
Talent Economic Opportunities Analysis

October 2016
Adopted by ORD# 923, September 7, 2016

Prepared for:
City of Talent

***Final* REPORT**

ECONorthwest
ECONOMICS • FINANCE • PLANNING

KOIN Center
222 SW Columbia Street
Suite 1600
Portland, OR 97201
503.222.6060

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Acknowledgments

ECONorthwest prepared this report for the City of Talent. ECONorthwest and the City of Talent thank the many people who helped to develop the Talent Economic Opportunities Analysis.

Technical Advisory Committee

Kelly Madding, Development Services Director, Jackson County
Josh LeBombard, Southern Oregon Regional Representative, DLCD
Kathy Trautman, Business Development Manager, SOREDI
Larry Holzgang, Business Development Officer, Business Oregon

Citizen Advisory Committee

Alexis McKenna, Talent Citizen
John Harrison, Talent Citizen
Nancy Buono, Talent Citizen
Joe Wismann, Talent Citizen
Charlie Hamilton, Talent Business Owner
Mike Davis, Talent Business Owner
Bobby Townsend, Talent Chamber of Commerce
Allison French, Talent Planning Commission
Ryan Pederson, Talent City Council

State of Oregon

Josh LeBombard, Southern Oregon Regional Representative, DLCD
Tom Hogue, Economic Development Specialist, DLCD

City of Talent

Zac Moody, Community Development Director
Jeff Wilcox, Community Development Assistant

Consulting Staff

Beth Goodman, Project manager, ECONorthwest
Bob Parker, Project Director, ECONorthwest

This project is partially funded through a technical assistance grant from the Department of Land Conservation and Development.

For over 40 years ECONorthwest has helped its clients make sound decisions based on rigorous economic, planning, and financial analysis. For more information about ECONorthwest: www.econw.com. For more information about this report, please contact:

Zac Moody,
Community Development Director
110 E. Main Street
Talent, Oregon 97540
541-535-7401
zmoodycityoftalent.org

Beth Goodman
ECONorthwest
222 SW Columbia, Suite 1600
Portland, OR 97201
503-222-6060
goodman@econw.com

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Summary

This report presents an economic opportunities analysis consistent with the requirements of statewide planning Goal 9 and the Goal 9 administrative rule (OAR 660-009). Goal 9 describes the EOA as “an analysis of the community’s economic patterns, potentialities, strengths, and deficiencies as they relate to state and national trends” and states that “a principal determinant in planning for major industrial and commercial developments should be the competitive advantage of the region within which the developments would be located.”

The primary goals of the EOA are to (1) project the amount of land needed to accommodate the future employment growth within the Talent Urban Growth Boundary (UGB) between 2016 and 2036, (2) evaluate the existing employment land supply within the Talent UGB to determine if it is adequate to meet that need, and (3) to fulfill state planning requirements for a twenty-year supply of employment land. This project included preparation of the *Talent Economic Development Strategy*, which is presented in a separate document.

How much buildable employment land does Talent currently have?

Table 1 shows commercial and industrial land with development capacity (lands classified vacant or partially vacant). The results show talent has about 89 suitable vacant and partially vacant acres within the UGB, nearly 63 of which are Commercial and 26 are Industrial

Table 1. Employment land with development capacity (Vacant, Partially Vacant) by constraint status, Talent UGB, 2016

| Plan Designation / Classification | Tax Lots | Total Acres in Tax Lots | Developed Acres | Constrained Acres | Suitable Acres |
|-----------------------------------|-----------|-------------------------|-----------------|-------------------|----------------|
| Commercial | | | | | |
| Vacant | 45 | 40.26 | 0.00 | 18.28 | 21.98 |
| Partially Vacant | 45 | 63.39 | 9.07 | 13.83 | 40.49 |
| Subtotal | 90 | 103.65 | 9.07 | 32.11 | 62.47 |
| Industrial | | | | | |
| Vacant | 3 | 20.54 | 0.00 | 3.54 | 17.00 |
| Partially Vacant | 2 | 12.52 | 3.33 | 0.00 | 9.19 |
| Subtotal | 5 | 33.06 | 3.33 | 3.54 | 26.19 |
| TOTAL | 95 | 136.71 | 12.40 | 35.65 | 88.66 |

Source: Appendix A: Table 11.

How much growth is Talent planning for?

Goal 9 requires that cities provide for an adequate supply of commercial and industrial sites consistent with plan policies. To meet this requirement, Talent needs an estimate of the amount of commercial and industrial land that will be needed over the 2016-2036 planning period. Table 2 presents the forecast of employment growth by land use type in Talent’s UGB from 2016 to 2036. Talent’s employment base was 1,393 employees in 2016. The forecast shows that by 2036, Talent will have 1,959 employees, an increase of 565 jobs over the planning period.

Table 2. Forecast of employment growth by land use type, Talent UGB, 2016–2036

| Land Use Type | 2016 | | 2036 | | Change 2016 to |
|------------------------------|--------------|-------------|--------------|-------------|-------------------|
| | Employment | % of Total | Employment | % of Total | |
| Industrial | 520 | 37% | 725 | 37% | 205 |
| Retail Commercial | 115 | 8% | 196 | 10% | 81 |
| Office & Commercial Services | 585 | 42% | 842 | 43% | 257 |
| Government | 174 | 12% | 196 | 10% | 22 |
| Total | 1,393 | 100% | 1,959 | 100% | 565 |

Source: ECONorthwest

Note: The shaded percentages denote an assumption about the future change in the share of employment (as a percent of total) by land use type.

How much land will be required for employment?

The forecast of growth of 565 new employees will result in the following demand for vacant (and partially vacant) employment land: 20 gross acres of industrial land and 17 gross acres of commercial land.

Does Talent have enough land to accommodate employment growth?

Table 3 compares the supply of suitable employment land with the demand for employment land:

- **Industrial.** Talent has a supply of 26 acres of suitable land designated for industrial uses. The employment forecast projects demand for 20 acres of industrial land. Talent has more industrial land than the City is projected to need over the 20-year period, with a surplus of 6 gross acres of industrial land.
- **Commercial.** Talent has 63 acres of land designated for commercial uses. The employment forecast projects demand for 17 acres of commercial land. Talent has more commercial land than the City is projected to need over the 20-year period, with a surplus of 45 gross acres of commercial land.

Table 3. Comparison of the Capacity of Unconstrained Vacant and Partially Vacant Land with Employment Land Demand by Plan Designation, Talent UGB, 2016–2036

| Land Use Type | Land Supply | | Land |
|------------------------------|---------------------------|------------------------------|--------------------------|
| | (Suitable Gross Acres) | Land Demand (Gross Acres) | Sufficiency (Deficit) |
| Industrial | 26.2 | 20.0 | 6.2 |
| Commercial | 62.5 | 17.2 | 45.3 |
| Retail Commercial | | 4.9 | |
| Office & Commercial Services | | 12.3 | |

Source: ECONorthwest

In addition, Talent has a number of sites with opportunities for infill and redevelopment. These sites include: (1) the Talent Irrigation District site, which the City (or Urban Renewal Agency) may purchase after the District relocates and (2) MicroTrains and Fabricated Glass, as well as the Brammo site and the former Talent Truck Stop site. These sites present opportunities for infill or redevelopment in key areas where the City wants to encourage employment growth.

What types of business does Talent want to attract?

The characteristics of Talent will affect the types of businesses most likely to locate in the city. Talent’s attributes that may attract firms are: Talent’s location along I-5 and Highway 99 and between Medford and Ashland; the existing employment base; surrounding agricultural areas; access to workers from across the Rogue Valley; arts and cultural opportunities; high quality of life; and relatively affordable housing.

The target industries identified as having potential for growth in Talent are:

- **Small-scale manufacturing.** Talent’s attributes, especially its location along I-5, may attract manufacturing firms. Manufacturing firms are likely to be relatively small, from startups with 10 or fewer employees to manufacturers with 50 to 100 employees. Smaller manufacturers may have flexibility on where to locate, likely preferring to locate within an existing building. Moderate sized manufacturers may prefer to locate within an existing building or to locate a facility on an industrial site, likely between 2 and 10 acres, with good access to transportation and a flat topography. Examples of manufacturing industries that may grow or locate in Talent include:
 - Specialty food and beverage manufacturing, such as wineries, beer brewing, fruit or vegetable products, or other products
 - Primary and secondary wood product manufacturing, such as engineered wood products, furniture manufacturing, prefabricated wood buildings, or other products
 - Renewable and alternative energy products
 - Transportation equipment and related products
 - Cannabis products, such as medicinal oils or edible products
 - Artisans products for sale locally or via the Internet

- **Small-scale construction.** Talent’s location within the Rogue Valley and relatively affordable housing may make the city attractive to small construction firms, such as specialty contractors, heating and cooling subcontractors, and companies specializing in alternative building processes. These businesses may be operated as home occupations (especially for businesses with few employees) or may require a small site with a building and equipment storage areas.
- **Small-scale warehouse, distribution, and wholesale.** Talent’s access to I-5 and Highway 99 may make the city attractive to small distribution, especially of Rogue Valley products. These businesses may locate in an existing building or may locate a facility on an industrial site, likely between 2 and 10 acres, with good access to transportation and a flat topography.
- **Professional and business services.** Talent’s high quality of life, relatively affordable housing, existing population and business base, and proximity to Medford and Ashland may attract professional and business services that prefer to locate in a smaller city like Talent, such as medical or legal services, scientific research, environmental services, or other services.
- **Services for residents.** Population growth will drive development of retail (e.g., a hardware store or a musical equipment store), medical services, and government services, especially primary education in Talent.
- **Services for seniors.** Talent’s (and the Rogue Valley’s) growing population of those near or in retirement may attract or create demand for services for seniors, such as health services that cater to the elderly, like assisted living facilities, retirement centers, and medical services.
- **Services for visitors:** Growth in tourism will drive demand for services for visitors such as restaurants, a hotel, or a high-quality RV park.
- **Events and performances.** Talent may attract businesses that provide goods or services to support events or performances, such as storage, catering, or specialty retail.

What are the recommendations to support economic development in Talent?

The following are ECONorthwest’s recommendations to support economic development in Talent based on the economic opportunities analysis:

- **Update the Economy Element of the Comprehensive Plan.** The Economy Element has not been updated in more than a decade. We recommend that the Planning Commission and City Council review the revised policies in the Talent Economic Development Strategy and, after making additional necessary revisions to the policies, adopt the revised goals, objectives, and implementation strategies into the Economy Element.
- **Align the City's goals for economic development with planning for infrastructure development.** Aside from ensuring that there is sufficient land to support employment

growth, one of the most important ways that the City can support economic development is through planning for and developing infrastructure (e.g., roads, water, sanitary sewer, and storm water systems). We recommend that the City align its goals for economic development with infrastructure development through updates to the City's Capital Improvements Plan.

As part of the next update to the Capital Improvements Plan, the City may choose to evaluate opportunities to lower (either temporarily or permanently) systems development charges for commercial and industrial development. While the City must ensure that there are sufficient funds available to develop critical infrastructure, there may be an opportunity to lower systems development charges to encourage commercial and industrial development.

- **Identify opportunities to support existing businesses in Talent.** Retention and expansion of existing businesses is one of Talent's key opportunities for economic growth. The City can support businesses by continuing to provide staff to help businesses through the development process and through revising policies (where possible) that make business growth more difficult in Talent.

A key step in supporting existing businesses is having a forum for discussion of economic development in Talent. We recommend that the City work with partners and interested stakeholders to develop an economic development commission that the City participates in as a key partner or as the commission leader. The Economic Development Commission may be able to assist the City in reaching out the businesses to identify issues and barriers to economic development.

- **Work with partners to develop a broad economic development strategy for Talent.** The revisions to the Comprehensive Plan presented in the Talent Economic Development Strategy focus on land-based policies and actions. The city also needs a broader strategy for economic development that focuses on issues such as economic development marketing of Talent's businesses and business opportunities, completing a market readiness analysis for branding and marketing Talent for tourism, building business and other partnerships, and coordinating economic development efforts with local and regional economic development organizations, including SOREDI, the Talent Chamber of Commerce, and Business Oregon.
- **Review the Zoning Code and development process to identify opportunities to streamline and reduce development costs.** These opportunities may include: allowing ground floor residential use as a temporary use in commercial mixed-use buildings, allowing retail sales as a component of an industrial business in the City's industrial zones, and examining systems development charges to identify opportunities to lower charges if possible.
- **Support infill and redevelopment of existing commercial and industrial land.** The City has identified areas where infill and redevelopment is more probable over the 20-year planning period. Other opportunities for redevelopment may become apparent in the future. We recommend that the City support and encourage infill and redevelopment to make the most efficient use of employment land in Talent. The types

of tools that the City offers in support of infill and redevelopment should be consistent with the City's development goals. In areas where the City wants to encourage higher intensity development, such as downtown, the City should offer more support for redevelopment, such as financial and regulatory redevelopment incentives.

- **Support development of space to support startup and small growing businesses.** This space may be a maker space, with shared workspace and equipment for manufacturing and production of a variety of products and goods. It could also include a business incubator space, with spaces for businesses to grow and share support services. The City would need to define its role in development of either or both of these types of space, through discussions among decision makers and City staff.
- **Identify opportunities to meet residential land needs on commercial or industrial lands.** Talent is beginning to develop an analysis of residential land needs. If the analysis identifies deficits of residential land, especially moderate- and high-density residential land needs, we recommend that the City evaluate opportunities to meet those land needs within the UGB on commercial and industrial lands.

Given the substantial surplus of commercial land and the City's goals of encouraging multifamily residential development in downtown, the City should evaluate opportunities to accommodate residential development on commercial lands. This could occur through changes to the zoning code to make residential development easier or less costly in commercial areas (e.g., temporarily allowing residential uses on the ground floor of commercial buildings). It could also occur through redesignation of commercial lands to residential designations.

Some vacant industrial land may be more suited for residential uses, given existing and planned residential uses. We recommend that the City evaluate whether there are industrial parcels that should be rezoned for low- and medium-density residential uses.

The *Talent Economic Development Strategy* includes strategies to address these key issues, as well as other strategies to support economic development in Talent.

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1. Introduction

This report presents an Economic Opportunities Analysis (EOA) for the City of Talent. The purpose of an EOA is to develop information as a basis for policies that capitalize on Talent’s opportunities and help address the city’s challenges. The EOA includes technical analysis to address a range of questions that Talent faces in managing its commercial and industrial land. For example, the EOA includes an employment forecast that describe how much growth Talent should plan for over the 2016 to 2036 period, and forecasts the amount and type of employment land necessary to accommodate growth in Talent over that period. The EOA also includes an inventory of commercial and industrial land within Talent’s urban growth boundary (UGB) to provide information about the amount of land available to accommodate employment growth.

This EOA complies with the requirements of statewide planning Goal 9, the Goal 9 administrative rules (OAR 660 Division 9), and the court decisions that have interpreted them. Goal 9 requires cities to state objectives for economic development (OAR 660-009-0020(1)(a)) and to identify the characteristics of sites needed to accommodate industrial and other employment uses (OAR 660-009-0025(1)) over the 20-year planning period. This approach could be characterized as a *site-based* approach that projects land need based on the forecast for employment growth, the City’s economic development objectives, and the specific needs of target industries.

1.1 Background

The City of Talent last evaluated economic trends in 2000, based on 1990 Census data. Substantial changes occurred to the national and regional economy since 2000 that have implications for economic growth in Talent. Since then, the Rogue Valley Council of Governments (RVCOG) and participating local governments completed

Problem Solving (RPS) process and adopted the *Regional Plan* for the Greater Bear Creek Valley. The *Regional Plan* describes the Region’s expectations for economic growth, the locations of potential growth, and established Urban Reserves. Talent was one of the local governments that participated in the RPS, and urban reserves around the city are identified in the *Regional Plan*.

The purpose of this project was to develop a factual base to provide the City with information about current economic conditions. This factual basis, presented in this report, provides information necessary for updating the City’s economic development Comprehensive Plan policies. This report identifies opportunities to meet the City’s economic development objectives and develop Comprehensive Plan policies and implementation strategies that capitalize on the City’s comparative advantages and address areas of economic weakness.

The EOA provides information that the City can use to identify and capitalize on the city’s economic opportunities. It also provides information to address the City’s challenges for managing economic development, such as a lack of larger industrial sites to support growth of businesses that require large sites, underutilized commercial land, underutilized industrial land, and a lack of policy direction to address these issues.

1.2 Framework for an Economic Opportunities Analysis

The content of this report is designed to meet the requirements of Oregon Statewide Planning Goal 9 and the administrative rule that implements Goal 9 (OAR 660-009). The analysis in this report is designed to conform to the requirements for an Economic Opportunities Analysis in OAR 660-009 as amended.

1. *Economic Opportunities Analysis (OAR 660-009-0015)*. The Economic Opportunities Analysis (EOA) requires communities to identify the major categories of industrial or other employment uses that could reasonably be expected to locate or expand in the planning area based on information about national, state, regional, county or local trends; identify the number of sites by type reasonably expected to be needed to accommodate projected employment growth based on the site characteristics typical of expected uses; include an inventory of vacant and developed lands within the planning area designated for industrial or other employment use; and estimate the types and amounts of industrial and other employment uses likely to occur in the planning area. Local governments are also encouraged to assess community economic development potential through a visioning or some other public input based process in conjunction with state agencies.
2. *Industrial and commercial development policies (OAR 660-009-0020)*. Cities with a population over 2,500 are required to develop commercial and industrial development policies based on the EOA. Local comprehensive plans must state the overall objectives for economic development in the planning area and identify categories or particular types of industrial and other employment uses desired by the community. Local comprehensive plans must also include policies that commit the city or county to designate an adequate number of employment sites of suitable sizes, types and locations. The plan must also include policies to provide necessary public facilities and transportation facilities for the planning area. Finally, cities within a Metropolitan Planning Organization (which includes Talent) must adopt policies that identify a competitive short-term supply of land for desired industrial and other employment uses as an economic development objective.
3. *Designation of lands for industrial and commercial uses (OAR 660-009-0025)*. Cities and counties must adopt measures to implement policies adopted pursuant to OAR 660-009-0020. Appropriate implementation measures include amendments to plan and zone map designations, land use regulations, public facility plans, and transportation system plans. More specifically, plans must identify the approximate number, acreage and characteristics of sites needed to accommodate industrial and other employment uses to implement plan policies, and must designate serviceable land suitable to meet identified site needs.

Plans for cities and counties within a Metropolitan Planning Organization, or cities and counties that adopt policies relating to the short-term supply of land must designate suitable land to respond to economic development opportunities as they arise.

1.3 Organization of this Report

This report is organized as follows:

- **Chapter 2. Buildable Lands Inventory** presents a summary of the inventory of employment lands.
- **Chapter 3. Factors Affecting Future Economic Growth** summarizes historic economic trends that affect current and future economic conditions in Talent, as well as Talent's competitive advantages for economic development.
- **Chapter 4. Employment Growth and Site Needs** presents a forecast for employment growth in Talent and describes the City's target industries as well as site needs for potential growth in industries.
- **Chapter 5. Land Sufficiency and Conclusions** compares the supply of and demand for buildable lands and presents key concluding recommendations for Talent.

This report also includes one appendix:

- **Appendix A, Buildable Lands Inventory**

2. Buildable Lands Inventory

This chapter provides a summary of the commercial and industrial buildable lands inventory (BLI) for the Talent UGB. The City of Talent staff, in coordination with ECONorthwest staff, developed the buildable lands inventory analysis. It complies with statewide planning Goal 9 policies that govern planning for employment uses. The full buildable lands inventory completed by City staff is presented in Appendix A.

2.1 Methods, Definitions, and Assumptions

Definitions

The City of Talent developed the buildable lands inventory with a tax lot database from Jackson County GIS. The tax lot database is current as of February 2016. The inventory builds from the database to estimate buildable land by plan designation. The following definitions were used to identify buildable land for inclusion in the inventory:

- *Vacant land.* Tax lots that have no structures or have buildings with very little value. For the purpose of this inventory, employment lands with improvement values of \$10,000 and under are considered vacant.
- *Partially vacant land.* Partially vacant tax lots are those occupied by a use, but which contain enough land to be further subdivided without need of rezoning. This determination was made through review of aerial imagery. The developed areas (building + parking) were subtracted from the total lot size to calculate remaining vacant area in the analysis. Building footprints were multiplied by 1.5 to account for parking requirements on commercial and industrial sites.
- *Undevelopable land.* Land that has no access or potential access, land that is already committed to other uses by policy, or tax lots that are more than 90% constrained. The majority of undevelopable land identified in the inventory is located in the active beach zone within the UGB.
- *Developed land.* Land that is developed at densities consistent with zoning with improvements that make it unlikely to redevelop during the analysis period. Lands not classified as vacant, partially-vacant, or undevelopable are considered developed.

Development Constraints

Consistent with state guidance on buildable lands inventories, the City of Talent deducted the following constraints from the buildable lands inventory and classified those portions of tax lots that fall within the following areas as constrained, unbuildable land.

- *Land within natural resource protection areas.* The Talent Wetlands Inventory map was used to identify areas within wetlands. A 50-foot buffer was added to riparian and wetland constraints, consistent with Talent Zoning Code 8-3H.2 – Designation of Wetland and Riparian Setback Areas.
- *Land with slopes over 15%.* Lands with slopes over 15% are considered unsuitable for commercial and industrial development.
- *Lands within floodplains.* Lands falling within the 100 and 500-year floodplain were not deducted from the buildable lands inventory, Talent Development Code allows for development in floodplains contingent upon meeting specific conditions.
- *Land that is service constrained.* Areas east of Interstate 5 do not currently have access to water and sewer service. Therefore it has been deducted from readily buildable lands.

2.2 Results of the Buildable Lands Inventory

Land Base

Table 1 shows commercial and industrial land in Talent by classification (development status). The results show that Talent has 222 total acres in commercial and industrial plan designations. Of the 222 acres in the UGB, about 121 acres (55%) are in classifications with no development capacity, and the remaining 101 acres (45%) have development capacity.

Table 4. Employment acres by classification and plan designation, Talent UGB, 2016

| Classification | Commercial | | Industrial | | Total | |
|----------------------------|------------|---------------|------------|--------------|-------------|---------------|
| | Tax Lots | Total Acres | Tax Lots | Total Acres | Tax Lots | Total Acres |
| Developed | 121 | 73.62 | 6 | 6.90 | 127 | 80.52 |
| Unbuildable / Constrained | 25 | 36.68 | 1 | 3.54 | 26 | 40.22 |
| Partially Constrained* | 19 | 17.07 | 1 | 3.54 | 20 | 20.61 |
| Completely Constrained | 6 | 19.61 | 0 | 0.00 | 6 | 19.61 |
| Vacant | 42 | 21.97 | 3 | 17.00 | 45 | 38.97 |
| Partially Vacant | 42 | 49.56 | 2 | 12.52 | 44 | 62.08 |
| Total | 211 | 181.83 | 11 | 39.96 | 222 | 221.79 |
| Percentage of Total | 95% | 82% | 5% | 18% | 100% | 100% |

Source: Appendix A, Table 8.

Vacant Buildable Land

Table 2 shows gross and net buildable acres for vacant and partially vacant land by plan designation. The results show that Talent has about 89 net buildable acres in commercial and industrial plan designations. Of this, 71% (63 acres) is in the Commercial designation and 29% (26 acres) is in Industrial.

Table 5. Employment land with development capacity (Vacant, Partially Vacant) by constraint status, Talent UGB, 2016

| Plan Designation / Classification | Tax Lots | Total Acres in Tax Lots | Developed Acres | Constrained Acres | Suitable Acres |
|-----------------------------------|-----------|-------------------------|-----------------|-------------------|----------------|
| Commercial | | | | | |
| Vacant | 45 | 40.26 | 0.00 | 18.28 | 21.98 |
| Partially Vacant | 45 | 63.39 | 9.07 | 13.83 | 40.49 |
| Subtotal | 90 | 103.65 | 9.07 | 32.11 | 62.47 |
| Industrial | | | | | |
| Vacant | 3 | 20.54 | 0.00 | 3.54 | 17.00 |
| Partially Vacant | 2 | 12.52 | 3.33 | 0.00 | 9.19 |
| Subtotal | 5 | 33.06 | 3.33 | 3.54 | 26.19 |
| TOTAL | 95 | 136.71 | 12.40 | 35.65 | 88.66 |

Source: Appendix A: Table 11.

Map 1 shows Talent’s employment land by classification with development constraints.

Table 3 shows the size of lots by plan designations for suitable employment land. Talent has 80 lots that are smaller than 2 acres (with 44 acres of land). Talent has 8 lots between 2 and 10 acres (33 acres of land), one lot between 10 and 20 acres in size (11 acres of land), and zero lots 20 acres and larger.

Table 6. Lot size by plan designation, suitable acres, Talent UGB, 2016

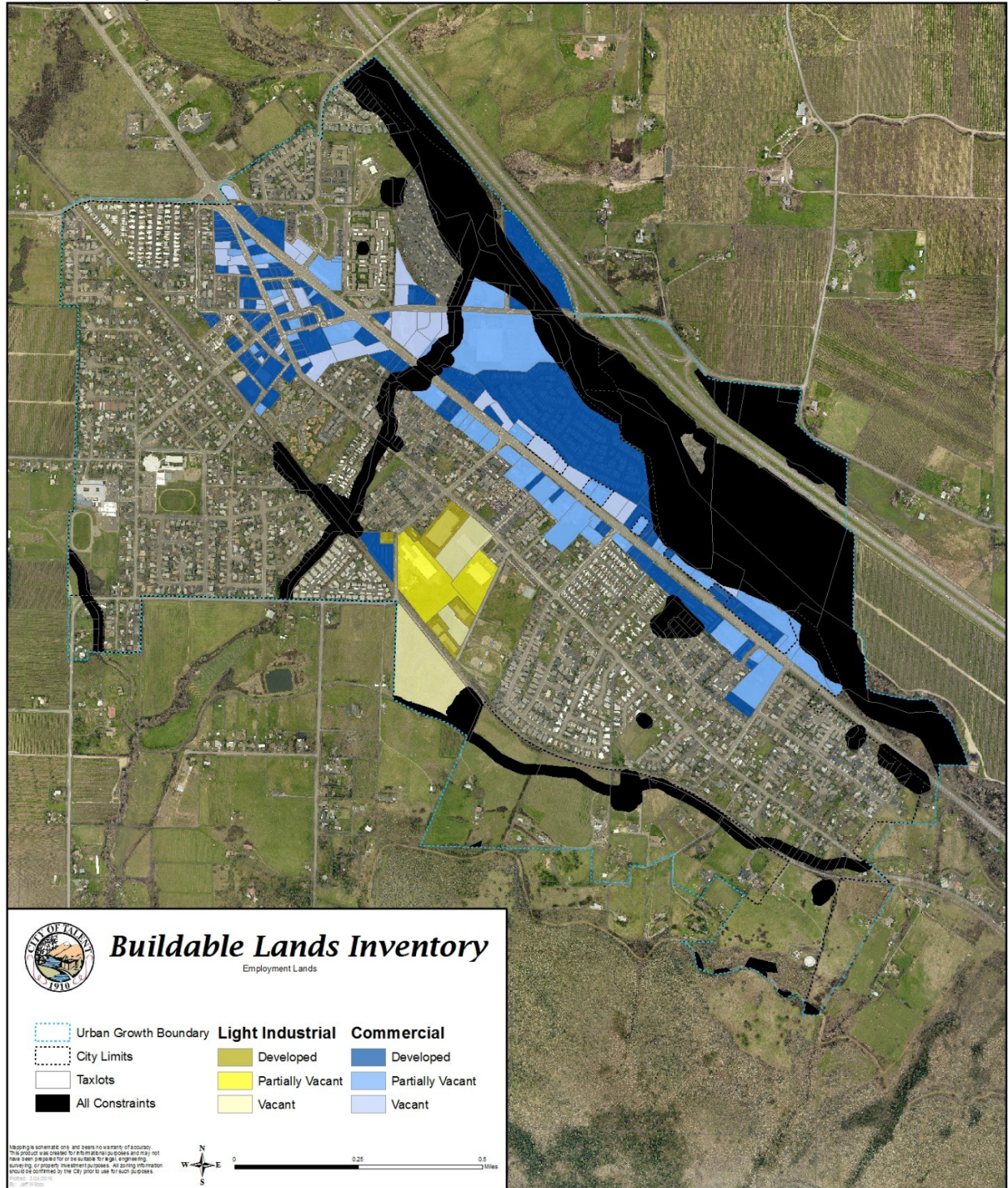
| Suitable Acres in Tax Lot (vacant, partially) | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|-------------|--------------|
| Plan Designation | <1 | 1 - 1.99 | 2 - 4.99 | 5 - 9.99 | 10 -19.99 | 20 - 49.99 | Total |
| Acres | | | | | | | |
| Commercial | 23.41 | 19.33 | 11.10 | 8.63 | 0.00 | 0.00 | 62.47 |
| Industrial | 0.00 | 1.53 | 7.17 | 6.39 | 11.10 | 0.00 | 26.19 |
| Subtotal | 23.41 | 20.86 | 18.27 | 15.02 | 11.10 | 0.00 | 88.66 |
| Tax Lots | | | | | | | |
| Commercial* | 65 | 14 | 4 | 1 | 0 | 0 | 84 |
| Industrial | 0 | 1 | 2 | 1 | 1 | 0 | 5 |
| Subtotal | 65 | 15 | 6 | 2 | 1 | 0 | 89 |

Source: City of Talent GIS data & analysis.

Note: 6 Commercial tax lots were removed from this count due to being >90% constrained and therefore unsuitable for development.

The data in Table 3 suggest that Talent has no larger commercial sites. Talent has no commercial sites larger than 10 acres and one sites between 5 and 10 acres (with a total of 9 acres). The one large industrial parcel the City does have, while adjacent to rail, is not in a location suitable for industrial use and is serviced by an underdeveloped collector street. Some of this deficiency could potentially be addressed through redevelopment or partition of parcels that are being underused.

Map 1. Employment land by classification with development constraints, Talent UGB, 2016



3. Factors Affecting Future Economic Growth

Talent exists as part of the larger economy of the Rogue Valley and is strongly influenced by regional economic conditions. For many factors, such as labor, Talent does not differ significantly from the broader region. For other factors, such as income, it does. Thus, Talent benefits from being a part of the larger regional economy and plays a specific role in it.

This chapter describes the factors affecting economic growth in Talent, including national and regional economic trends. The analysis presents Talent's competitive advantages for growing and attracting businesses, which forms the basis for identifying potential growth industries in Talent.

3.1 Factors that Affect Economic Development¹

The fundamental purpose of Goal 9 is to make sure that a local government plans for economic development. The planning literature provides many definitions of economic development, both broad and narrow. Broadly,

“Economic development is the process of improving a community's well-being through job creation, business growth, and income growth (factors that are typical and reasonable focus of economic development policy), as well as through improvements to the wider social and natural environment that strengthen the economy.”²

That definition acknowledges that a community's wellbeing depends in part on narrower measures of economic wellbeing (e.g., jobs and income) and on other aspects of quality of life (e.g., the social and natural environment). In practice, cities and regions trying to prepare an economic development strategy typically use a narrower definition of economic development: they take it to mean business development, job growth, and job opportunity. The assumptions are that:

- Business and job growth are contributors to and consistent with economic development, increased income, and increased economic welfare. From the municipal point of view, investment and resulting increases in property tax are important outcomes of economic development.
- The evaluation of tradeoffs and balancing of policies to decide whether such growth is likely to lead to overall gains in wellbeing (on average and across all citizens and businesses in a jurisdiction, and all aspects of wellbeing) is something that decision makers do after an economic strategy has been presented to them for consideration.

¹ The information in this section is based on previous Goal 9 studies conducted by ECONorthwest and the following publication: *An Economic Development Toolbox: Strategies and Methods*, Terry Moore, Stuart Meck, and James Ebenhoh, American Planning Association, Planning Advisory Service Report Number 541, October 2006.

² *An Economic Development Toolbox: Strategies and Methods*, Terry Moore, Stuart Meck, and James Ebenhoh, American Planning Association, Planning Advisory Service Report Number 541, October 2006.

That logic is consistent with the tenet of the Oregon land-use planning program: that all goals matter, no goal dominates, and the challenge is to find a balance of conservation and development that is acceptable to a local government and state. Goal 9 does not dominate, but it legitimizes and requires that a local government focus on the narrower view of economic development: the one that focuses on economic variables.

In that context, a major part of local economic development policy is about local support for business development and job growth; that growth comes from the creation of new firms, the expansion of existing firms, and the relocation or retention of existing firms. Thus, a key question for economic development policy is, *What are the factors that influence business and job growth, and what is the relative importance of each?* This document addresses that question in depth.

What Factors Matter?

Why do firms locate where they do? There is no single answer—different firms choose their locations for different reasons. Key determinates of a location decision are a firm’s *factors of production*. For example, a firm that spends a large portion of total costs on unskilled labor will be drawn to locations where labor is relatively inexpensive. A firm with large energy demands will give more weight to locations where energy is relatively inexpensive. In general, firms choose locations they believe will allow them to maximize net revenues: if demand for goods and services are held roughly constant, then revenue maximization is approximated by cost minimization.

The typical categories that economists use to describe a firm’s production function are:

- **Labor.** Labor is often the most important factor of production. Other things equal, firms look at productivity—labor output per dollar. Productivity can decrease if certain types of labor are in short supply, which increases the costs by requiring either more pay to acquire the labor that is available, the recruiting of labor from other areas, or the use of the less productive labor that is available locally.
- **Land.** Demand for land depends on the type of firm. Manufacturing firms need more space and tend to prefer suburban locations where land is relatively less expensive and less difficult to develop. Warehousing and distribution firms need to locate close to interstate highways.
- **Local infrastructure.** An important role of government is to increase economic capacity by improving quality and efficiency of infrastructure and facilities, such as roads, bridges, water and sewer systems, airport and cargo facilities, energy systems, and telecommunications.
- **Access to markets.** Though part of infrastructure, transportation merits special attention. Firms need to move their product, either goods or services, to the market, and they rely on access to different modes of transportation to do this.

- **Materials.** Firms producing goods, and even firms producing services, need various materials to develop products that they can sell. Some firms need natural resources (i.e., raw lumber) and others may need intermediate materials (i.e., dimensioned lumber).
- **Entrepreneurship.** This input to production may be thought of as good management, or even more broadly as a spirit of innovation, optimism, and ambition that distinguishes one firm from another even though most of their other factor inputs may be quite similar.

The supply, cost, and quality of any of these factors obviously depend on market factors: on conditions of supply and demand locally, nationally, and even globally. But they also depend on public policy. In general, public policy can affect these factors of production through:

- **Regulation.** Regulations protect the health and safety of a community and help maintain the quality of life. Overly burdensome regulations, however, can be disincentives for businesses to locate in a community. Simplified bureaucracies and straightforward regulations can reduce the burden on businesses and help them react quickly in a competitive marketplace.
- **Taxes.** Firms tend to seek locations where they can optimize their after-tax profits. Tax rates are not a primary location factor—they matter only after businesses have made decisions based on labor, transportation, raw materials, and capital costs. The costs of these production factors are usually similar within a region. Therefore, differences in tax levels across communities within a region are more important in the location decision than are differences in tax levels between regions.
- **Financial incentives.** Governments can offer firms incentives to encourage growth. Most types of financial incentives have had little significant effect on firm location between regions. For manufacturing industries with significant equipment costs, however, property or investment tax credit or abatement incentives can play a significant role in location decisions. Incentives are more effective at redirecting growth within a region than they are at providing a competitive advantage between regions.

This discussion may make it appear that a location decision is based entirely on a straightforward accounting of costs, with the best location being the one with the lowest level of overall costs. Studies of economic development, however, have shown that location decisions depend on a variety of other factors that indirectly affect costs of production. These indirect factors include agglomerative economies (also known as industry clusters), quality of life, and innovative capacity.

- **Industry clusters.** Firms with similar business activities can realize operational savings when they congregate in a single location or region. Clustering can reduce costs by creating economies of scale for suppliers. For this reason, firms tend to locate in areas where there is already a presence of other firms engaged in similar or related activities.
- **Quality of life.** A community that features many quality amenities, such as access to recreational opportunities, culture, low crime, good schools, affordable housing, and a clean environment can attract people simply because it is a nice place to be. A region's quality of life can attract skilled workers, and if the amenities lure enough potential

workers to the region, the excess labor supply pushes their wages down so that firms in the region can find skilled labor for a relatively low cost. The characteristics of local communities can affect the distribution of economic development within a region, with different communities appealing to different types of workers and business owners. Sometimes location decisions by business owners are based on an emotional or historical attachment to a place or set of amenities, without much regard for the cost of other factors of production.

- **Innovative capacity.** Increasing evidence suggests that a culture promoting innovation, creativity, flexibility, and adaptability is essential to keeping U.S. cities economically vital and internationally competitive. Innovation is particularly important in industries that require an educated workforce. High-tech companies need to have access to new ideas typically associated with a university or research institute. Innovation affects both the overall level and type of economic development in a region. Government can be a key part of a community's innovative culture, through the provision of services and regulation of development and business activities that are responsive to the changing needs of business.

How Important Are These Factors?

To understand how changes in public policies affect local job growth, economists have attempted to identify the importance for firms of different locational factors. They have used statistical models, surveys, and case studies to examine detailed data on the key factors that enter the business location decision.

Economic theory says that firms locate where they can reduce the costs of their factors of production (assuming demand for products and any other factors are held constant). Firms locate in regions where they have access to inputs that meet their quality standards, at a relatively low cost. Because firms are different, the relative importance of different factors of production varies both across industries and, even more importantly, across firms.

No empirical analysis can completely quantify firm location factors because numerous methodological problems make any analysis difficult. For example, some would argue simplistically that firms would prefer locating in a region with a low tax rate to reduce tax expenses. However, the real issue is the value provided by the community for the taxes collected. Because taxes fund public infrastructure that firms need, such as roads, water, and sewer systems, regions with low tax rates may end up with poor infrastructure, making it less attractive to firms. When competing jurisdictions have roughly comparable public services (type, cost, and quality) and quality of life, then tax rates (and tax breaks) can make a difference.

Further complicating any analysis is the fact that many researchers have used public expenditures as a proxy for infrastructure quality. But large expenditures on roads do not necessarily equal a quality road system. It is possible that the money has been spent ineffectively and the road system is in poor condition.

An important aspect of this discussion is that the business function at a location matters more than a firm's industry. A single company may have offices spread across cities, with headquarters located in a cosmopolitan metropolitan area, the research and development divisions located near a concentration of universities, the back office in a suburban location, and manufacturing and distribution located in areas with cheap land and good interstate access.

The location decisions of businesses are primarily based on the availability and cost of labor, transportation, raw materials, and capital. The availability and cost of these production factors are usually similar within a region. Most economic development strategies available to local governments, however, only indirectly affect the cost of these primary location factors. Local governments can most easily affect tax rates, public services, and regulatory policies. Economists generally agree that these factors do affect economic development, but the effects on economic development are modest. Thus, most of the strategies available to local governments have only a modest effect on the level and type of economic development in the community.

Local governments in Oregon also play a central role in the provision of buildable land through inclusion of lands in the Urban Growth Boundary, as well as through determination of plan designations and zoning, and through provision of public services. Obviously, businesses need buildable land to locate or expand in a community. Providing buildable land alone is not sufficient to guarantee economic development in a community—market conditions must create demand for this land, and local factors of production must be favorable for business activity. In the context of expected economic growth and the perception of a constrained land supply in Jackson County, the provision of buildable land has the potential to strongly influence the level and type of economic development in Talent. The provision of buildable land is one of the most direct ways that the City of Talent can affect the level and type of economic development in the community.

3.2 Summary of the Effect of National, State and Regional Trends on Economic Development in Talent

This section presents a summary and the implications of national, state, and regional economic trends on economic growth in Talent, which are presented in Section 3.3.

| National, State, and Regional Economic Trends | Implications for Economic Growth in Talent |
|--|---|
| <p>Moderate growth rates and recovery from the national recession</p> <p>After the end of the recession in 2009, economic growth returned to the U.S. economy, with persistent increases in GDP, (2.1% in the third quarter of 2015) steady job growth (averaging about 237,000 per month over 2015), and decline in the unemployment rate (currently at about 5.1% compared to the recessionary peak of 10%).³</p> <p>Unemployment at the national level has gradually declined since the height of the recession. Unemployment rates in Oregon are typically higher than those of the nation as a whole.</p> <p>The federal government’s economic forecast predicts a moderate pace of economic growth, with gradual increases in employment and real GDP (roughly 3% through the end of 2016).</p> <p>IHS Economic projects that Oregon’s economy will be the fifth-fastest growing among all states in the U.S., averaging annual growth of about 3.5% through 2020. Though the Oregon Office of Economic Analysis expects a slightly slower rate, it still expects Oregon to exceed the national average.⁴</p> | <p>Economic growth in Talent—in measures such as employment growth, unemployment rates, and wage growth—is likely to be markedly improved from the levels seen during the recent national recession.</p> <p>The rate of employment growth in Talent will depend, in part, on the rate of employment growth in Oregon and the nation. The Oregon Office of Economic Analysis forecasts that employment in the Rogue Valley Region (which includes Jackson County) will grow by about by about 13% from 2012 levels. Private Educational and Health Services, Trade, Transportation, and Utilities, and Leisure and Hospitality will make up the majority of the Region’s growth.</p> |
| <p>Growth of service-oriented sectors</p> <p>Increased worker productivity and the international outsourcing of routine tasks led to declines in employment in the major goods-producing industries. Projections from the Bureau of Labor Statistics indicate that U.S. employment growth will continue to be strongest in healthcare and social assistance, professional and business services, and other service industries. Construction employment will grow with the economy, but manufacturing employment will decline. These trends are also expected to affect the composition of Oregon’s economy, although manufacturing in Oregon will grow.</p> | <p>The changes in employment in Jackson County have followed similar trends as changes in national and state employment. The sectors with the greatest change in share of employment since 1980 were in Services.</p> <p>The Oregon Employment Department forecasts that the sectors likely to have the most employment growth in the Rogue Valley Region—the region that includes Jackson County—over the 2012 to 2022 period are: Private Educational and Health Services, Trade, Transportation, and Utilities, Leisure and Hospitality, and Professional and Health Services. These sectors represent employment opportunities for Talent.</p> |

³ “Job Growth Steady in July, Possibly Easing Path for Fed Action,” *The New York Times*, August 7, 2015; “US Economy at a Glance,” US Bureau of Economic Analysis, accessed December 14, 2015; “Employment Situation Summary,” Economic News Release, Bureau of Labor Statistics, December 4, 2015.

⁴ IHS Economics in “Oregon Economic and Revenue Forecast,” Oregon Office of Economic Analysis, Dec 2015. <http://www.oregon.gov/DAS/OEA/docs/economic/forecast1215.pdf>

| National, State, and Regional Economic Trends | Implications for Economic Growth in Talent |
|---|---|
| <p>Importance of small businesses in Oregon's economy</p> <p>Small business, with 100 or fewer employees, account for 41% of private-sector employment in Oregon. Workers of small businesses typically have had lower wages than the state average.</p> | <p>The average size for a private business in Talent is 5.1 employees per business, compared to the State average of 11 employees per private business.</p> <p>Businesses with 20 or fewer employees account for roughly 64% of private employment in Talent. Businesses with 9 or fewer employees account for 44% of private employment and 4 or fewer account for 20% of private employment.</p> <p>Growth of small businesses presents key opportunities for economic growth in Talent.</p> |
| <p>Availability of trained and skilled labor</p> <p>Businesses in Oregon are generally able to fill jobs, either from available workers living within the State, or by attracting skilled workers from outside of the State.</p> <p>Availability of labor depends, in part, on population growth and in-migration. Oregon added more than 1,120,000 new residents and about 465,000 new jobs between 1990 and 2014. The population-employment ratio for the State was about 2.2 residents per job over the 24-year period.</p> <p>Availability of labor also depends on workers' willingness to commute. Workers in Oregon typically have a commute that is 30 minutes or shorter.</p> <p>Availability of skilled workers depends, in part, on educational attainment. About 30% of Oregon's workers have a Bachelor's degree or higher.</p> | <p>Employment in Jackson County grew at about 0.6% annually over the 2000 to 2014 period, while population grew at about 1.7% over the same period.</p> <p>About 86% of workers at businesses located in Talent lived in Jackson County, and 12% lived within Talent city limits. Firms in Talent attracted workers from Southern Oregon. Over 85% of workers in Talent commuted into the City from elsewhere, many from Medford (29% of Talent workers), Ashland (9%), and Central Point (5%). These commuting patterns are similar to commuting in other cities in the Southern Oregon.</p> <p>Talent's residents were more likely to have completed some college or earned an Associate's degree (39%) than the State average (35%).</p> |
| <p>Aging of the population</p> <p>The number of Oregonians aged 65 and older will nearly double between 2015 and 2050, while the number of people under age 65 will grow by only about 29%. The economic effects of this demographic change include a slowing of the growth of the labor force, an increase in the demand for healthcare services, and an increase in the percent of the federal budget dedicated to Social Security and Medicare.</p> <p>Furthermore, people are retiring later than previous generations and continuing to work past 65 years old. This trend is seen both at the national and State levels. Even given this trend, the need for workers to replace retiring Baby Boomers will outpace job growth. Management occupations and teachers will have the greatest need for replacement workers because these occupations have older-than-average workforces.</p> | <p>The changes in the Jackson County's age structure are similar to that of the State, with the most growth observed in people 60 years and older.</p> <p>The State projects that the share of the population over the age of 60 in the Jackson County will increase from 28% to 36% from 2015 and 2035.</p> <p>Firms in Talent will need to replace workers as they retire. Demand for replacement workers is likely to outpace job growth in Talent, consistent with State trends. Given the CBO's forecast of relatively low unemployment rates (about 5.5% through 2025), businesses in Talent (and throughout the State) may have difficulties finding replacement workers.</p> |

| National, State, and Regional Economic Trends | Implications for Economic Growth in Talent |
|---|--|
| <p>Increases in energy prices</p> <p>Although energy prices are currently low by historical standards, over the long-term, energy prices are forecast to return to relatively high levels, as the economy and the population grow.</p> <p>As energy prices increase over the planning period, energy consumption for transportation may decrease. Increasing energy prices may decrease willingness to commute long distances. However, the impact on transportation costs from energy prices may be partly offset by increased energy efficiency of vehicles and stricter emissions standards.</p> | <p>In 2015, low energy prices have decreased the costs of commuting. Over the long-term, if energy prices increase, these higher prices will likely affect the mode of commuting before affecting workers' willingness to commute. For example, commuters may choose to purchase a more energy-efficient car, use the bus, or carpool.</p> <p>Very large increases in energy prices may affect workers' willingness to commute, especially workers living the furthest from Talent or workers with lower paying jobs. In addition, very large increases in energy prices may make shipping freight long distances less economically feasible, resulting in a slow-down or reversal of off-shore manufacturing, especially of large, bulky goods.</p> |
| <p>Comparatively low wages</p> <p>The income of a region affects the workforce and the types of businesses attracted to the region. Average income affects workers and businesses in different ways. Workers may be attracted to a region with higher average wage or high wage jobs. Businesses, however, may prefer to locate in regions with lower wages, where the cost of doing business may be lower.</p> <p>Since the early 1980's, Oregon's per capita personal income has been consistently lower than the U.S. average. In 2014, Oregon's per capita wage was 91% of the national average. From 2000 to 2014 nominal wages in the nation grew by 46% from \$35,300 to \$51,400, while wages in Oregon increased by only 42% from \$32,800 to \$46,500.</p> | <p>Income in Oregon has historically been below national averages, and Jackson County's per capita personal income has remained beneath that of the State and the nation. While the County's average wages followed a similar trend as personal income, they remained below the State in both 2000 and 2014. In 2014, Jackson County's average wage was about \$38,005 compared to the State (\$46,515).</p> <p>There are three basic reasons that wages are lower in Oregon and Jackson County than in the U.S.: (1) wages for similar jobs are lower; (2) the occupational mix of employment is weighted towards lower paying occupations; (3) a large proportion of Jackson County's population are retired.</p> <p>In addition, wages in Jackson County and Oregon tend to be more volatile than the national average. The major reason for this volatility is that the relative lack of diversity in the State and County economy.</p> <p>Average wages in Talent are relatively low. For example, the median household income in Talent in the 2010-14 period was about \$32,686, compared to \$51,334 in the State. This difference may be due to the shifting employment trend toward a more service-based labor force. On average, wages for service-based jobs are lower in comparison to more technical jobs such as manufacturing.</p> |

| National, State, and Regional Economic Trends | Implications for Economic Growth in Talent |
|---|--|
| <p>Education as a determinant of wages</p> <p>The majority of the fastest growing occupations will require an academic degree, and on average they will yield higher incomes than occupations that do not require an academic degree.</p> <p>The fastest growing occupations requiring an academic degree will be: industrial-organizational psychologists, interpreters and translators, diagnostic medical sonographers, occupational therapy assistants, genetic counselors, physical therapist assistants, and physician assistants. Occupations that do not require an academic degree (e.g., retail sales person, food preparation workers, and home care aides) will grow, accounting for almost two-thirds of all new jobs by 2022. These occupations typically have lower pay than occupations requiring an academic degree.</p> <p>The national median income for people over the age of 25 in 2014 was about \$43,628. Workers without a high school diploma earned \$18,252 less than the median income, and workers with a high school diploma earned \$8,892 less than median income. Workers with some college earned \$5,096 less than median income, and workers with a bachelor's degree earned \$13,624 more than median. Workers in Oregon experience the same patterns as the nation, but pay is generally lower in Oregon than the national average.</p> | <p>Talent's residents were more likely to have completed some college or received an Associate's degree, compared to Oregon residents as a whole (39% versus 35%), though Talent's residents were less likely to hold a Bachelor's, graduate, or professional degree (28% versus 30%).</p> <p>Businesses that want to locate in Talent can draw from the labor pool of the Southern Oregon region.</p> |
| <p>Importance of high quality natural resources</p> <p>The relationship between natural resources and local economies has changed as the economy has shifted away from resource extraction. Increases in the population and in households' incomes, plus changes in tastes and preferences, have dramatically increased demands for outdoor recreation, scenic vistas, clean water, and other resource-related amenities. Such amenities contribute to a region's quality of life and play an important role in attracting both households and firms.</p> | <p>The region's high quality natural resources present economic growth opportunities for Talent, ranging from food and beverage production to amenities that attract visitors and contribute to the region's high quality of life.</p> |

3.3 National Trends

Economic development in Talent over the next 20 years will occur in the context of long-run national trends. The most important of these trends include:

- **Economic growth will continue at a moderate pace.** Analysis from the Congressional Budget Office (CBO) predicts moderate growth: 3.1% GDP growth in 2016, 3.7% in 2017, and 2.2% in 2018-2019. Increases in consumer spending, business investment, and residential investment are expected to drive this growth.

The unemployment rate is expected to decrease to 5% by the fourth quarter of 2017, and remain relatively steady after that. Growth in hourly compensation will increase labor force participation, slowing its longer-term decline.

Beyond 2019, CBO projects that output will increase by 2.1% per year, higher than 2008-2014 growth, but lower than growth in the 1980's, 1990's, and early 2000's mainly due to slower labor force growth. Unemployment is expected to be 5.25% from 2020-2025.⁵

- **The aging of the baby boom generation, accompanied by increases in life expectancy.** As the baby boomer generation continues to retire, the number of Social Security recipients is expected to increase from 59 million in 2014 to over 90 million in 2035, a 53% increase. However, due to lower-birth rate replacement generations, the number of covered workers is only expected to increase 14.7% over the same time period, from 165 million to almost 190 million in 2035. Currently, there are 36 Social Security beneficiaries per 100 covered workers in 2014 but by 2035 there will be 58 beneficiaries per 100 covered workers. This will increase the percent of the federal budget dedicated to Social Security and Medicare.⁶

Baby boomers are expecting to work longer than previous generations. An increasing proportion of people in their early- to mid-50s expect to work full-time after age 65. In 2004, about 40% of these workers expect to work full-time after age 65, compared with about 30% in 1992.⁷ This trend can be seen in Oregon, where the share of workers 65 years and older grew from 2.9% of the workforce in 2000 to 4.1% of the workforce in 2010, an increase of 41%. Over the same ten-year period, workers 45 to 64 years increased by 15%.⁸

- **Need for replacement workers.** The need for workers to replace retiring baby boomers will outpace job growth. According to the Bureau of Labor Statistics, there will be 50.6

⁵ Congressional Budget Office. An Update to the Budget and Economic Outlook: 2015-2025. August 2015. <https://www.cbo.gov/publication/50724>

⁶ The Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, 2015, *The 2015 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, May 13, 2011.

⁷ "The Health and Retirement Study," 2007, National Institute of Aging, National Institutes of Health, U.S. Department of Health and Human Services.

⁸ Analysis of 2000 Decennial Census data and 2010 U.S. Census American Community Survey, 1-Year Estimates for the table Sex by Age by Employment Status for the Population 16 Years and Over

million total job openings over the 2012-2022 period, over two-thirds from replacement needs. Almost two thirds of job openings are in occupations that do not require postsecondary education.⁹

- **The importance of education as a determinant of wages and household income.**

According to the Bureau of Labor Statistics, a majority of the fastest growing occupations will require an academic degree, and on average, they will yield higher incomes than occupations that do not require an academic degree. The fastest growing occupations requiring an academic degree will be: industrial-organizational psychologists, interpreters and translators, diagnostic medical sonographers, occupational therapy assistants, genetic counselors, physical therapist assistants, and physician assistants. Occupations that do not require an academic degree (e.g., retail sales person, food preparation workers, and home care aides) will grow, accounting for almost two-thirds of all new jobs by 2022. These occupations typically have lower pay than occupations requiring an academic degree.¹⁰

The national median income for people over the age of 25 in 2014 was about \$43,628. Workers without a high school diploma earned \$18,252 less than the median income, and workers with a high school diploma earned \$8,892 less than median income. Workers with some college earned \$5,096 less than median income, and workers with a bachelor's degree earned \$13,624 more than median. Workers in Oregon experience the same patterns as the nation, but pay is generally lower in Oregon than the national average.¹¹

- **Increases in labor productivity.** Productivity, as measured by output per hour of labor input, increased in most sectors between 2000 and 2010, peaking in 2007. However, productivity increases were interrupted by the recession. After productivity decreases from 2007 to 2009, many industries saw large productivity increases from 2009 to 2010. Industries with the fastest productivity growth were Information Technology-related industries. These include wireless telecommunications carriers, computer and peripheral equipment manufacturing, electronics and appliance stores, and commercial equipment manufacturing wholesalers.¹²

- **The importance of high-quality natural resources.** The relationship between natural resources and local economies has changed as the economy has shifted away from resource extraction. High-quality natural resources continue to be important in some states, especially in the Western U.S. Increases in the population and in households' incomes, plus changes in tastes and preferences have dramatically increased demands for outdoor recreation, scenic vistas, clean water, and other resource-related amenities.

⁹ "Occupational Employment Projections to 2012-2022," Bureau of Labor Statistics, December 2013.

¹⁰ "Occupational Employment Projections to 2012-2022," Bureau of Labor Statistics, December 2013.

¹¹ Bureau of Labor Statistics, Employment Projections, April 2015. http://www.bls.gov/emp/ep_chart_001.htm

¹² Brill, Michael R. and Samuel T. Rowe, "Industry Labor Productivity Trends from 2000 to 2010." Bureau of Labor Statistics, *Spotlight on Statistics*, March 2013.

Such amenities contribute to a region's quality of life and play an important role in attracting both households and firms.¹³

- **Continued increase in demand for energy.** Energy prices are forecasted to increase over the planning period. While energy use per capita is expected to decrease to 2040, total energy consumption will increase with rising population. Energy consumption is expected to grow primarily from industrial and (to a lesser extent) commercial users, and slightly decrease in the residential sector. Energy consumption for transportation is expected to decrease, due to increased federal standards and increased technology for energy efficiency in vehicles.

Energy consumption by type of fuel is expected to change over the planning period. By 2040, the U.S. will continue to shift from crude oil towards natural gas and renewables. For example from 2013 to 2040, the Energy Information Administration projects that US overall energy consumption will average a 0.3% annual growth rate, while consumption of renewable sources grows at 1.4% per year. Despite increases in energy efficiency and decreases in demand for energy by some industries, demand for energy is expected to increase over the 2013 to 2040 period because of increases in population and economic activity.¹⁴

- **Impact of rising energy prices on commuting patterns.** As energy prices increase over the planning period, energy consumption for transportation will decrease. Increasing energy prices may decrease willingness to commute long distances.¹⁵ The increases in energy prices, may impact willingness to commute long distances, but may be partly offset by increased energy efficiency of vehicles and stricter emissions standards. Vehicle miles traveled (VMT) are expected to increase through 2040.
- **Potential impacts of global climate change.** The consensus among the scientific community that global climate change is occurring expounds important ecological, social, and economic consequences over the next decades and beyond.¹⁶ Extensive research shows that Oregon and other western states already have experienced noticeable changes in climate, and predicts that more change will occur in the future.¹⁷

¹³ For a more thorough discussion of relevant research, see, for example, Power, T.M. and R.N. Barrett. 2001. *Post-Cowboy Economics: Pay and Prosperity in the New American West*. Island Press, and Kim, K.-K., D.W. Marcouiller, and S.C. Deller. 2005. "Natural Amenities and Rural Development: Understanding Spatial and Distributional Attributes." *Growth and Change* 36 (2): 273-297.

¹⁴ Energy Information Administration, 2015, *Annual Energy Outlook 2015 with Projections to 2040*, U.S. Department of Energy, April 2015. [http://www.eia.gov/forecasts/aeo/pdf/0383\(2015\).pdf](http://www.eia.gov/forecasts/aeo/pdf/0383(2015).pdf). Note, the cited growth rates are shown in the Executive Summary and in Table A2.

¹⁵ Energy Information Administration, 2015, *Annual Energy Outlook 2015 with Projections to 2040 Early Release Overview*, U.S. Department of Energy, April 2015.

¹⁶ Karl, T.R., J.M. Melillo, and T.C. Peterson, eds. 2009. *Global Climate Change Impacts in the United States*. U.S. Global Change Research Program. June. Retrieved June 16, 2009, from www.globalchange.gov/usimpacts; and Pachauri, R.K. and A. Reisinger, eds. 2007. *Climate Change 2007: Synthesis Report. Contribution of Working Groups I, II, and III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*.

¹⁷ Doppelt, B., R. Hamilton, C. Deacon Williams, et al. 2009. *Preparing for Climate Change in the Upper Willamette River Basin of Western Oregon*. Climate Leadership Initiative, Institute for a Sustainable Environment, University of Oregon.

In the Pacific Northwest, climate change is likely to (1) increase average annual temperatures, (2) increase the number and duration of heat waves, (3) increase the amount of precipitation falling as rain during the year, (4) increase the intensity of rainfall events, and 5) increase sea level. These changes are also likely to reduce winter snowpack and shift the timing of spring runoff earlier in the year.¹⁸

These anticipated changes point toward some of the ways that climate change is likely to impact ecological systems and the goods and services they provide. There is considerable uncertainty about how long it would take for some of the impacts to materialize, and the magnitude of the associated economic consequences. Assuming climate change proceeds as today's models predict, however, some of the potential economic impacts of climate change in the Pacific Northwest will likely include:¹⁹

- *Potential impact on agriculture and forestry.* Climate change may impact Oregon's agriculture through changes in: growing season, temperature ranges, and water availability.²⁰ Climate change may impact Oregon's forestry through increase in wildfires, decrease in the rate of tree growth, change in mix of tree species, and increases in disease and pests that damage trees.²¹
- *Potential impact on tourism and recreation.* Impacts on tourism and recreation may range from: (1) decreases in snow-based recreation if snow-pack in the Cascades decreases, (2) negative impacts to tourism along the Oregon Coast as a result of

March. Retrieved June 16, 2009, from http://climlead.uoregon.edu/pdfs/willamette_report3.11FINAL.pdf and Doppelt, B., R. Hamilton, C. Deacon Williams, et al. 2009. *Preparing for Climate Change in the Rogue River Basin of Southwest Oregon*. Climate Leadership Initiative, Institute for a Sustainable Environment, University of Oregon. March. Retrieved June 16, 2009 from http://climlead.uoregon.edu/pdfs/ROGUE%20WS_FINAL.pdf

¹⁸ Mote, P., E. Salathe, V. Duliere, and E. Jump. 2008. *Scenarios of Future Climate for the Pacific Northwest*. Climate Impacts Group, University of Washington. March. Retrieved June 16, 2009, from <http://cse.washington.edu/db/pdf/moteetal2008scenarios628.pdf>; Littell, J.S., M. McGuire Elsner, L.C. Whitely Binder, and A.K. Snover (eds). 2009. "The Washington Climate Change Impacts Assessment: Evaluating Washington's Future in a Changing Climate - Executive Summary." In *The Washington Climate Change Impacts Assessment: Evaluating Washington's Future in a Changing Climate*, Climate Impacts Group, University of Washington. Retrieved June 16, 2009, from www.cse.washington.edu/db/pdf/wacciaexecsummary638.pdf; Madsen, T. and E. Figdor. 2007. *When it Rains, it Pours: Global Warming and the Rising Frequency of Extreme Precipitation in the United States*. Environment America Research & Policy Center and Frontier Group.; and Mote, P.W. 2006. "Climate-driven variability and trends in mountain snowpack in western North America." *Journal of Climate* 19(23): 6209-6220.

¹⁹ The issue of global climate change is complex and there is a substantial amount of uncertainty about climate change. This discussion is not intended to describe all potential impacts of climate change but to present a few ways that climate change may impact the economy of cities in Oregon and the Pacific Northwest.

²⁰ "The Economic Impacts of Climate Change in Oregon: A preliminary Assessment," Climate Leadership Initiative, Institute for Sustainable Environment, University of Oregon, October 2005.

²¹ "Economic Impacts of Climate Change on Forest Resources in Oregon: A Preliminary Analysis," Climate Leadership Initiative, Institute for Sustainable Environment, University of Oregon, May 2007.

damage and beach erosion from rising sea levels,²² (3) negative impacts on availability of water summer river recreation (e.g., river rafting or sports fishing) as a result of lower summer river flows, and (4) negative impacts on the availability of water for domestic and business uses.

Short-term national trends will also affect economic growth in the region, but these trends are difficult to predict. At times, these trends may run counter to the long-term trends described above. A recent example is the downturn in economic activity in 2008 and 2009 following declines in the housing market and the mortgage banking crisis. The result of the economic downturn was decreases in employment related to the housing market, such as construction and real estate. As these industries recover, they will continue to play a significant role in the national, state, and local economy over the long run. This report takes a long-run perspective on economic conditions (as the Goal 9 requirements intend) and does not attempt to predict the impacts of short-run national business cycles on employment or economic activity.

3.4 State Trends

Short-Term Trends

Oregon is on its way to recovery from the recent recession. According to the Oregon Office of Economic Analysis (OEA), the Oregon Economy “continues to be full throttle.” Wages remain below the national average, but they are at a relative high compared to the early 1980s. Over the past year, Oregon added over 57,000 jobs, a 3.3% growth rate. The professional and business services, health services, and leisure and hospitality industries have accounted for almost half of total growth in the State. Oregon continues to have an advantage in job growth compared to other states, due to its industrial sector and in-migration flows. Its labor market continues to gain more workers, signaled by an improving market participation rate relative to its low recessionary levels.²³

The housing market is continuing to recover. Oregon is seeing high household formation rates, which is good for the housing market. However, supply (both rental and ownership) of housing has not kept pace with housing demand, causing home prices and rents to rise. If construction cannot keep pace with household growth, housing affordability will become a greater issue. The OEA expects construction to increase over the next three years, relieving some of this pressure.²⁴

The Oregon Index of Leading Indicators has grown since 2012. The leading indicators showing improvement are: volume of air freight, increase in housing permits, initial claims for unemployment, new incorporations of companies, and withholdings out of wages and salaries.

²² “The Economic Impacts of Climate Change in Oregon: A preliminary Assessment,” Climate Leadership Initiative, Institute for Sustainable Environment, University of Oregon, October 2005.

²³ Office of Economic Analysis. Oregon Economic and Revenue Forecast, March 2016. Vol. XXXVI, No. 1, page 2 <http://www.oregon.gov/das/OEA/Documents/forecast0316.pdf>

²⁴ Office of Economic Analysis. Oregon Economic and Revenue Forecast, March 2016. Vol. XXXVI, No. 1, page 13-4.

However, negative indicators include a low book-to-bill ratio, decreasing industrial production, and the appreciating Oregon Dollar Index.²⁵

Oregon's economic health is dependent on the export market. The value of Oregon exports in 2015 was \$20 billion. The countries that Oregon has the most exports to are China (24% of total Oregon exports), Canada (13%), Malaysia (12%), Japan (7%), South Korea (5%), and Taiwan (4%).²⁶ With the appreciation of Oregon's dollar, Oregon's exports have slowed.²⁷ The economic slowdown across many parts of Asia will continue to affect the Oregon economy. However, the Trans-Pacific Partnership, a trade agreement that would reduce trade barriers if approved, is expected to increase Oregon exports to participating countries (such as Malaysia, Japan, and Canada).

Long-term Trends

State, regional, and local trends will also affect economic development in Talent over the next 20 years. The most important of these trends includes: continued in-migration from other states, distribution of population and employment across the state, and change in the types of industries in Oregon.

- **Continued in-migration from other states.** Oregon will continue to experience in-migration (more people moving *to* Oregon than *from* Oregon) from other states, especially California and Washington. From 1990 to 2015, Oregon's population increased by over 1.1 million, 66% of which was from people moving into Oregon (net migration). The average annual increase in population from net migration over the same time period was just under 31,000. During the early- to mid-1990's Oregon's net migration was highest, reaching over 60,000 in 1991, with another smaller peak in the mid 2000's. Oregon hasn't seen negative net migration since a period of negative net migration in the early- to mid-1980's.²⁸
- **Forecast of job growth.** Total nonfarm employment is expected to increase from 1.8 million in 2015 to just below 2 million in 2022, an increase of 218,000 jobs. The industries with the largest growth will be Professional and Business Services, Leisure and Hospitality, Health Services, and Retail Trade, accounting for 61% of the forecasted growth.²⁹
- **Continued importance of manufacturing to Oregon's economy.** Oregon's exports totaled \$19.4 billion in 2008, nearly doubling since 2000, and reached \$21 billion in 2014. In 2015, exports are on track to meet 2014's exports. The majority of Oregon exports go to countries along the Pacific Rim, with Canada, China, Japan, Korea, and Malaysia as

²⁵ Office of Economic Analysis. Oregon Economic and Revenue Forecast, March 2016 Vol. XXXVI, No. 1, page 11.

²⁶ United States Census. State Exports from Oregon, 2012-2015.
<https://www.census.gov/foreign-trade/statistics/state/data/or.html>

²⁷ Office of Economic Analysis. Oregon Economic and Revenue Forecast, March 2016. Vol. XXXVI, No. 1, page 6.

²⁸ Portland State University Population Research Center. 2013 Annual Population Report. April 2014.
<http://www.pdx.edu/prc/annual-oregon-population-report>

²⁹ Office of Economic Analysis. Oregon Economic and Revenue Forecast, March 2016. Vol. XXXVI, No. 1, page 39-40.

top destinations. Oregon's largest exports are tied to high-tech and mining, as well as agricultural products.³⁰ Manufacturing employment is concentrated in five counties in the Willamette Valley or Portland area: Washington, Multnomah, Lane, Clackamas, and Marion Counties.³¹

- **Shift in manufacturing from natural resource-based to high-tech and other manufacturing industries.** Since 1970, Oregon started to transition away from reliance on traditional resource-extraction industries. A significant indicator of this transition is the shift within Oregon's manufacturing sector, with a decline in the level of employment in the Lumber & Wood Products industry and concurrent growth of employment in other manufacturing industries, such as high-technology manufacturing (Industrial Machinery, Electronic Equipment, and Instruments), Transportation Equipment manufacturing, and Printing and Publishing.³²
- **Income.** Oregon's income and wages are below that of a typical state. However, mainly due to the wage growth over the last two to three years, Oregon wages are at their highest point relative to other states since the recession in the early 1980's. In 2014, the average annual wage was \$46,515, and median household income was \$51,075 (compared to national average wages of \$51,364, and national household income of \$53,657).³³ Total personal income (all classes of income, minus Social Security contributions, adjusted for inflation) in Oregon is expected to increase by 47%, from \$173 billion in 2015 to \$255 billion in 2022. Per capita income is expected to increase by 36% over the same time period, from \$43,000 in 2015 to \$58,400 in 2022 (in nominal dollars).³⁴
- **Small businesses continue to account for a large share of employment in Oregon.** While small firms played a large part in Oregon's expansion between 2003 and 2007, they also suffered disproportionately in the recession and its aftermath (64% of the net jobs lost between 2008 and 2010 were from small businesses).

In 2013 small businesses (those with 100 or fewer employees) accounted for 96% of all businesses and 41% of all private-sector employment in Oregon. Said differently, most businesses in Oregon are small (in fact, 77% of all businesses have fewer than 10 employees), but the largest share of Oregon's workers work for large businesses.

³⁰ Oregon Office of Economic Analysis. Oregon Exports 2015: Destination Countries. August 2015. <http://oregoneconomicanalysis.com/2015/08/13/oregon-exports-2015-destination-countries/>

³¹ Business Oregon, "Economic Data Packet"

³² Although Oregon's economy has diversified since the 1970's, natural resource-based manufacturing accounts for nearly 40% of employment in manufacturing in Oregon in 2014, with the most employment in Wood Product and Food manufacturing (QCEW).

³³ Average annual wages are for "Total, all industries," which includes private and public employers. Oregon Quarterly Census of Employment and Wages, 2014. <https://www.qualityinfo.org>; Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2014, Total, US Census American Community Survey 1-Year Estimates, 2014, Table B19013.

³⁴ Office of Economic Analysis. Oregon Economic and Revenue Forecast, March 2016. Vol. XXXVI, No. 1, page 38.

The average annualized payroll per employee for small businesses was \$34,527 in 2013, which is considerably less than that for large businesses (\$50,114) and the statewide average for all businesses (\$46,669).³⁵

Younger workers are important to continue growth of small businesses across the nation. More than one-third of Millennials (those born between 1980 - 1999) are self-employed, with approximately half to two-thirds interested in becoming an entrepreneur. Furthermore, in 2011, about 160,000 startup companies were created each month; 29% of these companies were founded by people between 20 to 34 years of age.³⁶

³⁵ U.S Census Bureau, 2013 Statistics of U.S. Businesses, Annual Data, Enterprise Employment Size, U.S and States. <http://www.census.gov/econ/susb/>

³⁶ Cooper, Rich, Michael Hendrix, Andrea Bitely. (2012). "The Millennial Generation Research Review." Washington, DC: The National Chamber Foundation. Retrieved from: <https://www.uschamberfoundation.org/sites/default/files/article/foundation/MillennialGeneration.pdf>.

3.5 Regional and Local Trends

Availability of Labor

The availability of trained workers in Talent will impact development of its economy over the planning period. A skilled and educated populace can attract well-paying businesses and employers and spur the benefits that follow from a growing economy. Key trends that will affect the workforce in Talent over the next 20 years include its growth in its overall population, growth in the senior population, and commuting trends.

Growing Population

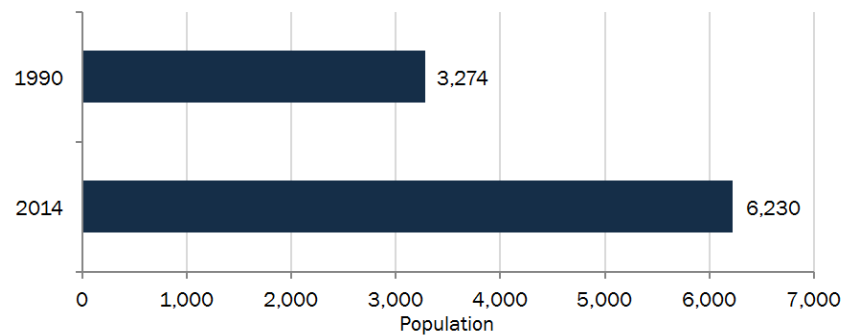
Population growth in Oregon tends to follow economic cycles. Historically, Oregon's economy is more cyclical than the nation's, growing faster than the national economy during expansions, and contracting more rapidly than the nation during recessions. Oregon grew more rapidly than the U.S. in the 1990s (which was generally an expansionary period) but lagged behind the U.S. in the 1980s. Oregon's slow growth in the 1980s was primarily due to the nationwide recession early in the decade. As the nation's economic growth slowed during 2007, Oregon's population growth began to slow.

Oregon's population grew from 2.8 million people in 1990 to 4.0 million people in 2014, an increase of over 1,100,000 people at an average annual rate of 1.39%. Oregon's growth rate slowed to 1.05% annual growth between 2000 and 2014.

From 1990 to 2014, Talent's population increased by 2,956 people or 90%.

Figure 1. Population, Talent, 1990 - 2014

Source: PSU Population Research Center, US Decennial Census



From 1990 to 2014, Talent's population grew by 2,956 people, accounting for 4.8% of population growth in Jackson County.

Figure 2. Population Growth, 1990 - 2014

Source: PSU Population Research Center Certified Population Estimates, 1990 and 2014

90%
Talent

42%
Jackson County

39%
Oregon

Talent's population grew faster than both the County and the State.

Figure 3. Population Growth, 1990 - 2014

Source: PSU Population Research Center Certified Population Estimates, 1990 and 2014

| | | |
|-----------------------|-------------------------------|-----------------------|
| 2.7% Talent | 1.5% Jackson County | 1.4% Oregon |
|-----------------------|-------------------------------|-----------------------|

Age Distribution

The number of people aged 65 and older in the U.S. is expected to double by 2050, while the number of people under age 65 will only grow by 12%. The economic effects of this demographic change include a slowing of the growth of the labor force, need for workers to replace retirees, aging of the workforce for seniors that continue working after age 65, an increase in the demand for healthcare services, and an increase in the percent of the federal budget dedicated to Social Security and Medicare.³⁷

The median age of Talent residents is increasing. This is similar for Jackson County and Oregon.

Talents' median age has increased by six years since 2000.

Over the same period, the median age increased in both Jackson County and Oregon, but by fewer years relative to Talent.

Figure 4. Median Age, 2000 to 2010-14

Source: US Census Bureau, 2000 Decennial Census Table P013, 2010-14 ACS Table B01002.

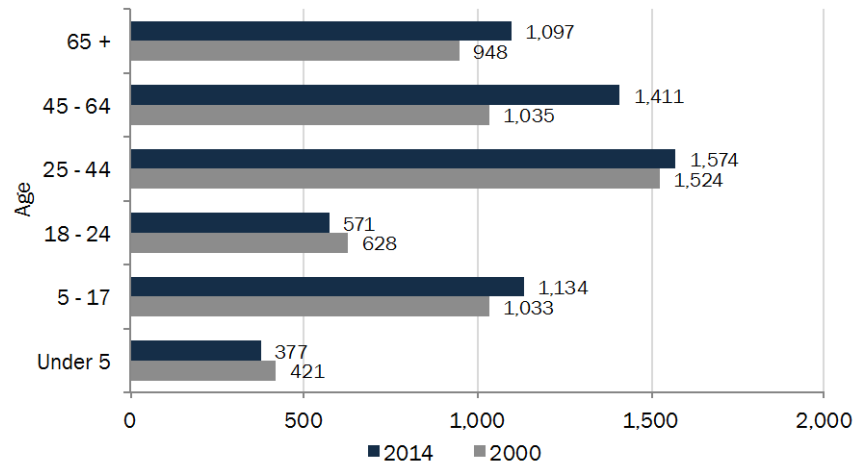
| | | | |
|----------------|-----------------------|-------------------------------|-----------------------|
| 2000 | 34.3 Talent | 39.2 Jackson County | 36.3 Oregon |
| 2010-14 | 40.5 Talent | 42.7 Jackson County | 38.9 Oregon |

³⁷ The Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, 2008, *The 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, April 10, 2008. *The Budget and Economic Outlook: Fiscal Years 2007 to 2016*, January; and Congressional Budget Office, 2005, *The Long-Term Budget Outlook*, December.

From 2000 to 2014, Talent's largest population increase was for the population aged 45 to 64 years old. This is larger than statewide trends.

Figure 5. Talent population change by age, 2000-2014

Source: U.S. Census 2000 Summary File, American Community Survey 2014 5-year estimate Table B01001

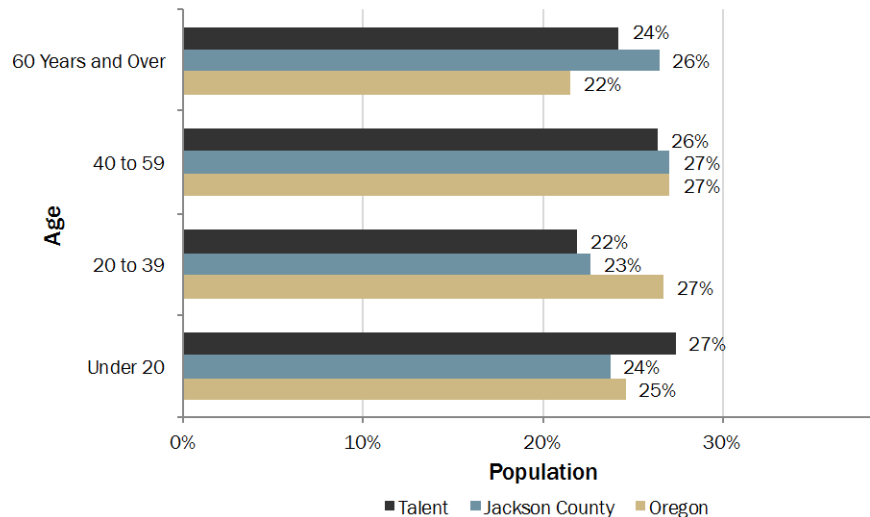


In 2014, 48% of Talent's residents were between 20 and 59 years old.

Talent has a larger share of residents under the age of 20 than Jackson County and the State. Talent has a comparatively small population of residents between the ages of 20 to 39 (22%).

Figure 6. Population distribution by age, Oregon, Jackson County, and Talent, 2010-2014

Source: American Community Survey, 2014 5-year estimate

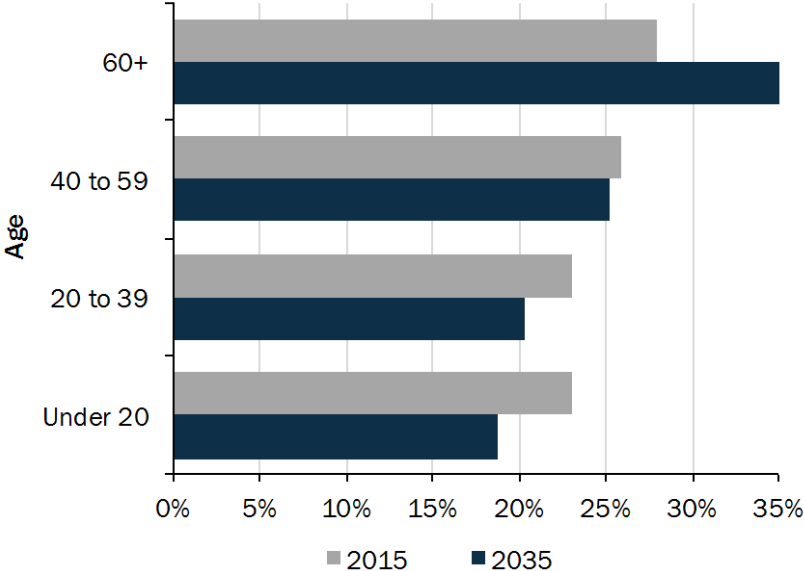


By 2035, Jackson County will have a larger share of residents older than sixty than it does today.

The share of residents aged 60 years and older will account for 36% of Jackson County’s population, compared to 28% in 2015.

Figure 7. Population Growth by Age Group, Jackson County, 2015 - 2035

Source: Oregon Office of Economic Analysis, Long-term County Forecast, 2013 Release



Income

Income and wages affect business decisions for locating in a city. Areas with higher wages may be less attractive for industries that rely on low-wage workers.

Per capita income³⁸ grew most years during the 34-year period, with the exception of a decrease during the recession. Between 1980 and 2015, Oregon's per capita personal income was consistently lower than the U.S. average. In 1980, Oregon's per capita personal income equaled the national average. By 2013, Oregon's per capita personal income reached 90% of the national average. Oregon's relatively low wages make the state attractive to businesses seeking to locate in areas with lower-than-average wages.

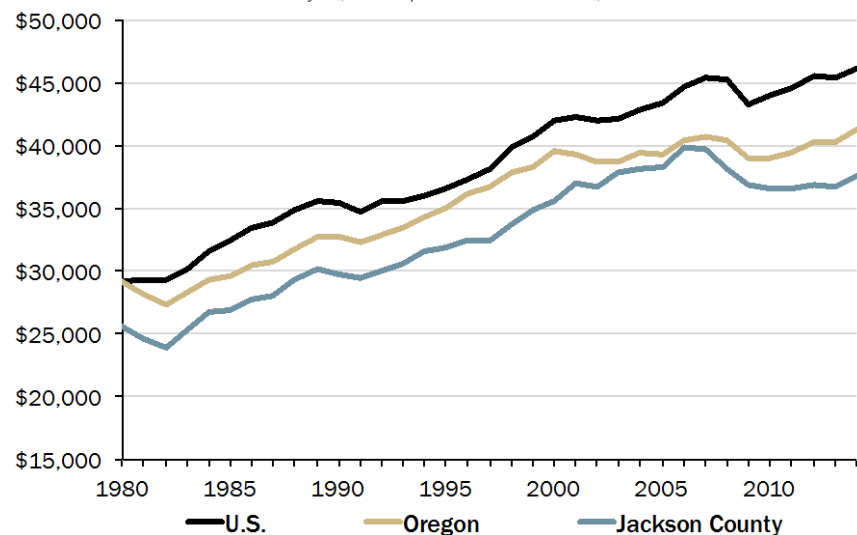
Jackson County's per capita income remained consistently below the State average, though it followed similar growth trends as State personal income. In 2006, Jackson County reached an almost identical level compared to the State, but remained below the State's average for following years.

Per capita income (adjusted for inflation) in the nation, Oregon, and Jackson County has grown since 1980.

Since 2000, per capita personal income increased nationally and remained relatively flat in Oregon and Jackson County. Oregon grew 6% in the post-recession period between 2009 and 2014, larger than Jackson County's 2% growth over the same period. Jackson County's per capita income was 91% of Oregon's average in 2014.

Figure 8. Per Capita Personal Income, US, Oregon, and Jackson County, 1980 to 2014, Inflation-adjusted 2014 Dollars

Source: Bureau of Economic Analysis, Per Capita Personal Income, Table CA-1



³⁸ Personal income includes wages, dividends and interest from investments, rent from investments, pension plan payments and transfer payments (e.g., social security payments). Per capita personal income is the personal income of the area divided by the total number of people in the area.

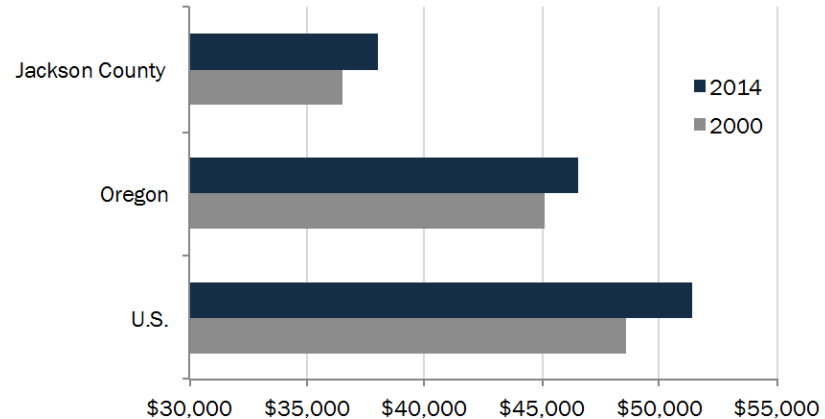
Between 2000 and 2014, Jackson County’s per capita personal income grew and its average wages increased. Over the same period, average wages increased in Oregon and the U.S. The increase in average wages in Jackson County has many causes, but one cause is the change in mix of jobs in Jackson County since 2001.

From 2000 to 2014, average annual wages rose in Jackson County, Oregon, and the nation.

In 2014, average annual wages were about \$38,005 in Jackson County, \$46,515 in Oregon, and \$51,361 in the nation.

Figure 9. Average Annual Wage, Covered Employment, US, Oregon, and Jackson County, 2000 to 2014, Inflation-adjusted 2014 Dollars

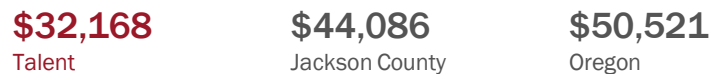
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages



In the 2010-14 period, Talent’s median household income was below that of the County and the State.

Figure 10. Median Household Income, 2010-14

Source: US Census Bureau, 2014 ACS Table B19013



In the 2010-14 period, Talent’s median family income was below that of the County and the State.

Figure 11. Median Family Income, 2010-14

Source: US Census Bureau, 2014 ACS Table B19113

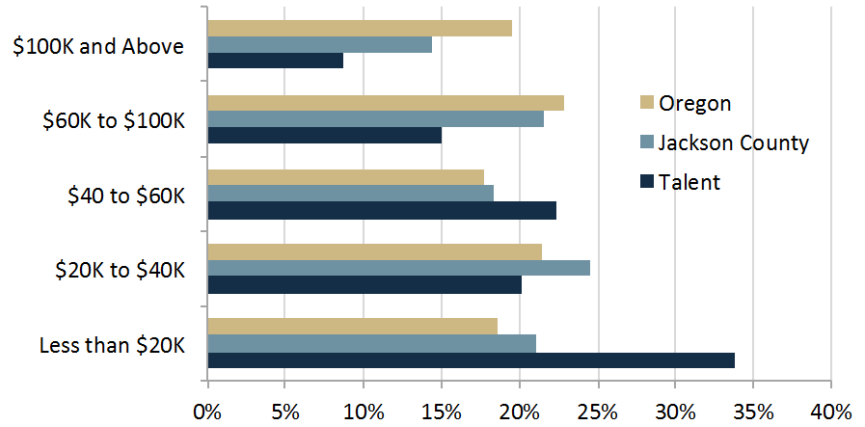


Figure 12 shows the distribution of household income in Oregon, Jackson County, and Talent in 2014.

In the 2010-14 period, 34% of Talent households had less than \$20,000 in income. 76% of Talent households had an income of less than \$60,000 compared to 58% statewide.

Figure 12. Household Income by Income Group, Oregon, Jackson County, and Talent, 2010-14, Inflation-adjusted 2014 Dollars

Source: US Census Bureau, 2014 ACS Table B19001



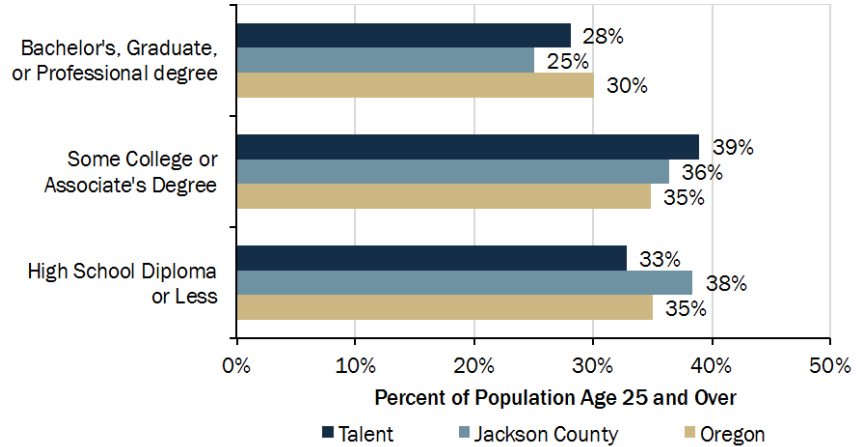
Educational Attainment

The availability of trained, educated workers affects the quality of labor in a community. Educational attainment is an important labor force factor because firms need to be able to find educated workers.

Talent has a larger share of residents with Some College or an Associate's Degree (39%) than Jackson County (25%) and Oregon (35%).

Figure 13. Educational Attainment for the Population 25 Years and Over, 2010-14

Source: US Census Bureau, 2014 ACS Table B15003



Labor Force Participation and Unemployment

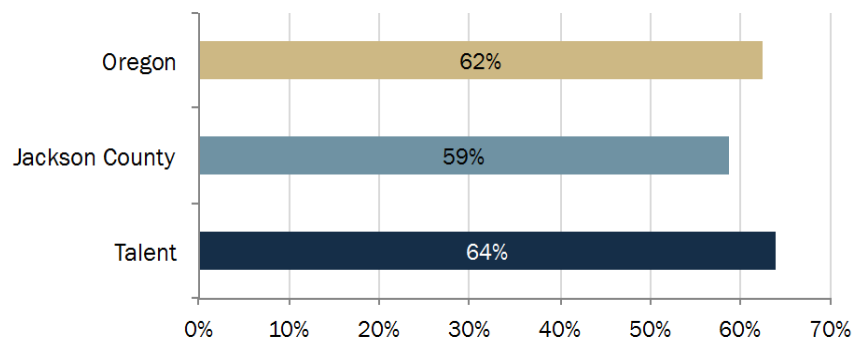
The current labor force participation rate is an important consideration in the availability of labor. The labor force in any market consists of the adult population (16 and over) who are working or actively seeking work. The labor force includes both the employed and unemployed. Children, retirees, students, and people who are not actively seeking work are not considered part of the labor force. According to the 2010-2014 American Community Survey, Talent has more than 3,070 people in its labor force.

In 2015, the Oregon Office of Economic Analysis observed that about 32% of all job vacancies in the state were attributable to a lack of qualified applicants—people who don't have the education, certification, or experience to fill the job posting. This indicates a mismatch between the types of jobs that employers are demanding and the skills that potential employees can provide.

Talent has a higher labor force participation rate (64%) than Jackson County (59%) and Oregon (62%). The likely reason for the higher labor force participation rate is Talent's smaller share of people over 60 years old.

Figure 14. Labor Force Participation, Talent, Jackson County, Oregon, 2010-14

Source: US Census Bureau, 2010-14 ACS Table B23001

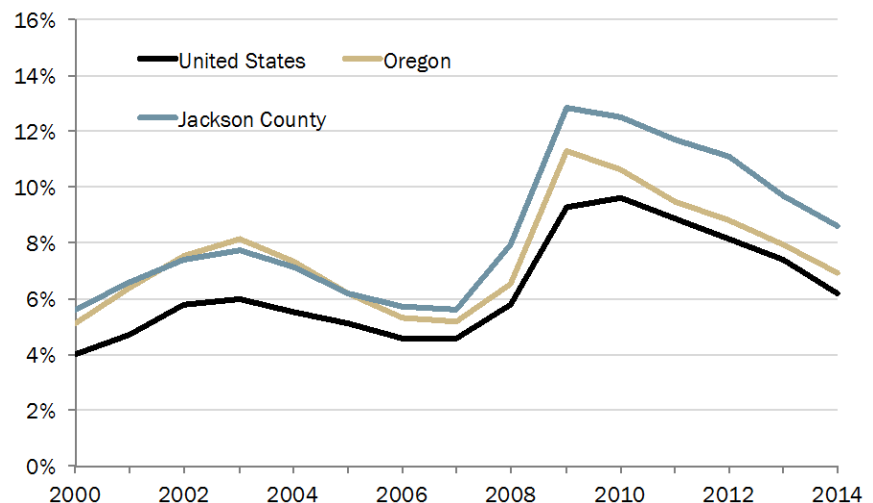


The unemployment rate in Oregon and the U.S. has declined since the recession.

In 2014, the unemployment rate in Jackson County was about 8.6%, higher than both 6.9% in Oregon and 6.2% in the nation.

Figure 15. Unemployment Rate, US, Oregon, Jackson County, 2000-2014

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics and Labor Force Statistics



Commuting Patterns

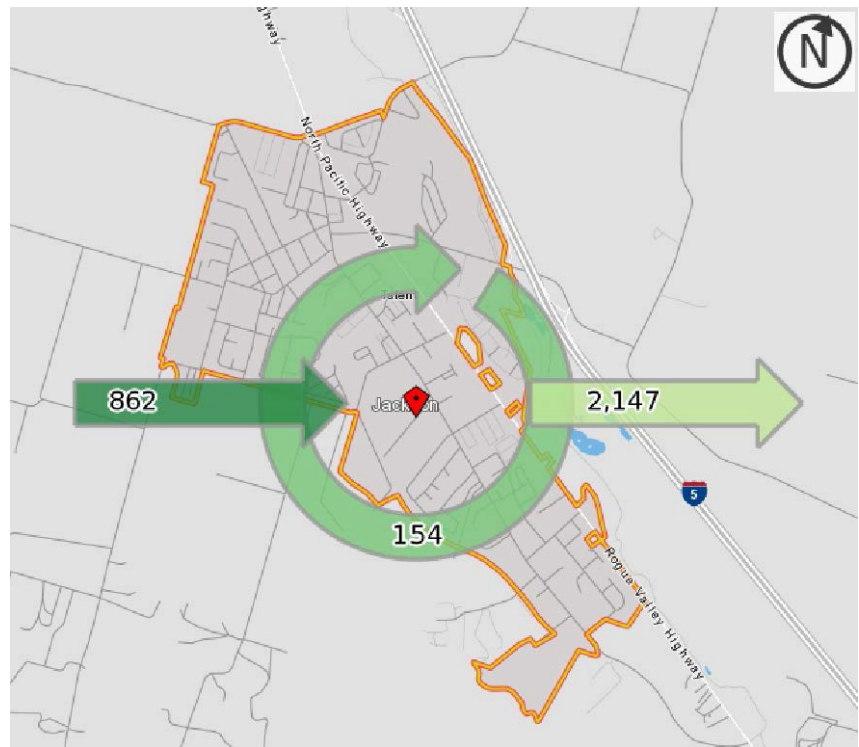
Commuting plays an important role in Talent’s economy because employers in Talent are able to access workers from people living in the city, as well as from across the Rogue Valley. In the 2010-2014 period about 22% percent of Talent’s residents had a commute of less than 15 minutes compared to 40% of Jackson County residents and 33% of Oregon residents.

Talent is part of an interconnected regional economy.

Fewer people both live and work in Talent than commute into or out of the city.

Figure 16. Commuting Flows, Talent, 2014

Source: US Census Bureau, Census On the Map



About 15% of all people who work in Talent also live in Talent.

Figure 17. Places Where Talent Workers Lived, 2014

Source: US Census Bureau, Census On the Map



About 7% of residents who live in Talent also work in Talent. Thirty percent of Talent residents commute to Medford.

Figure 18. Places Where Talent Residents were Employed, 2014

Source: US Census Bureau, Census On the Map



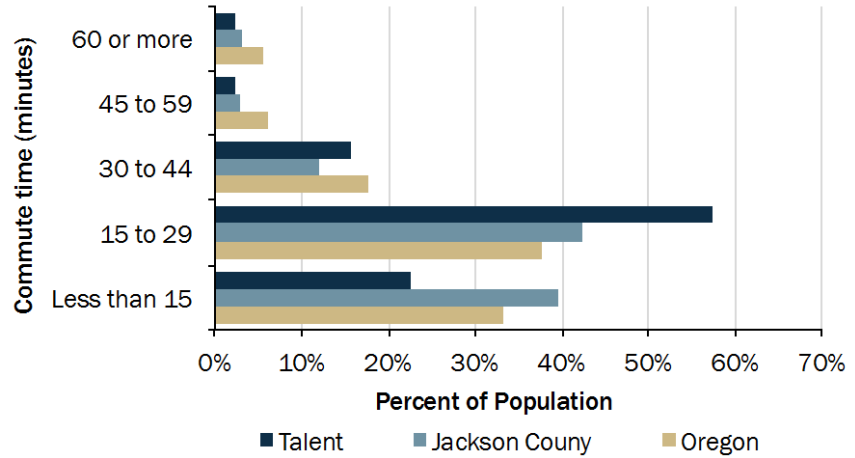
Talent’s businesses attract workers from across the Southern Oregon region. Figure 17 shows 27% of people who work in Talent commute from Medford, 8% from Ashland, and 6% from Central Point. The remaining workers commute from many other cities located in Southern Oregon.

Most Talent residents have a commute time of less than 30 minutes.

About 80% of Talent residents have commute times less than 30 minutes, and only 2% commute for longer than one hour.

Figure 19. Commute Time by Place of Residence, 2010-14

Source: US Census Bureau, 2010-14 ACS Table B08303



Changes in Employment in Jackson County and Talent

The economy of the nation changed substantially between 1980 and 2014. These changes affected the composition of Oregon's economy, including Jackson County and Talent's economy. At the national level, the most striking change was the shift from manufacturing employment to service-sector employment. The most important shift in Oregon during this period has been the shift from a timber-based economy to a more diverse economy, with the greatest employment in services.

Employment Trends in Jackson County

Over the past few decades, employment in the U.S. has shifted from manufacturing and resource-intensive industries to service-oriented sectors of the economy. Increased worker productivity and the international outsourcing of routine tasks have led to declines in employment in the major goods-producing industries.

In the 1970s, Oregon started to transition away from reliance on traditional resource-extraction industries. An important indicator of this transition is the shift within Oregon's manufacturing sector, with a decline in the level of employment in the Lumber & Wood Products industry³⁹ and concurrent growth of employment in high-technology manufacturing industries (Industrial Machinery, Electronic Equipment, and Instruments).⁴⁰

As Oregon has transitioned away from natural resource-based industries, the composition of Oregon's employment has shifted from natural resource based manufacturing and other industries to service industries. The share of Oregon's total employment in Service industries increased from its 1970s average of 19% to 30% in 2000, while employment in Manufacturing declined from an average of 18% of total employment in the 1970s to an average of 12% in 2000.

The changes in sectors and industries are shown in two tables: (1) between 1980 and 2000 and (2) between 2001 and 2014. The analysis is divided this way because of changes in industry and sector classification that made it difficult to compare information about employment collected after 2001 with information collected prior to 2000.

Employment data in this section is summarized by *sector*, each of which includes several individual *industries*. For example, the Retail Trade sector includes General Merchandise Stores, Motor Vehicle and Parts Dealers, Food and Beverage Stores, and other retail industries.

Table 4 shows changes in the Jackson County MSA between 1980 and 2000. Over the total period, total employment in Jackson County increased by 73% from about 42,600 to 73,600 employees. Between 1980 and 2000, employment in services as a share of total employment rose from 17% to 28%.

³⁹ Lumber and Wood Products manufacturing is in Standard Industrial Classification (SIC) 24

⁴⁰ SIC 35, 36, 38

Table 7. Covered Employment by SIC Industries, Jackson County, 1980-2000

| Sector | 1980 | 1990 | 2000 | Change 1980 to 2000 | | |
|-----------------------------------|---------------|---------------|---------------|---------------------|------------|-------------|
| | | | | Difference | Percent | AAGR |
| Agriculture, Forestry & Fishing | 880 | 1,494 | 2,224 | 1,344 | 153% | 4.7% |
| Mining | 87 | 0 | 159 | 72 | 83% | 3.1% |
| Construction | 1,989 | 2,100 | 3,645 | 1,656 | 83% | 3.1% |
| Manufacturing | 7,583 | 8,843 | 9,231 | 1,648 | 22% | 1.0% |
| Trans., Comm., & Utilities | 2,178 | 2,826 | 3,838 | 1,660 | 76% | 2.9% |
| Wholesale Trade | 2,350 | 2,472 | 2,512 | 162 | 7% | 0.3% |
| Retail Trade | 9,756 | 13,639 | 18,866 | 9,110 | 93% | 3.4% |
| Finance, Insurance, & Real Estate | 1,658 | 2,018 | 2,544 | 886 | 53% | 2.2% |
| Services | 7,215 | 12,029 | 20,387 | 13,172 | 183% | 5.3% |
| Non Classifiable | NA | NA | 26 | NA | NA | NA |
| Government | 8,913 | 8,704 | 10,186 | 1,273 | 14% | 0.7% |
| Total | 42,609 | 54,125 | 73,618 | 31,009 | 73% | 2.8% |

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 1980-2000.

Note: "ND" stands for "Not disclosed" and indicates that the data has been suppressed by the BLS due to confidentiality constraints. In most years, the non-disclosure is negligible.

Table 5 shows employment in NAICS-categorized industries in Jackson County for 2001 and 2014. Employment increased by 5,652 jobs, or 8%, during this period. The private sectors with the largest increases in numbers of employees were Education and Health Services, Leisure and Hospitality, and State Government. Employment in higher wage industries such as construction and manufacturing decreased by approximately 350 and 360 jobs respectively over the 2001 to 2014 time period. The education and health service sector increased by 3,800 jobs.

Table 8. Covered Employment by Industry, Jackson County, 2001-2014

| Sector | 2001 | 2014 | Change 2001 to 2014 | | |
|--------------------------------------|---------------|---------------|---------------------|-----------|-------------|
| | | | Difference | Percent | AAGR |
| Natural Resources and Mining | 2,376 | 2,319 | -57 | -2% | -0.2% |
| Construction | 3,640 | 3,289 | -351 | -10% | -0.8% |
| Manufacturing | 7,701 | 7,342 | -359 | -5% | -0.4% |
| Trade, Transportation, and Utilities | 17,672 | 17,917 | 245 | 1% | 0.1% |
| Information | 1,815 | 1,343 | -472 | -26% | -2.3% |
| Financial Activities | 2,907 | 3,094 | 187 | 6% | 0.5% |
| Professional and Business Services | 6,348 | 6,743 | 395 | 6% | 0.5% |
| Education and Health Services | 10,150 | 13,964 | 3,814 | 38% | 2.5% |
| Leisure and Hospitality | 8,511 | 9,876 | 1,365 | 16% | 1.2% |
| Other Services | 2,769 | 3,030 | 261 | 9% | 0.7% |
| Unclassified | 25 | 2 | -23 | -92% | -17.7% |
| Government | 10,188 | 10,835 | 647 | 6% | 0.5% |
| Total | 74,102 | 79,754 | 5,652 | 8% | 0.6% |

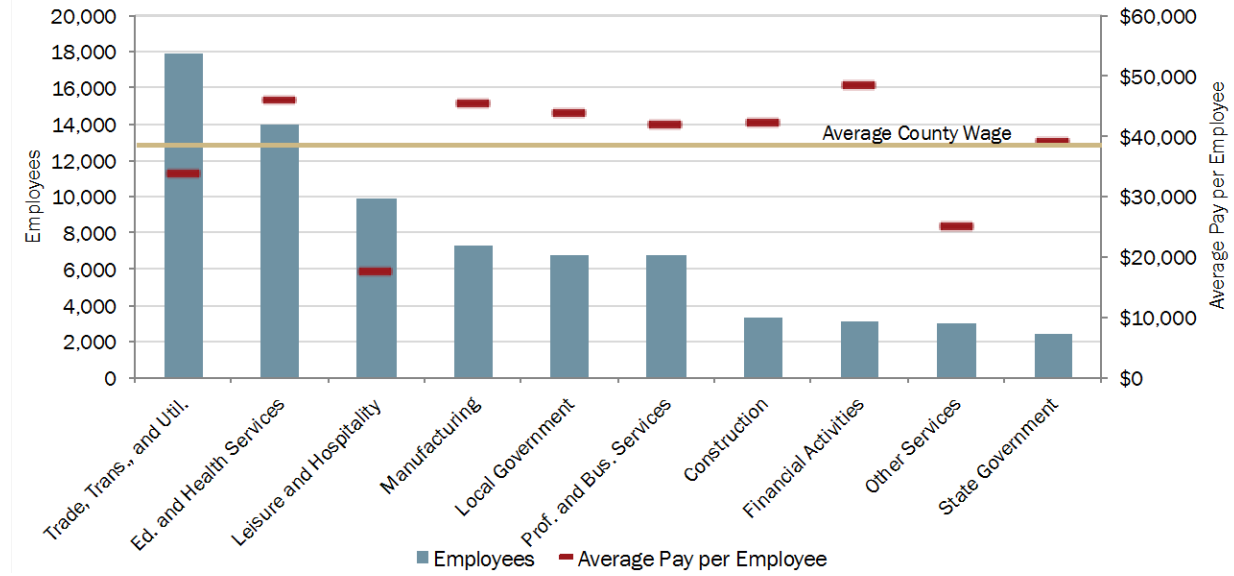
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2001-2014

Note: "ND" stands for "Not Disclosed" and indicates that the data has been suppressed by the BLS due to confidentiality constraints. The total amount of not-disclosed employment is shown in the table.

Figure 20 shows covered employment and average wage for the 10 largest industries in Jackson County. Jobs in Education and Health Services, which account for about 18% of the County's covered employment, pay more per year than the county average (\$46,069 compared to \$38,353). Jobs in Manufacturing, Local Government, Professional and Business Services,

Construction, Financial Activities, and State Government all pay about the county average, while those in Trade, Transportation, and Utilities, Leisure and Hospitality, and Other Services pay less than the average.

Figure 20. Covered Employment and Average Pay by Industry, 10 Largest Industries Jackson County, 2014



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2014.

Employment Trends in Talent

Table 6 shows a summary of confidential employment data for the city of Talent in 2014. The sectors with the greatest number of employees were: Manufacturing (18%), Government (17%), and Construction (12%). These sectors accounted for 465 jobs or 47% of Talent’s employment.

The average size for a private business in Talent is 5.1 employees per business, compared to the State average of 11 employees per private business. Businesses with 20 or fewer employees account for roughly 64% of private employment in Talent. Businesses with 9 or fewer employees account for 44% of private employment and 4 or fewer account for 20% of private employment.

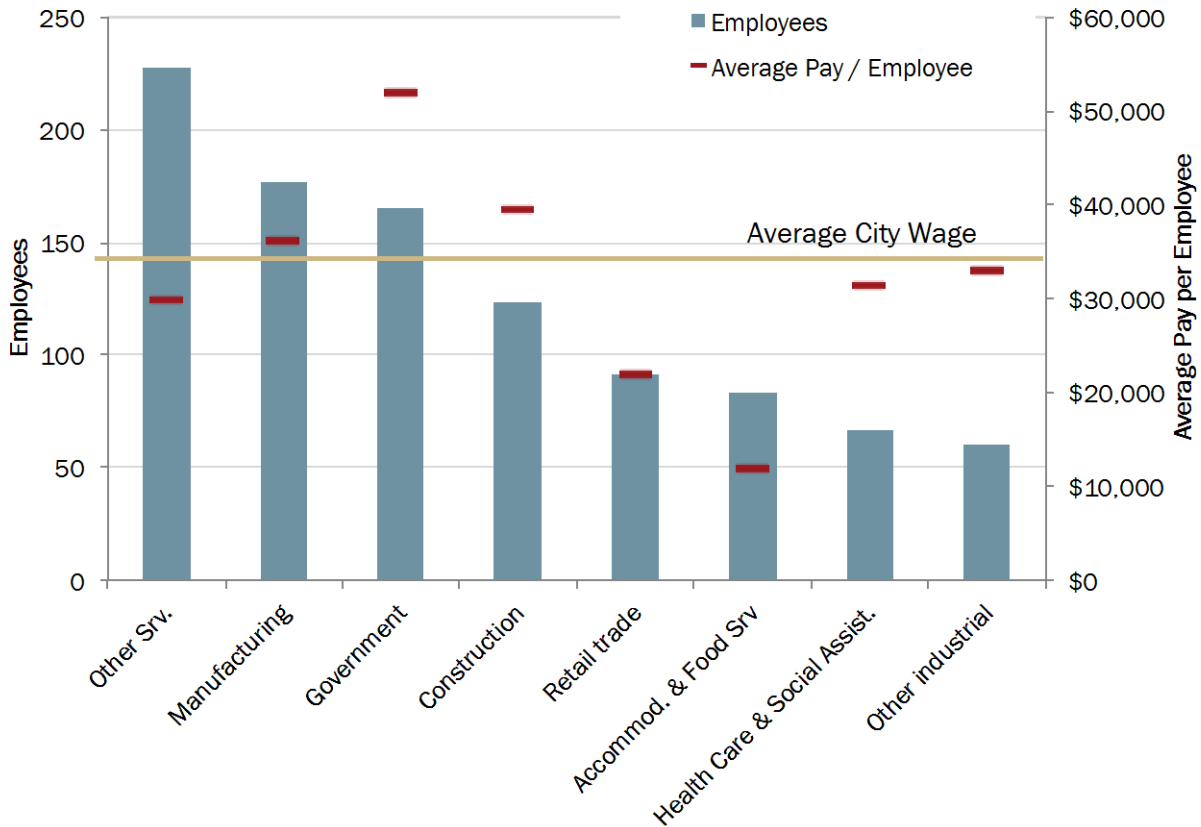
Table 9. Covered Employment and Average Pay by Industry, Talent UGB, 2014

| Sector/Industry | Establishments | Employees | Payroll | Average Pay / Employee |
|--|----------------|------------|----------------------|------------------------|
| Construction | 15 | 123 | \$ 4,854,727 | \$ 39,469 |
| Manufacturing | 10 | 177 | \$ 6,383,370 | \$ 36,064 |
| Other industrial | 9 | 60 | \$ 1,975,892 | \$ 32,932 |
| Retail trade | 14 | 91 | \$ 1,994,982 | \$ 21,923 |
| Information | 3 | 26 | \$ 1,377,731 | \$ 52,990 |
| Finance and insurance | 6 | 16 | \$ 569,679 | \$ 35,605 |
| Real estate and rental and leasing | 13 | 47 | \$ 1,035,320 | \$ 22,028 |
| Professional & scientific, Mgt of companies | 14 | 34 | \$ 1,383,322 | \$ 40,686 |
| Administrative and waste management services | 10 | 60 | \$ 1,340,755 | \$ 22,346 |
| Health care and social assistance | 14 | 67 | \$ 2,099,729 | \$ 31,339 |
| Arts, entertainment, and recreation | 6 | 24 | \$ 461,534 | \$ 19,231 |
| Accommodation and food services | 19 | 83 | \$ 984,667 | \$ 11,863 |
| Other services, except public administration | 28 | 21 | \$ 614,253 | \$ 29,250 |
| Government | 7 | 165 | \$ 8,564,108 | \$ 51,904 |
| Total | 168 | 994 | \$ 33,640,069 | \$ 33,843 |

Source: Oregon Employment Department, Quarterly Census of Employment and Wages, 2014.

Figure 21 shows the employment and average pay per employee for selected industrial sectors in Talent. Average pay for all employees (\$33,843) is shown as a light brown line across the graph and average pay for individual sectors as short red lines. The figure shows that Government, Construction, and Manufacturing have above average wages. The lowest wages are in Retail Trade and Accommodations and Food Services.

Figure 21. Covered Employment and Average Pay by Industry, Talent UGB, 2014



Source: Oregon Employment Department, Quarterly Census of Employment and Wages, 2014.

Tourism in Southern Oregon and Talent

Longwoods International provides regional statistics on travel. The following information is from Longwoods International’s Oregon 2013 Regional Visitor Report for the Southern Oregon region.⁴¹ Broadly, travelers to Southern Oregon account for:

- 3.7 million overnight trips annually; 12% of Oregon Travel
- Primary market area for travelers is Oregon, California, and Washington: 44% of Southern Oregon visitors are from Oregon; 22% are from California; and 12% are from Washington
- 64% stayed 2 or fewer nights; 31% stayed 3-6 days; and 5% stayed 7 or more days
- Average per person expenditures on overnight trips range from \$11 to \$33 per night
- About 72% of visits are by automobile; 9% travel by RV
- Visitors are affluent, older, and well-educated: over half have college degrees; 30% between ages 50-64; 22% 65+; 21% between \$50 and \$70k; 14% between \$70 and \$100k; and 22% over \$100k

Jackson County’s direct travel spending increased 64% from 2000 to 2014.

The Southern Oregon Region’s direct travel spending increased by 53% over the same period.

Figure 22. Direct Travel Spending (\$ millions), 2000 and 2014

Source: Dean Runyan Associates, Oregon Travel Impacts, 1991-2014.

| | | |
|-------------|--|--------------------------------|
| 2000 | \$627 Southern Oregon Region | \$308 Jackson County |
| 2014 | \$957 Southern Oregon Region | \$506 Jackson County |

Talent’s lodging tax receipts decreased 29% over 2004 to 2014.

Jackson County’s lodging tax receipts increased by 45% over the same period.

Figure 23. Lodging Tax Receipts, 2004 and 2014

Source: Dean Runyan Associates, Oregon Travel Impacts, 1991-2014.

| | | |
|-------------|--------------------------|----------------------------------|
| 2004 | \$7,000 Talent | \$3,355 Jackson County |
| 2014 | \$5,000 Talent | \$5,601 Jackson County |

Jackson County’s largest visitor spending for purchased commodities are food services.

Figure 24. Largest Visitor Spending Categories (\$ millions), Jackson County, 2014

Source: Oregon Travel Impacts

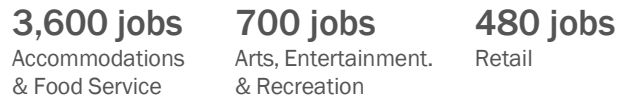
| | | |
|--------------------------------|---------------------------------|-------------------------|
| \$114.5 Food Service | \$82.3 Accommodations | \$54.6 Retail |
|--------------------------------|---------------------------------|-------------------------|

⁴¹ “Oregon 2013 Regional Visitor Report, The Southern Region,” Longwoods International, 2013

Jackson County's largest employment generated by travel spending is in the accommodations and food service industry.

Figure 25. Largest Industry Employment Generated by Travel Spending, Jackson County, 2014

Source: Oregon Travel Impacts



Regional Business Clusters

One way to assess the types of businesses that are likely to have future growth in an area is to examine relative concentration and employment growth of existing businesses. This method of analysis can help determine relationships and linkages within industries, also called industrial clusters. Sectors that are highly concentrated (meaning there are more than the “average” number of businesses in a sector in a given area) and have had high employment growth are likely to be successful industrial clusters. Sectors with either high concentration of businesses or high employment groups may be part of an emerging cluster, with potential for future growth.

The U.S. Cluster Mapper is a database created by the Harvard Business School and the U.S. Economic Development Administration. It provides a snapshot of the business clusters in Jackson County. The business clusters it identified were:

- **Business Services.** This cluster includes businesses such as consulting services, employment placement services, engineers, architects, and others. In Jackson County, this cluster employed 4,278 people in 2013.
- **Distribution and Electronic Commerce.** This cluster consists of firms providing wholesale of electronic goods, sporting and recreational goods, and professional equipment supplies, among other services. In Jackson County, this cluster employed 2,732 people in 2013.
- **Transportation and Logistics.** This cluster consists of firms providing air transportation, specialties in air transportation, ground transportation support activities, trucking, and bus transportation. In Jackson County, this cluster employed 2,024 people in 2013.
- **Wood Products.** Production of wood components and products, processing wood, and prefabricated wood building continue to be a significant employment cluster in Oregon. Oregon is the dominant producer of softwood plywood, softwood veneer, engineered wood products, and lumber. Emerging forest products include generation of renewable electric energy and producing transportation bio-fuels from woody biomass. In Jackson County, this cluster employed 1,836 people in 2013.

One of Jackson County’s largest business clusters is in business services.

Figure 26. Business Clusters in Jackson County, 2013

Source: U.S. Economic Development Administration, U.S. Cluster Mapper

4,278 jobs

Business Services

2,732 jobs

Distribution & E-Commerce.

2,024 jobs

Transportation & Logistics

1,836 jobs

Wood Products

Outlook for growth in Jackson County

Table 7 shows the Oregon Employment Department's forecast for employment growth by industry for the Rogue Valley Region (Jackson and Josephine Counties) over the 2012 to 2022 period. Table 7 shows employment in the Rogue Valley is forecast to grow at an average annual growth rate of 1.24%.

The sectors that will lead employment in the region for the 10-year period are Private Educational and Health Service (adding 3,750 jobs), Trade, Transportation, and Utilities (2,310), Leisure and Hospitality (1,810), Professional and Health Services (1,550), and Government (1,030). In sum, these sectors are expected to add 10,450 new jobs or about 80% of employment growth in the Rogue Valley Region.

Table 10. Regional Employment Projections, 2012-2022, Rogue Valley Region (Jackson and Josephine Counties)

| Industry Sector | 2012 | 2022 | Change 2012-2022 | | |
|--|----------------|----------------|------------------|------------|--------------|
| | | | Number | Percent | AAGR |
| Total private | 85,140 | 97,180 | 12,040 | 14% | 1.3% |
| Natural resources and mining | 2,700 | 3,000 | 300 | 11% | 1.1% |
| Mining and logging | 420 | 470 | 50 | 12% | 1.1% |
| Construction | 3,500 | 4,160 | 660 | 19% | 1.7% |
| Manufacturing | 9,030 | 9,890 | 860 | 10% | 0.9% |
| Durable goods | 6,050 | 6,720 | 670 | 11% | 1.1% |
| Wood product manufacturing | 2,210 | 2,440 | 230 | 10% | 1.0% |
| Trade, transportation, and utilities | 22,070 | 24,380 | 2,310 | 10% | 1.0% |
| Wholesale trade | 3,090 | 3,370 | 280 | 9% | 0.9% |
| Retail trade | 15,900 | 17,560 | 1,660 | 10% | 1.0% |
| Transportation, warehousing, and utilities | 3,080 | 3,450 | 370 | 12% | 1.1% |
| Information | 1,900 | 1,880 | -20 | -1% | -0.1% |
| Financial activities | 4,970 | 5,500 | 530 | 11% | 1.0% |
| Professional and business services | 8,370 | 9,920 | 1,550 | 19% | 1.7% |
| Private educational and health services | 17,540 | 21,290 | 3,750 | 21% | 2.0% |
| Private educational services | 860 | 940 | 80 | 9% | 0.9% |
| Health care and social assistance | 16,680 | 20,350 | 3,670 | 22% | 2.0% |
| Health care | 14,790 | 18,180 | 3,390 | 23% | 2.1% |
| Leisure and hospitality | 11,660 | 13,470 | 1,810 | 16% | 1.5% |
| Accommodation and food services | 10,010 | 11,600 | 1,590 | 16% | 1.5% |
| Other services | 3,400 | 3,690 | 290 | 9% | 0.8% |
| Government | 14,870 | 15,900 | 1,030 | 7% | 0.7% |
| Federal government | 1,950 | 1,830 | -120 | -6% | -0.6% |
| State government | 3,670 | 3,940 | 270 | 7% | 0.7% |
| State education | 1,370 | 1,500 | 130 | 9% | 0.9% |
| Local government | 9,250 | 10,130 | 880 | 10% | 0.9% |
| Local education | 5640 | 6,270 | 630 | 11% | 1.1% |
| Total payroll employment | 100,010 | 113,080 | 13,070 | 13% | 1.2% |

Source: Oregon Employment Department. Employment Projections by Industry 2012-2022.

3.6 Talent's Competitive Advantages

Economic development opportunities in Talent will be affected by local conditions as well as the national and state economic conditions addressed above. Economic conditions in Talent relative to these conditions in other portions of the Southern Oregon region form Talent's competitive advantage for economic development. Talent's competitive advantages have implications for the types of firms most likely to locate and expand in the Area.

There is little that metropolitan area jurisdictions can do to influence national and state conditions that affect economic development, though they can influence local factors that affect economic development. Talent's primary competitive advantages are: location, access to transportation, and quality of life. These factors make Talent attractive to residents and businesses that want a high quality of life where they live and work.

The local factors that form Talent competitive advantage are summarized in the subsections below.

Location

Talent is a city with a population of approximately 6,230 people as of 2014, located in Southern Oregon to the southeast of Medford and Phoenix. Interstate 5 runs just along the northeastern boundary of Talent and Highway 99 runs northeast-southeast through the city. Both Interstate 5 and Highway 99 provide access to Ashland in the south as well as Phoenix and Medford up north. Talent's location will impact the area's future economic development:

- Talent has easy and quick access to the State's highway system and other transportation opportunities. Interstate 5 is just beyond the northeastern Talent UGB, with Exit 21 taking drivers immediately into the City. Highway 99 is the primary northeast-southeast route through the City, connecting residents and commuters to other Southern Oregon cities. Residents and businesses in Talent have access to other modes of transportation in Medford, including the Medford airport, Greyhound bus service, and Amtrak rail service.
- Talent is located within Jackson County, the sixth-most populated county in the State, with 208,375 people in 2014. Talent is about 7.5 miles southeast of Medford via Highway 99, the eighth-most populated city in Oregon with 76,650 people in 2014. Other nearby and relatively large cities include Ashland, Central Point, and Grants Pass.
- Residents of Talent have access to cultural activities such as the Camelot Theatre, The Talent Artisans and Growers Summer Market, events and classes at the Library, Historical Society and Community Center, and the annual The Harvest Festival. Residents also have access to outdoor recreational activities and shopping.

Talent's location, access to Interstate 5, and proximity to larger cities in Southern Oregon such as Medford are primary competitive advantages for economic development in Talent.

Availability of Transportation

All firms are heavily dependent upon surface transportation for efficient movement of goods, customers, and workers. Access to an adequate highway and arterial roadway network is needed for all industries. Close proximity to a highway or arterial roadway is critical for firms that generate a large volume of truck or auto trips as well as firms that rely on visibility from passing traffic to help generate business.

Businesses and residents in Talent have access to a variety of modes of transportation: automotive (I-5, 99, and local roads); bus (Greyhound); and air (Medford Airport).

Talent has exceptional automotive access for commuting via I-5, due to its close proximity. Highway 99 runs near Talent's downtown, which makes moving freight along the highway undesirable from the City's perspective because of disruption from trucks.

Public Facilities and Services

Provision of public facilities and services can impact a firm's decision regarding location within a region, but ECONorthwest's past research has shown that businesses make locational decisions primarily based on factors that are similar within a region. These factors are: the availability and cost of labor, transportation, raw materials, capital, and amenities. The availability and cost of these production factors are usually similar within a region.

Once a business has chosen to locate within a region, they consider the factors that local governments can most directly affect: tax rates, the cost and quality of public services, and regulatory policies. Economists generally agree that these factors do affect economic development, but the effects on economic development are modest. Thus, most of the strategies available to local governments have only a modest effect on the level and type of economic development in the community.

Water

Talent used to own and operate their own potable water system, which served about 6,000 customers. Now, the City obtains most of its water from the Medford Water Commission through the TAP (Talent, Ashland, and Phoenix) transmission main line.⁴² The transmission line is 24-inches in diameter. Most of the water purchased and transmitted through the TAP pipeline comes directly from Big Butte Springs, which is located near the town of Butte Falls. In addition, Talent receives some of its drinking water from the City of Ashland via the TAP transmission pipeline.⁴³

Despite Talent not operating its personal water source, it does maintain its own storage and distribution system. The distribution system consists of 26 miles of pipeline 4 inches or larger

⁴² Water distribution information for Talent can be found on the City's website at the following web address: <http://www.cityoftalent.org/Page.asp?NavID=104>.

⁴³ City of Talent's 2014 Water Quality Report. Retrieved from: <http://www.cityoftalent.org/SIB/files/PW/WaterQualityReport2014.pdf>.

and Talent's storage is three tanks. Two of the tanks, named Belmont Reservoir #1 and #2, the first of which is larger, can hold up to 1.5 million gallons (MG) of water.⁴⁴ Most customers of Talents' water service lie within the City's limits in addition to the unincorporated, adjacent parts of Jackson County.

Wastewater

The City of Talent is provided sanitary sewer services by the Rogue Valley Sewer Services (RVSS). The RVSS has three points to connect the Talent system to the Bear Creek Regional Interceptor and there are two pump stations that move sewage to the Regional Water Reclamation Facility. At this facility, the wastewater is then dumped in the Rogue River.⁴⁵

Quality of Life

Quality of life is difficult to assess because it is subjective—different people will have different opinions about factors that affect quality of life, desirable characteristics of those factors, and the overall quality of life in any community. Economic factors such as income, job security, and housing cost are often cited as important to quality of life. These economic factors and overall economic conditions are the focus of this report, so this section will focus on non-economic factors that affect quality of life.

Talent's quality of life is a key comparative advantage for economic development. Key quality of life factors in Talent are:

- **Outdoor recreational activities.** There are a number of outdoor recreational opportunities available in surrounding Jackson County, including: hiking, fishing and boating on the Rogue River, the Bear Creek Greenway (which runs along the Bear Creek from Ashland to the Rogue River), skiing, and other activities.
- **Ease of auto access.** Both Highway 99 and Interstate 5 connect Talent to Medford and Ashland. Although some of the roads in the region suffer from congestion, Jackson County has excellent automobile access, especially to I-5.
- **Cultural amenities and events.** Residents of Talent have access to cultural amenities such as the Camelot Theatre, the Talent Artisans and Growers Summer Market, events and classes at the Library, Historical Society and Community Center, the annual The Harvest Festival, and events in nearby cities and rural Jackson County, such as museums, wine tasting, and vineyard activities. The County is home to a number of events, including: the Shakespeare Festival, the Britt Music Festival, the Jackson County Fair, and other events.

⁴⁴ Information on Talent's current storage and distribution system can be located on the City's website at the following web address: <http://www.cityoftalent.org/Page.asp?NavID=104>.

⁴⁵ City of Talent's Comprehensive Plan, Effective September 9th, 2015. Retrieved from: [http://www.cityoftalent.org/SIB/files/Planning/Development_Codes/Comprehensive%20Plan%20\(Effective%209-5-15\).pdf](http://www.cityoftalent.org/SIB/files/Planning/Development_Codes/Comprehensive%20Plan%20(Effective%209-5-15).pdf).

- **Access to higher education.** Southern Oregon University, located in Ashland, and Rogue Community College, located in Medford and White City, provide access to higher education to residents of Talent and the rest of the County.
- **Access to medical care.** Residents of Talent can access medical care through two regional medical centers: the Rogue Valley Medical Center, and the Providence Medford Medical Center.

Talent's quality of life makes the City attractive to in-migrants and businesses that are attracted to Jackson County.

3.7 Talent's Strengths, Weaknesses, Opportunities and Threats for Economic Development

Based on the discussion above and discussion with stakeholders in Talent, the following are the city's strengths, weaknesses, opportunities and threats for Economic Development.

Strengths

- **Access to I-5.** Talent has excellent transportation access to the State's highway network through its proximity to I-5. Being adjacent to I-5 makes it easy to commute to and from Talent and provides access to the nearby cities of Medford and Ashland.
- **Existing businesses.** Talent has many small businesses in a range of industries from manufacturing to retail trade to health care. Talent's existing businesses provide a base to build new businesses that bring needed services or goods to the city for residents, other businesses, or visitors.
- **Walkable downtown.** Talent's existing downtown is pedestrian-friendly. The City has plans for continuing to develop in downtown, with relocation of the Irrigation District offices. A walkable downtown contributes to quality of life and encourages more physical activity.
- **Arts and culture.** Talent has an arts community that includes small business owners, artists, and musicians. Residents of Talent have access to cultural activities such as the Camelot Theatre, the annual Harvest Festival, and the City-Wide Yard Sale.
- **Agriculture.** Talent is located in a rich agricultural region, with a diverse offering of agricultural products including fruits, cattle, wine, and nursery plants. The nearby agricultural activity provides inputs for locally produced food and beverage products.
- **Relatively affordable housing.** In comparison with nearby cities, Talent's real estate market is relatively affordable.
- **Regional access to workforce.** Talent's location within the Rogue Valley gives the City's businesses access to a pool of experienced professionals. Higher education establishments in the region provide training for young and lower skilled workers.
- **High quality of life.** Talent's small-town feel and close proximity to outdoor recreation activities make it a desirable place to live.

Weaknesses

- **Need for downtown redevelopment.** Talent's downtown business district has vacant buildings, and business growth has been stagnant.
- **Lack of cohesive economic development planning and marketing.** The City currently lacks an economic development strategy and brand for attracting and retaining new businesses and growing small businesses.
- **Distance from major airport and markets.** Although Talent has excellent automotive access through I-5, it is far from any major airports, which is a weakness for attracting businesses that need frequent access to flying. Talent is also remote from the major markets along I-5 (e.g., Portland).
- **Small base of business.** Talent's employment base is relatively small in comparison to Medford and Ashland. Some types of businesses, such as big box stores or banks, are less likely to locate in Talent because of the small population base and relatively close proximity of larger cities with retail and personal services.
- **Challenging regulatory climate for business growth.** Talent has relatively high fees for new development and System Development Charges (SDCs). In addition, there is a lack of incentives for new businesses.

Opportunities

- **(Re)develop vacant buildings and land.** Talent's supply of vacant land and affordable real estate prices offer a number of opportunities for redevelopment, particularly in commercial areas near downtown.
- **Improve services for tourists.** Offering additional services for tourists, such as a hotel, could help Talent grow its tourism market and capitalize on its proximity to Ashland. Talent currently lacks services to support overnight visitors.
- **Improve rail access.** Talent's proximity to the rail and I-5 could support growth in manufacturing, warehousing, and other freight shipping industries.
- **Expand arts and agricultural businesses.** Talent's arts and agricultural businesses could be target industries for the City. In particular, Talent could focus on expanding production and processing of local agricultural products, for example by creating spaces for food trucks. Talent also has opportunities to develop manufacturing of cannabis products, such as oils or edible products. Development of a maker space could support expansion of arts and agricultural businesses.
- **Improve workforce training opportunities.** Nearby higher educational institutions like Southern Oregon University and Rogue Community College provide an opportunity for Talent to gain a more highly-trained workforce.

Threats

- **National and regional economic cycles.** Talent, like all other cities, is subject to national and regional economic cycles. The 2007-2009 recession negatively affected Talent, with downsizing and closure of businesses.
- **Difficulty attracting highly skilled workers.** Businesses in Talent may have difficulties attracting and retaining skilled workers, both for production jobs and for jobs requiring higher education. This problem is not unique to Talent and businesses in most smaller cities in Oregon have a similar problem. This problem is worse in small cities in relatively small regions, such as the Rogue Valley, where it can be difficult for families to move to the region if jobs are not available to both adults in the household.

4. Employment Growth and Site Needs

Goal 9 requires cities to prepare an estimate of the amount of commercial and industrial land that will be needed over a 20-year planning period. The estimate of employment land need and site characteristics for Talent is based on expected employment growth and the types of firms that are likely to locate in Talent over the 20-year period. This section presents an employment forecast and analysis of target industries that build from recent economic trends.

4.1 Forecast of Employment Growth and Commercial and Industrial Land Demand

Demand for industrial and non-retail commercial land will be driven by the expansion and relocation of existing businesses and by the growth of new businesses in Talent. This employment land demand is driven by local growth independent of broader economic opportunities, including growth of target industries.

The employment projections in this section build off of Talent's existing employment base, assuming future growth similar to Jackson County's long-term historical employment growth rates. The employment forecast does not take into account a major change in employment that could result from the location (or relocation) of one or more large employers in the community during the planning period. Such a major change in the community's employment would exceed the growth anticipated by the City's employment forecast and its implied land needs (for employment, but also for housing, parks, and other uses). Major economic events, such as the successful recruitment of a very large employer, are difficult to include in a study of this nature. The type of implication, however, is relatively predictable: more demand for land (of all types) and public services.

Projecting demand for industrial and non-retail commercial land has four major steps:

1. **Establish base employment for the projection.** We start with the estimate of covered employment in Talent presented in Table 6. Covered employment does not include all workers, so we adjust covered employment to reflect total employment in Talent.
2. **Project total employment.** The projection of total employment considers forecasts and factors that may affect employment growth in Talent over the 20-year planning period.
3. **Allocate employment.** This step involves allocating types of employment to different land-use types.
4. **Estimate land demand.** This step estimates general employment land demand based on employment growth and assumptions about future employment densities.

The remainder of this section follows this outline to estimate employment growth and commercial and industrial land demand for Talent.

Employment Base for Projection

The purpose of the employment projection is to model future employment land need for general employment growth. The forecast of employment growth in Talent starts with a base of employment growth on which to build the forecast. Table 8 shows ECONorthwest's estimate of total employment in the Talent UGB in 2014.

To develop the figures, ECONorthwest started with estimated covered employment in the Talent UGB from confidential Quarterly Census of Employment and Wages (QCEW) data provided by the Oregon Employment Department. Based on this information, Talent had about 994 covered employees in 2014, accounting for 1.2% of covered employment in Jackson County.

Covered employment, however, does not include all workers in an economy. Most notably, covered employment does not include sole proprietors. Analysis of data shows that *covered* employment reported by the Oregon Employment Department for Jackson County is only about 71% of *total* employment reported by the U.S. Department of Commerce.⁴⁶ We evaluated this ratio for each industrial sector for Jackson County and used the resulting ratios to determine the number of non-covered employees. This allowed us to determine the total employment in Talent. Table 8 shows Talent had an estimated 1,346 *total* employees within its UGB in 2014.

⁴⁶ **Covered** employment includes employees covered by unemployment insurance. Examples of workers not included in covered employment are sole proprietors, some types of contractors (often referred to as "1099 employees"), or some railroad workers. Covered employment data is from the Oregon Employment Department.

Total employment includes all workers based on data from the U.S. Department of Commerce. Total employment includes all covered employees, plus sole proprietors and other non-covered workers.

Table 11. Estimated total employment by sector, Talent UGB, 2014

| Sector | Covered Employment | Total Employment | Covered % of Total |
|--|---------------------------|-------------------------|---------------------------|
| Construction | 123 | 223 | 55% |
| Manufacturing | 177 | 209 | 85% |
| Other industrial | 60 | 70 | 85% |
| Retail trade | 91 | 111 | 82% |
| Information | 26 | 36 | 73% |
| Finance and insurance | 16 | 32 | 50% |
| Real estate and rental and leasing | 47 | 66 | 71% |
| Professional, scientific, and mgmt. of companies | 34 | 48 | 71% |
| Admin. and waste mgmt. services | 60 | 103 | 59% |
| Health care and social assistance | 67 | 85 | 79% |
| Arts, entertainment, and recreation | 24 | 57 | 42% |
| Accommodation and food services | 83 | 91 | 91% |
| Other services, except public administration | 21 | 47 | 45% |
| Government | 165 | 168 | 98% |
| Total | 994 | 1,346 | 71% |

Source: 2014 covered employment from confidential Quarterly Census of Employment and Wage (QCEW) data provided by the Oregon Employment Department.

Employment Projection

The employment forecast covers the 2016 to 2036 period, requiring an estimate of total employment for Talent in 2016.

The City of Talent does not have an existing employment forecast, and there is no required method for employment forecasting. OAR 660-024-0040(9) sets out some optional “safe harbors” that allow a city to determine employment land need.

Talent is relying on the safe harbor described in OAR 660-024-0040(9)(a)(B), which allows Talent to assume that the current number of jobs in the Talent urban area will grow during the 20-year planning period at a rate equal to “The population growth rate for the urban area in the appropriate 20-year coordinated population forecast determined under Rules in OAR 660, div 32.” Talent’s population forecast for the 2015 to 2035 period shows that population in the Talent UGB will grow at an average annual growth rate of 1.7%.⁴⁷

Table 9 shows employment growth in Talent between 2016 and 2036, based on the assumption that Talent will grow at an average annual growth rate of 1.7%. Talent will have 1,959 employees within the UGB by 2036, an increase of 566 employees (41%) between 2016 and 2036.

Table 12. Employment growth in Talent UGB, 2016–2036

| Year | Total Employment |
|----------------------------|------------------|
| 2016 | 1,393 |
| 2036 | 1,959 |
| Change 2016 to 2036 | |
| Employees | 566 |
| Percent | 41% |
| AAGR | 1.7% |

Source: ECONorthwest

⁴⁷ “Coordinated Population Forecast, 2015 through 2065, Jackson County Urban Growth Boundaries and Areas Outside UGBs,” Portland State University Population Research Center. Figure 1.

Allocate Employment to Different Land Use Types

The next step in forecasting employment is to allocate future employment to broad categories of land use. Firms wanting to expand or locate in Talent will look for a variety of site characteristics, depending on the industry and specific circumstances. We grouped employment into four broad categories of land-use based on North American Industrial Classification System (NAICS): industrial, commercial, retail, and government.

Table 10 shows the expected share of employment by land use type in 2016 and the forecast of employment growth by land use type in 2036 in Talent’s UGB. The forecast shows growth in all categories of employment. The forecast assumes retail commercial will increase to 10% of employment by 2036 because the current percent of employment (8%) is relatively low for a city the size of Talent. One reason that may account for the relatively low share of employment in Retail was the closure of stores during the recent recession. It also assumes that Government will grow slower than other employment, adding 22 employees and accounting for 10% of employment by 2036. The majority of Government employment growth will be in public schools.

Table 13. Forecast of employment growth by land use type, Talent UGB, 2016–2036

| Land Use Type | 2016 | | 2036 | | Change 2016 to |
|------------------------------|--------------|-------------|--------------|-------------|-------------------|
| | Employment | % of Total | Employment | % of Total | |
| Industrial | 520 | 37% | 725 | 37% | 205 |
| Retail Commercial | 115 | 8% | 196 | 10% | 81 |
| Office & Commercial Services | 585 | 42% | 842 | 43% | 257 |
| Government | 174 | 12% | 196 | 10% | 22 |
| Total | 1,393 | 100% | 1,959 | 100% | 565 |

Source: ECONorthwest

Note: The shaded percentages denote an assumption about the future change in the share of employment (as a percent of total) by land use type.

Estimate of Demand for Commercial and Industrial Land

Some employment growth in Talent will not require vacant employment land over the 20-year period. Table 11 shows that some employment will locate in residential plan designations, based on the location of existing employment. According to QCEW data, some employment in Talent in 2014 is located on land designated for residential uses. The following amounts of employment located in residential plan designations are: (1) 12% of industrial employment, such as home offices for construction companies; (2) 2% of retail employment, such as corner stores or other retail in neighborhoods, and (3) 22% of office and commercial services, such as medical offices or small personal service businesses such as banks or hair stylists.

This analysis assumes that the percentage of new employment locating in residential land designations will remain the same over the 20-year period: 12% of industrial, 2% of retail, and 22% of office and commercial service employment.

Using these assumptions, 84 new employees will be accommodated on land in residential designations and 459 new employees will require vacant (including partially vacant) land over the 2016 to 2036 period.

Table 14. Forecast of employment growth by land use type, Talent UGB, 2016–2036

| Land Use Type | New Employment Growth | Emp. In Res. Designations | New Emp. on Vacant Land |
|------------------------------|-----------------------|---------------------------|-------------------------|
| Industrial | 205 | 25 | 180 |
| Retail Commercial | 81 | 2 | 79 |
| Office & Commercial Services | 257 | 57 | 200 |
| Total | 543 | 84 | 459 |

Source: ECONorthwest

Table 12 shows demand for vacant (including partially vacant) land in Talent over the 20-year period. The assumptions used in Table 12 are:

- **Employment density.** Employees per acre is a measure of employment density, based on the ratio of the number of employees per acre of employment land that is developed for employment uses. Table 12 assumes the following number of net employees per acre: Industrial will have an average of 10 employees per acre, and Retail Commercial and Office and Commercial Services will have an average of 20 employees per acre.

These employment densities are consistent with employment densities in Oregon cities of similar size as Talent. Some types of employment will have higher employment densities (e.g., a multistory office building) and some will have lower employment densities (e.g., a convenience store with a large parking lot).

- **Conversion from net-to-gross acres.** The data about employment density is in *net* acres, which does not include land for public right-of-way. Future land need for employment

should include land in tax lots needed for employment plus land needed for public right-of-way. One way to estimate the amount of land needed for employment including public right-of-way is to convert from *net* to *gross* acres based on assumptions about the amount of land needed for right-of-way.⁴⁸ A net to gross conversion is expressed as a percentage of gross acres that are in public right-of-way.

Based on empirical evaluation of Talent’s existing net-to-gross ratios, ECONorthwest uses a net-to-gross conversion factor of 10% for industrial and 19% for commercial and retail.

Using these assumptions, the forecasted growth of 459 new employees will result in the following demand for vacant (and partially vacant) employment land: 20 gross acres of industrial land, 4.9 gross acres of retail commercial land, and 12.3 gross acres of land for office and commercial services.

Table 15. Demand for vacant land to accommodate employment growth, Talent UGB, 2016 to 2036

| Land Use Type | New Emp. on Vacant Land | Employees per Acre (Net Acres) | Land Demand (Net Acres) | Land Demand (Gross Acres) |
|---|-------------------------|--------------------------------|-------------------------|---------------------------|
| Industrial | 180 | 10 | 18.0 | 20.0 |
| Retail Commercial | 79 | 20 | 4.0 | 4.9 |
| Office & Commercial Services | 200 | 20 | 10.0 | 12.3 |
| Total | 459 | | 32.0 | 37.2 |

Source: ECONorthwest

Note: Vacant land includes land identified in the buildable lands inventory as vacant or partially vacant.

⁴⁸ OAR 660-024-0010(6) uses the following definition of net buildable acre. “Net Buildable Acre” consists of 43,560 square feet of residentially designated buildable land after excluding future rights-of-way for streets and roads. While the administrative rule does not include a definition of a gross buildable acre, using the definition above, a gross buildable acre will include areas used for rights-of-way for streets and roads. Areas used for rights-of-way are considered unbuildable.

4.2 Target Industries

This section presents Talent's vision for economic development and the City's target industries.

Talent's Economic Development Policies

Talent is in the process of updating the Economy Element of the City's Comprehensive Plan. The updated policies summarize Talent's vision of economic development related to planning for management of commercial and industrial lands. Those policies are:

POLICY 1: Land Availability: The City will plan for a 20-year supply of suitable commercial and industrial land on sites with a variety of characteristics (e.g., site sizes, locations, visibility, and other characteristics).

POLICY 2: Infill and Redevelopment: The City will support and encourage infill and redevelopment, especially in downtown, as a way to use land and existing infrastructure more efficiently.

POLICY 3: Infrastructure Support: Provide adequate infrastructure efficiently and fairly to support employment growth.

POLICY 4: Existing Business Support and Assistance: The City will support, and encourage retention and expansion of existing business that align with Talent's other community development goals.

POLICY 5: Business Development: The City will plan for and nurture a favorable environment to attract and maintain new businesses.

POLICY 6: Higher Paying Jobs: Promote and support businesses that bring jobs with wages above the Jackson County average to Talent.

POLICY 7: Livability: The City recognizes that livability is an important factor in the location choices of some types of businesses, and the policy of maintaining livability for the benefits of City residents is further reinforced by the potential for economic benefits.

Potential Growth Industries

The characteristics of Talent will affect the types of businesses most likely to locate in the city. Talent's attributes that may attract firms are: Talent's location along I-5 and Highway 99 and between Medford and Ashland; the existing employment base; surrounding agricultural areas; access to workers from across the Rogue Valley; arts and cultural opportunities; high quality of life; and relatively affordable housing.

An analysis of growth industries in Talent should address two main questions: (1) Which industries are most likely to be attracted to Talent? and (2) Which industries best meet Talent's economic development goals? The selection of target industries is based on Talent's goals for economic development, economic conditions in Talent and the Rogue Valley, and the City's competitive advantages. Given the current employment base, which is composed of small businesses, it is reasonable to assume that much of the city's business growth will come from small and moderate-sized businesses, either those already in Talent or new businesses that start or relocate to Talent from within the Rogue Valley region or from outside of the region.

The target industries identified as having potential for growth in Talent are:

- **Small-scale manufacturing.** Talent's attributes, especially its location along I-5, may attract manufacturing firms. Manufacturing firms are likely to be relatively small, from startups with 10 or fewer employees to manufacturers with 50 to 100 employees. Smaller manufacturers may have flexibility on where to locate, likely preferring to locate within an existing building. Moderate sized manufacturers may prefer to locate within an existing building or to locate a facility on an industrial site, likely between 2 and 10 acres, with good access to transportation and a flat topography. Examples of manufacturing industries that may grow or locate in Talent include:
 - Specialty food and beverage manufacturing, such as wineries, beer brewing, fruit or vegetable products, or other products
 - Primary and secondary wood product manufacturing, such as engineered wood products, furniture manufacturing, prefabricated wood buildings, or other products
 - Renewable and alternative energy products
 - Transportation equipment and related products
 - Cannabis products, such as medicinal oils or edible products
 - Artisans products for sale locally or via the Internet
- **Small-scale construction.** Talent's location within the Rogue Valley and relatively affordable housing may make the city attractive to small construction firms, such as specialty contractors, heating and cooling subcontractors, and companies specializing in alternative building processes. These businesses may be operated as home occupations (especially for businesses with few employees) or may require a small site with a building and equipment storage areas.

- **Small-scale warehouse, distribution, and wholesale.** Talent's access to I-5 and Highway 99 may make the city attractive to small distribution, especially of Rogue Valley products. These businesses may locate in an existing building or may locate a facility on an industrial site, likely between 2 and 10 acres, with good access to transportation and a flat topography.
- **Professional and business services.** Talent's high quality of life, relatively affordable housing, existing population and business base, and proximity to Medford and Ashland may attract professional and business services that prefer to locate in a smaller city like Talent, such as medical or legal services, scientific research, environmental services, or other services.
- **Services for residents.** Population growth will drive development of retail (e.g., a hardware store or a musical equipment store), medical services, and government services, especially primary education in Talent.
- **Services for seniors.** Talent's (and the Rogue Valley's) growing population of those near or in retirement may attract or create demand for services for seniors, such as health services that cater to the elderly, like assisted living facilities, retirement centers, and medical services.
- **Services for visitors:** Growth in tourism will drive demand for services for visitors such as restaurants, a hotel, or a high-quality RV park.
- **Events and performances.** Talent may attract businesses that provide goods or services to support events or performances, such as storage, catering, or specialty retail.

4.3 Site Needs for Potential Growth Industries

OAR 660-009-0015(2) requires the EOA to “identify the number of sites by type reasonably expected to be needed to accommodate the expected [20-year] employment growth based on the site characteristics typical of expected uses.” The Goal 9 rule does not specify how jurisdictions conduct and organize this analysis.

The rule, OAR 660-009-0015(2), does state that “[i]ndustrial or other employment uses with compatible site characteristics may be grouped together into common site categories.” The rule suggests, but does not require, that the City “examine existing firms in the planning area to identify the types of sites that may be needed.” For example, site types can be described by: (1) plan designation (e.g., heavy or light industrial), (2) general size categories that are defined locally (e.g., small, medium, or large sites), or (3) industry or use (e.g., manufacturing sites or distribution sites). For purposes of the EOA, Corvallis groups its future employment uses into categories based on their need for land with a particular plan designation (i.e., industrial or commercial) and by their need for sites of a particular size.

Based on the forecasts of employment growth in Table 11 and the average business size in Talent in 2014 (using analysis of Quarterly Census of Employment and Wage data), employment growth in Talent will require:

- **Industrial** employment will grow by 180 employees. The average site of industrial employers in Talent in 2014 was 10.6 employees per business. At that average size, Talent will need 17 industrial sites.
- **Retail Commercial** employment will grow by 79 employees. The average site of industrial employers in Talent in 2014 was 6.5 employees per business. At that average size, Talent will need 12 retail sites.
- **Office & Commercial Services** employment will grow by 200 employees. The average site of industrial employers in Talent in 2014 was 3.3 employees per business. At that average size, Talent will need 61 office and commercial sites.

The potential growth industries described in the prior section are predominantly small businesses, including small startup firms and small businesses, and mid-sized businesses that have outgrown their existing sites. Most of these businesses in Talent will need relatively small sites, such as a space in an existing building or a site smaller than an acre for development of a new retail store or an office building. Talent may attract or grow businesses that require sites as large as five acres, or more.

Table 3 shows the inventory of unconstrained vacant and partially vacant commercial and industrial land in Talent’s UGB by size of sites. It shows:

- **Industrial land.** Talent has 26 acres of industrial land in 5 tax lots. Talent has no sites smaller than one acre, one site of one-to-two acres each, two sites on two-to-five acre lots, two sites on 5-to-20-acre lots, and no sites larger than 20 acres.

It is reasonable to expect that most businesses in Talent will need relatively small sites, such as sites smaller than one acre, and that larger sites will be parcelized into smaller sites to accommodate business needs. Talent may attract or grow a few businesses that need sites larger than five acres. The City has the industrial land base to accommodate these businesses.

Some industrial businesses may prefer to operate out of a maker space or small business incubator. Such a space would provide shared work-space and production equipment. A business incubator would generally provide shared office services, such as telecommunication services, shared printing services, and shared administrative services. A maker space or small business incubator would provide opportunities for small-scale manufacturing to encourage business startups.

Other businesses may prefer to locate in existing buildings or in new buildings with smaller spaces. For example, the Wagner Butte Business Park is a proposed industrial building with flexible space that is in the pre-application process. The current proposal is to build 60,000 to 70,000 square feet of space across several buildings. This will provide space for 20 to 30 tenants eventually, with spaces generally between 1,500 to 4,000 square feet in size. This type of development would address needs for small growing businesses and startup businesses.

Industrial businesses in Talent will generally need easy access to Highway 99 or I-5 without driving trucks through residential neighborhoods. Most of Talent's industrial land has access to these roads via Talent Avenue.

- **Commercial land.** Talent has 62 acres of commercial land in 84 lots. Talent has 65 commercial sites smaller than one acre, 14 sites in one-to-two acre lots, four sites in two-to-five acre lots, and one site between 5 and 10 acres.

Given the small size of retail, office, and service businesses and the types of potential growth industries in Talent, we conclude that these businesses will generally need small sites, such as sites one acre and smaller. Talent has one commercial site large enough to accommodate a new shopping center and several sites large enough to accommodate small strip shopping centers.

5. Land Sufficiency and Conclusions

This chapter presents conclusions about Talents’ employment land sufficiency for the 2016-2036 period. It concludes with a discussion of conclusions about Talent’s land base and its ability to accommodate growth over the next 20 years, as well as recommendations for the City to consider, ensuring it meets its economic growth needs throughout the planning period.

5.1 Land Sufficiency

Table 13 shows commercial and industrial land sufficiency within the Talent UGB. It shows:

- **Vacant and Partially Vacant Unconstrained Land** from Table 2 for land within UGB. Table 13 shows that Talent has 26 gross acres of industrial land and 62 gross acres of commercial land.
- **Demand for Commercial and Industrial Land** from Table 12. Table 13 shows Talent will need a total of 20 gross acres for industrial uses and 17 gross acres for commercial uses over the 2016-2036 period.

Table 13 shows that Talent has:

- A six-acre surplus of industrial land.
- A 45-acre surplus of commercial land.

Table 16. Comparison of the Capacity of Unconstrained Vacant and Partially Vacant Land with Employment Land Demand by Plan Designation, Talent UGB, 2016–2036

| Land Use Type | Land Supply (Suitable Gross Acres) | Land Demand (Gross Acres) | Land Sufficiency (Deficit) |
|------------------------------|--|------------------------------|----------------------------------|
| Industrial | 26.2 | 20.0 | 6.2 |
| Commercial | 62.5 | 17.2 | 45.3 |
| Retail Commercial | | 4.9 | |
| Office & Commercial Services | | 12.3 | |

Source: ECONorthwest

5.2 Conclusions and Recommendations

The conclusions about commercial and industrial land sufficiency are:

- **Talent is forecast for growth in both commercial and industrial employment sectors.** Talent is planning for growth of nearly 543 new jobs in the city over the 2016 to 2036 period. More than 257 of the jobs will be in office and commercial services, 205 in industrial land uses, and 81 in retail. Growth of these jobs will result in demand for about 17 gross acres of commercial land and 20 gross acres of industrial land.
- **Talent has enough employment land to accommodate growth.** Table 13 shows Talent has enough land for both commercial and industrial employment growth over the next 20 years.
- **Most new businesses will be small and will require small sites.** Talent's businesses are generally small, averaging 5 employees per business. Businesses with nine or fewer employees account for 44% of private employment, and four or fewer account for 20% of private employment. It is reasonable to assume that most new business in Talent will be similarly small and that a few businesses will grow (or locate) with 50 or more employees. Sustaining growth in Talent will require many small sites, preferably with existing buildings, to support business growth.
- **Talent will need to manage its industrial land base to ensure that there are sufficient small sites available for development.** Within the context of the site needs discussed at the end of Chapter 4, Talent will need to manage its industrial land base to ensure that there are sufficient opportunities for startup and small businesses, either through subdivision of larger industrial sites or through development of these larger sites for many small businesses in one or more shared building.

Map 1 shows all of Talent's industrial land is clustered in one area. Most of the industrial land in this area is already developed. The largest undeveloped parcel is south of the railroad, separated from other industrial parcels in this district. Development of this parcel may prove challenging as it is surrounded by lands that are planned for residential development. If this parcel is unavailable for industrial development, then Talent will not have sufficient industrial land to accommodate industrial employment growth.

- **Talent may want to focus commercial growth in particular areas to encourage development of commercial districts that are compatible with City goals.** Talent's commercial land management issues are a matter of managing the location of new commercial growth to focus development in a few commercial areas, rather than scattered across Talent's commercial land. The City's policies say that the City wants to encourage development in downtown. In addition, the City wants to encourage commercial growth in the following areas: (1) Valley View Road between Highway 99 and I-5, which has long been identified as an opportunity for development and redevelopment to take advantage of traffic on I-5 and (2) Highway 99 from Rapp Rd to Creel Rd. If the City wants to encourage development in these areas, the City will need

to develop policies that lower development barriers (generally regulatory or financial barriers) to make development more attractive in these areas.

- **Talent has a number of sites with opportunities for infill and redevelopment.** These sites include: (1) the Talent Irrigation District site, which the City (or Urban Renewal Agency) may purchase after the District relocates and (2) MicroTrains and Fabricated Glass, as well as the Brammo site and the former Talent Truck Stop site. These sites present opportunities for infill or redevelopment in key areas where the City wants to encourage employment growth.
- **Talents policies about development of commercial and industrial land are complex, creating a barrier to these types of development.** Discussions with stakeholders involved in commercial and industrial development indicate that the City's policies for commercial and industrial development create barriers to development. The development process is complex, adding time and expense to development. Stakeholders identified high systems development charges as a barrier to development.

Following are ECONorthwest's recommendations to Talent based on the analysis and conclusions in this report.

- **Update the Economy Element of the Comprehensive Plan.** The Economy Element has not been updated in more than a decade. We recommend that the Planning Commission and City Council review the revised policies in the Talent Economic Development Strategy and, after making additional necessary revisions to the policies, adopt the revised goals, objectives, and implementation strategies into the Economy Element.

In addition, the Economy Element is currently based on analysis from 2000 based on 1990 Census data. We recommend updating the data based on the economic opportunities analysis or removing the data from the Economic Element. We generally suggest that cities adopt the economic opportunities analysis as an appendix to their Comprehensive Plan so that when the analysis is next updated, it is easier to replace the outdated economic opportunities analysis with the newer one.

- **Align the City's goals for economic development with planning for infrastructure development.** Aside from ensuring that there is sufficient land to support employment growth, one of the most important ways that the City can support economic development is through planning for and developing infrastructure (e.g., roads, water, sanitary sewer, and storm water systems). We recommend that the City align its goals for economic development with infrastructure development through updates to the City's Capital Improvements Plan.

As part of the next update to the Capital Improvements Plan, the City may choose to evaluate opportunities to lower (either temporarily or permanently) systems development charges for commercial and industrial development. While the City must ensure that there are sufficient funds available to develop critical infrastructure, there may be an opportunity to lower systems development charges to encourage commercial and industrial development.

- **Identify opportunities to support existing businesses in Talent.** Retention and expansion of existing businesses is one of Talent’s key opportunities for economic growth. The City can support businesses by continuing to provide staff to help businesses through the development process and through revising policies (where possible) that make business growth more difficult in Talent.

A key step in supporting existing businesses is having a forum for discussion of economic development in Talent. We recommend that the City work with partners and interested stakeholders to develop an economic development commission that the City participates in as a key partner or as the commission leader. The Economic Development Commission may be able to assist the City in reaching out the businesses to identify issues and barriers to economic development.

- **Work with partners to develop a broad economic development strategy for Talent.** The revisions to the Comprehensive Plan presented in the Talent Economic Development Strategy focus on land-based policies and actions. The city also needs a broader strategy for economic development that focuses on issues such as economic development marketing of Talent’s businesses and business opportunities, completing a market readiness analysis for branding and marketing Talent for tourism, building business and other partnerships, and coordinating economic development efforts with local and regional economic development organizations, including SOREDI, the Talent Chamber of Commerce, and Business Oregon.

This strategy could be developed by the economic development commission. The strategy should identify a focused list of actions that the commission wants to achieve over a limited time period (e.g., 5 years), with specific assignments to partners and identification of funding sources to implement the actions.

- **Review the Zoning Code and development process to identify opportunities to streamline and reduce development costs.** These opportunities may include: allowing ground floor residential use as a temporary use in commercial mixed-use buildings, allowing retail sales as a component of an industrial business in the City’s industrial zones, and examining systems development charges to identify opportunities to lower charges if possible.
- **Support infill and redevelopment of existing commercial and industrial land.** The City has identified areas where infill and redevelopment is more probable over the 20-year planning period. Other opportunities for redevelopment may become apparent in the future. We recommend that the City support and encourage infill and redevelopment to make the most efficient use of employment land in Talent. The types of tools that the City offers in support of infill and redevelopment should be consistent with the City’s development goals. In areas where the City wants to encourage higher intensity development, such as downtown, the City should offer more support for redevelopment, such as financial and regulatory redevelopment incentives.
- **Support development of space to support startup and small growing businesses.** This space may be a maker space, with shared workspace and equipment for manufacturing and production of a variety of products and goods. It could also include a business

incubator space, with spaces for businesses to grow and share support services. The City would need to define its role in development of either or both of these types of space, through discussions among decision makers and City staff.

- **Identify opportunities to meet residential land needs on commercial or industrial lands.** Talent is beginning to develop an analysis of residential land needs. If the analysis identifies deficits of residential land, especially moderate- and high-density residential land needs, we recommend that the City evaluate opportunities to meet those land needs within the UGB on commercial and industrial lands.

Given the substantial surplus of commercial land and the City's goals of encouraging multifamily residential development in downtown, the City should evaluate opportunities to accommodate residential development on commercial lands. This could occur through changes to the zoning code to make residential development easier or less costly in commercial areas (e.g., temporarily allowing residential uses on the ground floor of commercial buildings). It could also occur through redesignation of commercial lands to residential designations.

Some vacant industrial land may be more suited for residential uses, given existing and planned residential uses. We recommend that the City evaluate whether there are industrial parcels that should be rezoned for low- and medium-density residential uses.

Appendix A. Buildable Lands Inventory

This appendix was developed by City of Talent staff, in coordination with ECONorthwest staff.

The buildable lands inventory is intended to identify commercial and industrial lands that are available for development for employment uses within the Talent Urban Growth Boundary (UGB). The inventory is sometimes characterized as *supply* of land to accommodate anticipated employment growth. Population and employment growth drive *demand* for land. The amount of land needed depends on the type of development and other factors.

This chapter presents results of the commercial and industrial buildable lands inventory for the City of Talent. The results are based on analysis of GIS data provided by City staff and reviewed by ECONorthwest. The remainder of this chapter summarizes key findings of the draft buildable lands inventory. This chapter includes tabular summaries and narrative descriptions. The results also include maps that are available from the City's Community Development Department.

Methodology

The general structure of the buildable land (supply) analysis is based on the methods used for the residential buildable lands inventory included with the *Talent Residential Lands Study*. The buildable lands inventory uses methods and definitions that are consistent with OAR 660-009 and OAR 660-024. The steps in the inventory were:

- Generate employment “land base.” This involved “clipping” all of the tax lots in the Talent UGB with the comprehensive plan layer. The GIS function was followed by a quality assurance step to review the output and validate that the resulting dataset accurately represents all lands designated for employment use in the Talent UGB.
- Classify lands. Each tax lot was classified into one of the following categories:
 - Vacant land
 - Partially vacant land
 - Undevelopable/Constrained land
 - Developed land
- Identify constraints. The City identifies areas in steep slopes (over 15%), floodways, riparian areas, wetlands and their associated 50-foot setbacks identified in the Talent Wetlands Inventory map adopted in 1998. These areas are deducted from lands that were identified as vacant or partially vacant. To estimate the constrained area within each tax lot, all constraints listed above were merged into a single constraint file, which was overlaid on tax lots.
- Evaluate redevelopment potential. According to statewide planning rules, redevelopable land is land on which development has already occurred, but on which, due to present

or expected market forces, there is potential that existing development will be converted to more intensive uses during the planning period. Lands determined to be redevelopable have been categorized as “Partially Vacant” for the purpose of this analysis.

- Tabulation and mapping. The results are presented in tabular and map format with accompanying narrative. The maps include lands by classification and maps of vacant and partially vacant lands with constraints.

Definitions

The first step in the buildable inventory was to develop working definitions and assumptions. City staff began the buildable lands analysis with a tax lot database obtained from Jackson County GIS. The tax lot database was current as of February 2016. The inventory builds from the tax lot-level database to estimates of buildable land by plan designation.

A key step in the buildable lands inventory was to classify each tax lot into a set of mutually exclusive categories. Consistent with applicable administrative rules, all tax lots in the UGB are classified into one of the following categories:

- *Vacant land.* Tax lots that have no structures or have buildings with very little value. For the purpose of this inventory, employment lands with improvement values of \$10,000 and under are considered vacant.
- *Partially vacant land.* Partially vacant tax lots are those occupied by a use, but which contain enough land to be further subdivided without need of rezoning. This determination was made through review of aerial imagery. The developed areas (building + parking) were subtracted from the total lot size to calculate remaining vacant area in the analysis. Building footprints were multiplied by 1.5 to account for parking requirements on commercial and industrial sites.
- *Undevelopable land.* Land that has no access or potential access, land that is already committed to other uses by policy, or tax lots that are more than 90% constrained. The majority of undevelopable land identified in the inventory is located in the active beach zone within the UGB.
- *Developed land.* Land that is developed at densities consistent with zoning with improvements that make it unlikely to redevelop during the analysis period. Lands not classified as vacant, partially vacant, or undevelopable are considered developed.

City staff initially classified land using a rule-based methodology. Staff then generated maps that showed the results of the application of those rules, with some adjustments made through a validation step based on review of aerial imagery and site surveys.

Development constraints

Based on the Division 9 rule, City staff deducted the following constraints from the employment lands inventory.

- *Land within natural resource protection areas.* The Talent Wetlands Inventory map was used to identify areas within wetlands. A 50-foot buffer was added to riparian and wetland constraints, consistent with Talent Zoning Code 8-3H.2 – Designation of Wetland and Riparian Setback Areas.
- *Land with slopes over 15%.* Lands with slopes over 15% are considered unsuitable for commercial and industrial development.
- *Lands within floodplains.* Lands falling within the 100 and 500-year floodplain were not deducted from the buildable lands inventory, Talent Development Code allows for development in floodplains contingent upon meeting specific conditions.
- *Land that is service constrained.* Areas east of Interstate 5 do not currently have access to water and sewer service. Therefore, it has been deducted from readily buildable lands.

Land base

Table 14 shows acres within the Talent UGB and city limits as of March 2016. According to the City GIS data, Talent has about 968 acres in 2,091 tax lots within its UGB. The UGB includes an area on the east side of Interstate 5 that is constrained by the lack and cost of infrastructure expansion. Talent has about 851 acres within its City Limits. Additionally, the City has about 271 acres between the City Limits and Urban Growth Boundary.

Table 17. Acres in Talent UGB and City Limit, 2016

| Area | Tax Lots | Total | |
|-----------------------|--------------|--------------|-------------------|
| | | Acres | Acres in Tax Lots |
| City Limits | 2,028 | 851 | 733 |
| Urban Growth Boundary | 63 | 271 | 235 |
| Total | 2,091 | 1,122 | 968 |

Source: City of Talent GIS data & analysis.

Note: Table includes all areas within the UGB, including waterways, roads and the Siskiyou rail line.

Table 14 summarizes all land in the Talent UGB. The next step was to identify the employment land base (e.g., lands with plan designations that allow employment). The land base includes traditional employment designations—Commercial and Industrial). Public lands were excluded from analysis, as most are fully developed and overwhelmingly zoned for non-employment use.

Table 15 shows that about 222 acres within the Talent UGB are included in the employment land base. Thus, about 20% of all land within the Talent UGB falls within the employment land base category. The land base includes all land in tax lots that have any portion in an employment plan designation.

Table 18. Lands designated for employment uses, Talent UGB, 2016

| Area | Value |
|---|-------|
| Talent UGB | |
| Number of Tax Lots | 2,091 |
| Acres in UGB | 1,122 |
| Talent Employment Land | |
| Tax Lots in Employment Designations | 222 |
| Acres in Land Base in Employment Designations | 222 |

Source: City of Talent GIS data & analysis.

Note: Of the 222 acres in Land Base employment designations, 182 are Commercial, and 40 are Industrial.

The third step in the inventory was to classify lands into mutually-exclusive categories that relate to their development status. The categories include:

- Vacant land
- Partially vacant land
- Developed land
- Unbuildable land

ECONorthwest used the rules described in the prior section to perform a preliminary classification. The next step was to show the results in map form overlaid on a 2015 aerial photo to help validate the classifications. After reviewing the aerial imagery and map overlay, City staff conducted limited site visits to confirm the classifications.

Table 16 shows all employment land in the Talent UGB by classification and plan designation. The results show that of the 222 acres in the UGB, about 121 acres are in classifications with no development capacity, and the remaining 101 acres have development capacity.

Analysis by plan designation shows that about 82% (182 acres) of the employment land in the Talent UGB is designated Commercial, and 18% (40 acres) are designated Industrial.

Table 19. Employment acres by classification and plan designation, Talent UGB, 2016

| Classification | Commercial | | Industrial | | Total | |
|----------------------------|------------|---------------|------------|--------------|-------------|---------------|
| | Tax Lots | Total Acres | Tax Lots | Total Acres | Tax Lots | Total Acres |
| Developed | 121 | 73.62 | 6 | 6.90 | 127 | 80.52 |
| Unbuildable / Constrained | 25 | 36.68 | 1 | 3.54 | 26 | 40.22 |
| Partially Constrained* | 19 | 17.07 | 1 | 3.54 | 20 | 20.61 |
| Completely Constrained | 6 | 19.61 | 0 | 0.00 | 6 | 19.61 |
| Vacant | 42 | 21.97 | 3 | 17.00 | 45 | 38.97 |
| Partially Vacant | 42 | 49.56 | 2 | 12.52 | 44 | 62.08 |
| Total | 211 | 181.83 | 11 | 39.96 | 222 | 221.79 |
| Percentage of Total | 95% | 82% | 5% | 18% | 100% | 100% |

Source: City of Talent GIS data & analysis.

Note: Lots with 90% or greater constraint coverage are considered *Completely Constrained* for the purpose of this analysis. If a lot is only partially constrained, the unconstrained portion is tallied and added to appropriate "Developed, Partially Vacant, or Vacant" categories.

Table 17 shows employment acres by classification and constraint status for the Talent UGB in 2016. Analysis by constraint status (the table columns) shows that about 93 acres are classified as built or committed (e.g., unavailable for development), 60 acres were classified as constrained, and 89 were classified as vacant and suitable for employment uses.

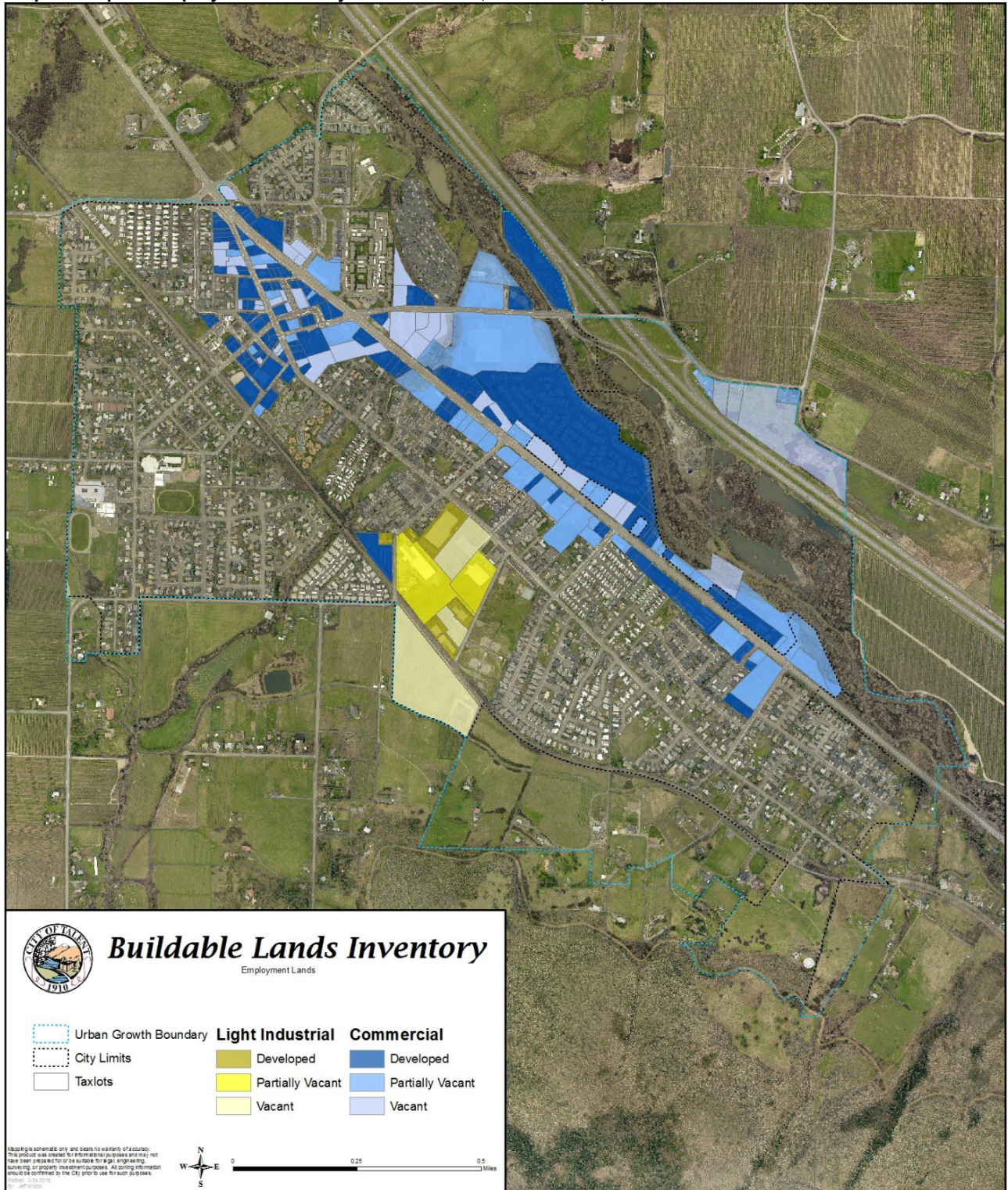
Table 20. Employment acres by classification, Talent UGB, 2016

| Classification | Tax Lots | Total Acres | Land Not Suitable for New Employment | | Land Suitable for New Employment |
|--|------------|---------------|--------------------------------------|-------------------|----------------------------------|
| | | | Developed Acres | Constrained Acres | Suitable Acres |
| Land with No Development Capacity | | | | | |
| Developed | 127 | 85.08 | 80.52 | 4.56 | 0.00 |
| Unbuildable | | | 0.00 | 19.62 | 0.00 |
| Subtotal | 127 | 85.08 | 80.52 | 24.18 | 0.00 |
| Land with Development Capacity | | | | | |
| Vacant | 48 | 60.80 | 0.00 | 21.82 | 38.98 |
| Partially Vacant | 47 | 75.91 | 12.40 | 13.83 | 49.68 |
| Subtotal | 95 | 136.71 | 12.40 | 35.65 | 88.66 |
| Total | 222 | 221.79 | 92.92 | 59.83 | 88.66 |

Source: City of Talent data & analysis.

Map 2 shows commercial and industrial land in Talent by development status.

Map 2. Map of employment land by classification, Talent UGB, 2016



Vacant buildable land

The next step in the commercial and industrial buildable land inventory was to net out portions of vacant tax lots that are unsuitable for development. Areas unsuitable for development fall into three categories: (1) developed areas of partially vacant tax lots, (2) areas with service constraints (5 tax lots within the UGB east of I-5 have no access to infrastructure such as water and sewer), (3) areas with physical constraints (areas with wetlands, floodways, riparian setback areas and steep slopes).

Table 18 shows land with development capacity (e.g., lands classified as vacant or partially vacant) by constraint status. The data show that partially vacant tax lots contain approximately 12 fully developed acres. An additional 36 acres have development constraints that are unsuitable for employment uses, leaving about 89 vacant suitable employment acres within the UGB.

Table 21. Employment land with development capacity (Vacant, Partially Vacant) by constraint status, Talent UGB, 2016

| Plan Designation / Classification | Tax Lots | Total Acres in Tax Lots | Developed Acres | Constrained Acres | Suitable Acres |
|--------------------------------------|-----------|----------------------------|--------------------|----------------------|-------------------|
| Commercial | | | | | |
| Vacant | 45 | 40.26 | 0.00 | 18.28 | 21.98 |
| Partially Vacant | 45 | 63.39 | 9.07 | 13.83 | 40.49 |
| Subtotal | 90 | 103.65 | 9.07 | 32.11 | 62.47 |
| Industrial | | | | | |
| Vacant | 3 | 20.54 | 0.00 | 3.54 | 17.00 |
| Partially Vacant | 2 | 12.52 | 3.33 | 0.00 | 9.19 |
| Subtotal | 5 | 33.06 | 3.33 | 3.54 | 26.19 |
| TOTAL | 95 | 136.71 | 12.40 | 35.65 | 88.66 |

Source: City of Talent GIS data & analysis.

Map 3 shows commercial and industrial land in Talent by development status with development constraints.

Map 3. Map of employment land by classification with development constraints, Talent UGB, 2016

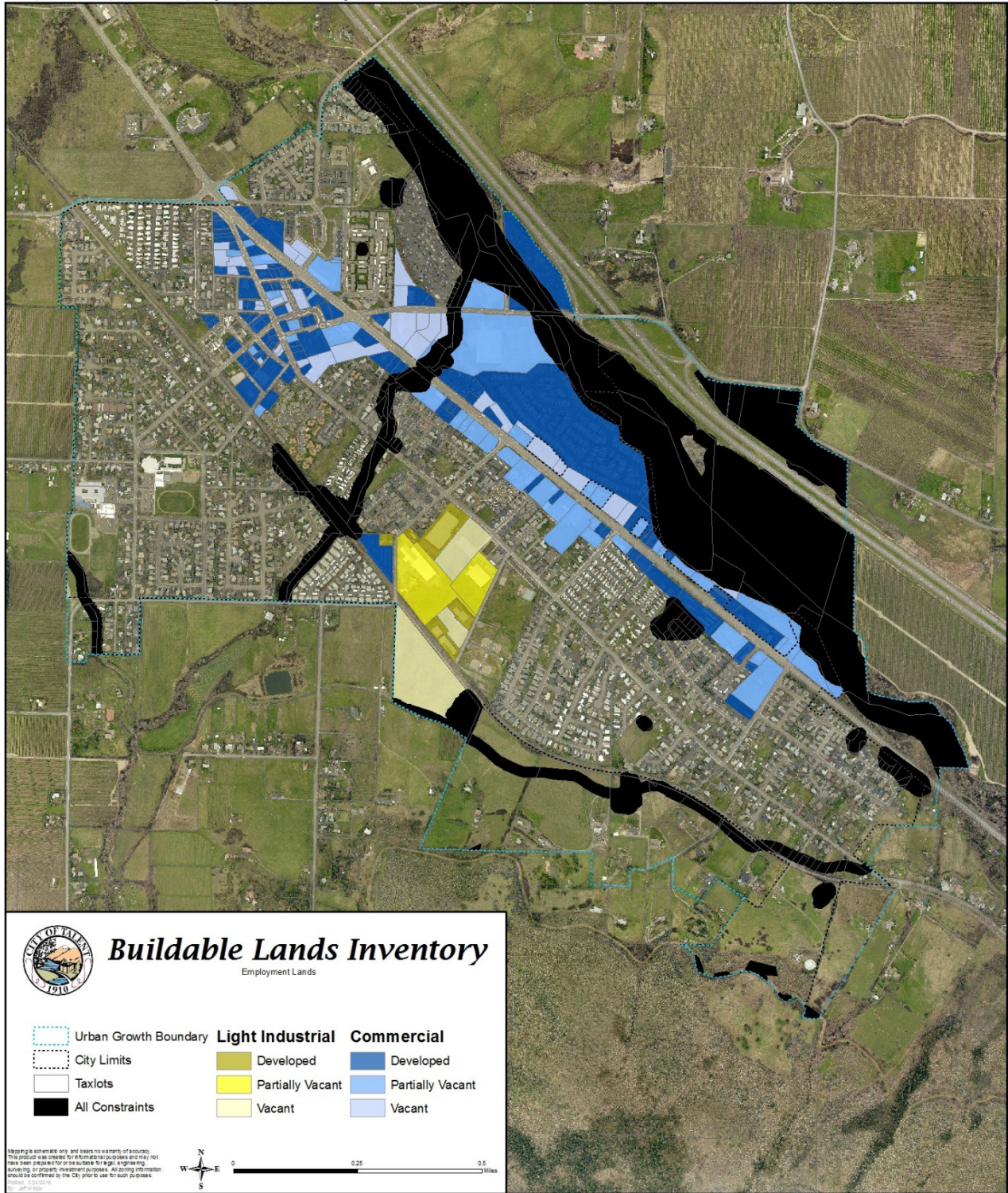


Table 20 shows the size of lots by plan designations for suitable employment land. Talent has 80 lots that are smaller than 2 acres (with 44 acres of land). Talent has 8 lots between 2 and 10 acres (33 acres of land), one lot between 10 and 20 acres in size (11 acres of land), and zero lots 20 acres and larger.

Table 22. Lot size by plan designation, suitable acres, Talent UGB, 2016

| Suitable Acres in Tax Lot (vacant, partially) | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|-------------|--------------|
| Plan Designation | <1 | 1 - 1.99 | 2 - 4.99 | 5 - 9.99 | 10 -19.99 | 20 - 49.99 | Total |
| Acres | | | | | | | |
| Commercial | 23.41 | 19.33 | 11.10 | 8.63 | 0.00 | 0.00 | 62.47 |
| Industrial | 0.00 | 1.53 | 7.17 | 6.39 | 11.10 | 0.00 | 26.19 |
| Subtotal | 23.41 | 20.86 | 18.27 | 15.02 | 11.10 | 0.00 | 88.66 |
| Tax Lots | | | | | | | |
| Commercial* | 65 | 14 | 4 | 1 | 0 | 0 | 84 |
| Industrial | 0 | 1 | 2 | 1 | 1 | 0 | 5 |
| Subtotal | 65 | 15 | 6 | 2 | 1 | 0 | 89 |

Source: City of Talent GIS data & analysis.

Note: 6 Commercial tax lots were removed from this count due to being >90% constrained and therefore unsuitable for development.

The data in Table 20 suggest that Talent has a deficiency of larger commercial sites. Talent has no commercial sites over 20 acres, 1 site between 10 and 20 acres and two sites between 5 and 10 acres (with a total of 15 acres). The one large industrial parcel the City does have, while adjacent to rail, is not in a location suitable for industrial use and is serviced by an underdeveloped collector street. Some of this deficiency could potentially be addressed through redevelopment or partition of parcels that are being underused.

Redevelopment potential

For the purposes of the updating the Buildable Lands Inventory “redevelopable lands” were not included as net buildable area. As in most circumstances “redevelopment” functions to merely replace one structure with a new one satisfying the same use and as such does not represent new development capacity. Properties that could have been considered “redevelopable” under the State definition that otherwise had further development potential were included instead in the “partially vacant” category in order to capture that net buildable land area.

Industrial zoned or used properties including Talent Irrigation District, MicroTrains and Fabricated Glass, as well as the Brammo site and the former Talent Truck Stop site, zoned commercially, were included as “partially vacant” for this reason. All of these parcels could either be partitioned to allow new buildings, or in the case of the Irrigation District and the former truck stop, could be completely removed and redeveloped.