Regional Industrial Site Readiness
2017 Inventory Update

Project Background

The availability of large, development-ready employment lands is critical to expanding and attracting traded-sector businesses and middle-income jobs. On average, a traded-sector worker in the Portland metropolitan region[1] earns 42% more than other workers. In an income tax dependent state such as Oregon, these higher wage jobs generate more revenue to fund schools, parks and other public services. The Portland metro region competes globally to attract these coveted jobs so it is important to have an adequate inventory of sites where businesses can locate. This analysis shows that inventory has decreased.

This 2017 inventory update – commissioned by Greater Portland Inc, Metro, NAIOP, Port of Portland, Portland Business Alliance, and Portland General Electric - focuses on the development status of large 25+ net acre industrial sites in the Portland region. The goal is to help inform continued local, regional and state efforts to ensure an adequate supply of land to attract traded-sector jobs. This effort builds on previous 2011 and 2014 inventories and is updated periodically to reflect market changes, investments and development activity.

Findings

As a result of the strong economic cycle, the number of large industrial sites in the regional inventory decreased from 54 to 47 sites between 2014 and 2017, a reduction of 550 gross acres.

Of the 47 sites in the 2017 inventory:

» There are 10 Tier 1 sites; 11 Tier 2 sites; and 26 Tier 3 sites.

» Six new sites were *added* to the inventory since 2014: 1 Tier 1 site and 5 Tier 3 sites.

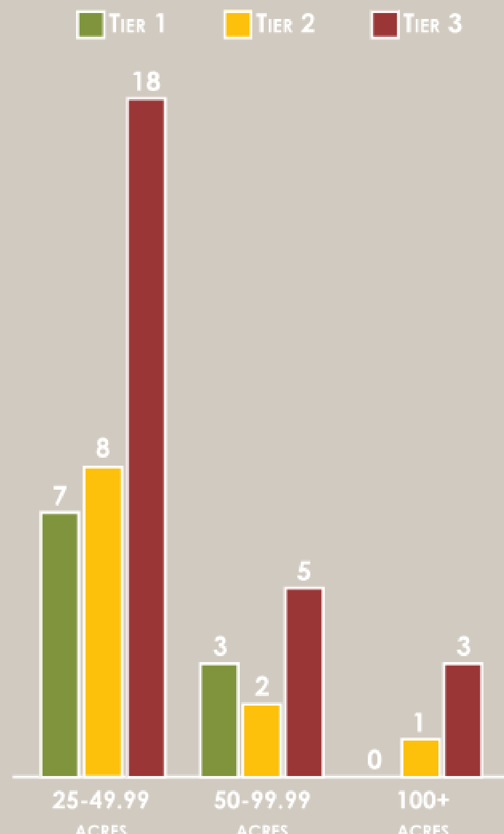
» Thirteen sites were *removed* from the inventory since 2014 due to development (9 sites), environmental constraints that reduced the site size below 25 net developable acres (2), and sites that have been sold and are being held for future development (2).

The chart and tables compare the 2011, 2014, and 2017 inventory changes.

1 Metro region includes the Metro urban growth boundary and selected urban reserves.

2017 Inventory Sites

Tier and Site Size*



*Refers to net developable acreage

Sites by Tier

	2011 Inventory	2014 Inventory	2017 Inventory
Tier 1	9	14	10
Tier 2	16	17	11
Tier 3	31	23	26
Total	56 sites	54 sites	47 sites

Sites by Acreage*

	2011 Inventory	2014 Inventory	2017 Inventory
25-49 acres	40	39	33
50-99 acres	9	10	10
100+ acres	7	5	4
Total	56 sites	54 sites	47 sites

*Refers to net developable acreage

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There are relatively few unencumbered Tier 1 sites remaining in the inventory.

» Tier 1 sites are the ones considered developable in 6 months.
» Since this inventory was compiled in June 2017, 7 out of 10 Tier 1 sites have seen market activity with development agreements, which will likely remove them from the market this year.
» If the 7 Tier 1 sites with development agreements are executed, there will be no 50-99-acre Tier 1 sites in the inventory, reinforcing the need to focus on property owner site readiness investments.
» There are no 100-acre Tier 1 sites in the region.

Significant challenges remain to move sites to market, particularly for sites that require aggregation, and higher need Tier 3 sites.

» Larger sites can face significant development challenges that may require the focus of policymakers. This includes infrastructure, transportation, land assembly, brownfield cleanup, natural resource mitigation, and local and state legislative actions (e.g., annexation, zoning and concept planning).
» 13 Tier 2 and 3 sites require aggregation of parcels owned by multiple parties and the region does not have aggregation tools in place.
» 15 of the 26 Tier 3 sites are High-Need sites that are expected to take five years or more of site readiness work. In some cases, industrial development may not be feasible due to cost.
» 60% of Tier 2 and Tier 3 sites require infrastructure investments.
» Based on the detailed site assessment analyses completed following the 2011 and 2014 inventories[2], estimated infrastructure costs for 19 of these sites (1,385 gross acres) are over $143 million. These sites represent half of the Tier 2 and Tier 3 sites with infrastructure challenges.
  • $2.30 average cost per gross SF
  • $106,000 average cost per acre

This inventory update shows slower movement between tiers than the 2014 update, but more market absorption of sites.

» In 2014, 11 sites moved up a tier as compared to 4 sites in 2017.
» Due to site readiness investments, nine sites have been fully or partially developed since 2014. Only three sites were developed between the 2011 and 2014 inventory.

Return On Investment

Since 2011, 15 sites[3] from the inventory have developed or are currently under development, with important regional economic outcomes.

DEVELOPMENT COMPLETED (2011-2017)

» 6 sites with 4 million square feet on 225 acres
» Estimated jobs between 2,500 – 2,750 with average annual wage of $50,000
» Estimated 2,500 additional indirect and induced jobs created as a result of development
» $230 million in investment in real property (hard costs only)
» $500,000 annual property tax revenues generated (expected to increase after local property tax abatement ends)
» $5.2 million in annual state income tax revenues

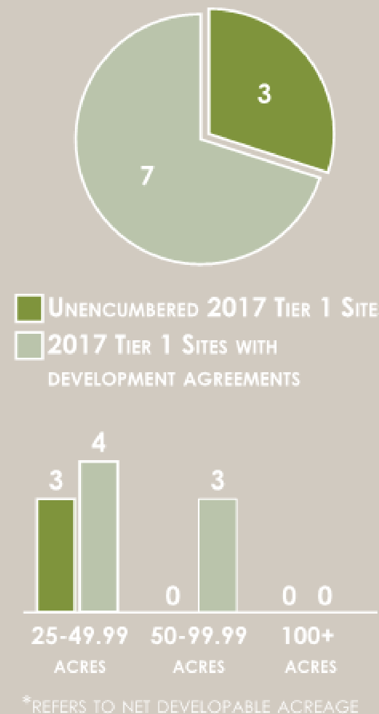
CURRENTLY UNDER DEVELOPMENT (2017)

» 9 sites with 4.78 million square feet on 350 acres
» Capacity for 2,800 – 3,250 jobs
» $500 million in investment in real property (hard costs only)

2 2012 Phase 2 (12 sites), 2014 Clackamas County Strategically Significant Employment Lands Project (21 sites), and 2015 Washington County Regional Industrial Site Assessment Project (15 sites)
3 Technically 14 sites from 2014 inventory due creating two development sites (over 25 net developable acres) out of Site 21: GVBP East.

2017 Tier 1 Sites

Development Status and Site Size*



2014 & 2017 Sites

Added Sites, Development and Tier Movement