



Greater Fremont Development Council

Suitability of Available Real Estate for Target Industries

Executive Summary

June 22, 2016



Greater Fremont Development Council

Suitability of Real Estate for Target Industries

Executive Summary

The purpose of this analysis is to evaluate available sites and buildings in the City of Fremont, NE or nearby in terms of suitability for meeting the real estate needs of prospect companies in Fremont's identified target industries.

Fremont's targets were identified in the report "Greater Fremont Development Council Target Industry Analysis 2015" prepared by Redevelopment Resources of Madison, WI. As a result of this detailed analysis, GFDC identified the following three primary target sectors:

- Other Animal Food Manufacturing
- Fats and Oils Refining and Blending
- Plastic, Wood and Metal Manufacturing

While Fremont may have identified only three target sectors, each of these three is very complex with a wide range of possible business types. This significantly increases the potential number of prospects from the target sectors from which Fremont may expect inquiries. It should also be noted that the Other Animal Food Manufacturing sector excludes food for dogs and cats, which is a rapidly expanding sector with an emphasis on nutrition and health, and should be included as a target for Fremont.

Research on typical facility sizes in GFDC's target sectors was conducted from a range of sources including:

- The U.S. Census Bureau's 2012 Economic Census (the most recent available)
- GFDC prospect data
- Information on large project announcements in 2013 and 2014 obtained from Conway Data
- Information obtained from economic development allies including the Greater Omaha Economic Development Partnership; Nebraska Department of Economic Development; BNSF Railroad; and Union Pacific Railroad
- Interviews with Fremont companies in GFDC's target sectors
- Other sources including extensive website review and telephone interviews with a wide variety of associations related to GFDC's target sectors.

Detailed results of this research are presented in the body of this report and summarized as follows:

- The vast majority of prospects are looking for an existing building rather than a site for construction.
- The most common size ranges for current GFDC prospects is 20,000 square feet or larger for buildings and 20 acres or more for sites.
- While Fremont receives a healthy level of prospect inquiries of a broad range of sizes, the small inventory of available buildings in the size ranges sought by prospects is limiting success. There

is somewhat greater opportunity for providing suitably sized sites, but subdivision of larger parcels will be required. There is a lack of available sites for larger land needs. While rail-served sites are not a requirement of a majority of prospects, it is still a sizeable number, and the whole Greater Omaha region has an inadequate inventory of rail-served sites.

- Based on national data about larger projects (150,000 square feet or more) from 2013 and 2014, it appears that most of the projects in Fremont's target industry sectors will be smaller in size – less than 150,000 square feet. Fremont's current inventory of available sites includes several of suitable size to meet this size need; in fact, most will likely require subdivision to create smaller sites.
- The majority of prospects seen by GFDC's economic development allies are looking for an existing building, with 50,000 square feet a common size although there is a fair amount of interest in larger buildings. Typical site sizes range from 5 to 30 acres. Projects requiring rail service – a relatively strong demand – tend to be toward the larger end of the size spectrum, but the Greater Omaha region is very limited in rail-served sites.
- Of the three target industry sectors identified by GFDC, the plastic, wood and metal manufacturing sector is the most active in the Greater Omaha region. The fats and oils refining and blending sector is the smallest in the Omaha region, with very little annual prospect activity.
- The Greater Omaha region has a limited supply of available buildings suitable to meet modern production needs and very few shovel-ready sites; the region is considered risk-averse when it comes to speculative real estate development.
- Eleven Fremont companies in the target sectors were interviewed, with the following key findings:
 - The facilities of companies interviewed in Fremont's target sectors are of substantial size with sector averages of 92,000 – 148,000 square feet. It should be noted that many of these sizes reflect one or more expansions of the original buildings over time. Four of the companies have current expansion plans or possible needs. Expansions would add 100,000 – 170,000 square feet in total.
 - Most company representatives were unsure of the size of the lot they were on. Several were quite large with one at 87 acres. In several instances, this reflects the need for substantial outdoor storage or processing that does not require a building. Therefore, the size of purchased land is not just a function of building size (now or planned for the future).
 - Most facilities require a clear height of at least 16 feet with many in the 20 to 30 foot range.
 - Utility needs were fairly standard with no company reporting difficulties in Fremont.

-
- Four of the 11 companies interviewed are on rail-served sites. This suggests that the availability of additional rail served sites in Fremont would be a competitive advantage.
 - There were no particularly critical special building features although the sheer size of many of the facilities required a higher number of loading docks than might be normal.
 - Several companies noted problems from a location in Fremont's floodplain or site drainage issues. Fremont's levee project will be an important improvement.
 - Seven of the 11 companies reported a preference for owning rather than leasing their building. If companies were looking for a new location, there was a slight preference for finding an existing building rather than a site for construction, although three companies could not answer this question because it would be a decision made at a higher corporate level. These factors underscore the importance of having an adequate inventory of vacant and available buildings, coupled with "ready-to-go" sites for construction.
 - Average employment in Fremont ranged from 45 to 128 depending on the industry sector, and totaled nearly 1,000. Nearly every company reported some level of difficulty in finding suitable new workers when they are needed. This is a factor that may discourage other companies from looking at Fremont because "dialog with industry peers" is a common way for companies to conduct research during a site search.

These research results were used to develop estimates of minimum building and lot sizes that would likely typify future target sector prospect demands; these calculations are summarized as follows:

- Based on national averages, the most likely minimum sizes of new facilities in Fremont's target sectors are:
 - Animal food manufacturing – 10,000 square feet
 - Fats & oils refining and blending – 36,500 square feet
 - Plastic, wood & metal manufacturing – 13,000 to 35,000 square feet depending on subsector
 - It is likely many prospect needs will exceed these minimums, sometimes by a substantial amount. This becomes apparent when these sizes are compared with those of target sector operations already in Fremont as discussed in this analysis.
- When factoring in Fremont's maximum lot coverage regulations and typical land purchase to allow future expansion, these minimum facility sizes translate into minimum lot sizes of:
 - Animal food manufacturing – $\frac{3}{4}$ to 1 acre
 - Fats & oils refining and blending – 2.5 – 3 acres
 - Plastic, wood & metal manufacturing – 1 to 3 acres depending on subsector

- Again, these are minimum sizes with many projects requiring substantially larger lots; this is consistent with GFDC's experience with a most common size range for current prospects at 20,000 square feet or larger for buildings and 20 acres or more for sites.
- The minimum lot sizes for different building sizes reflect maximum coverage ratios allowed in Fremont's industrial districts and the assumption that enough land would be acquired to allow a future doubling of the building size are as follows:

Minimum Lot Sizes to Accommodate Building Sizes

Building Size (SF)	Minimum Lot Size at Maximum 60% Lot Coverage (BP District)	Minimum Lot Size at Maximum 70% Lot Coverage (LI and GI Districts)
20,000	1.53	1.31
25,000	1.91	1.64
50,000	3.83	3.28
75,000	5.74	4.92
100,000	7.65	6.56
125,000	9.57	8.20
150,000	11.48	9.84
175,000	13.39	11.48
200,000	15.30	13.12
225,000	17.22	14.76
250,000	19.13	16.40

- Some new facilities would require even larger sites to allow for substantial outdoor storage and/or processing, the ability to install a rail spur, or taking advantage of Fremont's competitive land pricing when compared with other locations.

On March 9, 2016, the project consultant was given a tour of 11 sites and 5 buildings considered potentially suitable (largely based on size) to meet the space needs of companies in GFDC's target sectors. This judgment was made based on a preliminary understanding of what those space needs are, and was subject to refinement. Subsequently, one of the buildings was removed from consideration because it had been committed to the Hobby Lobby project (but had already been judged unsuitable for target industry manufacturing or distribution uses due to the commercial nature and location of the building). The consultant and GFDC then conducted substantially more research on the properties under consideration. Primary findings are:

- There are only three buildings of adequate size and other characteristics to meet target sector prospect needs in the Fremont area, and two of these are in North Bend, a considerable distance from an Interstate-quality highway. **This lack of available buildings is a significant competitive disadvantage for Fremont in recruiting new manufacturing or distribution operations to the area.**

- While the inventory of sites inspected included 11 properties totaling 950 acres, this overstates the site availability for typical production or distribution facilities in GFDC’s target sectors because several of the properties are unsuitable for industrial use due particularly to zoning and/or surrounding neighborhoods. Only the following are considered primary sites for target industry facilities:

Site	Acres
Hills Farms	414.3
Fremont Business Park	80
Broad Street Farms	52.05
North Industrial Site 1	46.37
Morningside North Business Park	45.56*
North Industrial Site 2	29
Total Acreage	667.28

*Morningside North Business Park can be expanded by 99.75 acres by adding land north of the existing Park, bringing the total shown in Table 11 to 767.03 acres.

- **While this may appear to be a substantial inventory, many of these sites currently have limitations such as the lack of full utilities, the need for rezoning, unknown development costs (particularly for those that might take a rail spur and to provide adequate utilities), location in a floodplain, or other site specific factors. If the Hills Farms site is committed to the project currently considering it, Fremont’s inventory of land suitable for projects in its target sectors will be reduced to just over 253 - 353 acres (depending on whether the Morningside North Business Park is expanded) which, depending on the sizes of actual projects, could be depleted in a relatively short time. Given that it typically takes two to three years to obtain control of land, master-plan it, and install necessary infrastructure so that it is ready for development, Fremont should start planning for expanding its inventory very soon.**

This report concludes with a number of primary conclusions and recommendations, summarized as follows (the section on Conclusions and Recommendations provides additional details).

1. The Fremont area has an extremely limited inventory of available buildings and “ready-to-go” sites for industrial use (manufacturing and/or distribution). Availability of good quality buildings is particularly limited, which is a competitive disadvantage when the vast majority of prospect companies are looking for an existing building.
2. GFDC should consider development of one or more speculative buildings to improve its inventory of available buildings. Given the risk-averse character of the entire Omaha region with regard to speculative development, this will require a more detailed market analysis and/or development prospectus than is contained in this report to determine the ideal size of the building to be developed and the underlying site size.

3. While GFDC shows an inventory of 950 acres in larger sites (25 acres or larger) for prospect companies, the City's effective inventory for target sector companies is 723 acres. If Project Rawhide uses all of the Hills Farm site as is currently being considered, this would reduce the inventory to only 253 – 353 acres depending on whether the Morningside North Business Park is expanded. While this may appear to be a substantial number if only small projects occur in Fremont, the supply can rapidly dwindle if larger projects come to Fremont. GFDC should start to identify and plan the next generation of sites now.
4. GFDC should begin active planning now to expand the Morningside North Business Park by combining it with the adjacent 99.75 acres that is shown for Industrial purposes in the newly adopted Future Land Use Map.
5. Where possible, new land development should be master-planned and developed to meet the Greater Omaha Economic Development Partnership's GO Ready site certification standards. A new park of 150 to 200 acres should be developed.
6. Typical initial projects undertaken by target sector companies will be buildings in the 30,000 – 45,000 square foot range. Site requirements will be larger than initial building size would require, allowing for significant future expansion, outdoor storage and/or processing, installation of rail spurs, or other factors. Typical site requirements would be in the 15 – 25 acre range.
7. Given Fremont's competitive land pricing, it is likely that some companies will be interested in acquiring larger sites than the 15 – 25 acre size range shown in the prior item. However, unless Fremont's inventory of available sites is increased, care must be taken to not reduce the inventory by landbanking. GFDC should consider establishing guidelines that articulate certain minimum levels of development over a specified timeframe to discourage depletion of its inventory.
8. GFDC should undertake an analysis of the complexity and costs of providing full utilities to those sites currently lacking them as well as any new sites added to the inventory.
9. Rail-served sites will provide Fremont with a competitive advantage. GFDC should work with the two major railroads serving the area (BNSF and Union Pacific) to evaluate the feasibility and approximate cost of providing rail service to key sites.
10. Future updating of the Comprehensive Plan should specifically identify the availability of adequate real estate opportunities as a critical aspect of Fremont's competitiveness.
11. All property listings available from GFDC's website should be reviewed regularly for accuracy.
12. Fremont's Animal Food manufacturing sector should be enlarged to include foods for dogs and cats.

Table 1
Available Buildings in the Greater Fremont Area Inspected During the March 9, 2016 Site Tour

Available Buildings									
Building Name (Number is as shown on Map 1 or 2)	Size (Square Feet)	Expandable?	Clear Height (Feet)	Site Size (Acres)	Current Zoning	Rail Service	Utilities Available	Suitable Telecom Services	Other Notes
2. 805 S. Union Street	60,000	Yes	26	10 plus 7 adja cent	Industrial	Adjacent	W, S, E, G	Yes	UP rail adjacent. Metal building. For sale at \$2,950,000 = \$49.17/SF
3. 2300 E. 23 rd Street	24,330	No	14	2.41	Commercial	No	W, S, E, G	Yes	Commercial building. Lease at \$1.50/SF/year plus taxes
4. TEK Services Fulfillment Space	35,000+	No	18	1.6	Industrial	Yes	W, S, E, G	Yes	Available fulfillment space at TEK Services. Metal building.
1000 W 7th Street, North Bend	65,250 In 2 Buildings <u>Bldg 1</u> 29,250 Total 21,625 Mfg 7,625 Office <u>Bldg 2</u> 36,000 Wrhse	Yes	Eaves – 20 Peak - 28	8.5	Industrial	No	W, S, E, G	Yes	Metal buildings 17± miles west of Fremont. Lease at \$2.50/SF/year

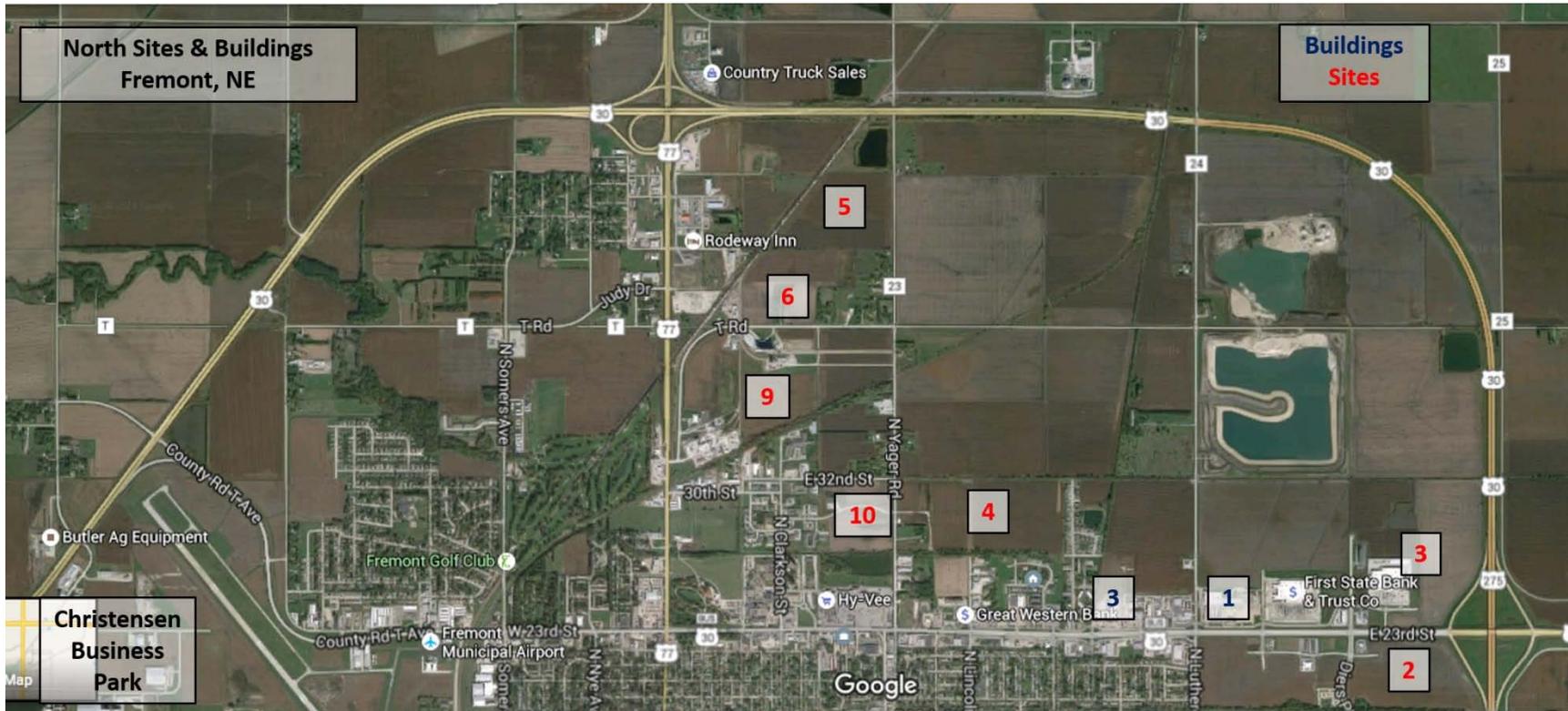
Source: GDFC website information analyzed by Garnet Consulting Services, Inc. Utility information provided by the Fremont Department of Utilities

Table 2
Available Sites in the Greater Fremont Area Inspected During the March 9, 2016 Site Tour

Available Sites								
Site Name (Number is as shown on Map 1 or 2)	Site Size (Acres)	Subdividable?	Expandable?	Current Zoning	Rail Service	Utilities Available	Suitable Telecom Services	Other Notes
1. Hills Farm (4 parcels)	414.3 If existing roads are closed	Yes Minimum 50 acres	No	3 parcels zoned Industrial 1 zoned Agriculture but application pending for rezoning to Industrial	Adjacent	W, E	No	Both BNSF & UP rail adjacent. Flat site. Irregular shape. Proposed beltway and levee could reduce site size slightly. \$22,000/acre
2. Deer Point Commercial	115.21	Yes	No	Commercial	No	W, S, E, G	No	Flat site. Planned for residential. Price negotiable
3. Excess Menards Land (13 parcels)	89	Already 1.03 – 55.99 ac.	No	Commercial	No	W, S	No	Flat site. Retail area. Price negotiable
4. Fremont Business Park	80	Yes Down to 1 ac.	No	Business Park	No	W, S, E, G	Yes	Flat site. Free to \$100,000/acre depending on job creation and investment.
5. Broad Street Farms	52.05	Yes	Yes 46.37 acres	Agriculture	Adjacent	S, E	No	BNSF rail adjacent. Flat site. Trapezoidal shape. \$11,000/acre
6. North Industrial Site 1	46.37	No	Yes 52.05 acres	Agriculture	Adjacent	S, E	No	BNSF rail adjacent. Flat site. Irregular shape. \$17,283/acre
7. Morningside North Business Park	45.56	Yes 3.9 – 7.5 ac.	Yes 99.75 acres	Limited Industrial	No	W, S, E, G	Yes	Flat site. \$19,300/acre
8. Morningside South	30.02	Yes	Yes 88 acres	Agriculture	No	W, S, E, G	No	Flat site. \$21,667/acre
9. North Industrial Site 2	29	Yes	No	General Industrial	Adjacent	E	Yes	BNSF rail adjacent. Flat site. Trapezoidal shape. \$16,000/acre
10. Fountain Springs	27	Yes	No	High Density Residential	No	W, S, E, G	Yes	Flat site. Adjacent to medical complex. Planned for 32 senior rental units. \$100,000/acre
11. East 1 st Street	25.62	No	No	Agriculture	No	S, E	No	Flat site. Triangular shape. \$15,000/acre

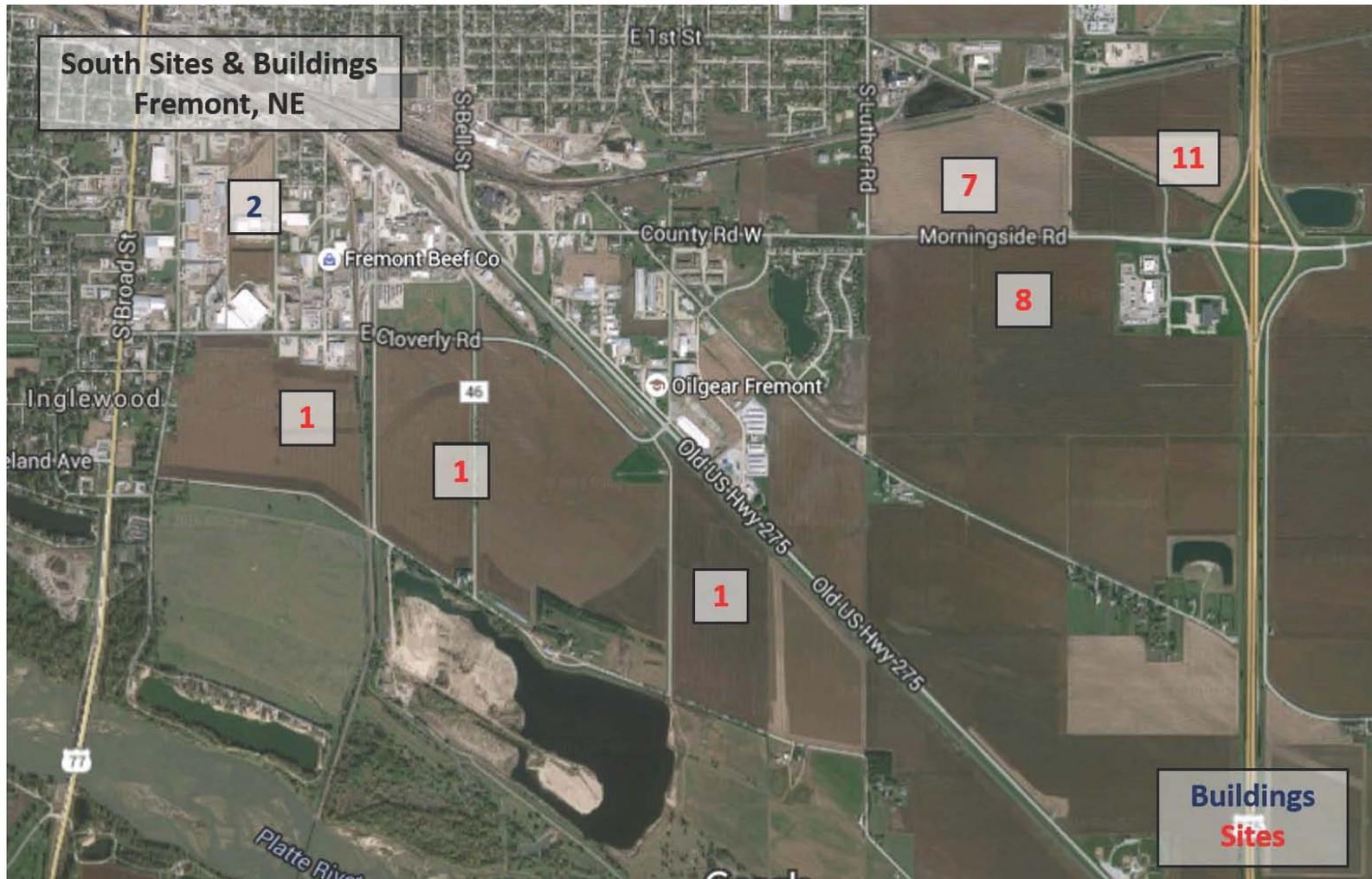
Source: GDFC website information analyzed by Garnet Consulting Services, Inc. Utility information provided by the Fremont Department of Utilities

Map 1
Properties in Fremont's Northern Section



Source: GFDC

Map 2
Properties in Fremont's Southern Section



Source: GFDC