



MEMORANDUM

DATE: May 25, 2017
TO: City of Hermiston

FROM: JOHNSON ECONOMICS, LLC

SUBJECT: Analysis of Potential Comprehensive Plan and Zone Change from Industrial to Commercial and Residential Uses

JOHNSON ECONOMICS was hired to conduct an independent assessment of the demand for and inventory of different categories of land within the Hermiston Urban Growth Boundary (UGB).

Currently, it is proposed to amend the Comprehensive Plan (Comp Plan) designation of a 45-acre area in east/central Hermiston, adjacent to the current city boundary. This area is currently zoned M-1 for light industrial use, and stands mostly vacant. It is proposed to change the designation of this parcel to a mixture of high density residential and commercial designations.

In order to help make the determination of whether or not this change is warranted, JOHNSON ECONOMICS has conducted analysis of the relative supply and demand for these land uses in Hermiston and its broader UGB. This analysis has utilized the methodology for conducting a Goal 9 Economic Development, Goal 10 Housing analyses, and Buildable Lands Inventory (BLI) in accordance with state periodic review guidelines. If a zone change is to proceed, these standards will apply and fully updated Goal 9 and Goal 10 documents are required.

In addition, JOHNSON ECONOMICS has conducted market-based assessment of the locational characteristics of the study area to determine if a particular “highest and best use” is evident from a market perspective.

This memo presents the findings of this analysis and implications for a Comp Plan designation change in this study area.

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A. SUMMARY OF KEY FINDINGS

The following summarizes some of the key findings and conclusions from this report.

Location Analysis of Candidate Land Uses

- In general, the subject site is physically suited and located for industrial use, but features compatibility issues with the surrounding land uses, which include established residential neighborhoods and natural open space. Given that Hermiston has other well-established industrial areas, with ample available land and better transportation access, the study area is likely to be less competitive and attractive for future industrial users.
- From a land use planning perspective, it is common to locate industrial uses near the fringe of a city or urbanized space, to minimize negative impacts on surrounding uses and also allow industrial users the freest use of their sites for activities that may involve noise, dust, truck traffic or other impacts incompatible with other land uses. In the broader scheme of the City's Comp Plan, including the UGB areas, the study area will be a central, rather than fringe location. To this point, the study area is located less than a quarter mile from Main Street and Hermiston's traditional downtown.
- The study area location is appropriate for a residential neighborhood, as evidenced by the established neighborhoods in the surrounding area. The location adjacent to a collector street and near the center of the city also makes it appropriate for medium to high-density housing, including attached housing types such as apartment complexes. The collector street should accommodate the increased traffic from additional household density, and provide residents good commuting routes via Hwy 207 to the north, or through the city center.
- The study area has good access to commercial services within a short walking, biking, or driving distance in the city center. Future commercial uses are planned adjacent to the east, in land that is currently outside the city boundary, but within the UGB. In addition, the study area itself may accommodate some commercial services if the zoning designation is changed. Elementary and middle schools are within walking distance for residents with children.
- The study area would likely be suitable to some amount of commercial use. The location on a major collector would provide vehicle traffic and visibility for retailers at the site.
- The greatest factor impacting commercial use at this location will be competitive commercial properties across the city. The "future commercial" land immediately to the east will be better suited for access and visibility. For this reason, if commercial zoning is considered at this site, it might be best to limit it in size and plan for commercial uses to be more locally-serving for the surrounding neighborhood. Mixed commercial and residential zoning could allow flexibility for the market to provide the development that is most in demand at the time.

Revised 20-Year Land Need and Buildable Inventory

- In order to assess the supply and demand for land to accommodate the candidate land uses, JOHNSON ECONOMICS employed the projection methodology for Goal 9 Economic Opportunities Analysis and Goal 10 Housing Needs Analysis, as well as updated the Buildable Lands Inventory.
- The City’s current Goal 9 and Goal 10 analysis, completed and adopted in 2011, found an excess of all categories of land within the current Hermiston UGB. While a sizable amount of this buildable land was within the future development areas of the UGB, most of it was within the current city boundaries of the time.
- The revised analysis finds essentially the same pattern. The size of Hermiston’s current UGB and the large amounts of future land to urbanize, means that there is ample supply of land for all three land uses.
- In comparison to the 2011 analysis, the revised analysis found an increased need for employment land, and a decreased need for housing units over the coming 20 years. In each case, the buildable lands remain sufficient to accommodate the projected need.
- The following figure summarizes the resulting estimates of 20-year need and supply by land use category. Not all land use categories are equally oversupplied. As the last column shows, if the estimated supply of land would serve roughly 55 years of residential and commercial need at this projected rate of demand. However, the amount of industrial land available, would serve an estimated 265 years of need at the projected rate of demand.

**FIGURE: COMPARISON OF 20-YEAR LAND NEED AND BUILDABLE SUPPLY
HERMISTON, OR UGB**

ZONING CATEGORY	20-Year Land Need (Acres)	Est. Buildable Supply (Acres)	Est. Buildable Surplus (Acres)	Est. Years of Land Supply
R-1 Single Family Residential	181.3	181.3	0.0	20.0
R-2 Duplex Residential	12.7	39.9	27.2	62.7
R-3 Multi-Family Residential	36.3	106.1	69.9	58.5
R-4 Multi-Structural Residential	36.8	53.7	16.9	29.2
R-R Recreational Residential	48.2	358.1	309.9	148.6
F-R Future Residential (UGB)	152.1	558.5	406.3	73.4
Totals:	467.4	1,297.6	830.2	55.5
Commercial Zoning	99.9	285.7	185.8	57.2
Industrial Zoning	45.8	610.9	565.1	266.6
Totals:	145.7	896.7	751.0	123.1

Source: Umatilla County, City of Hermiston, Johnson Economics



- The finding suggests that relative to the other two land uses, industrial land is more oversupplied by a factor of nearly five. Much of this available capacity is banked in the large employment areas in the southeast corner of the city south of the airport.

Conclusion on Future Use of the Study Area

In considering whether or not a zone change may be appropriate for the study area, the following factors lend support:

- It is estimated that industrial land is greatly oversupplied relative to residential or commercial land. A large amount of the City's current vacant industrial acreage could be repurposed while leaving enough to serve many decades to come. If the 45-acre study area were removed from the industrial supply, there would still be a 247 year supply remaining based on this estimate.
- If some industrial land were to be rezoned, the study area would be a strong candidate. It is currently largely vacant, and is isolated from the City's two more established industrial areas to the northwest and southeast.
- The study area is also centrally located, very close to downtown, where housing and commercial uses are more appropriate. It is surrounded by established residential neighborhoods and a natural wetland, both of which can be incompatible with the nuisances and pollution caused by industrial activity. For these reasons, industrial land is often located on the fringe, whereas the study area will be centrally located as the city develops to the east.
- For these reasons, the study area is likely to be less competitive with the other larger industrial areas in the city. Industrial uses will value the other areas' fringe location, direct access to the highway and rail, and presence of other industrial users.
- Given the oversupply of industrial land, and great unlikelihood that this supply will be diminished for a very long time, it seems appropriate to discuss better uses from a community and land-use policy perspective for the study area, which provides a sizable opportunity to add housing very near the downtown core.

These topics are presented and documented in greater detail in the following report.

B. THE STUDY AREA

The subject site is a 44.95 acre area comprised of eight separate parcels under multiple ownerships. The area is mostly vacant, but contains three parcels with existing built space, appropriate for industrial or light industrial use.

The area is on the edge of the Hermiston City boundary, north of Diagonal Road between roughly NE 7th Street and NE 10th Street.

FIGURE 1: STUDY AREA, HERMISTON, OR (BOUNDARIES APPROXIMATE)



Source: Google Earth, Johnson Economics

Current Zoning

The area is currently zoned Light Industrial (M-1). This zone permits a range of traditional industrial uses including light manufacturing and workshops, freight and storage, laboratories, lumber and product yards, auto shops, food processing, warehousing and distribution, among other uses. The zone does not allow standard residential or retail commercial uses.



At the same time, the zone put some restrictions on light industrial activity, particularly where properties abut residential zones. This includes no nuisances caused by noise, smoke, odor, dust or gas. There are additional restrictions on access, outdoor uses on the property, building setbacks, height and other design factors that “adversely affect” adjoining residential uses. (Hermiston Municipal Code 157.055)

Surrounding Uses

The study area is immediately adjacent on two sides (west and south) to low-density residential zones. Kitty-corner to the east is Sandstone Middle School, located in the residential zone.

The north edge of the study area is bounded by the city boundary. The land across the city boundary is within the Hermiston UGB. Immediately to the north is a 55-acre designated open space, which contains Baker’s Pond and other sizeable wetland areas. To the northwest of the study area is additional residentially-zoned lands, mostly zoned for medium density residential or mobile home use. To the northeast of the study area is an additional low-density residential neighborhood, currently occupied by rural residential uses.

At the east end of the study area is an area of roughly 41 acres at the conjunction of Diagonal Road and Hwy 207. This triangle is outside of the city limits, but designated for future commercial use.

Hermiston’s central commercial zone, demarcating the downtown, is located less than one quarter mile to the southwest of the study area, where Diagonal Road meets Main Street.

Access and Visibility

The study area experiences higher traffic along its southern edge on Diagonal Road. This provides greatest visibility and access from this route. Other access points to the study area from the west and north will be much more limited, requiring access via local streets through residential neighborhoods. Currently there is no improved road along the northern boundary.

Diagonal Road is designated as a major collector street with a speed limit of 35 mph past the study area. Other streets in the immediate area are all local streets.



C. SUITABILITY OF SITE AND LOCATION FOR CANDIDATE LAND USES

This section provides an assessment of the subject site as a location for the candidate uses from a market perspective. (Supply and demand estimates are discussed in the following section.)

General Location

The study area is roughly 45 acres, located on the central east edge of the Hermiston city boundary. From the study area, the Hermiston UGB extends roughly another mile to the east. The study area is surrounded by established residential neighborhoods on most sides, and a designated open space to the north. To the northeast, along Diagonal Road is a 41-acre triangle of land which is designated for commercial use in the future, but is currently outside of the city boundary, and stands vacant.

The area is isolated from the major established industrial areas of Hermiston, which are located in the northwest corner of the city, along N 1st Place and to the southwest of the city along Hwy 395, mostly to the south of the airport. There is one additional industrial-zoned area to the north of the study area, separated by the open space acreage.

The area enjoys good access from Diagonal Road and would also have fairly good visibility for commercial uses, though this street is not has high-volume as E Elm Avenue/Hwy 207 to the north.

The study area does have some existing industrial uses that may be more or less compatible with new uses under a different zone, or may be candidates for eventual redevelopment under the zone.

As an Industrial Location

The study area location is somewhat suitable for industrial use, but not ideal. From a land use planning perspective, it is common to locate industrial uses near the fringe of a city or urbanized space, to minimize negative impacts on surrounding uses and also allow industrial users the freest use of their sites for activities that may involve noise, dust, truck traffic or other impacts incompatible with other land uses. Of all the major land use categories, industrial entails the greatest prospective impacts on the surrounding uses.

It is also common to locate industrial lands on or near major freight routes and/or rail lines, so the lands are useful for heavy truck traffic without relying on inappropriate local streets. The study area meets these criteria to some extent. Diagonal Road is a major collector with nearby access to Hwy 207 for trucking. It does not have access to a rail line.

Industrial land should be flat, feature large parcels, and require the minimum of site preparation to make it development ready. The value of industrial uses generally can't support the cost of extensive site preparation such as extensive excavation, regrading and wetland mitigation. The study area is flat and physically suitable for industrial development, with no identified wetland coverage.



The largest barrier to this site as a strong industrial site is the surrounding uses. While the site is currently located on the city boundary, the UGB extends an additional mile to the east. Almost all of this additional land is designate for future residential use. In the broader scheme of the City's Comp Plan, including the UGB areas, the study area will be a central, rather than fringe location. To this point, the study area is also less than a quarter mile from Main Street and Hermiston's traditional downtown.

Currently, the site is surrounded by uses that would traditionally be considered incompatible with many industrial activities. This includes established low-density residential neighborhoods on most sides. In addition, there is a large designated open space to the north which would be especially sensitive to any air or ground contaminants that may come with industrial use.

Because the adjacent uses are residential, industrial uses at the study area already face some additional restrictions limiting what types of users can use these sites and reducing the marketability of the area.

In general, the subject site is physically suited and located for industrial use, but features compatibility issues with the surrounding land uses, and may present nuisances to residents. Given that Hermiston has other well-established industrial areas, with ample available land and better transportation access (see the following section), the study area is likely to be less competitive and attractive for future industrial users.

As an Residential Location

Residential areas tend to have the greatest flexibility in terms of where they are located. Residents are willing to live in city centers and fringe areas, in a range of housing types. The study area location is surrounded by established neighborhoods that share the same general locational and access characteristics as the study area. There is no reason to conclude that the study area couldn't accommodate similar housing. As noted above the site does not present topography or wetland issues for development.

The location adjacent to a collector street and near the center of the city also makes it appropriate for medium to high-density housing, including attached housing types such as apartment complexes. The collector street should accommodate the increased traffic from additional household density, and provide residents good commuting routes via Hwy 207 to the north, or through the city center. Elementary and middle schools are within walking distance for residents with children.

The study area has good access to commercial services within a short walking, biking, or driving distance in the city center. Future commercial uses are planned adjacent to the east, in land that is currently outside the city boundary, but within the UGB. In addition, the study area itself may accommodate some commercial uses if the zoning designation is changed.

In general, this is a good residential location for low- or medium-density housing and would face no development or compatibility issues for this use.



As an Commercial Location

The study area would likely be suitable to some amount of commercial use. The location on a major collector would provide vehicle traffic and visibility for retailers at the site. The site presents no physical limitations to commercial development and these uses are more compatible with surrounding residential neighborhoods than industrial uses are.

The greatest factor impacting commercial use at this location will be competitive commercial properties across the city. The “future commercial” land immediately to the east will be better suited for access and visibility, being located at the confluence of Hwy 207 and Diagonal Road. At 41 acres, this land, once annexed will accommodate a lot of commercial space. At the same time there are large commercial zones running the length of Hwy 395 through the city. As the following section discusses, there is ample vacant commercial land in the city and UGB.

For this reason, if commercial zoning is considered at this site, it might be best to limit it in size and plan for commercial uses to be more locally-serving for the surrounding neighborhood. Mixed commercial and residential zoning could allow flexibility for the market to provide the development that is most in demand at the time.

Finding on Location Suitability

The site is generally physically appropriate for development of any of the candidate uses. Given the established development pattern in the surrounding area, as well as the planned future land uses of lands to the east, residential uses seem the strongest candidate land use. Industrial uses feature compatibility challenges at this location which will no longer be a “fringe” location as the city develops to the east. Commercial uses are well-suited to the site, but this location may be less competitive to existing and planned highway commercial in the city. Commercial may be best suited as a secondary land use, serving the surrounding neighborhoods.

D. PREVIOUS GOAL 9 AND GOAL10 FINDINGS (2011)

In order to assess the supply and demand for land to accommodate the candidate land uses, JOHNSON ECONOMICS employed the projection methodology for Goal 9 Economic Opportunities Analysis and Goal 10 Housing Needs Analysis, as well as updated the Buildable Lands Inventory.

The City’s current Goal 9 and Goal 10 analysis, completed and adopted in 2011, found an excess of all categories of land within the current Hermiston UGB. While a sizable amount of this buildable land was within the future development areas of the UGB, most of it was within the current city boundaries of the time.

Based on the findings of projected demand and available supply, the 2011 Goal 9 and Goal 10 analysis reached the results summarized in the following table:

**FIGURE 2: ESTIMATED 20-YEAR LAND NEED VS. BUILDABLE SUPPLY
HERMISTON, OR (2011)**

Land Use	20-Year Demand (Acres)	Buildable Supply (Acres)	Estimated Years of Supply
Residential (Goal 10)	695.0	1,995.0	57
Commercial (Goal 9)	44.1	177.3	80
Industrial (Goal 9)	27.1	605.4	447

Source: City of Hermiston Goal 9 and Goal 10 analyses (2011), Johnson Economics

For all of the three major land use categories discussed here, the 2011 analyses found that current buildable inventory within the UGB far exceeds the projected 20-year land need. If we assume that the 20-year demand rate remained constant, the analysis found a nearly 60-year supply of residential land, an 80 year supply of commercial land, and a nearly 450 year supply of industrial land.

One key finding here is that the supply of buildable industrial lands far exceeds the supply of other land types on a relative basis.

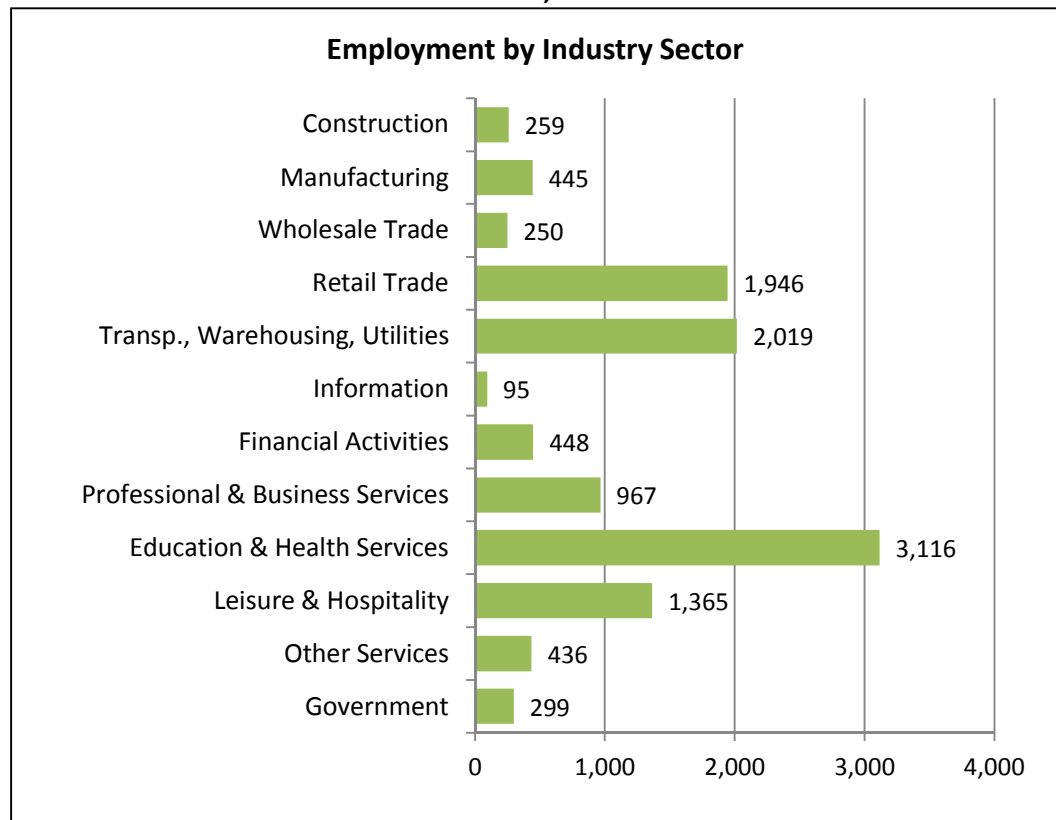
E. UPDATED GOAL 9 EMPLOYMENT AND LAND NEED PROJECTIONS

JOHNSON ECONOMICS conducted an updated employment projections and land needs analysis in keeping with Goal 9 methodology, to determine if results have materially changed since the previous Goal 9 analysis.

The greatest changes since the previous analysis have been in the make-up of industry employment in Hermiston, and the projected rate of employment growth across sectors.

Figure 3 shows the estimated current employment make up by industry sector. Since the recession nearly ten years ago, some sectors have rebounded more strongly than others. In Hermiston it is estimated that industries such as education and health Services, hospitality, retail and transportation and warehousing have experienced the strongest rebound from the recession. Industries such as construction and manufacturing have fallen as a share of total employment.

**FIGURE 3: ESTIMATED EMPLOYMENT BY INDUSTRY SECTOR
HERMISTON, OR UGB**



Source: Census, Oregon Employment Department, Johnson Economics

Future projected growth in these industries comes from projections from the Oregon Employment Department for Grant, Morrow and Umatilla Counties for the years 2014-2024. These projections are broken down by industry sector and then applied to the breakdown of employment in Hermiston itself.

Figure 4 shows these industrial growth projections applied to Hermiston over the next 20 years. There will be a projected growth of 2,058 local jobs over the planning period. This projected growth is very similar to the total job growth projected in the previous Goal 9 analysis (1,970 jobs), however the estimated growth rates among individual industry sectors have changed changing the breakdown of what types of employment space these new workers will need.

FIGURE 4: PROJECTED EMPLOYMENT GROWTH BY INDUSTRY SECTOR, 2016-2036
HERMISTON, OR UGB

Baseline Growth Scenario Employment Sector	Base Year 2016	Cumulative Net New Growth				16 - '36 Growth	
		2021	2026	2031	2036	Jobs	AAGR
Construction	259	253	247	241	236	-24	-0.5%
Manufacturing	445	461	477	494	512	67	0.7%
Wholesale Trade	250	259	268	278	288	37	0.7%
Retail Trade	1,946	1,998	2,050	2,104	2,160	213	0.5%
T.W.U	2,019	2,082	2,147	2,214	2,283	264	0.6%
Information	95	105	116	128	141	46	2.0%
Financial Activities	448	455	462	470	477	29	0.3%
Professional & Business Services	967	1,015	1,065	1,117	1,172	205	1.0%
Education & Health Services	3,116	3,322	3,543	3,777	4,027	911	1.3%
Leisure & Hospitality	1,365	1,416	1,468	1,523	1,580	216	0.7%
Other Services	436	454	472	492	512	76	0.8%
Government	299	304	308	312	317	17	0.3%
Total	11,646	12,123	12,624	13,150	13,704	2,058	0.8%

Source: Census, Oregon Employment Department, Johnson Economics

The types of anticipated future employment are broken down by the type of commercial or industrial real estate space these jobs tend to occupy. This estimate is then converted into need for land to house new employment real estate for the next 20 years.

Retail land need is calculated based off of average household retail spending, applied to the projected household growth rate (see next section). The calculation of future retail spending is compared to the amount of spending per square foot of retail commercial space, and then to total land demand.

FIGURE 5: PROJECTED 20-YEAR EMPLOYMENT LAND NEED, HERMISTON, OR UGB
2011 PROJECTIONS VS. 2017 PROJECTIONS

Employment Land Category	2011	2017 Revised	Change 2011 vs. Revised
	20-Year Demand (Acres)	20-Year Demand (Acres)	
Office Lands	8.0	20.0	12.0
Industrial Lands	25.1	39.0	13.9
Retail Commercial Lands	39.6	59.4	19.8
<i>Resident Driven</i>	21.5	36.6	15.1
<i>Visitor Driven</i>	16.6	20.8	4.2
<i>Overnight Lodging</i>	1.5	2.0	0.5
Specialized Uses*	21.4	27.3	5.9
TOTAL EMPLOYMENT LAND NEED	94.1	145.7	51.6

Source: Census, Oregon Employment Department, Johnson Economics

*Specialized uses include hospital and medical space, private educational and institutional facilities.



Figure 5 presents projected 20-year demand from the previous 2011 analysis and the revised analysis. The revised analysis finds an increased need for commercial and industrial space based on higher employment projections in the industry sectors that use this space. Higher projected residential spending translates to higher demand for retail land, as well.

In all, the projected need for employment land is estimated to be 50% higher than in the prior analysis.

F. UPDATED GOAL 10 HOUSING AND RESIDENTIAL LAND NEED PROJECTIONS

JOHNSON ECONOMICS conducted an updated housing projection and residential land needs analysis in keeping with Goal 10 methodology, to determine if results have materially changed since the previous Goal 10 analysis.

The housing needs projections are based upon 20-year population estimates provided by the Portland State University Population Research Center, through the Oregon Population Forecast Program. State rules now require that Goal 10 analyses use the official projection from this program. This requirement was not in place during the last Goal 10 update in 2011.

The previous analysis applied a more robust 2.2% growth rate based on the latest county-wide forecast available at the time. The PSU analysis leads to a local forecasted growth rate of 1.6% for Hermiston. Because of this the total projected 20-year household growth is lower than the previous analysis.

Figure 6 (following page) presents the current estimated demographic profile in Hermiston and its UGB area. There are an estimated 21,500 total people in the UGB, of which an estimated 83% live within the city boundaries.

FIGURE 6: HOUSEHOLD AND DEMOGRAPHIC PROFILE, HERMISTON, OR UGB

POPULATION, HOUSEHOLDS, FAMILIES, AND YEAR-ROUND HOUSING UNITS					
	2000	2010	Growth	2016	Growth
	(Estimate)	(Estimate)	00-10	(PSU)	10-16
Population (City) ¹	13,154	16,745	27%	17,730	6%
Population (UGB) ¹	2,788	3,360	21%	3,758	12%
Population (Total) ¹	15,942	20,105	26%	21,488	7%
Households ²	6,022	7,284	21%	7,825	7%
Families ³	4,077	5,040	24%	5,063	0%
Housing Units ⁴	6,443	7,599	18%	8,130	7%
Group Quarters Population ⁵	104	147	41%	203	38%
<i>Household Size (non-group)</i>	<i>2.63</i>	<i>2.74</i>	<i>4%</i>	<i>2.72</i>	<i>-1%</i>
<i>Avg. Family Size</i>	<i>3.18</i>	<i>3.28</i>	<i>3%</i>	<i>3.37</i>	<i>3%</i>
PER CAPITA AND MEDIAN HOUSEHOLD INCOME					
	2000	2010	Growth	2016	Growth
	(Census)	(Census)	00-10	(Proj.)	10-16
Per Capita (\$)	\$17,417	\$20,847	20%	\$22,376	7%
Median HH (\$)	\$35,412	\$43,844	24%	\$46,316	6%

SOURCE: Census, PSU Population Research Center, and Johnson Economics

Census Tables: DP-1 (2000, 2010); DP-3 (2000); S1901 (2010 ACS 3-yr Estimates); S19301 (2010 ACS 3-yr Estimates);

¹ From PSU Population Research Center, Population Forecast Program, final forecast for Umatilla Co. (6/2016)

² 2016 Households = (2016 population - Group Quarters Population)/2016 HH Size

³ Ratio of 2016 Families to total HH is based on 2014 ACS 5-year Estimates

⁴ 2015 housing units are the 2010 Census total plus new units permitted from '10 through January '16. Units in UGB area are estimated based on number of households and household size (source: Census, City of HERMISTON)

⁵ Estimated Group Quarters Population from Census.

Figure 7 (following page) presents the projected 20-year population and household growth in the UGB. The area is projected to add an estimated 7,600 people in 2,780 new households.

Figure 8 translates this growth into 20-year need for new housing units. The 2,780 new households, plus an allowance for some natural housing vacancy leads to a need for 3,032 net new housing units over the next 20 years. Figure 8 presents a breakdown of the projected housing types needed.

Due to the lower overall projected growth rate in this revised analysis, the projected housing need is significantly lower than in the 2011 analysis, which found a 20-year need for over 3,800 new units.

**FIGURE 7: PROJECTED POPULATION AND HOUSEHOLD GROWTH, 2016-2036
HERMISTON, OR UGB**

PROJECTED FUTURE HOUSING CONDITIONS (2016 - 2036)		SOURCE
2016 Population (Minus Group Pop.)	21,285	PSU
Projected Annual Growth Rate	1.58%	OR Population Forecast Program PSU
2036 Population (Minus Group Pop.)	28,845	(Total 2036 Population - Group Housing Pop.)
Estimated group housing population:	275	Share of total pop (3.0%) from 2010 Census US Census
Total Estimated 2036 Population:	29,120	(PSU 2035 forecast, + one year at same growth rate) PSU
Estimated Non-Group 2036 Households:	10,605	(2036 Non-Group Pop./Avg. Household Size)
New Households 2016 to 2036	2,779	
Avg. Household Size:	2.72	Projected household size US Census
Total Housing Units:	11,161	Based on estimated 5% vacancy rate
Occupied Housing Units:	10,605	(= Number of Non-Group Households)
Vacant Housing Units:	557	(Total Units - Occupied Units)
Projected Vacancy Rate:	5.0%	(Vacant Units/ Total Units)

Source: Portland State University Population Research Center, Census, Johnson Economics

**FIGURE 8: PROJECTED 20-YEAR NEED FOR NET NEW HOUSING UNITS
HERMISTON, OR UGB**

OWNERSHIP HOUSING										
Price Range	Multi-Family							Total Units	% of Units	Cummulative %
	Single Family Detached	Single Family Attached	2-unit	3- or 4-plex	5+ Units MFR	Mobile home	Boat, RV, other temp			
Totals:	1,532	25	0	0	0	212	0	1,769	% All Units:	58.3%
Percentage:	86.6%	1.4%	0.0%	0.0%	0.0%	12.0%	0.0%	100.0%		

RENTAL HOUSING										
Price Range	Multi-Family							Total Units	% of Units	Cummulative %
	Single Family Detached	Single Family Attached	2-unit	3- or 4-plex	5+ Units MFR	Mobile home	Boat, RV, other temp			
Totals:	348	42	94	161	538	80	0	1,263	% All Units:	41.7%
Percentage:	27.6%	3.3%	7.5%	12.8%	42.6%	6.3%	0.0%	100.0%		

TOTAL HOUSING UNITS									
Price Range	Multi-Family							Total Units	% of Units
	Single Family Detached	Single Family Attached*	2-unit	3- or 4-plex	5+ Units MFR	Mobile home	Boat, RV, other temp		
Totals:	1,880	67	94	161	538	292	0	3,032	100%
Percentage:	62.0%	2.2%	3.1%	5.3%	17.7%	9.6%	0.0%	100.0%	

Sources: PSU Population Research Center, Claritas Inc., Census, Johnson Economics

* Uses Census definition, including townhomes/rowhouses and duplexes attached side-by-side, seperately metered.



The projected need for housing units by type is converted into the need for residential land by applying the average densities specified in Hermiston's development code. Figure 9 presents the needed housing types with basic assumptions of which zones these units may be appropriate for.

As Figure 9 presents, there is an overall estimated need for 467 acres of residential land among the different residential zoning classifications. The greatest need will be for single-family units, which tend to be built in the lowest-density zones.

**FIGURE 9: PROJECTED 20-YEAR NEED FOR NET NEW HOUSING UNITS
HERMISTON, OR UGB**

Comp Plan Designation		TOTAL NEW UNITS NEEDED (2036)					Total Units	Density of New Units (Units/Net Acre)	20-year Land Need in Acres
		Single Family	Duplex	3- or 4-plex	5+ Units MFR	Mobile home			
		1,880	161	161	538	292	3,032		
F-R	Future Residential	589					589	3.9	152.1
R-1	Single Family Residential	702					702	3.9	181.3
R-2	Duplex Residential		81				81	6.3	12.7
R-3	Multi-Family Residential		81	81	269		430	11.9	36.3
R-4	Multi-Structural Residential			81	269	292	641	17.4	36.8
R-R	Recreational Residential	589					589	12.2	48.2
Totals/Averages:		1,880	161	161	538	292	3,032	7.5	467.4

Source: PSU, Census, City of Hermiston, Johnson Economics

G. RECONCILIATION OF 20-YEAR LAND NEED AND BUILDABLE LANDS INVENTORY

The revised projections of land need were compared to revised estimates of the available buildable lands within the City and UGB. GIS data, location visits and tax records were used to determine the vacant or redevelopment status of land in the study area.

A summary of the estimates for buildable residential land and employment land are presented below in Figures 10 and 11. In both cases, significant amounts of buildable land remain both within the city boundary and the UGB areas designated for future development.

**FIGURE 10: SUMMARY OF ESTIMATED BUILDABLE RESIDENTIAL LAND
HERMISTON, OR UGB**

ZONING DESIGNATION		Net Vacant Buildable Acres	Capacity of Vacant Lands (In Units)	Density (Units/ Net Acre) ¹
R-1	Single Family Residential	181.3	701.8	3.9
R-2	Duplex Residential	39.9	252.9	6.3
R-3	Multi-Family Residential	106.1	1,259.0	11.9
R-4	Multi-Structural Residential	53.7	935.7	17.4
R-R	Recreational Residential	358.1	4,378.4	12.2
F-R	Future Residential (UGB)	558.5	2,162.4	3.9
Totals/Averages:		1,297.6	9,690.2	7.5

Source: Umatilla County, City of Hermiston, Johnson Economics

**FIGURE 11: SUMMARY OF ESTIMATED BUILDABLE EMPLOYMENT LAND
HERMISTON, OR UGB**

ZONING CATEGORY	Net Vacant Buildable Acres			With no Mixed Zoning Net Vacant Buildable Acres		
	City	UGB	Total	City	UGB	Total
Commercial Zoning	77.7	88.2	165.9	185.2	100.5	285.7
Industrial Zoning	98.0	153.5	251.5	420.5	190.4	610.9
Mixed C/I Zoning	430.0	49.3	479.3	na	na	na
Totals:	605.7	290.9	896.7	605.7	290.9	896.7

Source: Umatilla County, City of Hermiston, Johnson Economics



The revised BLI finds a preliminary estimate of 1,298 residential acres, which could accommodate an estimated 9,700 housing units; 286 commercial acres; and, 611 industrial acres.

Much of the available employment acreage is located in mixed zones which are designated for both commercial and industrial uses. For the purposes of this analysis, which seeks to compare demand with supply by major land use category, it is difficult to leave this mixed-zone land unassigned to one use or the other. While either commercial or industrial uses may locate there, the truth is that much of this land is situated so that it will be much more attractive to industrial than commercial uses. Most of this acreage is found in the southeast industrial zone near the airport. While parcels which front Hwy 395 may serve for commercial uses, the large swaths of acreage away from the highway will not be well suited to commercial uses. These areas are not highly trafficked or visible, nor do they have surrounding residential neighborhoods to provide a customer base to this area. For these reasons, this land will remain better suited to industrial uses. For this analysis, these mixed-zone lands have been reallocated to the "commercial" or "industrial" categories, as shown in the right-hand section of Figure 11. This calculation applies 75% of this land to industrial and 25% to commercial.

Figure 12 shows the comparison of 20-year land need presented in previous sections, and the estimated buildable supply.

**FIGURE 12: COMPARISON OF 20-YEAR LAND NEED AND BUILDABLE SUPPLY
HERMISTON, OR UGB**

ZONING CATEGORY	20-Year Land Need (Acres)	Est. Buildable Supply (Acres)	Est. Buildable Surplus (Acres)	Est. Years of Land Supply
R-1 Single Family Residential	181.3	181.3	0.0	20.0
R-2 Duplex Residential	12.7	39.9	27.2	62.7
R-3 Multi-Family Residential	36.3	106.1	69.9	58.5
R-4 Multi-Structural Residential	36.8	53.7	16.9	29.2
R-R Recreational Residential	48.2	358.1	309.9	148.6
F-R Future Residential (UGB)	152.1	558.5	406.3	73.4
Totals:	467.4	1,297.6	830.2	55.5
Commercial Zoning	99.9	285.7	185.8	57.2
Industrial Zoning	45.8	610.9	565.1	266.6
Totals:	145.7	896.7	751.0	123.1

Source: Umatilla County, City of Hermiston, Johnson Economics

As in the previous analysis, the revised comparison finds that there is still ample supply in the current UGB to absorb the next 20-years of demand. However, not all land use categories are equally oversupplied. As the last column shows, if the estimated supply of land would serve roughly 55 years of residential and commercial need at this projected rate of demand.

However, the amount of industrial land available, would serve an estimated 265 years of need at the projected rate of demand.

The conclusion is that relative to the other two land uses, industrial land is more oversupplied by a factor of nearly five. Much of this available capacity is banked in the large employment areas in the southeast corner of the city south of the airport.

H. FINDINGS AND CONCLUSIONS

The following summarizes some of the key findings and conclusions from this report.

Location Analysis of Candidate Land Uses

- In general, the subject site is physically suited and located for industrial use, but features compatibility issues with the surrounding land uses, which include established residential neighborhoods and natural open space. Given that Hermiston has other well-established industrial areas, with ample available land and better transportation access, the study area is likely to be less competitive and attractive for future industrial users.
- From a land use planning perspective, it is common to locate industrial uses near the fringe of a city or urbanized space, to minimize negative impacts on surrounding uses and also allow industrial users the freest use of their sites for activities that may involve noise, dust, truck traffic or other impacts incompatible with other land uses. In the broader scheme of the City's Comp Plan, including the UGB areas, the study area will be a central, rather than fringe location. To this point, the study area is located less than a quarter mile from Main Street and Hermiston's traditional downtown.
- The study area location is appropriate for a residential neighborhood, as evidenced by the established neighborhoods in the surrounding area. The location adjacent to a collector street and near the center of the city also makes it appropriate for medium to high-density housing, including attached housing types such as apartment complexes. The collector street should accommodate the increased traffic from additional household density, and provide residents good commuting routes via Hwy 207 to the north, or through the city center.
- The study area has good access to commercial services within a short walking, biking, or driving distance in the city center. Future commercial uses are planned adjacent to the east, in land that is currently outside the city boundary, but within the UGB. In addition, the study area itself may accommodate some commercial services if the zoning designation is changed. Elementary and middle schools are within walking distance for residents with children.
- The study area would likely be suitable to some amount of commercial use. The location on a major collector would provide vehicle traffic and visibility for retailers at the site.

- The greatest factor impacting commercial use at this location will be competitive commercial properties across the city. The “future commercial” land immediately to the east will be better suited for access and visibility. For this reason, if commercial zoning is considered at this site, it might be best to limit it in size and plan for commercial uses to be more locally-serving for the surrounding neighborhood. Mixed commercial and residential zoning could allow flexibility for the market to provide the development that is most in demand at the time.

Revised 20-Year Land Need and Buildable Inventory

- In order to assess the supply and demand for land to accommodate the candidate land uses, JOHNSON ECONOMICS employed the projection methodology for Goal 9 Economic Opportunities Analysis and Goal 10 Housing Needs Analysis, as well as updated the Buildable Lands Inventory.
- The City’s current Goal 9 and Goal 10 analysis, completed and adopted in 2011, found an excess of all categories of land within the current Hermiston UGB. While a sizable amount of this buildable land was within the future development areas of the UGB, most of it was within the current city boundaries of the time.
- The revised analysis finds essentially the same pattern. The size of Hermiston’s current UGB and the large amounts of future land to urbanize, means that there is ample supply of land for all three land uses.
- In comparison to the 2011 analysis, the revised analysis found an increased need for employment land, and a decreased need for housing units over the coming 20 years. In each case, the buildable lands remain sufficient to accommodate the projected need.
- The following figure summarizes the resulting estimates of 20-year need and supply by land use category. Not all land use categories are equally oversupplied. As the last column shows, if the estimated supply of land would serve roughly 55 years of residential and commercial need at this projected rate of demand. However, the amount of industrial land available, would serve an estimated 265 years of need at the projected rate of demand.

**FIGURE 13: COMPARISON OF 20-YEAR LAND NEED AND BUILDABLE SUPPLY
HERMISTON, OR UGB**

ZONING CATEGORY	20-Year Land Need (Acres)	Est. Buildable Supply (Acres)	Est. Buildable Surplus (Acres)	Est. Years of Land Supply
R-1 Single Family Residential	181.3	181.3	0.0	20.0
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R-4 Multi-Structural Residential	36.8	53.7	16.9	29.2
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Industrial Zoning	45.8	610.9	565.1	266.6
Totals:	145.7	896.7	751.0	123.1

Source: Umatilla County, City of Hermiston, Johnson Economics

- The finding suggests that relative to the other two land uses, industrial land is more oversupplied by a factor of nearly five. Much of this available capacity is banked in the large employment areas in the southeast corner of the city south of the airport.

Conclusion on Future Use of the Study Area

In considering whether or not a zone change may be appropriate for the study area, the following factors lend support:

- It is estimated that industrial land is greatly oversupplied relative to residential or commercial land. A large amount of the City’s current vacant industrial acreage could be repurposed while leaving enough to serve many decades to come. If the 45-acre study area were removed from the industrial supply, there would still be a 247 year supply remaining based on this estimate.
- If some industrial land were to be rezoned, the study area would be a strong candidate. It is currently largely vacant, and is isolated from the City’s two more established industrial areas to the northwest and southeast.
- The study area is also centrally located, very close to downtown, where housing and commercial uses are more appropriate. It is surrounded by established residential neighborhoods and a natural wetland, both of which can be incompatible with the nuisances and pollution caused by industrial activity. For these reasons, industrial land is



often located on the fringe, whereas the study area will be centrally located as the city develops to the east.

- For these reasons, the study area is likely to be less competitive with the other larger industrial areas in the city. Industrial uses will value the other areas' fringe location, direct access to the highway and rail, and presence of other industrial users.
- Given the oversupply of industrial land, and great unlikelihood that this supply will be diminished for a very long time, it seems appropriate to discuss better uses from a community and land-use policy perspective for the study area, which provides a sizable opportunity to add housing very near the downtown core.