



## Staff Report

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**File #:** 18-502

**Version:** 1

**Date:** 11/13/2018

**Item #:** 6.a.

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**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 first quarter of fiscal year 2018-2019.

**RECOMMENDATION:**

Information only.

**SUMMARY AND BACKGROUND:**

City Council (Council) has requested quarterly economic development reports.

**FACTS AND FINDINGS:**

*Economic Indicators*

New development and redevelopment projects are active citywide. There were 665 permits issued during the quarter (July-September) with a total valuation of \$78,652,076. Among the total permits there were 31 new commercial/industrial permits with a total valuation of \$14,176,027.

*Business Recruitment*

During the quarter, the City responded to 20 requests for information from companies, brokers, or site selectors, with interest in evaluating Salem as a location for a new traded sector business or business expansion. Several of these inquiries are still active.

In September, Ochoa's Queseria purchased the 1.3 acre parcel at 3350 Portland Road NE with plans to invest \$2.5 M into a new cheese manufacturing operation on the site and allow for the company's expansion. On August 13<sup>th</sup>, the Urban Renewal Agency Board approved an exception to the North Gateway URA Grant Program guidelines, allowing a portion of the \$300,000 grant to be available prior to construction. Mr. Ochoa produces seven cheese varieties, including a hand-made braided cheese, and has plans to add more varieties. He expects to break ground on the facility this fall and open by summer 2019 with a retail and small restaurant component offering cheese, salsa, yogurt, ice cream, cheese curds, and quesadillas. In addition to the URA grant funds, the City worked with Mr. Ochoa to access resources through the City's Site Reuse and Revitalization Grant Program and the Oregon Manufacturing Extension Partnership (OMEP).

#### *Business Retention and Expansion*

The City conducted outreach to more than 28 small, traded sector businesses as part of the Business Retention and Expansion Program resulting in one business enrollment in Oregon Technology Business Center's (OTBC) Virtual Incubation Program (VIP), a pending business application for the Natural Products Expo West, strengthened relationships between the respective businesses and the City, and information that may help inform future programs and policies. A business retention and expansion survey intended to generate a baseline of information about Salem's traded sector businesses and to track changes over time will be released in early 2019.

This summer Oregon Fruit began renovations to their new facility - the former NORPAC Plant #7 located at 3180 22nd Street NE - and in September initiated the first phase of their move from West Salem. The updated facility will allow the company to modernize equipment and processing, improve production efficiency, and increase space for future expansion. The Urban Renewal Agency Board approved an amendment to the McGilchrist Urban Renewal Area Plan in December 2017 to add criteria for a grant program, and in April 2018 a \$300,000 grant commitment was executed to keep the company and associated jobs in the city. Oregon Fruit manufactures the fruit purees, sauces, and compotes that are added to beer, wine, and specialty foods sold around the globe. They expect to hold a grand opening for the 22<sup>nd</sup> Street facility in December.

Collaboration with regional economic development organizations as part of the new "Launch Mid-Valley" partnership continues. Launch Mid-Valley's first sponsored program - OTBC's VIP program - began its latest cohort on September 20<sup>th</sup> with two of the five reserved seats for Mid-Willamette Valley businesses represented by Salem startups. Launch Mid-Valley partners also began work on establishing a more formalized framework for the partnership and initiated activities in support of its next program aimed at increasing venture capital financing and related support in the region.

U.S. EPA grant funds were used toward two in-progress environmental site assessment projects, with another project's execution pending. Additionally, through coordination with the State of Oregon Department of Environmental Quality and Business Oregon, staff efforts resulted in potential funding opportunities for two other assessment, planning, and/or cleanup projects. The City's \$400,000 EPA grant is expected to be drawn down by early 2019. The City will explore applying for additional funding at the end of 2019.

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

URA grants continue to encourage private investment in development and redevelopment for the benefit of the community. During the quarter, the Riverfront-Downtown URA issued seven grants with a total City commitment of \$448,537 and total project costs expected to be \$1.4 million.

North Gateway URA grant funds were fully committed by the end of the first quarter; \$1 million in funds was available starting on July 1<sup>st</sup> and fully committed by July 18<sup>th</sup>. North Gateway URA grant funds have leveraged over \$3 million in private investment so far this fiscal year and continue to be in high demand.

For the West Salem URA, construction of three buildings continued at the corner of Glen Creek Rd NW and Wallace Rd NW with an anticipated grand opening date of spring 2019. Additionally, a \$167,000 grant was issued to West Salem Machinery for new manufacturing equipment valued at \$860,000 and adding four new jobs. A \$300,000 grant was issued to NWRA West for the construction of a new healthcare facility valued at \$3.4 million and adding 26 new jobs.

### *Airport Business Plan*

To plan proactively for the future operations, business opportunities, and development needs at the airport, The City began developing an Airport Business Plan in early 2018. This quarter the City held meetings with stakeholders to learn what others envision to be the future of the Salem Airport. A draft business plan will be developed in early 2019 and will focus efforts on development of an airport marketing strategy.

The Salem Airport has existed in the community since 1929 and today remains a hub of general aviation, corporate, and military activity. The airport is situated on 750+ acres of land with nearly 200 locally-based aircraft, and over 100 private and commercial tenants, including several businesses that total more than 600 jobs. Business activity on the airport contributes over 1,200 aviation related jobs and is estimated to generate over \$220 million of business sales both on and off the airport. Approximately 70 acres of vacant land is available for development on the airport property.

Christopher Drobnicki  
Program Manager I