

MACKENZIE.

DESIGN DRIVEN | CLIENT FOCUSED

**REGIONAL INDUSTRIAL
SITE READINESS**

**2014 INVENTORY
UPDATE**

EXECUTIVE SUMMARY

Submitted
September 2014

Project Number
2110160.03



MACKENZIE
Since 1960

RiverEast Center | 1515 SE Water Ave, Suite 100, Portland, OR 97214
PO Box 14310, Portland, OR 97293 | T 503.224.9560 | www.mcknze.com



REGIONAL INDUSTRIAL SITE READINESS – 2014 Inventory Update

TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
Findings.....	3
Conclusions.....	5
PROJECT SUMMARY	7
Project Purpose	7
2014 INVENTORY	9
Background on the Update	9
Tiering Criteria and the Process to Score the Sites	9
2014 INVENTORY UPDATE FINDINGS	11
Development Readiness	11
.....	12
Tier 1, 2, and 3 Site Results	12
<i>Additional Sites</i>	18
Changes from 2011 Inventory to 2014 Inventory.....	22
<i>Movement In and Out of the Inventory</i>	22
<i>Movement between Tiers</i>	23
<i>Sites Deleted from the Inventory</i>	24
<i>Sites Added to the Inventory</i>	26
2014 Inventory Update Conclusions.....	27
NEXT STEPS	28
Improvements to Regulatory Processes that Reduce Uncertainty for Firms Seeking Sites	28
Expansion of and Support for Existing Business Development Programs	28
Creation and Funding of New Capital and Financial Tools	28
Completion of Due Diligence Work on Sites.....	29
Regular Update of the Inventory and Completion of Follow Up Studies	29

APPENDICES

Appendix A: June 2014 Site Inventory Matrix

Appendix B: Regional Industrial Site Readiness 2014 Inventory Update – Site Maps

Appendix C: Regional Industrial Site Readiness 2014 Inventory Update – User Designated and Constrained Site Maps

PROJECT MANAGEMENT TEAM AND SPONSORS

Business Oregon - Sierra Gardiner and Mike Williams

Metro - Ted Reid and John Williams

NAIOP Oregon Chapter - Kirk Olsen

Oregon Department of Land Conservation and Development – Jennifer Donnelly and Tom Hogue

Port of Portland - Lise Glancy and Keith Leavitt

Portland Business Alliance – Marion Haynes and Raihana Ansary



CONSULTANT TEAM

Mackenzie – Todd Johnson, Project Manager; Gabriela Frask; Brent Nielsen; and Matthew Butts

EXECUTIVE SUMMARY

This report is an update to the *2011 Regional Industrial Site Readiness Project* of large (25+ acres) industrial sites within the Portland metropolitan area Urban Growth Boundary (UGB) and select urban reserves¹. The project is a partnership of Business Oregon, Metro, NAIOP - Commercial Real Estate Development Association Oregon Chapter, Oregon Department of Land Conservation and Development, Port of Portland, and the Portland Business Alliance, with cooperation from local governments and private property owners. This update is intended to inform local, regional, and state efforts to ensure an adequate supply of development-ready large industrial sites for traded-sector job creation.

Portland-Metro's Traded Sector, a 2012 Value of Jobs Report issued by Portland Business Alliance, found that on average a traded-sector worker in the Portland metropolitan area earns 42% more than a local-sector worker in the Portland metropolitan region. Promoting traded-sector job creation also spurs the local economy with a multiplier of 2.5 local-sector jobs created for each high-skilled traded-sector job. The production of traded-sector goods (i.e., manufacturing) remains a backbone of Portland metropolitan area's employment. Manufacturing jobs provide higher wages and better benefits than non-manufacturing jobs, particularly for those workers without a high school or college degree. The availability of large and market-ready industrial sites is critical to expanding and attracting traded-sector businesses and growing middle-income jobs key to a prosperous region.

This update intends to:

1. inventory and track changes in the region's large lot industrial site supply;
2. analyze movement of sites from varying states of site readiness;
3. inform policy makers on activity, such as policy changes or infrastructure investments, that have increased the supply and/or readiness of development-ready sites; and
4. support policy and investment decisions required to ensure an adequate supply of development-ready large industrial sites to support economic growth.

The development-readiness tiers used in this inventory are based on those established during the 2011 project:

Tier 1: Development-ready within 180 days of application submittal (i.e., projects can receive all necessary permits; sites can be served with infrastructure and zoned and annexed into the city within this timeframe).

Tier 2: Likely to require 7-30 months to become development-ready.

Tier 3: Likely to require over 30 months to become development-ready.

Tier 1 sites are the only sites generally considered recruitment-ready for businesses expanding or locating in the Portland region. In a globally competitive environment, businesses increasingly require compressed timelines for decision making and development. While not considered marketable for most recruitments, Tier 2 could be feasible for expansions of existing businesses and for speculative development for investors. Tier 3 sites are viewed as being non-competitive in the market, and are therefore unavailable for business expansion and recruitment without significant investments, changes in regulatory compliance, or land price discounted by property owners.

ACTIONS THAT MADE SITES MORE DEVELOPMENT-READY	
Local and state legislative actions ²	2
Changes in property owner willingness to transact	2
Environmental constraint mitigation	2
Infrastructure investments	5

¹ Although this inventory does not include sites within rural areas of these three counties that are outside the UGB and selected urban reserves, these sites are important to the region's economic prosperity.

² Legislative actions include Urban Growth Boundary (UGB) expansion, annexation, zoning, and concept planning.

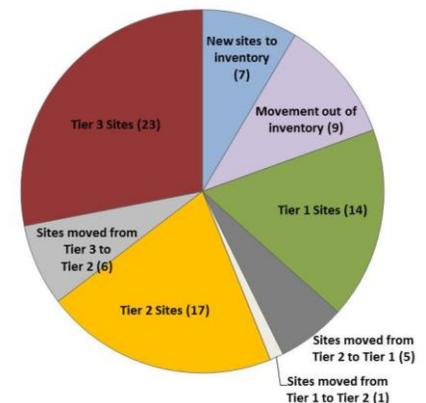
Findings

Of the 54 sites in the 2014 inventory:

- There are 14 Tier 1 sites; 17 Tier 2 sites; and 23 Tier 3 sites.
- Seven new sites were **added**³ to the inventory since 2011: 3 Tier 1 sites, 2 Tier 2 sites, and 2 Tier 3 sites. These sites were added due to state and local actions, aggregation, and market changes.
- Nine sites were **removed** from the inventory since 2011:
 - Three of these sites are currently being developed and projected to result in \$38 million in investments and 416 new jobs when construction is complete⁶; one of the sites is being used as a temporary parking lot⁷ for Intel’s Ronler Acres Campus expansion.
 - Since this June 2014 inventory was completed, three additional Tier 1 sites have been absorbed in the market⁸.
- Five sites moved up from Tier 2 to Tier 1.
- Six sites moved up from Tier 3 to Tier 2.
- Large industrial sites face multiple development constraints, including: required state and local legislative actions⁹, inadequate infrastructure and transportation¹⁰, land assembly needs, natural resources mitigation, brownfield remediation, and property owners not willing to transact.

ACTIVITY RESULTING IN INVENTORY REMOVAL	
User designated ⁴ :	1
Program changes ⁵ :	2
Construction and development:	3
Local and state legislative actions:	3
Total:	9

Total Sites and 2011-2014 Inventory Movement



³ State and local actions: **Site 114:** Colwood Ltd Partnership site (Tier 1) was rezoned from open space to industrial; Site 113: Henningsen Cold Storage site (Tier 1) increased in site acreage due to future right of way vacation and building demolition plans (Tier 1); **Site 112:** Haworth site (Tier 2) was added into the UGB as a part of House Bill 4078; **Site 116:** NW Sand and Gravel INC site (Tier 3) does not have jurisdictional wetlands on site, as mapped on Metro RLIS data. DSL has confirmed that any on site wetlands are a result of mining operation and no mitigation is required. This information is available through the Clackamas County Significant Employment Lands Project report (July 2014).

Aggregation: **Site 111:** Weston Investments & CCF Oregon LLC site (Tier 1); Site 110: Davis Family Trust & Remi Taghon site (Tier 3)

Market changes: **Site 115:** SolarWorld site (Tier 2) was a user designated site in October 2011 inventory and has recently been listed as for sale to the general market.

⁴ User designated sites are sites owned and held for future expansion of existing regional firms and not available to the general market.

⁵ Current property owners have designated these sites to meet long-term operational needs. As a result, these sites are no longer available to the general market.

⁶ **Site 11:** Portland International Airport in Portland has two buildings under construction totaling 491,200 square feet with a \$28.5 million investment and 141 projected distribution and logistics jobs available in late 2014 (Port of Portland). **Site 40:** Pacific Realty in Tualatin has two buildings under construction totaling 100,000 square feet with a \$9.5 million investment and 275 projected distribution and logistics jobs available in 2015 (PacTrust). **Site 44:** Intel Corporation in Hillsboro was previously used as a staging area and is now a temporary parking lot for the D1X and D2X fabrication plants at the Intel Ronler Acres Campus with investment of \$1 billion (Intel).

⁷ Intel received land use approval for a temporary parking lot until 2023 at which point the property may be redeveloped.

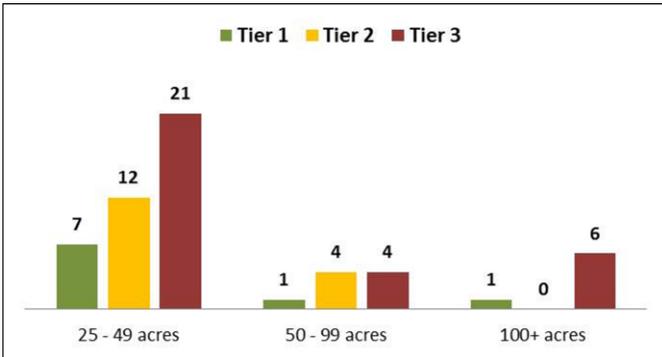
⁸ **Site 13:** Specht Properties in Portland; **Site 46:** Development Services of America (Westmark site) in Hillsboro; **Site 114:** Colwood Ltd Partnership in Portland.

⁹ Local and state legislative actions include UGB expansion, annexation, zoning, and concept planning.

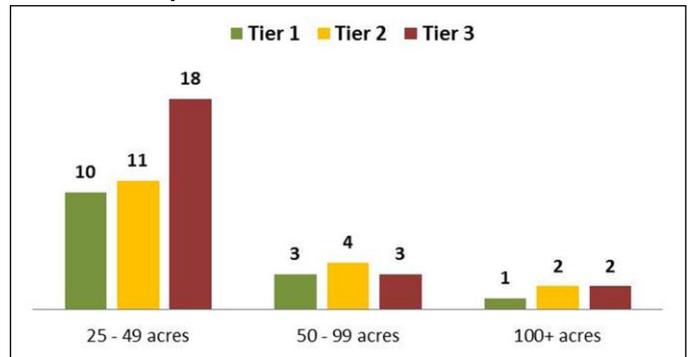
¹⁰ Infrastructure includes water, sewer, and stormwater utilities.

The following charts and tables compare site net developable acreage changes between the 2011 and 2014 inventories.

2011 Inventory: 56 sites



2014 Inventory: 54 sites



	2011 Inventory	2014 Inventory
Tier 1	9	14
Tier 2	16	17
Tier 3	31	23
Total	56 sites	54 sites

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

The increase in Tier 1 sites in the 2014 inventory is a result of the addition of three new sites to the inventory¹¹ and five sites upgraded from Tier 2¹², offset by the market absorption of three Tier 1 sites. Of the 14 Tier sites, only seven have broad market appeal.

Of the 11 sites that moved up a tier, seven sites required investment in infrastructure and mitigation.

- Two sites moved up a tier due to mitigation of environmental constraints.¹³
- Five sites received transportation/infrastructure investments, totaling approximately \$39.5 million.¹⁴

Four of the sites which moved up a tier were able to do so without significant investment in infrastructure.

- Two sites had a change in the property owner’s willingness to transact and were upgraded to Tier 2.¹⁵
- Two sites were taken out of urban reserves and brought into the UGB by House Bill 4078 in 2014.¹⁶

¹¹ **Site 111:** Weston Investment – an aggregated site; **Site 113:** Henningsen Cold Storage – increased in site acreage due to decision to vacate dedicated right-of-way and building demolition for future development; and **Site 114:** Colwood Ltd Partnership – open space rezoned to industrial.

¹² **Site 13:** Specht Propertlines Inc.; **Site 22:** Port of Portland – GVBP West; **Site 29:** Clackamas County Development Agency; **Site 50:** Shute North; **Site 52:** Shute South.

¹³ **Site 13:** Specht Properties and **Site 29:** Clackamas County Development Agency.

¹⁴ **Sites 18 and 19:** Troutdale Reynolds Industrial Park Phase 2 - The Port has expended \$2.5M in planning and design to permit the infrastructure for Phase 2. \$8 million in regional transportation funding was approved for the local roads, along with a transfer of \$6 million in funding from the State-funded Troutdale interchange project and \$1.1 million from the City of Troutdale.; **Site 29:** Clackamas County Development Agency - \$1.1 million in State Immediate Opportunity Fund and Clackamas County funding was used to improve local road access to the site. An additional \$1.8 million in County funds paid for extension of 120th Avenue; **Sites 50 and 52:** Shute Road North and South - \$8 million in regional transportation funding and \$10 million transfer of I-26/Brookwood interchange savings was used to pay for the construction of nearby local road improvements. The City of Hillsboro contributed \$1 million dollars for water infrastructure and planning for sewer line pump station and extension.

¹⁵ **Site 23:** Mt. Hood Community College and **Site 47:** Cranford.

¹⁶ **Site 101:** Vanrose Farms and **Site 104:** Meek Subarea.

Conclusions

- The Portland region's supply of large industrial sites over 25 net developable acres has decreased since 2011.
- There have been positive impacts in site readiness from investments in infrastructure, mitigation and local and state legislative actions. Movement between tiers is largely due to infrastructure investments, and environmental constraint mitigation (7 sites).
- Supply continues to be most limited for larger sites of 50 acres or more.
 - There is only one 100-plus acre Tier 1 site in the region. Larger sites are more complex and take patience to acquire and develop.
- Sites with multiple property owners require aggregation. This is a key issue to supplying larger sites to the market affecting a third of the Tier 2 and Tier 3 sites in the inventory (13 sites).
- There are multiple market-readiness site constraints for sites in the pipeline.
- Over half of the Tier 2 and Tier 3 sites require local and state legislative actions such as annexation zoning, completion of concept planning, or addition to the urban growth boundary (23 sites).
- Between 40% and 60% of Tier 2 and Tier 3 sites have transportation, infrastructure, and/or environmental mitigation constraints (17-25 sites).
- While brownfield redevelopment affects only six large industrial sites, three industrial sites are located in the Portland Harbor Superfund site which will add significant costs, time, and brownfield redevelopment challenges and require coordinated strategies.
- While investments in infrastructure, changes in ownership willingness to transact, and legislative actions have improved the quality of sites in the inventory, with 11 sites moving closer to market readiness. A continued focus on site readiness is needed to ensure a diverse and market-ready supply of industrial sites in the region.¹⁷

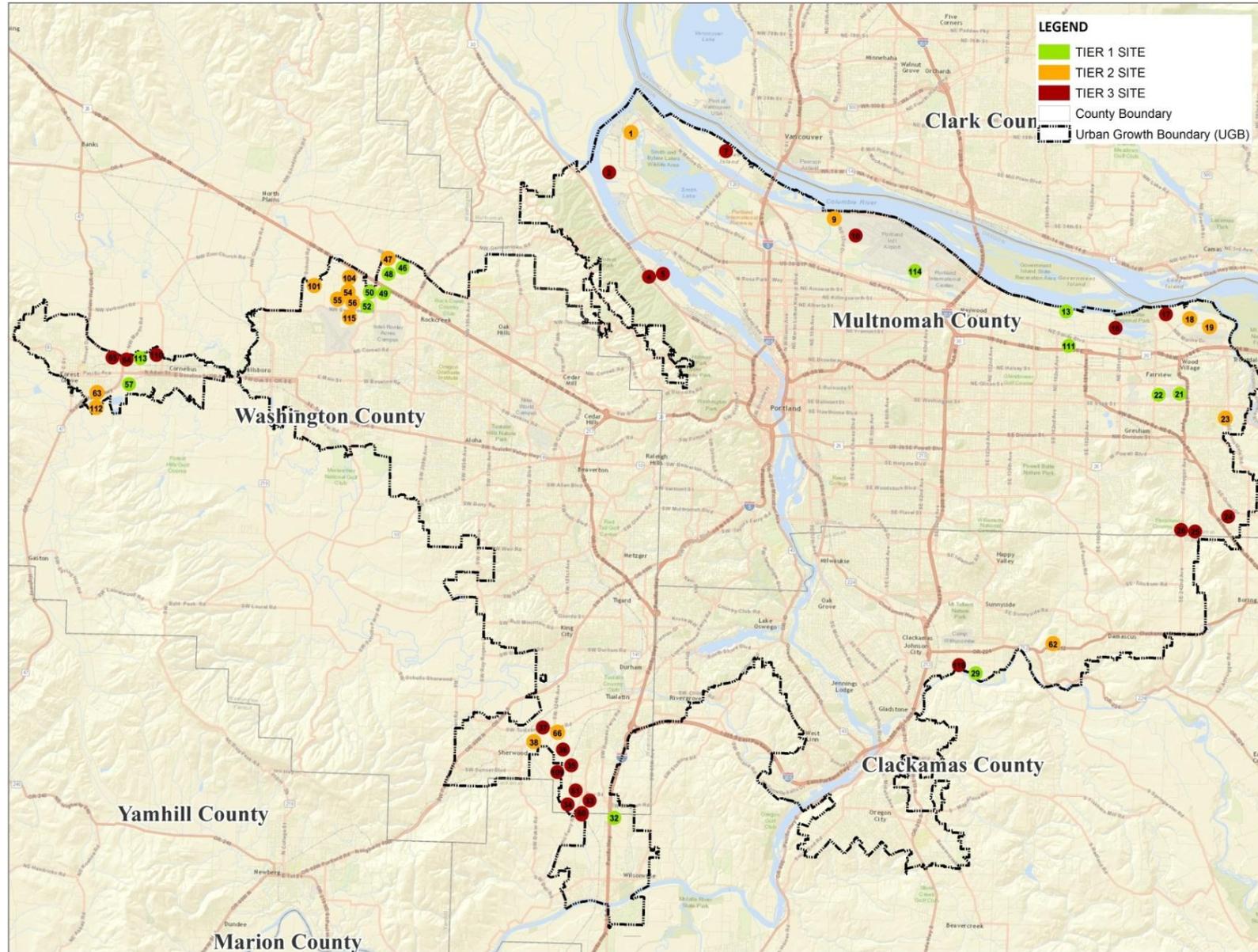
As the economy continues to recover and demand increases due to business growth and investment, additional strategies to increase the continued supply of land will be needed. In order to provide the required land supply to meet projected 2035 population and employment growth within the Metro UGB¹⁸, create middle income jobs to address income disparity, and achieve a sustainable tax base critical to public services¹⁹, state and regional policymakers must work from an accurate and practical employment land inventory and prioritize policy actions and investments to address industrial site readiness, aggregation, infrastructure, environmental constraint mitigation, legislative actions, and industrial brownfield identification and mitigation. Regular updates to the inventory support the region's traded-sector prosperity and job creation efforts allow tracking of progress in efforts to maintain a supply of sites and help target investments and policy decisions to ensure an adequate supply of development-ready industrial sites. With reduced federal funds, the region will need to be more strategic about investments required to move sites to market ready sites to support these goals.

¹⁷ The 2014 inventory shows an overall decrease in the total number acres and total number of sites, and a 26% decrease in Tier 3 sites over the two and a half year period.

¹⁸ The draft *2014 Metro Urban Growth Report* forecasts 85,000 to 440,000 additional jobs and 300,000 to 485,000 additional people inside the Metro urban growth boundary by the year 2035.

¹⁹ State personal income taxes and local property taxes.

Regional Map of Tier 1, 2, and 3 Sites



Note: Additional maps are available in Appendix B of this report.

Source: Mackenzie