in the ACCRA cost of living index, but the low cost of housing, utilities, and other consumer items indicates that the overall cost of living in Baker City is lower than larger cities in the region.

Health Care

Health care in Baker City is provided by the St. Elizabeth Hospital and Health Care Center, along with other private practitioners and organizations. The hospital has 49 patient beds, 129 intermediate care beds, and four intensive-coronary care beds. The ratio is three beds per 1,000 residents. There are 17 practicing doctors, two operating rooms, and 270 employees. A major expansion was under construction when this report was written.

The modern health care facilities and services in Baker City give the community a competitive advantage over many other cities of comparable size.

Cultural Activities

As in any rural community, cultural activities are not as extensive as those available in larger urban areas. There are numerous seasonal activities for both local residents and tourists, and both symphony and theater events can be attended at EOSC in La Grande.

Community Recreation, Sports

Baker City has a 9-hole golf course, a YMCA gym, and several parks and recreational fields. Most of the organized recreational events for young people are provided by the public schools.

Outdoor Recreation

One of the primary reasons why people choose to live in the Baker City area is the accessibility of outdoor recreation. During the winter months, the Anthony Lakes Ski Area has a reputation for the finest powder snow skiing in Oregon. The mountains around Baker City offer an abundance of hiking, camping, and climbing opportunities. The rivers and lakes provide excellent fishing and water sports. The abundance and variety of outdoor recreation opportunities in the Baker City area is a major asset.

News, Media Services

One daily newspaper and one weekly newspaper are published in Baker City, with distribution of newspapers published in Portland and Boise. There are three local radio stations, plus reception from Boise, and cable television is available.

Libraries, Community Services

Baker City has a modern library facility serving the community.

Religious Diversity

There are 17 denominations represented by churches in Baker City.

Crime

Crime data for the state indicate that while Baker City has lower overall crime rates than the state-wide average, there is a higher incidence of juvenile crime. This may reflect the relative scarcity of community sports and other activities for younger people.

Implications for industrial and commercial development: The quality of life in Baker City is typical of a small, rural community, with more services and community amenities available than are found in many other cities of comparable size. The emphasis is on outdoor recreation, capitalizing on the abundance of seasonal recreational activities in the mountains, rivers, and lakes in the region. People who do not specifically want the dynamic environments of larger cities are likely to find the quality of life in Baker City to be highly desirable.

PART 4

CONCLUSIONS OF THE COMMUNITY ASSESSMENT

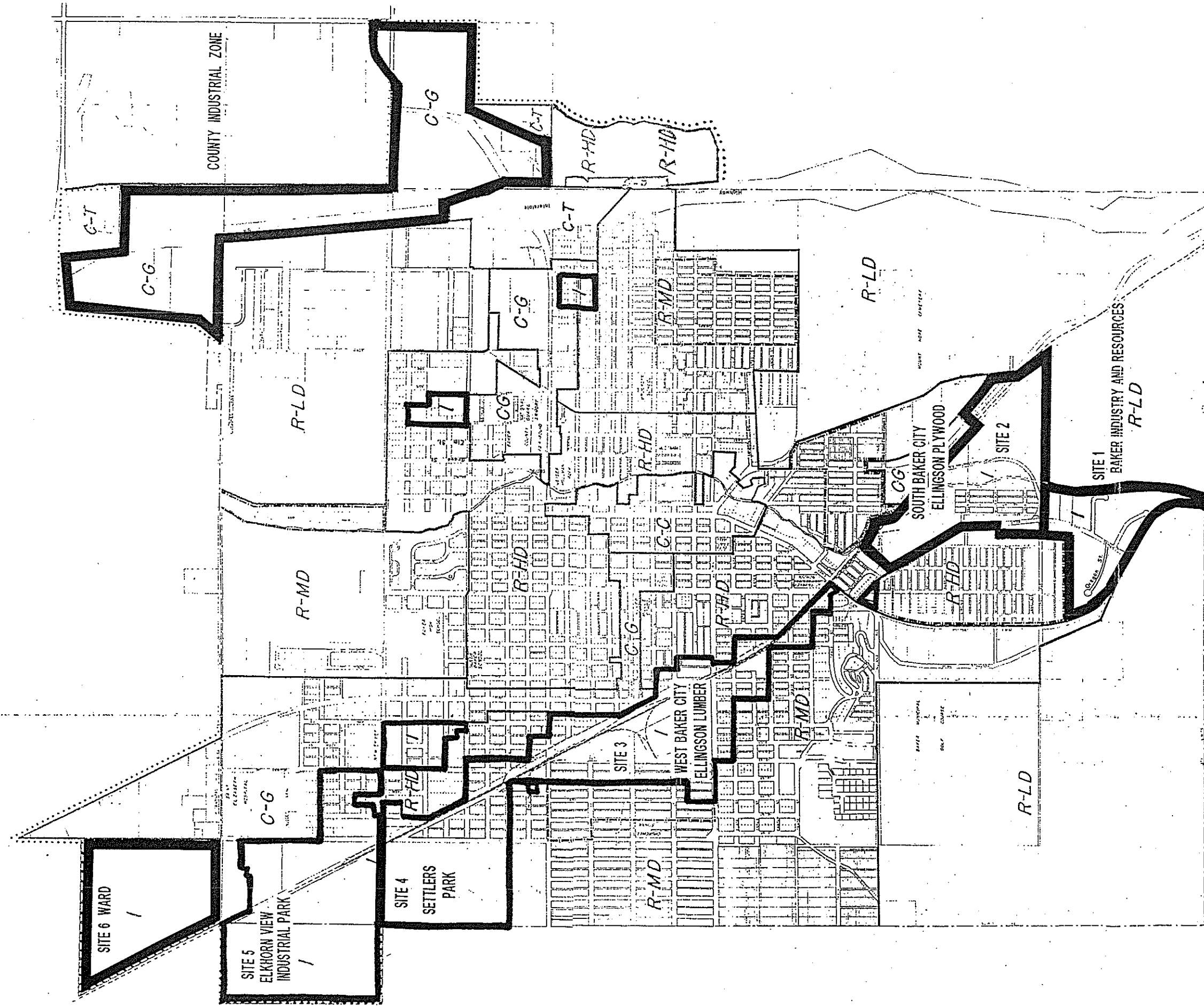
From the perspective of business location, Baker City offers the support services and capabilities expected of a community of 10,000 people located on the interstate highway system and the main line of a major railroad. The levels of services available are slightly greater than might otherwise be expected, due to the role Baker City plays in the regional economy and the larger population it serves including tourists and travelers. It also benefits from proximity to other communities that provide higher education opportunities and additional support services.

A principal constraint in recruiting or developing new businesses is the small size of the local market, along with the competitive factors that come into play when the market is extended to include communities within a 150-mile radius. On the other hand, it is central to a much larger multi-regional area that extends from the Rocky Mountains to the West Coast. Existing firms operating in Baker City demonstrate that they can compete effectively in that larger market, especially when they manufacture high-quality products for specialty applications.

The labor force in Baker City is large enough to support small and medium sized firms, with wage rates that are competitive with other Northwest communities. It is generally an unskilled and semi-skilled labor force, which limits the ability of the region to attract firms with technical or professional labor requirements. Training programs are available to assist in developing specific skills to meet employer needs.

Baker City's designation as an Oregon Enterprise Zone enables it to offer special incentive rates on water, sewer, and building permits to firms that meet the qualifications of the program. Utility systems are adequate to support additional industrial expansion without costly additions to capacity. The regulatory processes are straightforward and times to acquire permits can be short. Recently developed industrial sites will make it easier for companies to establish their operations quickly, at minimum cost, and with the least amount of problems.

It can be expected that Baker City will continue to attract new companies, along with the expansion of existing ones, relative to its size and position within its market area.



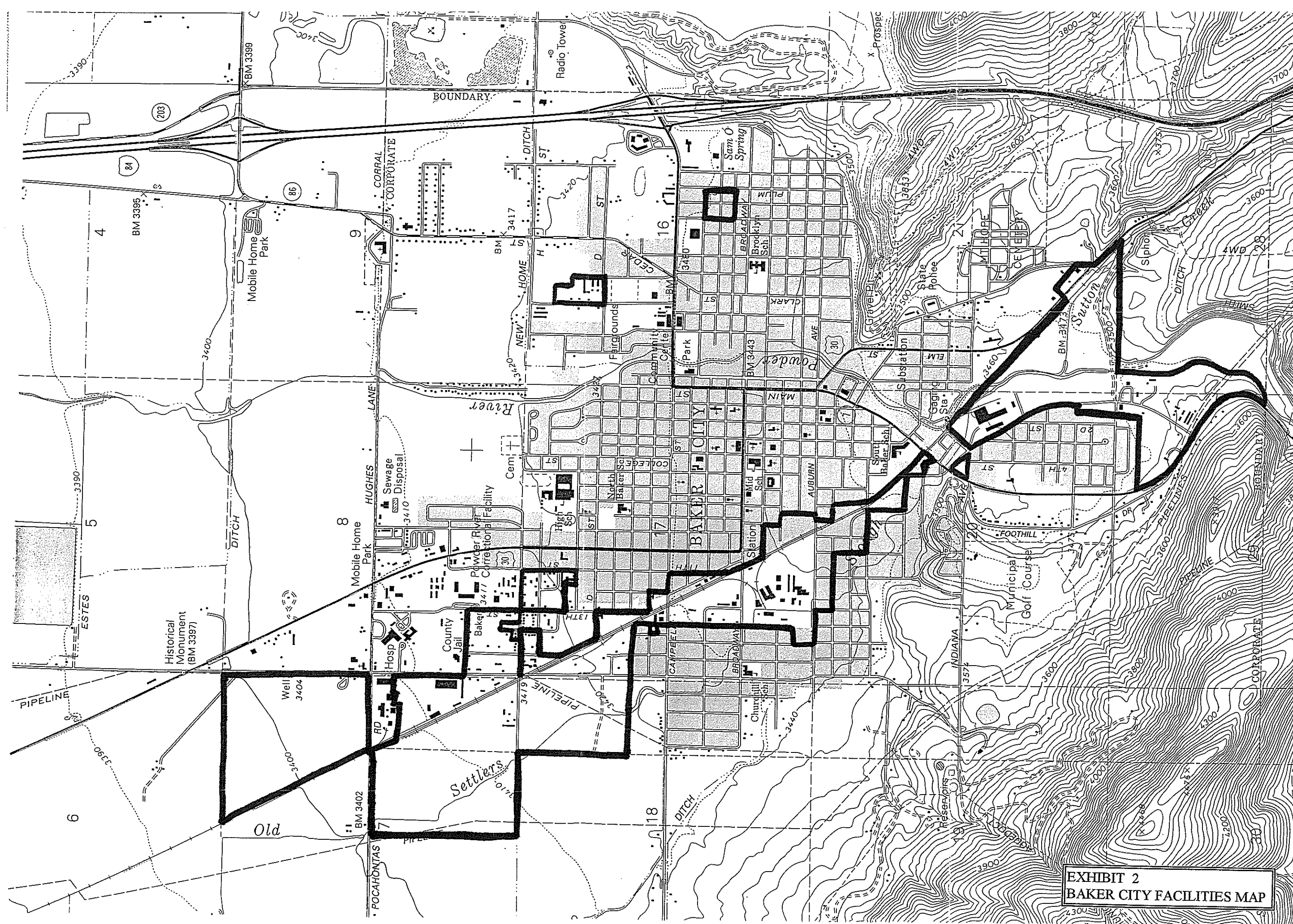
1978 ZONE MAP
CITY OF BAKER, OREGON

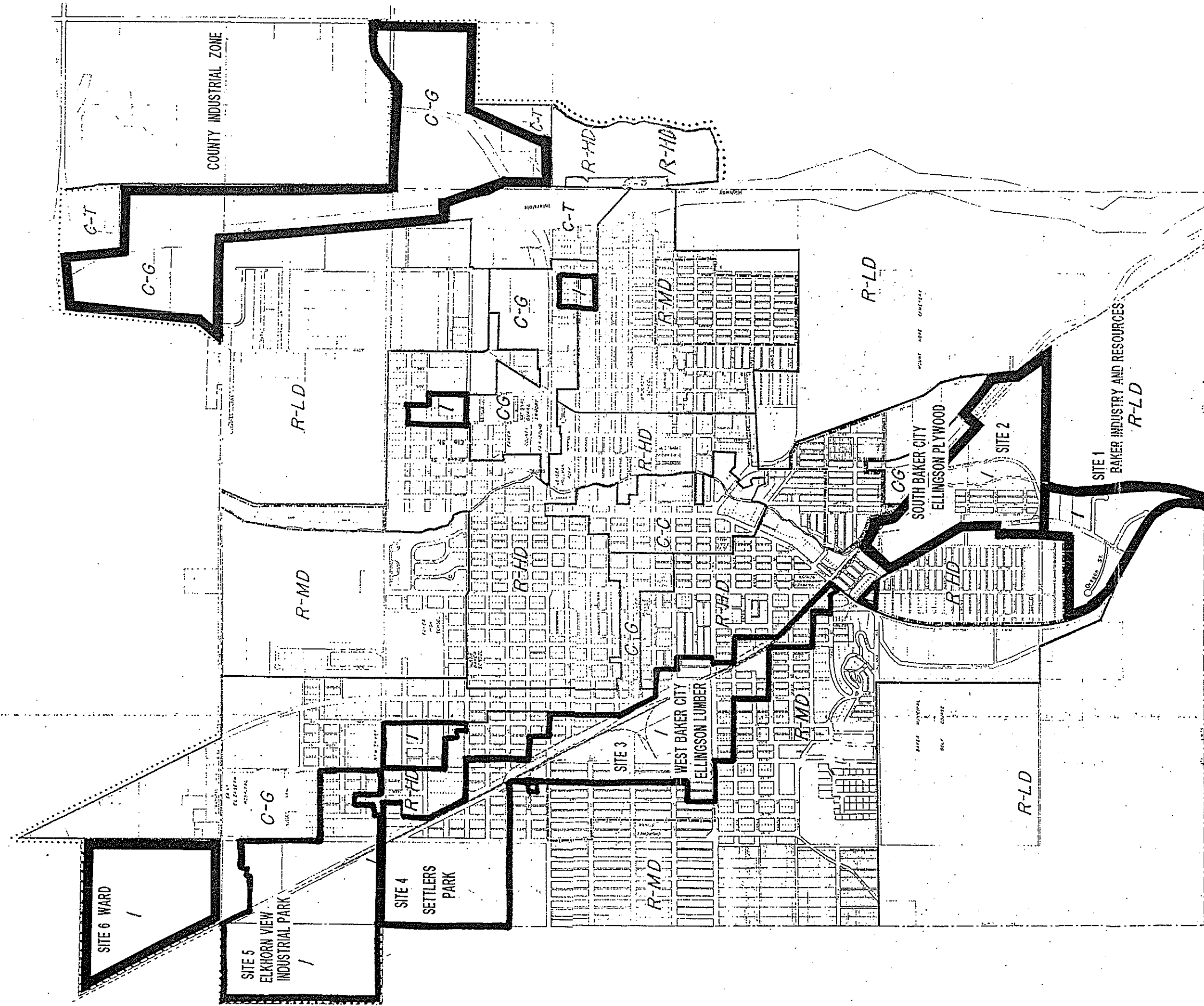
ADOPTED BY ORDINANCE NO. 2778
EFFECTIVE JANUARY 22, 1979

REVISED By Ordinance 2828, on 2-10-81
Ordinance 82-1, on 6-15-82 (County Ordinance)
Ordinance 2941, 6-27-86

ZONE ABBREVIATED DESIGNATION	
LOW DENSITY RESIDENTIAL	R-LD (7,500 SQ. FT.)
MEDIUM DENSITY RESIDENTIAL	R-MD (7,500 SQ. FT.)
HIGH DENSITY RESIDENTIAL	R-HD (15,000 SQ. FT.)
GENERAL COMMERCIAL	C-G
CENTRAL COMMERCIAL	C-C
TOURIST COMMERCIAL	C-T
INDUSTRIAL	I
LIGHT INDUSTRIAL	I-L
OVERLAY ZONES	
MOBILE HOME	MH
PLANNED UNIT DEVELOPMENT	PUD

EXHIBIT 1
BAKER CITY ZONING MAP





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CITY OF BAKER, OREGON

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BAKER CITY ZONING MAP

