



Oregon

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TO: House Committee on Housing,
House Committee on Human Services,
Senate Committee on Housing and Development,
Senate Committee on Human Services, Mental Health and Recovery



FROM: Jim Rue, Director

Leigh McIlvaine, Economic Development Specialist

RE: Report on Implementation of HB 2743 (2017) – Economic Development Pilot Program¹

Executive Summary

In 2017, the Oregon Legislature enacted HB 2743. The bill requires the Land Conservation and Development Commission (LCDC) to “establish and implement an economic development pilot program” and adopt rules to implement the program. The pilot program is intended to allow opportunities for economic development on land adjacent to an airport in a rural area through an expedited urban growth boundary (UGB) amendment process. The bill provides objectives for the pilot program along with eligibility criteria² and site protection and reporting requirements.

At LCDC’s direction, the Department of Land Conservation and Development (DLCD or department) convened a rulemaking advisory committee to develop the expedited urban growth boundary expansion process and reporting requirements for participants. In July 2018, LCDC adopted the recommended rules under OAR 660-024-0075.

DLCD opened the nomination process for economic development pilot program sites in November 2018. Narrowly defined eligibility criteria resulted in the submission of a single application for participation in the economic development pilot program. The City of Madras proposed to include a 1,089-acre site adjacent to the municipal airport in its UGB as allowed under HB 2743. LCDC approved the application in January 2019.

Following approval for participation, Jefferson County and the City of Madras submitted comprehensive plan amendments to the department in compliance with administrative requirements provided in OAR 660-024-0075. DLCD determined that the city met all applicable standards for the approval of comprehensive plan amendments for a UGB expansion and implementation of an Airport Economic Development pilot project. Madras City Council adopted the UGB expansion on June 25, 2019.

Economic Impact

Under Section 10 of OAR 660-024-0075, Madras must report to DLCD on the economic impact of its UGB expansion to the pilot site. The City engaged consulting firm EcoNorthwest to research and assess the program impact on business, job, and investment growth within the

¹ Section 5 of HB 2743 requires the department to report to the 2022 Legislative Assembly committees relating to housing and human services during the legislative session. This memo constitutes that report.

² Proponents of the bill identified two issues with the site eligibility criteria, which were corrected by subsequent legislation (HB 4031 (2018)).

pilot site. The period of evaluation for economic impact is defined as March 1, 2018, the effective date of the statute, to June 30, 2021. The local and regional economies of Madras and Jefferson County have followed state and national economic trends during the study period, making it challenging to identify the effects of the economic development pilot program.

During the economic impact period, no new businesses were established within the pilot site. Daimler's High Desert Proving Grounds is the only employer to have added jobs during the study period. The City of Madras and Jefferson County both demonstrated an increase in total business establishments during the study period with a decrease in total employment numbers.

Both the number and price of residential dwellings for sale demonstrate a significant increase between March 2018, and June 2021. However, this increase is likely attributable to factors unrelated to the economic development pilot program. Based on a small sample size, the price per acre of industrial land has held relatively steady in Madras.

In total, Daimler has invested \$12.8 million in its facilities on the pilot site between 2019 and 2021. The company has expressed intent to increase its investment in the future. No other businesses have made investments during the study period in the pilot site.

A full report describing the activities of LCDC and the department as provided by HB 2743 is available at:

https://www.oregon.gov/lcd/NN/Documents/2022_Madras_Report_to_Legislature.pdf.

Detailed local economic impact data as required by Section 10 of OAR 660-024-0075 is available in the EcoNorthwest memo, labeled Appendix A and available at:

https://www.oregon.gov/lcd/NN/Documents/EcoNorthwest_Memo_Madras_UGB_Expansion_Monitoring_Jan-14-2022.pdf.