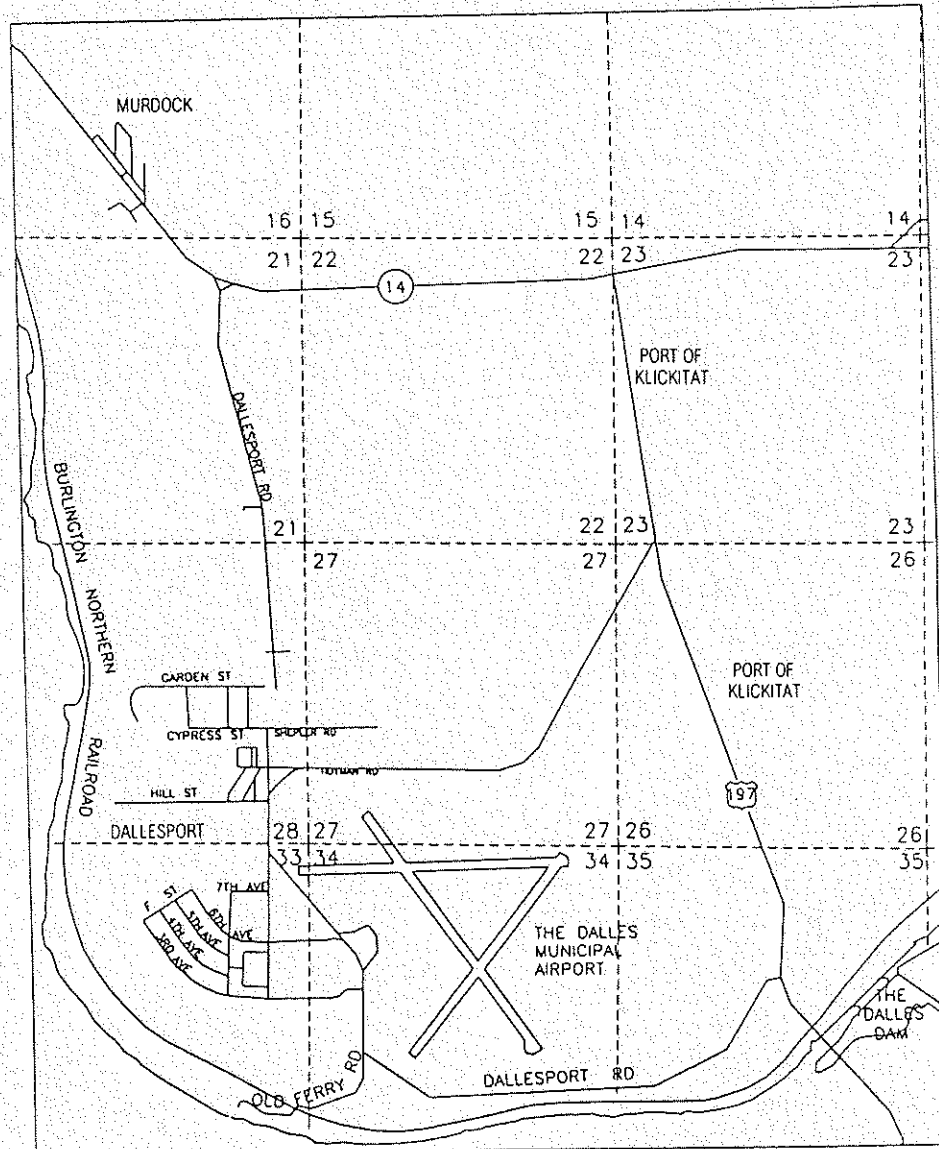


Klickitat County

Dallesport Economic Development Study



April 1998

Klickitat County

Dallesport Economic Development Study

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April 1998

Klickitat County

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Section 1. Dallesport Economic Study Purpose and Approach

Introduction

The Dallesport Economic Development Study is one element of a two part Klickitat County initiative to identify the infrastructure needs, and business and community development potential of the Dallesport Area. This initiative is part of the implementation of the County's economic development strategy. This economic development strategy can be most simply stated as:

“strategically targeting revenues derived from Roosevelt Land Fill tip fees into projects and activities that will expand, on a long-term basis, the County's employment and tax bases to levels that will sustain personal income and public sector revenues to compensate for losses that will eventually occur when the Roosevelt Site and its attendant employment, payroll and revenue flows cease.”

This Study will contribute to implementation of the above strategy through accomplishment of the following purposes.

Purpose

The purpose of the Dallesport Economic Development Study is threefold. The three focus areas, in the context of possible strategic County investments, are:

- Assess Dallesport Area Development Potential,
- Propose Public Oriented Development Alternatives / Strategies, and
- Provide Support to KCM Engineers (Dallesport Water, Wastewater and Transportation Plans).

Within the study structure, particular attention will be directed to the following elements.

1. Dallesport Area Development Potential

The principal focus regarding Dallesport development potential involves public investment and public activities to stimulate / attract private employment, investment and development. As a result, special emphasis is placed on the strategic development of current and potential public assets that support the County's development strategy.

2. Public Oriented Development Alternatives / Strategies

Consistent with Item #1 above, development alternatives (and strategies) are focused on public investments and activities that will stimulate, attract and reinforce private sector behavior that promotes expanded employment, payroll and tax base growth. We are looking for means to enhance the attractiveness of Klickitat County as a business location.

3. Support to KCM Engineering

The scope of this Study includes three items in support of the County's Water, Wastewater and Transportation Study being performed by KCM Engineering. These support items include the following:

- Geographic Scope of the Water, Wastewater and Transportation Study,
- Population Growth Potential (20 year) of Dallesport Community, and
- Possible Wastewater Treatment Plant Locations and Effluent Disposal Options.

Specific study results are presented in both the appropriate section below, and in the KCM Infrastructure Study Report.

Approach

The Study approach included the research, analysis, assessment or evaluation, and development of findings and / or recommendations for each of seven principal elements. These elements are:

- Study and Site Background,
- Market Conditions and Potential,
- Dallesport Peninsula Development Approach,
- Port Industrial Lands Development,
- Klickitat Business Development Park Financing,
- Wastewater and Water Systems Decision Elements, and
- Dallesport Development Related Issues.

A summary of each element is presented below.

Study and Site Background

The Study and Site Background element consisted of four tasks. These tasks are:

- Research Dallesport related historic, demographic, geographic, economic and other relevant materials and sites;

- Define recommended geographic study areas for both the Economic Development and Infrastructure Studies;
- Perform review of Dallesport Area economic activities and potential; and
- Identify and categorize developable sites relevant to the County's economic development strategy.

The principal findings resulting from accomplishment of the above tasks are presented below.

1. A thorough review of relevant materials along with numerous site visits and extensive interviews provided the foundation for accomplishing this Study. A summary of background materials and site visits is presented in Appendix A. A comprehensive list of Study interview participants is presented in Appendix B.

2. Recommendations regarding the geographic scope for economic development and infrastructure study areas were developed for adoption by relevant County authorities. The Economic Development Study initially considered the complete Dallesport Peninsula, but focused principally on public lands south of Tidyman Road and those owned by the Port of Klickitat. The infrastructure study scope includes the area south of Garden Lane and Tidyman Road on the West side of Highway 197 plus Port of Klickitat property generally south of the Wishram Cemetery. Exhibit 1 presents the main Dallesport features relevant to this Study as well as current land use zones.

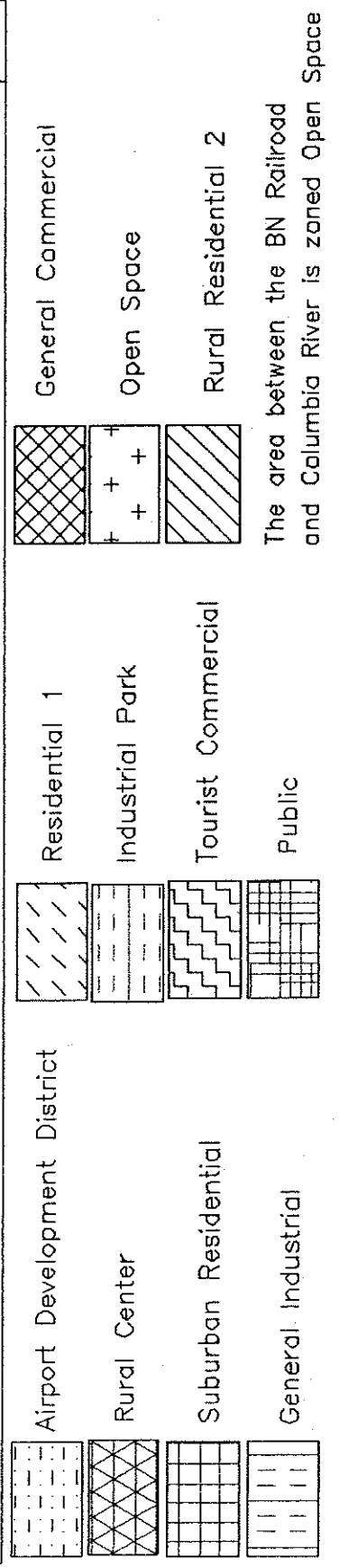
3. A review of Dallesport Area economic activity identified five distinctive economic activity categories. These categories are:

- Orchard activity which is principally concentrated in the lower half of the peninsula to the west and near north of The Dalles Municipal Airport;
- Private sector industrial activity located between the Dallesport Road and Highway 197, north of the airport;
- City of The Dalles Airport Development District;
- Commercial development along Highway 197; and
- Port of Klickitat industrial land holdings.

Of these five areas, the Port of Klickitat industrial holdings were identified as offering the most economic development potential that is relevant to the County's strategic direction.

4. Three principal categories of existing or potentially developable sites were identified at the Port of Klickitat. These categories are:

- Business Development (Incubator) Facilities / Park,
- Light Industrial Park, and
- Heavy Industry Park (public and private).



These three categories of facilities / park development are the backbone of potential Dallesport Area economic development activity, and will be examined in detail below.

In addition, the Port owns property along Highway 197 and Highway 14 which may in the future mature into valuable commercial sites. Since this potential is likely quite distant (perhaps 20 years), it was not considered as a current development opportunity.

Market Conditions and Potential

Market conditions and potential for industrial facilities and sites are presented in Section 2. This section examines key market demand characteristics, trends and Dallesport potential. The economics of industrial facilities space supply and demand are also discussed.

Dallesport Peninsula Development Approach

The Dallesport Peninsula Development Approach (Section 3) presents the recommended County economic development approach regarding private and Port of Klickitat properties. Exhibits of current and proposed land development and land use related to properties are included as well as general information regarding the characteristics and use of these properties. Photographs of selected sites are included.

Port Industrial Park Development

Section 4 presents a comprehensive conceptual land use and development strategy for the Port of Klickitat industrial lands. Recommendations regarding the designation and development of an Industrial Park, Light Industrial Park and Business Development Park are presented. The presentation also includes a new parcel level development plan as well as providing for potential waste water treatment plant sites and an effluent infiltration area. Photographs of key development sites and parcels are presented. A model business development “incubator” facility design and estimated cost are also included.

Business Development Park Financing

Section 5 presents Port of Klickitat industrial development facilities and site development financing requirements options. Potential sources of funding assistance and possible County role are also identified.

Wastewater and Water Systems Decision Elements

Items related to the Dallesport infrastructure requirements study are discussed in Section 6.

Principal subjects addressed include:

- Definition of wastewater and water system service area, and
- Dallesport population and Port of Klickitat Industrial Park employment growth estimates.

Dallesport Development Related Issues

The long-term economic development potential in the Dallesport Peninsula may be significantly affected by a variety of issues. Section 7 presents a discussion regarding some of the most timely issues. Among these are the City of the Dalles' Airport development strategy and capacity, Klickitat County land use and zoning policy, and the Port of Klickitat's economic development strategy and financial capacity.

2. Market Conditions and Dallesport Potential

An assessment of the market conditions regarding industrial space and property was accomplished with the following objectives:

- Identify required / preferred industrial space and land characteristics such as parcel size, service requirements, access and other factors,
- Identify potential issues / factors which might affect facility and land use and costs, if any, and
- Summarize the general need / potential for industrial facilities and sites.

The methodology and findings of the market condition assessment are presented below.

Methodology

Assessment Approach

To accomplish the assessment objectives, the following research and evaluation methodology tasks were implemented.

- Review business development and industrial space and land use / inventory experience in other relevant communities.
- Identify key demand characteristic for industrial space and sites.
- Establish demand based criteria for assessing industrial space and land.
- Review existing local and regional industrial space and land availability.
- Visit industrial sites relevant to the Study Area.
- Analyze existing land availability for effective land inventory levels.
- Document preferred industrial space and land site characteristics and site profile.
- Review economic criteria which affect industrial space, and land availability and use.
- Prepare summary of key demand characteristic for industrial space and land.
- Prepare recommendations regarding industrial site characteristics.
- Review public policy items which may affect industrial land availability and use.

Data and Information Sources

Principal data and information sources utilized during the course of the study include:

- Official County zoning, land use and tax records including;
- City of The Dalles Municipal Airport materials;
- Port of Klickitat planning, financial, operations and business development materials;
- Business development, land inventory, business location and other relevant public information from economic development oriented agencies and organizations;

- Relevant study information and materials were provided by interested parties including the following:
 - County Planning Director and staff;
 - County Resource Development Director and staff;
 - County Public Works Department staff;
 - MCEDD;
 - Private sector business development individuals and groups;
 - Local real estate professionals;
 - Port of Klickitat; and
 - Community and area citizens.

Characteristics of Industrial Land Demand

Industrial zoned land does not equate to an economic development asset or opportunity. To realistically assess the economic development potential of industrial land, it is first essential to understand the complete array of relevant characteristics which determine the value and potential of a given industrial location. Concepts central to the assessment of industrial land potential are presented below.

Zoned

Land that is zoned industrial is generally considered a potential site for industrial development. However, the fact that a site is zoned “industrial” does not mean it is usable industrial land from a market demand perspective. To be usable, the site must have certain market dictated characteristics, and meet conditions or avoid barriers that are presented below.

Developable

To be a meaningful and useful industrial site, an industrial zoned site must be free of regulatory, land use and economic barriers. To be developable, a site must:

- Be free of environment and land use prohibitions or restrictions. Common examples are use restrictions around airports, environmental hazards at old industrial sites, wetlands, and incompatibility of uses.
- Have proper access consistent with the business’s operational requirements.
- Be of adequate size to be economically developed, and support business operations.
- Have location attributes that are not constrained by traffic limitations and conflicts.
- Have legal and business required services available such as adequate wastewater, water, power, etc..

Available

A site must be available if it is to be considered for possible development. This availability must be consistent with the needs of a potential customer. For example, if a potential customer seeks to purchase a site, but the site owner will only lease, the site is effectively not available to a significant portion of the potential market.

Size

Demand for industrial sites covers a wide range of size requirements. Generally, about 60% of demand is for sites less than 10 acres, but this percentage tends to be higher in rural markets. To service future needs, however, a range of sites must be available to attract and accommodate development interests.

Services

In light of current rules and regulations, an industrial site is a development asset, and suitable for inclusion in a land inventory, when services such as wastewater and water are available or when plans and financing are in place to provide these services within a meaningful time horizon of no more than 6 to 9 months. A site lacking required services is not “ready” and as such has little to no market appeal for potential development.

Access

A site, even one that is suitable in all other regards, must have adequate access to support site business activities. Limiting access to a site through such restrictions as road load limits, hours of use, difficulty of terrain, or truck traffic through residential areas reduce, and in some cases eliminate, the site’s value and potential use.

Affordable / Competitive

Industrial land must be affordable and competitive to be considered an economic development asset. All expenses associated with a site must be incorporated into the site’s cost. These may include site preparation, wastewater and water access, internal site infrastructure, road and street improvements and impact fees as well as the unimproved land cost. Current market conditions in the Columbia Gorge and nearby areas dictate that industrial land must generally be made available at a “ready for development “ cost of \$30,000 - \$40,000 per acre, depending on the size of the site.

Paramount Site Characteristics

The three characteristics that are paramount to industrial land development are:

- Immediate Availability,
- Fully Serviced, and
- Cost.

The overwhelming portion of businesses seeking an industrial site are interested only in sites which are “ready” for use (i.e., available and fully serviced). Seldom is an industrial area able to attract development when sites are yet to be properly zoned, no financial commitments to infrastructure have been made, access and / or transportation constraints exist, etc..

Further, as mentioned above, a ready site must be cost competitive. Generally, cost is the principal factor in selecting a site among a number of alternative ready sites. Special conditions such as prime location and site amenities (e.g., common improvement within an industrial park) can command a modest premium. Smaller sites may command a slightly higher cost per acre.

In cases where “readying” costs for site preparation, infrastructure, access, etc., drive the built-in value of the site beyond the market level, the site can be considered priced out of the market for industrial use.

Industrial Space

Industrial space market conditions in Dallesport are generally the same as other areas in the Columbia Gorge as well as most other rural areas in the region. Specifically, there is a structural shortage of industrial space which meets current design and feature expectations. This shortage is due to a chronic economic problem: A significant portion of existing businesses, or those likely to relocate to an area such as Dallesport, do not have the financial capacity to provide their own industrial facilities. As a result, they require appropriate space on a lease or rental basis. The problem arises from the fact that these business generally have the ability to bear a monthly space cost in the range of 25¢ to 35¢ per square foot per month. The cost of a typical “incubator” or shared space industrial facility is generally about twice this amount. As a result, if a newly constructed industrial facility is to work for potential tenants, an initial development / construction subsidy of about 50% is required. Historically, the required subsidy is provided on a grant basis by state or federal economic development programs. Industrial facilities that have been developed under the market conditions presented above are fully utilized. In fact, this type of industrial space is generally over subscribed, and waiting lists, though often informal, are common.

Development of “incubator” type facilities do not necessarily conform to the industrial land characteristics discussed above. For example, these facilities are often successfully developed with utility service being limited to electricity, water and a local self contained septic system. Furthermore, development of subsidized facilities have proven to be both a marketing benefit regarding attraction of new firms as well as providing the opportunity for viable existing firms to expand both the level of business activity and local employment.

Identified Demand

The Port of Klickitat has a backlog of demand for lease space in the cost range of 25¢ to 35¢ per square foot per month. This demand exists for space at both Bingen Point and Dallesport. Based on identified demand and expressions of interest, it appears that two 10,000 - 12,000 square foot business development “incubator” facilities at Dallesport could be fully leased before construction was completed. Existing Port improvements such as access, general site improvements and water are adequate to support development of these facilities. Only financial assistance with construction, final site improvements and an interim wastewater capacity are required to make these facilities a reality.

The demand for industrial land at Dallesport is adversely affected by the lack of available wastewater service and the need to expand the existing Port water system. With complete utility service, it appears the Port of Klickitat industrial area at Dallesport would be competitive in attracting new firms. This belief is supported by the significant level of inquiries as well as the fact that firms have located and expanded at Dallesport even without full utility service.

Caveats

These analyses and results are based on a thorough review of project related materials and information, available data, and professional judgment.

The data, information and records provided by public agencies and other parties were not validated. They were assumed to be correct for analysis purposes. It should be noted, however, that many records and materials were incomplete or not available in some instances.

Estimates regarding the future require the establishment of assumptions regarding future behavior and conditions, and the validity of such assumptions can not be guaranteed. Assumptions are based on the best collective information and judgment at a point in time and must be measured against a standard of what is reasonable.

3. Dallesport Peninsula Development Approach

Current land use in the Dallesport Area is presented in Exhibit 2. The current land use pattern provides the basis for developing the current preferred economic / business development approach and focus. Specifically, there are three general land use categories that may be relevant to the County's economic development strategy. These categories are:

- Commercial (general and tourist),
- Airport Development District, and
- Industrial (general and Park).

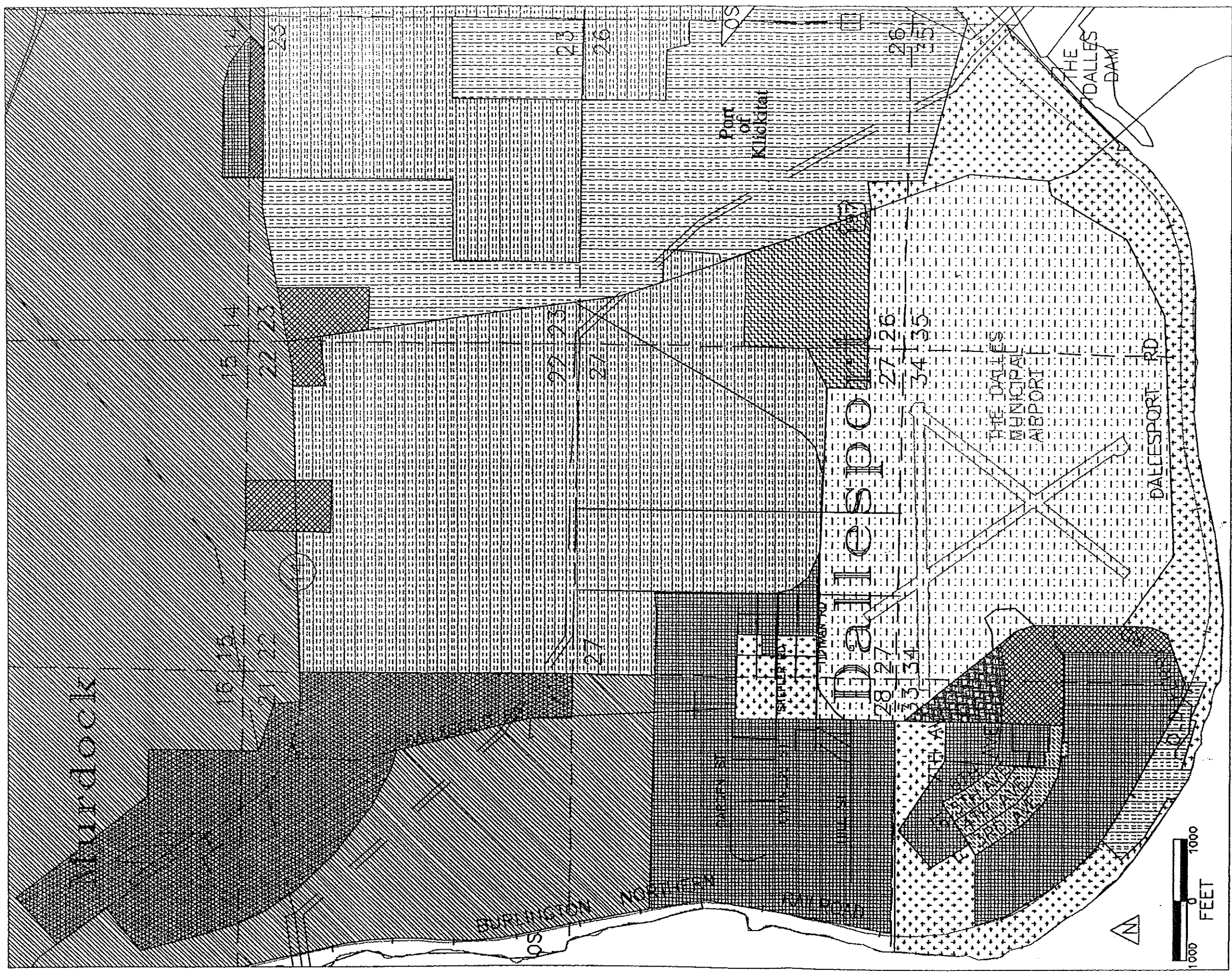
Each of these categories are discussed below.

Commercial

Commercial designated properties are owned by both private parties and a public agency: the Port of Klickitat. This distinction in ownership is important regarding a development strategy. Specifically, privately owned commercial properties are, and will be, developed with private resources when market condition justify an investment. The County should allow market conditions to dictate when development occurs as well as the specific commercial activities which will be developed. Commercial development on Port of Klickitat property will also be market driven and will likely be financed with private investment funds in partnership with the Port. Public economic development funds, such as those available to assist industrial development from state and federal sources, are not available for commercial and retail development on public property. In summary, there is no meaningful County business development role regarding commercial development on the Dallesport Peninsula.

Airport Development District

The Airport Development District is owned and operated by the City of The Dalles. Presently, business development has been limited to airport related activities and businesses. Exhibit 3 presents an overview of current District land use and improvements. While development activities have been suggested from time to time, such as a golf course, no serious effort or commitment has been made to industrial development or significant job creation. Exhibit 4 presents proposed expansion of protection zones. There are a variety of significant issues associated with industrial development at the Airport. However, exploration of these is beyond the scope of this Study.

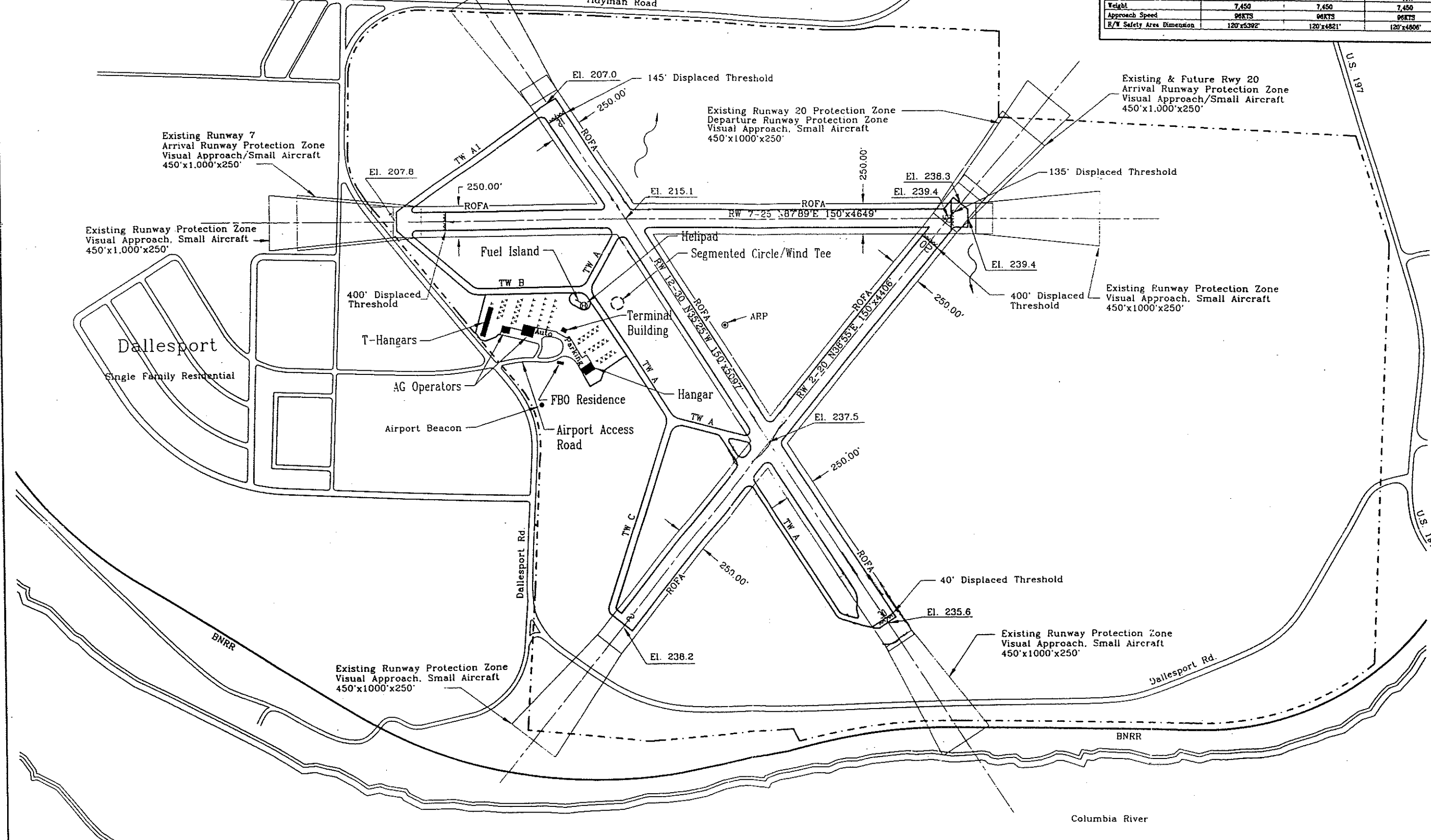


	Airport Development District		Residential 1		General Commercial
	Rural Center		Industrial Park		Open Space
	Suburban Residential		Tourist Commercial		Rural Residential 2
	General Industrial		Public		

The area between the BN Railroad and Columbia River is zoned Open Space

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Director

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LEGEND

Description	Existing
Airport Boundary	[Symbol]
Pavement	[Symbol]
On-Airport Building	[Symbol]
Riverbank	[Symbol]
Drainage Footwall	[Symbol]

CAPACITY	
Description	Existing
Annual Service Volume	230,000
Tiedowns	61
Hanger Spaces	8
Rotorcraft Spaces	1

EXISTING AIRPORT DATA

Description	Existing
Airport Elevation	243.0 Ft.
ARP Coordinates	Lat. 45°37'07"N Long. 121°00'55"W
Airport Reference Code	B-1
Mean Max. Temperature	89°F
Magnetic Variation	Sept. '00 = 18°38'E
Terminal Nav aids	VOR/DME (Circling)
Taxiway Lighting	None
NOPIAS Role	General Utility Stage II

NOTES

- Airport is not subject to flooding.
- ARC B-1 RSA is 120' wide and is within the runway width.

EXISTING RUNWAY DATA

Description	12-30	7-25	2-20
Airport Reference Code	B-1	B-1	B-1
X Effective Gradient	0.81	0.89	0.19
X Wind Coverage (12 mph)	93.66	87.15	75.30
Pavement Type	Asphalt	Asphalt	Asphalt
Pavement Strength	SW 35,000 DW 50,000	SW 35,000 DW 50,000	SW 35,000 DW 50,000
Runway Lighting	MRL	None	None
Runway Length/Width	5097'/150'	4648'/150'	4406'/50'
Instrument Runway	Visual	Visual	Visual
Runway Markings	Basic	Basic	Basic
Part 77 Required Approach	20:1	20:1	20:1
Actual Clear Approach	20:1	20:1	20:1
Approach Aids	None	None	None
Visual Aids	None	None	None
Critical Aircraft	Cessna 421 (B-1)	Cessna 421 (B-1)	Cessna 421 (B-1)
Wingspan	41.7	41.7	41.7
Weight	7,450	7,450	7,450
Approach Speed	98KTS	98KTS	98KTS
R/W Safety Area Dimension	120'x5392'	120'x4821'	120'x4806'

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Existing Facilities 1993
Columbia Gorge Regional/
The Dalles Municipal Airport

Date: December 18, 1993
Design: C. Corich
Drawn: P. Lowry
Checked: C.S. Corich

Revisions:
P. Lowry

Drawing: Dallex.dwg

Report Figure No. 6-2
Sheet No. 2 of 7

in association with

Future Land Use Plan
Columbia Gorge Regional/
The Dalles Municipal Airport

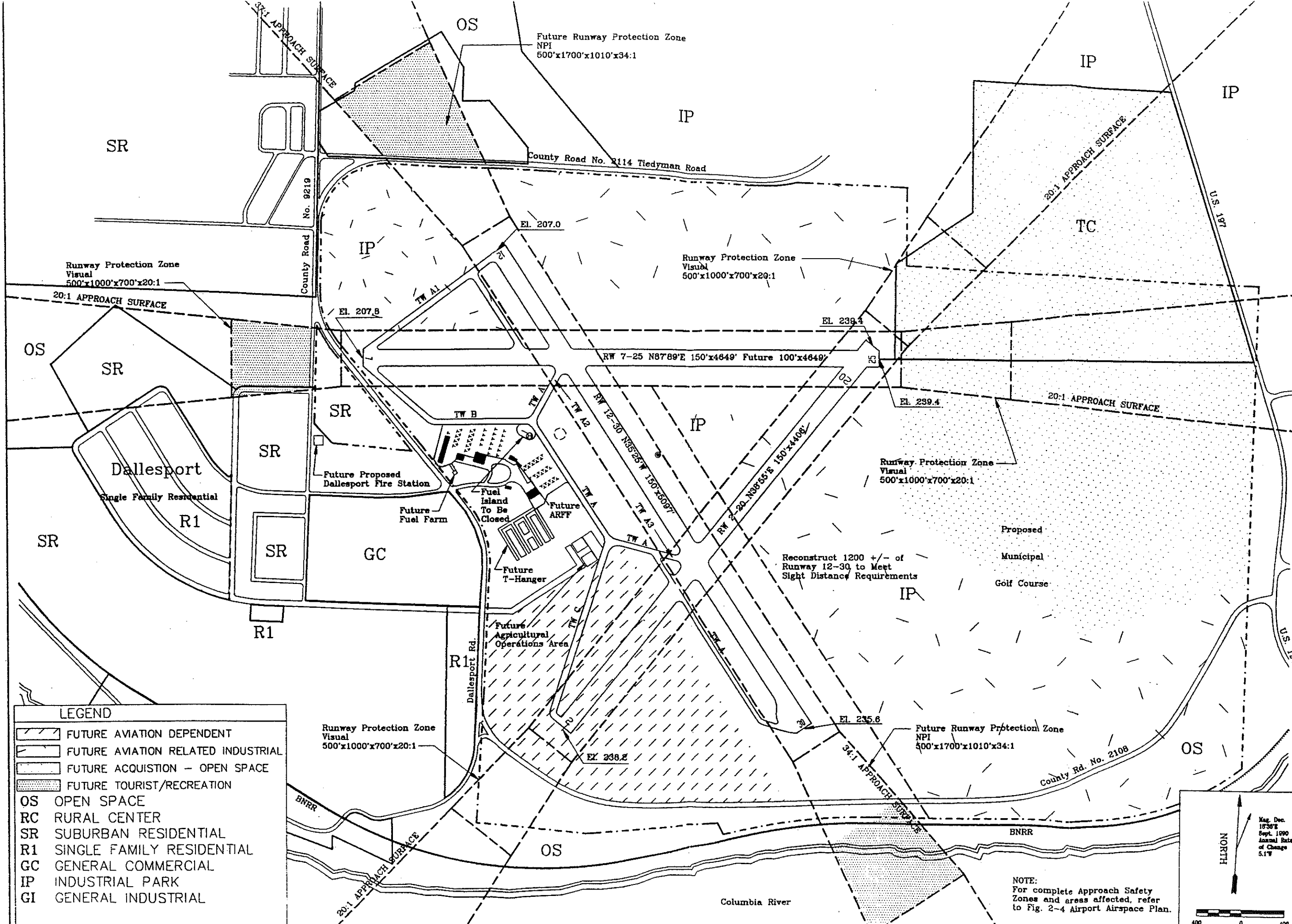
Date: JUNE 18, 1998
Design: S. Allison
Drawn: K. Betty
Checked: B. Barum
C. Corish

Revisions:
Drawing: Dalldand.dwg

Report Figure NO. 7-6

Sheet NO. 7 of 7

EXHIBIT 4



LEGEND

- FUTURE AVIATION DEPENDENT
- FUTURE AVIATION RELATED INDUSTRIAL
- FUTURE ACQUISITION - OPEN SPACE
- FUTURE TOURIST/RECREATION
- OS OPEN SPACE
- RC RURAL CENTER
- SR SUBURBAN RESIDENTIAL
- R1 SINGLE FAMILY RESIDENTIAL
- GC GENERAL COMMERCIAL
- IP INDUSTRIAL PARK
- GI GENERAL INDUSTRIAL

NORTH

Mag. Dec. 1830'E
Sept. 1990
Annual Rate of Change 5.17

0 400 400

NOTE:
For complete Approach Safety Zones and areas affected, refer to Fig. 2-4 Airport Airspace Plan.

Industrial

Like commercial designated properties, industrial properties are owned by both private parties and a public agency: the Port of Klickitat. Privately owned industrial zoned properties generally carry the designation of “industrial park” and are principally located in land Sections 22 and 27 as shown on Exhibit 2. These privately owned industrial properties will be developed further with private resources when market condition justify an investment. The County should allow market conditions to dictate when development occurs as well as the specific industrial activities which will be developed, as long as they are consistent with County policy.

Industrial development on Port of Klickitat property is the preferred and recommended focus for County economic development activity. The Port of Klickitat industrial complex presents a fine near and long-term opportunity for promoting and accommodating industrial development, job creation and enhanced County revenues. Exhibit 5 illustrates the scope of Port industrial and commercial holdings, and indicates principal improvements. Concurrent with this study, the Port of Klickitat has prepared an updated Dallesport industrial land development approach which addresses the principal categories of immediate and near term industrial development opportunities as well as providing for long-term industrial development and business location needs. This land development approach is presented in Section 4, below.

4. Port Industrial Lands Development

Port Conceptual Land Use Strategy

The Port of Klickitat industrial land development strategy has four principal elements or themes. Three of these involve identification of unique market segments, and providing appropriate industrial capacity and service. The fourth element involves enhancement of the Port's overall capacity to market, develop and serve all categories of potential industrial customers. Specifically, this element involves the expansion of the current Port water system to service all areas of the Port's industrial business core, and to offer wastewater service to this business core.

The three distinctive industrial market segments identified by the Port are:

- Traditional Industrial,
- Light Industrial, and
- Business Development Space.

These market segments and their relationships are presented in Exhibit 6, which presents the Port's industrial lands development approach in its core industrial area. How each of these market segments is to be addressed by the Port of Klickitat is discussed below.

Columbia Gorge Industrial Park

The proposed Columbia Gorge Industrial Park is located to the east of the Bonneville Power Authority Transmission Line Row. This location was selected because of the business nature of existing Port tenants; the availability of a variety of industrial sites, including privately owned; the wide variance among current and potential tenants regarding the physical appearance of their facilities; the fact that the Park is physically removed from heavy traffic areas; and that new industrial developments will be more uniform in design and appearance.

The Park will serve traditional industrial users. Presently, about thirty acres are available for development. These sites will have easy access to the planned wastewater treatment facility. Long-term needs can be readily accommodated in the Port's expansive reserves of "Undesignated Future Industrial Sites" which total hundreds of acres.

Photographs 4.1, 4.2 and 4.3 are views of the Columbia Gorge Industrial Park.



4.1 Columbia Gorge Industrial Park: Entrance from Dock Road.



4.2 Columbia Gorge Industrial Park: View of Parallel Avenue.



4.3 Columbia Gorge Industrial Park: View of Tracts 35-37 from Tract 34 near Dow Road.

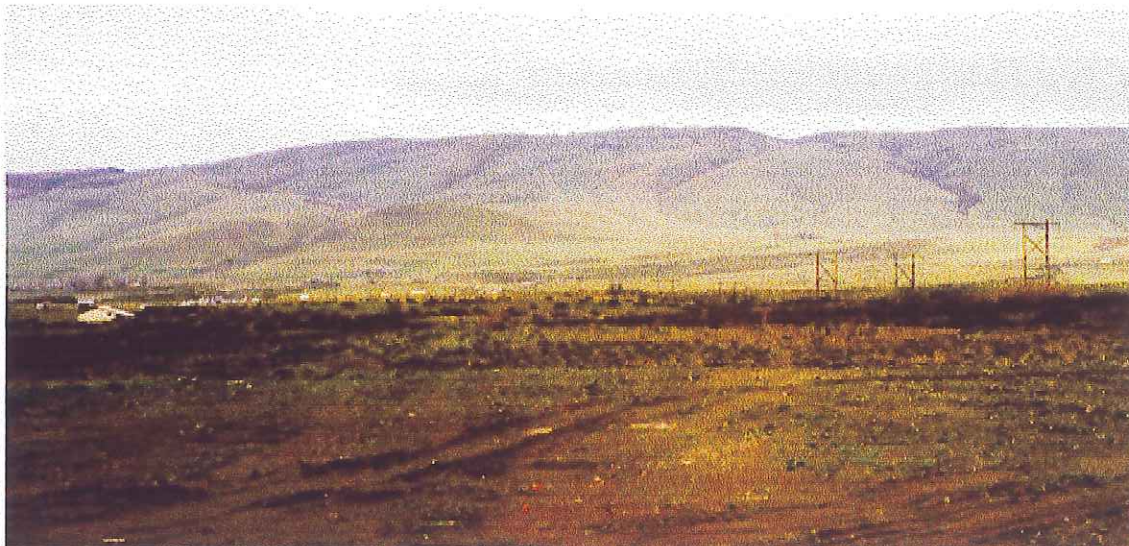
Dallesport Business Park

The proposed Dallesport Business Park is located between Highway 197 and the Bonneville Power Authority Transmission Line Row with principal access via Dock Road. This location was selected because of the flat terrain, immediacy to Highway 197 and the positive visual impact the Park will have on Highway 197 traffic as well as those entering the Port industrial complex via Dock Road. The Park is a light industrial development which will have suitable design and development criteria to insure its attractiveness as a model industrial park setting. The Park will serve two principal groups of customers. These groups are:

- Established light industrial firms desiring to purchase and build a manufacturing facility or lease land, and possibly a complete facility, on a long-term basis; and
- Successful tenant firms who have outgrown their location in the Port's Klickitat Business Development Park.

The Park is expected to be fully serviced with water and wastewater service within three to five years. However, the current utility service level is not necessarily a barrier to immediate location in the Park. Water service is presently available near the north end of the Park, and can be extended to serve additional customers. Based on recent construction experience and regulatory inquiries, a light industrial facilities can likely be developed utilizing a facility specific septic system. Facilities established with septic service are expected to be connected to a wastewater treatment facility network within three to five years.

Photographs 4.4, 4.5 and 4.6 shows views of the Dallesport Business Park, a typical light industrial building and one of the Port's "Undeveloped Future Industrial Sites" located East Northeast of the intersection of Dow Road and Parallel Avenue. Long-term needs can be accommodated in the Port's reserves of "Undesignated Future Industrial Sites."



4.4 Dallesport Business Park: General location of proposed access road between Tract 23 and Tract 24 looking North from Dock Road.



4.5 Typical Light Industrial Park Building: Small Business Development Center at Bingen.



4.6 Priority “Undesignated Future Industrial Sites” looking East from near Tract 13.

Klickitat Business Development Park

The proposed Klickitat Business Development Park is located between Highway 197 and the Bonneville Power Authority Transmission Line Row with principal access via Dow Road. This location was selected because the area is served with water, has a flat terrain, is adjacent to Highway 197, and the Park will have a positive visual impact on Highway 197 traffic as well as those entering the Port industrial complex via Dow Road. This Park will be the site of business “incubator” facilities designed to serve the needs of small firms and start-up companies that have limited space needs (generally well less than 10,000 square feet), need or desire to lease and have the prospects for growth.

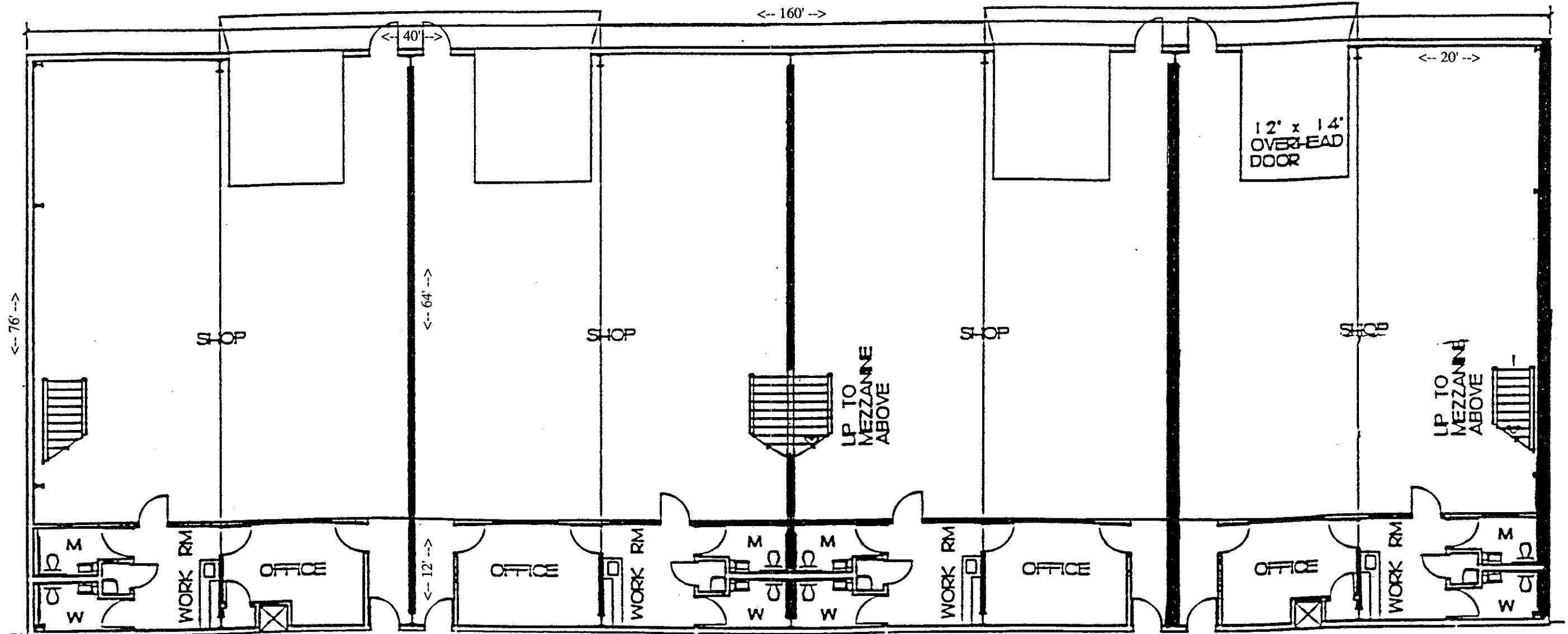
Based on recent construction experience and regulatory inquiries, light industrial “incubator” facilities can likely be developed utilizing a facility specific wastewater septic system. Established facilities with septic service are expected to be connected to a wastewater treatment facility network, which is expected to be sited close to the Park within three to five years.

There is presently an identified shortage of incubator space in Klickitat County. It is most likely that two, 10,000 - 12,000 square foot, incubator buildings could be fully leased prior to completion of their construction. Over the next twenty years, it is likely the Park could expand to 12 - 14, 10,000 - 12,000 square foot, facilities given adequate financial support, and effective policy direction and management on the part of the Port.

A model incubator facility design is presented as Exhibit 7.

Photographs 4.7 and 4.8 are views of the general Business Development Park area, and the site of the first proposed incubator facility.

MODEL INCUBATOR FACILITY DESIGN



Facility Capacity	
Shop Floor	10,240 sq. ft.
Office Space	1,920 sq. ft.
Mezzanine	1,974 sq. ft.



4.7 Site of Klickitat Business Development Park viewed from the South. Includes Tracts 15, 16, 19, 20 and 30-33.



4.8 View of Tract 16 in foreground. Site of initial proposed "incubator" facility.

Infrastructure Enhancement and Expansion

As discussed in the Introduction, this Study's scope includes support of the County's infrastructure study being accomplished by KCM Engineering. All elements of support provided to the infrastructure study, including infrastructure enhancement and expansion on the Port's industrial sites, are discussed in Section 6.

Industrial Development Approach

The recommended industrial development approach is simple, straightforward, and consists of a five point prioritized industrial development focus. These industrial development priorities, in priority order, are:

1. Retain and support expansion of existing tenants and customers.
2. Aggressively develop grant assisted "incubator" facilities at the Klickitat Business Development Park and market these facilities to local and regional businesses.
3. Assist successful "incubator" tenants to lease or purchase property in the Dallesport Business Park and support their construction or acquisition of an appropriate facility.
4. Aggressively market parcels in the Columbia Gorge Industrial Park and Dallesport Business Park on a lease or sale basis, and assist new tenants or customers with the construction or acquisition of an appropriate facility.
5. Assist and support private industrial property owners in the recruitment of new employers as appropriate.

5. Business Development Park Financing

The proposed Klickitat Business Development Park is the focal point of a joint Port of Klickitat / Klickitat County industrial development initiative. This focus is based on satisfying the identified demand for light industrial space at favorable lease rates. While recruitment of firms from outside the County is a potential source of significant long-term business and employment growth and will be pursued aggressively, the first priority is the stimulation and support of new and expanding local businesses. Development of “incubator” facilities is the first and most important step in supporting these local businesses.

Incubator Facility Economics

As discussed earlier in this report, there is a shortage of industrial space in both Klickitat County and the Columbia Gorge area. This shortage exists because established existing businesses, or those likely to relocate to Dallesport, do not have the financial capacity to provide their own industrial facilities. As a result, they require space on a lease or rental basis. These businesses generally have the ability to bear a monthly space cost in the range of 25¢ to 35¢ per square foot per month, while the cost of a typical “incubator” or shared space industrial facility is generally about twice this amount. As a result, if a newly constructed industrial space facility is to be affordable, an initial development / construction subsidy of about 50% is required. The required subsidy is traditionally provided on a grant basis by government sponsored economic development programs.

“Incubator” Facility Characteristics and Financing

The Port of Klickitat completed its first “incubator” facility in 1997 at Bingen Point. This facility is known as the Small Business Development Center at Bingen. The facility was fully leased before construction was completed. The Small Business Development Center is a good example of the characteristics and financing associated with “incubator” facilities. These characteristics and financing elements are presented below.

- Facility Design
 - 11,520 Total Square Feet
 - 10,240 Square Feet of Shop Space
 - 1,280 Square Feet of Office Space
 - Access and Parking Improvements
 - Modest Landscaping

- Facility Financing

Total project costs were \$ 742,334. A summary of the project financing package is presented below:

U. S. Forest Service Grant	\$ 100,000
CERB Grant	\$ 100,000
CERB Loan (Zero interest first five years plus 15 years @ 3%)	\$ 350,000
Port of Klickitat	<u>\$ 192,334</u>
Total	\$ 742,334

Average Cost Per Square Foot: \$64.44

- Other Relevant Project Characteristics

- Leases are Triple Net (Lessee pays rent plus all utilities and pro-rated insurance).
- Tenant pays Washington State Leasehold Tax at 12.84% (in lieu of property tax). (46.7% of tax payments are returned to Klickitat County)
- 1998 Activity
 - Occupancy: 100%
 - Lease Revenues \$ 30,720
 - CERB Debt Service \$ 17,500
 - Average Lease Rate 25¢ / square foot / per month
(net of space occupied by Port)

The construction cost of the Small Business Development Center at Bingen is at the high end of the construction range of \$55 - \$65 per square foot for a facility of this type. A facility or facilities built at the Business Development Center in Dallesport would benefit from lessons learned at the Bingen facility with the result of a lower footage cost. Facility design features which will reduce the construction costs of an “incubator” facility at Dallesport without adversely affecting identified demand or marketability include the following:

- Treat office space as a lessee improvement,
- Provide two restrooms, one at each end of the facility,
- Avoid large windows,
- Employ improved electrical service design, and
- Install manual roll-up doors in shop bays.

Implementing the above design and feature changes, a 10,000 square foot facility could be constructed at the Klickitat Business Development Park in Dallesport for about \$550,000 - \$600,000 plus minor site modifications.

Potential Funding Sources For Dallesport Developments

Commencement of meaningful development activity at the Klickitat Business Development Park in Dallesport requires the identification of \$250,000 to \$300,000 in private or public funds for an initial facility or about \$500,000 for an initial two building complex. Favorable financing terms from economic development oriented sources, such as CERB in the case of the Small Business Development Park in Bingen, could reduce overall cost for a public funded facility. Likely grant participants include the following:

- U.S. Forest Service,
- CERB,
- Rural Development (U.S. Department of Agriculture), and
- Economic Development Administration.

Klickitat County could also participate in both an immediate and long-term manner by providing grant funds and in-kind contributions to development of the Klickitat Business Development Park at Dallesport. Support of site and facilities development would have an immediate positive impact both on attracting businesses and employment as well as stimulating increased revenues through the Washington State Leasehold Tax.

Central to a successful program of support is the development of a current strategic plan by the Port of Klickitat and an appropriate Implementation Action Plan supported by the Commissions of the Port of Klickitat and Klickitat County.

6. Wastewater and Water System Decision Elements

The scope of this Study included three items in support of the County's Water, Wastewater and Transportation Study being performed by KCM Engineering. These support items include the following:

- Geographic Scope of the KCM Study,
- Population Growth Potential (20 year) of Dallesport Community, and
- Possible Wastewater Plant Locations and Effluent Disposal Options.

These items are presented below.

Geographic Scope of the KCM Study

To determine the appropriate geographic scope of the County's Water, Wastewater and Transportation Study, a variety of relevant elements were considered. These elements included the following:

- County zoning and land use designations,
- Population growth and location patterns,
- Population density,
- Terrain,
- Existing public sector investments, and
- Transportation routes and right-of-ways.

Based on these elements, interview results and consultations with County officials and citizens, the following geographic study area, which can be viewed on Exhibits 1 and 2, was established.

The Study's geographic scope includes the area enclosed by the following boundaries:

North Boundary	Garden Street and Tidyman Road, and Section Line between Section 23 and Section 26 on Port of Klickitat property.
East Boundary	Section Line between Section 26 and Section 25, and Section 35 and Section 36 which generally crosses Port of Klickitat property.
South Boundary	Columbia River
West Boundary	Columbia River

Population Growth Potential of Dallesport Community

To support engineering requirements for sizing a wastewater treatment plant, residential population estimates for Dallesport and employment estimates at the Port of Klickitat were prepared. These estimates are presented below.

Dallesport Residential Population

Population and build-out potential of the study area were developed under the leadership of the Klickitat County Planning Department. Mr. Curt Dreyer, Planning Director, and Mr. Paul Rice, Associate Planner, were central to the development of a 20 year population estimate. Two estimation methods were employed, straight line and exponential. Based on the assumptions that County zoning, land use and population significant policies and ordinances would remain largely unchanged, the following twenty year population estimates were developed.

1972 (Estimated)	180
1990 (Census)	713
2018 (Low Estimate)	1,550
2018 (High Estimate)	2,150
2018 (Most Likely Consensus)	1,900 - 2,000

Port of Klickitat Tenant Employment Level

Estimating employment at the Port of Klickitat complex at Dallesport for the Year 2018 is difficult. Mr. Elmer Stacey, Port Manager, Port of Klickitat and Mr. Richard A. Hill, lead consultant to this study, have attempted to address this task. Based on land availability inventories, recent and anticipated future industrial development trends, and identified and estimated future industrial space and land requirements, the following twenty year employment estimate was developed.

Klickitat Business Development Park (12-14 buildings @ 11,000 sq. ft. each @ 16 employees)	190 - 225
Dallesport Business Park	75 - 125
Columbia Gorge Industrial Park	45 - 60
Current Port Tenant Employees	<u>65 - 70</u>
Total 20 Year Employment Estimate	375 - 480

Infrastructure Enhancement and Expansion

The Port of Klickitat is a key participant in bring improved water and new wastewater service to the Dallesport area. Principally, the Port will be the site of a wastewater treatment facility. Siting on Port property is not only a significant contribution to the community, but will provide current and future port tenants with both complete water and wastewater service at a lower cost than would otherwise be the case. Completion of these services is expected to significantly increase the Port's ability to attract traditional and established light industrial firms to Port sites with the attendant increase in employment opportunities and County revenue base. The final wastewater treatment facility site location recommendation will be made by KCM Engineering based on engineering and cost considerations.

7. Dallesport Economic Development Issues

We are optimistic regarding both the near-term and long-term economic development potential of the Dallesport Peninsula. This optimism is principally based on the general growth of Dallesport during the Study's twenty year horizon, and the considerable industrial development potential at the Port of Klickitat at Dallesport.

The rate, level and quality of growth on the Dallesport Peninsula can be significantly affected by issues identified during the course of the Study. Principal among these issues are the following:

- City of The Dalles Airport Development Strategy and Capacity,
- City of The Dalles Land Use Plans and Capacity,
- Klickitat County Land Use and Zoning Policy, and
- Port of Klickitat Capacity / Partnership Potential.

Since each of the above issues may affect strategies, approaches, anticipated impacts and estimates included in this report, it is important that care and consideration be given these items by policy makers, public officials and citizens alike.

City of The Dalles Airport Development Strategy and Capacity

To-date, business development at the City of The Dalles Airport Development District has been limited to airport related activities and businesses. While other development activities have been suggested from time to time, such as a golf course, no serious effort or commitment has been made to industrial development and significant job creation. In fact, the current Airport Plan suggests increased impacts on the local community without providing commitments for accomplishing that development.

City of The Dalles Land Use Plans and Capacity

The growth management policies and practices of the City of The Dalles and Wasco County can have a significant affect on the demand and attendant price of residential sites on the Dallesport Peninsula. An increase in the demand for residential sites in Dallesport due to policies and practices in The Dalles and Wasco County will result in an increased need and attendant expenditures for public infrastructure, education and public health and safety in Klickitat County.

Many knowledgeable observers and Dallesport residents are of the opinion that the City of The Dalles, and possibly Wasco County, see the Dallesport Peninsula as their low income bedroom community. While we do not necessarily share this opinion now, there may be merit in this belief. It would be prudent for both Klickitat County and the citizens of the Dallesport Area to carefully monitor the plans and actions of both the City of The Dalles and Wasco County regarding provision of an adequate supply of land for residential growth for all income levels.

Klickitat County Land Use and Zoning Policy

Population growth estimates for the Dallesport Area included in the proposed water and wastewater service area are based on current land use policy and zoning. A change in the current pattern of land use that would allow sub-division of existing residential sites will likely accelerate the area population growth rate. This would reduce the effective time horizon a given size wastewater treatment facility will satisfy demand. In other words, *zoning changes allowing for accelerated population growth will reduce the number of years before an expansion of the proposed Dallesport wastewater treatment facility would be required.*

Furthermore, allowing sub-division of existing residential sites / smaller lot sizes is anticipated to increase the region's supply of lower cost building sites. If not effectively managed, such a condition could encourage the region's lower cost housing to be concentrated in Dallesport.

Port of Klickitat Capacity / Partnership Potential

If the economic development potential of the Port of Klickitat at Dallesport is to be fully realized during the next twenty years, an effective long-term partnership must be established between Klickitat County and the Port of Klickitat. This partnership must be based on a strong foundation that transcends the tenure of any of the founding participants.

To ensure a successful, long-term economic development partnership, it is essential that both the County and the Port share a common purpose, vision and understanding regarding the roles and expected results of the partnership. To this end, we recommend the establishment of a formal partnership relationship between the parties. This relationship should be documented in a Klickitat County Economic Development Partnership Charter. This Charter should include, but not necessarily be limited to, the elements presented below:

- Partnership Name,
- Statement of Purpose,
- Partnership Organization / Structure,
- Duration, Attributes and Powers,
- Direction and Control,
- Meetings,
- Authority, Responsibilities and Duties,
- Policies, Principles and Standards,
- Plans and Programs,
- Administration and Management,
- Performance Evaluation, and
- Dissolution.

The Charter should be supported, at a minimum, by the following materials:

- Strategic Economic Development Plan (Adopted by both County and Port),
- Economic Development Action Plan, and
- Mechanism and Schedule for Updating Economic Development Action Plan.

Appendix A: Study Materials, Research and Site Visits

Klickitat County Dallesport Development Project

Summary of Project Related Materials, Research and Site Visits

Studies, Reports, Documents and Other Relevant Materials

Bi-State Economic Opportunity Study

Columbia Gorge Industrial Lands Inventory and Characteristics

Columbia River Gorge National Scenic Area Economic Development Plan for Washington and Oregon

Columbia River Gorge National Scenic Area Economic Development Program Bi-State Advisory Council Materials

Columbia River Gorge National Scenic Area Economic Opportunities Study

Columbia River Ports Land Transactions Information

Columbia - Snake Marketing Group Materials

Community Action Plans for:

- Bickleton, Washington
- Dallesport, Washington
- Goldendale, Washington
- Roosevelt, Washington
- Trout Lake, Washington
- Wishram, Washington

Community Economic Revitalization Board (CERB) Materials

Core Business Survey of Klickitat County

Dallesport Community Industrial Development Assessment - Community Preferences

Economic Diversification Pilot Study at Klickitat Point

Gorge Associates Promotional Materials

Industrial Lands Action Plan (Bingen Point and Industrial Waterfront Lands)

Industrial Park and Site Profiles

Klickitat County Data Book - 1995

Klickitat County Public Economic Development Authority Materials

Klickitat County Zoning Materials and Maps
Labor Market Reports and Forecasts
Mid-Columbia Regional Industrial Site Inventory
Oregon Industrial Parks Guide
Oregon State Business Registration, Licensing, etc. Requirements and Regulations
Overall Economic Development Program (MCEDD)
Port of Hood River Industrial Lands Inventory Analysis and Availability
Port of Klickitat Audits and Correspondence
Port of Klickitat Leases and Operating Agreements
Port of Klickitat Master Development Plan
Port of Klickitat Small Business Development Center (Bingen) Materials
Port of The Dalles Lands Inventory
Population Data and Characteristics Information
Population Forecasts
Population Housing and Income Information
The Dalles Municipal Airport Master Plan: 1990-2010
Washington State Business Registration, Licensing, etc. Requirements and Regulations

Site Visits

- Port of Camas - Washougal Industrial Sites
- Klickitat County Public Economic Development Authority Sites
 - Goldendale Aluminum
 - Boise Cascade Millsite
 - North Roosevelt
 - Railroad Avenue
- North Gilliam County Industrial Park
- Port of Cascade Locks Industrial Park

- Port of Hood River
 - Hood River Waterfront
 - John Weber Industrial Park
- Port of Klickitat
 - Dallesport Industrial Park
 - Bingen Industrial Park and Marina
- Port of Morrow Industrial Park
- Port of Portland
 - Airport Light Industrial Complex
 - Swan Island / Mocks Bottom Complex
- Port of Ridgefield
- Port of Skamania
 - Carson Industrial
 - North Bonneville Business / Light Industrial
 - North Bonneville Industrial Park
 - Port Waterfront (Stevenson)
 - Stevenson Industrial
- Port of The Dalles Industrial Parks
- Port of Umatilla Industrial Park
- Port of Vancouver
 - Grand Avenue Complex
 - West Fourth Plain Complex
 - Port Expansion Plan Area

Additional private sector industrial development sites and projects were examined.

Appendix B: Study Participants

Klickitat County Dallesport Development Project

Summary of Project Participants

Ken Adcock	Commissioner	Columbia River Gorge Commission
Jim Amundsen	Assistant County Engineer	Klickitat County
Scott Bailey	Regional Economist	State of Washington
Greg Baker	Executive Director	Port of Hood River
Stoner Bell	Professional Engineer	White Salmon
Robert Bernert	CEO	Bernert Barge Line
Sharon Binau	Water Division	Klickitat PUD
Bradley Bogus	Professional Engineer	KCM
B.G. Cains	Economic Development	Gilliam County, Oregon
Curtis Chin	Transportation Engineer	Entranco
Norman Deo	Port Secretary	Port of Klickitat
Curt Dreyer	Planning Director	Klickitat County
Dan Durrow	City Planner	City of The Dalles
Gladys Erickson	Executive Secretary	Port of Arlington
Dalles Fridley	Labor Market Analyst	Mid-Columbia Region
Skip Grimes	Buildings Department	Klickitat County
Dave Harlan	Econ. Development Officer	Mid-Columbia Region
B. Marc Harvey	Port President	Port of Klickitat
Scott Hege	Executive Director	Port of The Dalles
Mike Henry	Traffic Manager	Bernert Barge Line
Tim Hopkinson	Solid Waste Manager	Klickitat County
Ed Hoyle	Professional Engineer	Hoyle Consulting Services
John Huffaker	Economic Development	PGE

Tamar Kirac	Executive Director	MCEDD
Randy Knowles	Commissioner Member	Klickitat PUD Klickitat EDA
Rich Levensgood	County Administrator	Klickitat County
John Longfellow	Recycling Coordinator	Klickitat County
Scott MacFarlane	Economic Development	Klickitat County
Kathleen McCuiston	Port Commissioner	Port of Klickitat
Doug Miller	Field Superintendent	Klickitat PUD
Rick Minster	Economic Development	Morrow County
Paige Morgan	Industrial Development	MCEDD / Port of The Dalles
Francie Morris	Former Executive Secretary	Port of Arlington
Georgia Murray	Real Estate Services, Inc.	Dallesport
Gary Neal	Executive Director	Port of Morrow
Steve Nelson	Dallesport Water System	Dallesport
Martha Niblack	Real Estate Broker	Dallesport
Dana Peck	Director, Resource Dev.	Klickitat County
Dave Peters	Professional Engineer	KCM
Paul Rice	Associate Planner	Klickitat County
Matt Riley	Businessman	Goldendale / Dallesport
Jim Riley	Businessman	Goldendale / Dallesport
Dianne Sherwood	Executive Assistant	Port of Klickitat
Allen Shewey	Professional Engineer	KCM
Donna Silen	Supervisor	Klickitat Assessor's Office
Elmer Stacey	Port Manager	Port of Klickitat
Brian Skeahan	Executive Director	Klickitat PUD
S. Wayne Vinyard	Vice President	Port of Klickitat

Greg Waters	Resource Development	MCEDD
Rick Weddle	Port Captain	Bernert Barge Lines
Mike Wellman	Water Director	Klickitat PUD
Tobin White	Executive Director	Port of Cascade Locks