



Economic Recovery Review Council

Pendleton & Pilot Rock Regionally Significant Industrial Area: Staff Analysis

I. Executive Summary

The Pendleton and Pilot Rock nomination was received August 5, 2015, notice sent to ERRC agencies August 10th, 2015, and request for agency comments sent August 18th, 2015. The nomination included a letter from the City of Pendleton, site descriptions and maps (aerial and plat), zoning maps for both Pendleton and Pilot Rock, zoning codes for Pendleton and Pilot Rock, and Resolutions of Support from Pendleton City Council, Pilot Rock City Council, and Umatilla County. The nomination was determined to be complete by the ERRC Administrator and preparation of the staff report for the Economic Recovery Review Council (ERRC) was requested in August 2015. The full RSIA Nomination is viewable at;

<http://www.orinfrastructure.org/Infrastructure-Programs/Industrial-Development/RSIA/nominations/Pendleton-PilotRock.pdf>

The nomination includes eight (8) sites, 6 in the City of Pendleton and 2 in the City of Pilot Rock, for a total of 1703 acres with 1635 acres developable. All properties are zoned industrial (M1 or M2) and the Unmanned Aerial Systems Park has an Aviation Overlay. The region both historically and currently supports agriculture production and processing, and forestry production/products. As an interstate transport hub the area has been considered for distribution centers, was designated as one of Oregon's UAS test sites, has existing rail to three of the sites, and has the largest airport in Eastern Oregon with scheduled service to Portland, Oregon.

The two cities submitting the nomination place a high value on attracting and creating industrial employment in their area, and are pro-growth.

Strength and Weaknesses

The proposed nomination demonstrates the communities' commitment to traded-sector job creation and commitment to protect land for those opportunities. It also demonstrates their commitment to prioritize infrastructure improvements to serve the sites included in the nomination. Strategically, the communities have demonstrated a vision for future opportunities by their efforts to be successfully designated as one the Federal UAS Test Ranges. Furthermore, the subject area strengths includes;

- Two city partnership,
- Six industrial sites appropriately zoned for traded sector opportunities, with the exception of allowances for commercial uses.



- Area is served by largest airport in Eastern Oregon,
- Is part of an interstate labor region that includes southern Washington,
- Within 60 miles of port facilities,
- Industrial sites are vacant, served by existing city or county roads, and within 15 miles of I-84,
- One of the Pilot Rock sites currently lack water and sewer services, but both are served by natural gas and power,
- The Pendleton Pinkerton site currently lacks water, sewer, and natural gas; however, the Pendleton City Council passed a resolution to provide services to the site within 120 days after building permit is issued for a qualified project,
- All sites are within the Pendleton Enterprise Zone, managed by Umatilla County

The weaknesses or challenges identified in the nominated area

- There have been no wetlands determinations done for the Masonite property, and one of lots will likely be significantly constrained by wetlands.
- Wetland determinations need to be completed for the Airport Industrial Park and Unmanned Aerial Systems Industrial Park.
- Commercial uses allowed on sites included in the nomination which the applicant has proposed to amend and restrict.
- The properties nominated in Pilot Rock will continue to qualify as Brownfield sites.
- City of Pendleton adopted a “trip cap” ordinance during the airport rezoning. Agency staff recommends that the city update this analysis.
- Prior to development of the Pilot Rock sites, ODOT recommends that a transportation impact analysis be completed to ensure that US95 can accommodate potential vehicle and truck traffic to the sites.
- Union Pacific has talked openly about abandoning the Pilot Rock rail branch. ODOT encourages the City of Pendleton and Pilot Rock to work with ODOT to address this concern.
- For the Westgate Property there are rail crossing concerns that would have to be addressed prior to development of the property.
- Currently none of the sites in the nomination area are “Certified Industrial Sites”; however, both the Pilot Rock Industrial Site and Pendleton Pinkerton sites are working towards certification.

- i. The Regional Solutions Team recommends approval.
- ii. Agency staff recommends approval conditioned on applicant’s commitment to amend and restrict commercial uses on the nominated sites, understanding that Pilot Rock properties will continue to qualify as Brownfield sites, City staff will coordinate closely with ODOT staff on



rail and transportation planning issues identified in this report, and applicants will continue to pursue certification of industrial sites included in the nomination.

iii. The Program Administrator agrees with the staff findings and recommendation.

II. Site Description/Summary:

OBDD: The nomination consists of properties in three industrial areas; including four sites adjacent to Pendleton Airport and I-84, the second with two sites in central Pendleton, and the third containing two sites on the north side of the City of Pilot Rock.

The nomination is comprised of large sites (up to 445 acres on the Pilot Rock site), individual smaller sites in existing Pendleton industrial areas, master planned airport industrial/business parks, (one large (160 ac) vacant industrial site, and two large industrial sites planned for regional distribution. The total area nominated area is 662 acres.

DLCD: No comment

ODOT: No comment

DEQ: No comment

DSL: **Pilot Rock Industrial Site:** In 2015, the Department issued off-site wetland determination WD2015-0051 finding that there are unlikely to be state jurisdictional wetlands or waterways within the study area.

Masonite Property: The Department has no wetland determinations or delineations on file for this area. However, DSL staff review for this nomination finds that tax lot 1304 is bordered by Birch Creek, a state jurisdictional waterway that is designated as Essential Salmonid Habitat. Any quantity of removal or fill activity within the creek, or any wetlands connected to the creek, will require a state Removal-Fill Permit. National Wetlands Inventory mapping also indicates that tax lot 1304 is likely to be significantly constrained by wetlands. Fifty cubic yards or more of removal or fill activity within wetlands not connected to Birch Creek will require a state Removal-Fill Permit.



Pinkerton Property: In 2015, the Department issued off-site wetland determination WD2015-0003 finding that there are unlikely to be state jurisdictional wetlands or waterways within the study area.

Unmanned Aerial Systems Industrial Park: The Department has no wetland determinations or delineations on file for this area. DSL recommends that a wetland determination be completed for this site prior to ground disturbance activity.

Airport Industrial Park: In 2006, the Department issued off-site wetland determination WD2006-0650 for a portion of tax lots 100 and 9900 finding that there are unlikely to be state jurisdictional wetlands or waterways within the study area. The Department has no wetland determinations or delineations on file for the remainder of tax lots 100 or 9900. DSL recommends that a wetland determination be completed for this site prior to ground disturbance activity.

RST: No comment.

III. Statutory Requirements:

(2) “Regionally significant industrial area” means an area planned and zoned for industrial use that:

(a) Contains vacant sites, including brownfields, that are suitable for the location of new industrial uses or the expansion of existing industrial uses and that collectively can provide significant additional employment in the region;

OBDD: The area consists of eight individual industrial sites, either within the City of Pendleton or City of Pilot Rock. Aggregated, these sites contain 1,635 acres of vacant and underutilized sites zoned for commercial and industrial development. The applicant proposes amendments that will restrict commercial use. Recommend approval of RSIA with those conditions.

DLCD: Area is zoned appropriately providing restrictions to commercial use are in place.

ODOT: No comment

DEQ: DEQ supports the Regional Solutions Team recommendation of conditional approval of the RSIA with the following additional consideration. The Masonite and Industrial Site parcels in Pilot Rock will likely continue to qualify as Brownfield sites. It should be advised that while a functional determination of *No Further Action (NFA)* indeed was established in 2006, an *Easement & Equitable Servitude* restricts portions of the properties, where continued maintenance and



operational requirements remain and should be incorporated to future development planning processes, including required coordination with DEQ.

DSL: No comment

RST: The proposed RSIA includes 1635 acres of developable industrial land suitable for new businesses or existing business expansion that has the potential to provide significant additional employment in the region. As noted in the application the M1 zone in Pendleton and the M2 zone in Pilot Rock allows for some commercial as well as industrial uses. The applicant proposes to amend the zones to restrict or limit commercial uses. We recommend conditioning approval of the RSIA on approval of the proposed zone amendments. Requirement is or can be met.

Statutory Requirements (continued):

(III. (2)) (b) Has site characteristics that give the area significant competitive advantages that are difficult or impossible to replicate in the region;

OBDD: While Pendleton and Pilot Rock sites are placed in a rural setting, they are strategically located on or near I-84 and Union Pacific Railroad. Fiber connectivity not only is the fastest in Oregon (source: Wtechlink CEO, Jordan McDonald), but has redundancy. Site sizes range from 20 to 445 acres, offering multiple options for company recruitment. Pendleton is home to the largest airport in Eastern Oregon with direct flight service to and from Portland, OR. The addition of the Pendleton Test Range designation that encompasses air space over Pilot Rock and Pendleton and the multiple attributes these eight industrial areas hold, increased job opportunities will become available.

DLCD: No comment

ODOT: No comment

DEQ: No comment

DSL: No comment

RST: The sites in the proposed RSIA are generally flat and currently served with infrastructure or can be easily served with infrastructure. The variety of site sizes, ranging from 20 to 445 acres, and variety of transportation attributes including highway, rail, and air, as well as fiber capacity in Pendleton and the designation



of the Pendleton Airport as an unmanned aerial system test site, are unique within the region and give the area significant competitive advantages. Requirement is met.

Statutory Requirements (continued):

(III. (2)) (c) Has superior access to transportation and freight infrastructure, including, but not limited to, rail, port, airport, multimodal freight or transshipment facilities, and other major transportation facilities or routes; and

OBDD: The sites are either on or near I-84, a major trucking thoroughfare running East/West. In addition, the sites are in close proximity to the I-82 (under 30 miles), which runs North into Washington. Both of these Interstates are considered major connectors to markets throughout the Pacific NW. The sites are in close proximity to Union Pacific Railroad’s main line and a rail spur that travels from the main line to the Pilot Rock sites. Huge benefit for company recruitment. Pendleton houses the largest airport in Eastern Oregon with direct service to and from Portland, OR. Sites are in close proximity to both the Port of Umatilla and the Port of Morrow (both under 50 miles), which allows for access to barge transportation as well.

DLCD: No comment

ODOT: The proposed area contains a number of sites that offer good access to transportation. The Pendleton sites are all located close to Interstate 84 which provides excellent vehicle and truck freight access and connections. The Pilot Rock sites are in close proximity to US 395, a major north-south route connecting to Interstate 84 – 14 miles to the north.

Highway System:

The Pendleton sites located west of the airport have an access road to the properties directly to I-84. The Phase Four UAS Industrial Park also has access to this access road and connection. All three sites have secondary access via Airport Rd. that connects to US 30. This roadway is steep in locations and has some geometric challenges as well. If significant freight intends to access the sites via Airport Road, the City may want to ensure Airport Rd. can handle larger trucks and increased truck volume. Additionally, the City should work with ODOT to evaluate the Airport Rd. intersection with US 30 to ensure added freight traffic does not create a future safety issue. It is recommended that the City consider implementing recommendations contained in the 2011 Pendleton Airport Industrial Park Rezone Transportation Impact Analysis for the US 30 intersection with Airport Road as well as the I-84/US 30 interchange ramp intersections.



The other Pendleton site, Westgate Industrial Park, is located south of US 30 and the adjacent railroad. The main access for this site is at US 30 at Furnish Ave. The City should work with ODOT to ensure this intersection will operate safely with additional vehicle and truck traffic accessing the site. In addition, the Pendleton TSP calls for improvements to Westgate St. including widening and adding pedestrian and bicycle facilities. These should be addressed as a condition of development by the City of Pendleton.

Finally, as part of the airport rezone, the City of Pendleton adopted a trip cap ordinance to ensure functionality and safety of the surrounding transportation system. ODOT encourages the City to update this analysis to determine if changes to the trip cap are warranted and to determine if additional transportation enhancements should be planned.

The Pilot Rock sites are located west of US 395. The UPRR spur line bisects the two sites. As a condition of approval, ODOT suggests the City of Pilot Rock conduct a transportation impact analysis prior to development to ensure the city roadways and connections to US 395 can handle the potential vehicle and truck traffic to and from the sites. Of particular concern is the safety of the intersections to US 395.

Rail System:

The three sites near the Pendleton Airport do not have direct rail access. Gaining direct rail access would likely be difficult. However, the sites are in close proximity to the UP rail line adjacent to US 30. It might be possible to some intermodal transfer opportunities by working with the UP railroad and other rail users in the area.

The other Pendleton site, Westgate Industrial Park, has easy access to rail service because it adjoins Union Pacific's mainline. A rail spur serving Newly Wed Foods skirts the southern boundary of the largest parcel of the Westgate Park, and using this existing track as the genesis for a new spur would provide a very economical means of obtaining rail service, compared to constructing a spur that would diverge off of UP's trackage bounding the north side of the site. Either access would work but the former would likely be the most economical method for connecting to the national rail system.

A portion of the Westgate site is property formerly hosting the Blue Mountain Recovery Center, a state-run hospital, that the source material indicates was planned for demolition to clear the parcel for new development. This portion of the Westgate property is across N.W. 36th Street from the larger parcel.



Nevertheless, it could be served by rail if the spur trackage south of Newly Wed Foods was extended across N.W. 36th Street eastward. This would entail creating a new at-grade public street crossing that would require approval of ODOT-Rail's Crossing Safety Section. Generally, ODOT-Rail discourages new crossings but each application is evaluated individually and a street crossing by a spur necessary to support industrial development is likely to be accommodated for the benefit of the community and the economy.

Of the two sites at Pilot Rock, the Masonite Property had rail spurs and insofar as I know these are still in place. This site, according to the literature, still hosts a large industrial building and other infrastructure related to its original use. It would be an ideal site for a business needing rail access, assuming the building and other facilities were appropriate.

The other location, the Pilot Rock Site with 445 acres, is far larger than the Masonite parcel and basically undeveloped. While only part of the acreage borders the railroad right of way there is sufficient frontage there to permit divergence of a lead track with generous curvature into the parcel. The lead track, in turn, could thread through the property generating offshoot spurs serving various industries that might choose to locate there. One of the excellent qualities of this site from the rail service perspective is the absence of roads, water courses and wetlands that would add cost and complicate track construction. Also, it appears that the topography of the site is not particularly challenging for development of railroad infrastructure. Another important element is that the expense of connecting to the Pilot Rock rail line, which is a lightly-used branch with no signal system, will be significantly lower than installing a switch in a heavily-used mainline equipped with signalization.

However, there is an issue concerning the continued existence of the Pilot Rock line. If the line were an animal, it would be on the endangered species list. The 14.25-mile branch line was built from Reith to Pilot Rock in 1907 on a continuous ascending grade of about 1%, rising from elevation 980 feet at Reith to 1,630 feet at Pilot Rock. The rail was installed in the mid-1960s with second-hand 131-pound (per yard) steel, which is excellent for a light-density branch. That said, the shift in Oregon's economy away from forest products has greatly diminished car-loadings on this line to the point that Union Pacific was openly talking about abandoning the branch in mid-2013. That led to discussions with the city of Pilot Rock and other government officials about prospects for a shortline operator to take over and operate the branch. I'm attaching two emails from 2013 that capture the gist of those discussions. Although two years have now passed since those discussions, Union Pacific has not taken any overt actions toward



abandonment. For a shortline to be viable on the Pilot Rock Branch there would need to be a traffic volume of at least 1,200 to 1,400 carloads per year, as the basic rule of thumb for shortline success is approximately 100 carloads per mile per year. Attracting new industry to either the Masonite Property or the Pilot Rock Site (or both) would hopefully bring much-needed rail freight to the line and help sustain it into the future. Railroads require volume to survive and if industries need rail service, then there is a potential for synergy that benefits everyone.

In order to maximize the potential for rail service to these sites, ODOT encourages the Cities of Pendleton and Pilot Rock to work with our Rail Planner, Bob Melbo, in addressing these recommendations and suggestions. The fact that most of the sites in this request have good rail opportunities is a real positive asset.

Transit System:

Providing a range of travel options, particularly for employees in these sites is important for their success. Both the City of Pendleton and the Confederated Tribes of the Umatilla provide transit service options. The Cities of Pendleton and Pilot Rock should work together and with the Confederated Tribes of the Umatilla to explore options to increase transit opportunities to these sites as they develop. Providing travel options for employees who do not have access to a vehicle can increase the potential employee pool for these future development sites.

Air Systems:

The Pendleton airport is adjacent to 3 of the sites contained in this application. For a smaller city airport, the Pendleton airport offers very good air service opportunities. With available passenger service as well as small parcel service the Pendleton airport is a strong supporting asset to this designation.

DEQ: No comment

DSL: No comment

RST: The proposed RSIA includes sites with rail access to the Union Pacific main line and has North/South freight access via US 395 and East/West freight access via I-84. Additionally the proposed area is served by the Eastern Oregon Regional Airport in Pendleton and is in close proximity to transshipment facilities at the Port of Umatilla and Port of Morrow. Requirement is met.



Statutory Requirements (continued):

(III. (2)) (d) Is located in close proximity to major labor markets.

OBDD: While located in a rural setting, workforce analysts have determined that workers commute patterns reach as far as 70 miles, one-way. Labor markets encompass Umatilla County, population 76,705; Morrow County, population 35,152; Union County, 25,691; and Tri-Cities, Washington, population 238,234.

DLCD: No comment

ODOT: No comment

DEQ: No comment

DSL: No comment

RST: The proposed RSIA includes access to the major labor markets in the Tri Cities, WA as well smaller regional labor markets. Requirement is met.

IV. ERRC Adopted Policy:

A. The ERRC intends to designate a variety of RSIA's determined to have the most potential for rapid job creation across the state.

OBDD: Both, the Pilot Rock Industrial Site and the Pendleton Pinkerton Property are working towards site certification but are not yet any certified sites within the proposed RSIA. A RSIA designation will compliment current efforts by Pendleton and Pilot Rock to increase the marketability of sites within the proposed area. Umatilla County is also supportive of marketing these sites within their new Economic Development Division of the County.

DLCD: No comment

ODOT: No comment

DEQ: No comment

DSL: No comment



RST: The site characteristics, transportation infrastructure, and access to labor markets provide the proposed area with potential for rapid job creation.

ERRC Adopted Policy (continued)

(IV) B. For each nominated RSIA, ERRC will consider information regarding the purpose of the designation, whether one, two or all the following:

a. Preservation

i. Protection from land use conversion to other than industrial zone

ii. Assurance of compatible neighboring and uses

iii. Preservation of assets for best industrial use e.g. transportation access, utilities, site characteristics

OBDD: Preservation of assets for best industrial use could be considered a concern as Union Pacific Railroad has indicated that increased use of the rail spur is needed in order for the railroad to continue to service/maintain this short line. Historically, Eastern Oregon has seen the railroad decommission these lines; leaving them to be operated and maintained by a third party if one can be found. The loss of this asset to the area would negatively impact these sites greatly as we see an increase in demand for sites with rail access.

DLCD: City proposes and DLCD recommends that ERRC require establishment of restrictions to commercial uses.

ODOT: No comment

DEQ: No comment

DSL: No comment

RST: No comment.

ERRC Adopted Policy (continued)

((IV) B.) b. Investment

i. Implementing a strategy of improvements for priority locations

ii. Targeting job growth in an area

OBDD: Multiple agencies have awarded funds to the cities within the designated area to use for planning and infrastructure improvements.

DLCD: No comment



ODOT: No comment

DEQ: No comment

DSL: No comment

RST: Many sites in the proposed RSIA require additional infrastructure investments, primarily sewer and water extensions, to attract new or expanding businesses. Investments to attract development for the Pilot Rock sites will be necessary to maintain rail service to these sites.

ERRC Adopted Policy (continued)

((IV) B.) c. Marketing Advantage

i. Assuring attention for certified sites

ii. Complimenting cooperation and partnership of local and state government

OBDD: Both, the Pilot Rock Industrial Site and the Pendleton Pinkerton Property are working towards site certification but are not yet any certified sites within the proposed RSIA. A RSIA designation will compliment current efforts by Pendleton and Pilot Rock to increase the marketability of sites within the proposed area. Umatilla County is also supportive of marketing these sites within their new Economic Development Division of the County.

DLCD: No comment

ODOT: No comment

DEQ: No comment

DSL: No comment

RST: While the Pilot Rock Industrial Site and the Pinkerton Property are working towards site certification there are not yet any certified sites within the proposed RSIA. A RSIA designation will compliment current efforts by Pendleton and Pilot Rock to increase the marketability of sites within the proposed area.



V. Other Comments

OBDD: In the past 3 years, several of the eight sites have been included in State recruitment project visits. The sites are attractive, show well, but need further development. The designation of regionally significant will assist these communities in further developing their sites, completing site certification and increasing their market visibility to site selectors as they update their Oregon Prospector listings.

In addition, Pendleton just completed a mock site visit with OBDD. Valuable information was gained as the recruitment team critiqued the City’s process for responding to State leads, their community presentation/overview, site readiness and the steps the City is taking to improve marketability (RSIA nomination included). It was a valuable exercise for the community as they make every effort to improve their industrial sites and compete Statewide for business recruitment leads.

DLCD: None

ODOT: No comment

DEQ: No comment

DSL: No comment

RST: Pendleton and Pilot Rock have been engaged in long-term efforts to grow their community’s and the region’s economy by being able to provide marketable industrial land to new and expanding businesses. These efforts combined with a RSIA designation for the proposed area and the competitive advantages the proposed area offers holds the potential for significant economic and job growth within the region. The Regional Solutions Team strongly supports the approval of this application.