



## Staff Report

---

**File #:** 18-116

**Version:** 4

**Date:** 4/9/2018

**Item #:** 6.b.

---

**TO:** Mayor and City Council

**THROUGH:** Steve Powers, City Manager

**FROM:** Kristin Retherford, Urban Development Department Director

**SUBJECT:**

Economic Development Quarterly Report

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

**ISSUE:**

Information report on economic development activities for the third quarter of fiscal year 2017-2018.

**RECOMMENDATION:**

Information only.

**SUMMARY AND BACKGROUND:**

City Council (Council) has requested quarterly economic development reports from the Urban Development Department associated with the goal of creating a vibrant economy. This quarterly update concentrates on construction progress at the Mill Creek Corporate Center and the Salem Municipal Airport, urban renewal grants, and local business retention and expansion efforts.

**FACTS AND FINDINGS:**

*Economic Indicators*

New development and redevelopment is occurring at a healthy pace citywide. According to building permit data from the City of Salem Community Development Department, there have been 372 permits issued this quarter with a valuation of \$100,062,650, including 25 new commercial/industrial permits. Vacancy rates continue to decline for all sectors in the Salem area. From 2014-2017 office vacancy rates declined from 9 percent to 6 percent with rents increasing steadily. Vacancy rates for

retail uses declined in that same period from 4.7 percent to 3.4 percent. Industrial vacancy rates remain very low and pricing continues to rise. The industrial vacancy rate in Salem is approximately 1.7 percent, compared with Portland's 4 percent. Industrial building rates continue to rise, and have increased from \$5 per square foot last year to \$7.50 per square foot.

#### *Business Recruitment*

Development interest and construction activity continues to grow at the Mill Creek Corporate Center. Construction of the 1 million square foot Amazon Distribution Facility is expected to be complete in August 2018. Two buildings developed by PacTrust and targeted for industrial and commercial uses, totaling 110,000 square feet, are expected to be complete by the end of 2018. Construction of two additional buildings are expected to start this year.

Construction of two new private hangars at the Salem Municipal Airport (Airport) is also underway. The City is beginning the next phase of the Airport Business Plan with the support from a graduate student intern from the University of Oregon. This effort will be complete in late 2018 and will include evaluating demand for new industrial and commercial uses, additional corporate hangars, educational, and aviation related activity to increase economic activity at the airport. The effort will also include a marketing strategy.

#### *Business Retention*

The City's outreach to businesses continues through the Small Business Retention Program, as well as through partnerships with the Strategic Economic Development Corporation (SEDCOR), Business Oregon, the Chemeketa Small Business Development Center, and MERIT, as well as active participation in the Latino Business Alliance, Salem Capitol Connections, and area business associations. This quarter, City staff supported the development of a monthly Tech Lunch to support networking within Salem's technology firms. Through participation in the Tech Lunch and other networking, staff have learned of several technology firms growing in Salem and new firms relocating to Salem.

Salem's technology sector represents more than 100 firms and 1,000 employees that include businesses like Garmin AT, UTC Fire and Security, Open Dental Software, BookByte, Rigado, ESHA, and others. Staff are working to support the growth of this important sector and is engaging in targeted outreach to determine the needs of new companies in the sector. The Broadband Feasibility Study identified in the City's Strategic Plan is also expected to coincide with this outreach.

#### *Urban Renewal Area (URA) Grants*

There has been significant grant activity over the last quarter. Two grants totaling \$366,520 were awarded to businesses within the North Gateway Urban Renewal Area which leveraged private investment of \$733,040. Additionally, four grants totaling \$287,303 went to businesses within the Riverfront-Downtown URA and leveraged private investment of \$992,019. Notably, several downtown properties have been purchased since the beginning of the year, and corresponding grant applications are anticipated to partially fund renovations and redevelopment.

Tory Banford  
Project Manager

Attachments:  
None