LAND AVAILABILITY | LIMITED OPTIONS
An analysis of industrial land ready for future employers
Why land availability matters

The Value of Jobs Coalition believes that quality of life begins with a good job and that a thriving economy creates the foundation for quality schools, healthy parks and happy families. According to a study sponsored by the coalition, in the late 1990s, the Portland-metro region's wages and incomes fell below the national average and have stayed there. Other peer regions have passed us by in terms of income level and employment. The coalition is sponsoring a series of studies to take a closer look at our economy to see what our region's economic needs and issues are.

There are a number of factors that help a metro region's economy thrive – an educated workforce, sound infrastructure, a coordinated transportation system and available land to grow and attract employers, to name a few. This analysis examines one ingredient of regional economic health: the readiness of large-lot industrial lands.

A consistent inventory of sites is a key requirement for meeting market demand, either by expanding local employers or attracting new employers to our region. This analysis shows, however, that we have a supply of industrial land that is not readily available to attract and cultivate the types of catalytic employers that will help our region's ability to grow and thrive.

Our region has a land use history to be proud of, and we take a measured approach to development. Most of the large-lot sites that will become available for industrial development within the foreseeable future are inside the existing Metro urban growth boundary (UGB) or urban reserves. Advancing the readiness of those sites improves our economic competitiveness, maximizes the efficient use of existing infrastructure and reduces outward pressure on the UGB.

We hope the information in this report will start a conversation among public- and private-sector leaders to help move public policy in a direction that enhances our quality of life by creating well paying jobs and laying the foundation for innovative tools that grow employers in, and attract employers to, our region.

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**About this report**

This report examines the current and near-term supply of large industrial sites available to accommodate the expansion of existing employers and recruitment of potential new employers to the Portland-metro region.\(^1\) The project was conceived partly in response to Metro’s 2009 Urban Growth Report analysis that identified a shortage of large-lot industrial sites in the region and in recognition of the need for a mechanism to replenish large-lot industrial sites as they are developed.

The report was produced by Group Mackenzie in partnership with the Portland Business Alliance, Port of Portland, Business Oregon (an Oregon state agency), NAIOP Oregon Chapter (a commercial real estate development association) and Metro.

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\(^1\) The Regional Industrial Lands Inventory examined vacant, industrially-zoned or planned lands within the Metro urban growth boundary and selected urban reserves that are suitable for large lot industrial development by new firms moving to the region or to accommodate the growth of existing firms that do not hold land for future expansion. The study identified and documented user-owned sites held for future use but excluded these from the detailed analysis.
A focus on industrial lands

While this analysis could have looked at a variety of employment land types, it focuses specifically on large industrial sites. Metro has identified a shortage of these sites in the regional industrial lands inventory. Many of the region’s largest and often highest-paying industrial firms are located on parcels 25 acres or more in size.

Such firms include high-tech manufacturing (Intel Corporation and Genentech), heavy manufacturing (Vigor Industrial, Gunderson, Freightliner), research and development labs (Oregon Health & Sciences University) and firms that support other business such as warehouses and shipping terminals. These employers create products or services that are sold outside of Portland-metro and bring new dollars into the region. These businesses are commonly referred to as “traded-sector” employers. With these employers come good, family-wage jobs and tax revenues that support critical public services such as schools, health care and law enforcement.

The state of Oregon, the Portland-Vancouver region, the city of Portland and most of the region’s counties and cities all identify a similar universe of traded-sector business as the centerpiece of their economic development strategies. A successful strategy includes retention and growth of existing businesses as well as the recruitment of new traded-sector businesses. Although not all traded-sector firms require large parcels, nationally or globally scaled firms that can have a significant impact on regional economic growth – such as Intel, Genentech and Freightliner – do require large parcels.

The experience of state and regional economic development experts indicates that accomplishing our region’s industrial retention, expansion and recruitment strategy depends on the immediate availability of an adequate supply of well-located, market-priced and readily developable large-lot industrial lands.

“We’re competing globally to retain, expand and recruit traded-sector companies and the quality jobs and wages they bring. The window of opportunity to win major investment is often short and very competitive. Building an inventory of shovel-ready sites is a key ingredient to positioning the Greater Portland region for long-term job creation.”

Sean Robbins, Chief Executive Officer, Greater Portland Inc.

BY THE NUMBERS:

5. Number of broadly attractive 25-acre or larger sites available for industrial development within 180 days.

1. Number of 50-acre or larger sites available for immediate development within 180 days.

1. Number of 100-acre sites available for immediate development within 180 days.

0. Number of 100-acre sites available for development between seven and 30 months.

35%. Percentage of the region’s total payroll that came from the traded sector in 2007.

$14,600. Average additional wage earned by workers in traded-sector jobs vs. non-traded-sector jobs.

65,500. Number of jobs at firms located on parcels of 25 acres or more.

50%. Percentage of all industrial land development in the past 20 years that took place during two, three-year peaks of development (1996-1998) and (2006-2008).
**Why the focus on traded-sector clusters?**

Traded-sector employers export goods and services from the region and import revenue into the region. In the Portland region, many of these traded-sector firms are manufacturers. Economic development strategies focus on these traded-sector employers because they pay higher wages and can increase the wealth of the community.

A 2010 analysis by ECONorthwest for the Value of Jobs Coalition, *2010 Check-Up on the Portland-Region’s Economic Health*, found that the average Portland-metro traded-sector wage was $53,000 in 2007, $14,600 greater than the average non-traded-sector wage. The analysis also found that traded-sector jobs accounted for 28 percent of the region’s total jobs and 35 percent of total payroll. According to a Business Oregon analysis in 2008, the average wage for the High Technology cluster was $82,000.3

The wealth generated by these traded-sector jobs circulates in the community, ultimately supporting supplier or service companies and neighborhood businesses. Larger traded-sector firms also seed entrepreneurs who spin out to create start-up firms that grow into larger firms. This process is what produces the economic clusters that are vital to the economic success of the region. Traded-sector firms also support public services directly and indirectly with higher wage jobs and taxable incomes, resulting in funding for schools, social services, parks and other critical public services.


This land inventory analysis provides a snapshot of the industrial land supply inside the Metro UGB and selected urban reserves established in mid-2011. The inventory can be used as a reference for monitoring and tracking changes and absorption of industrial land in the region and can also be used by Portland-metro municipalities as the basis for making informed land use and investment decisions around the supply, regulation and market readiness of industrial lands.

**The market-based approach**

This analysis started with a simple question: What is the inventory of market ready sites this region needs to be competitive in a global marketplace and successful in attracting large traded-sector firms to locate or expand here?

Business Oregon has extensive experience recruiting national and international traded-sector businesses into the state and the Portland-metro region. Their experience is that the majority of employers considering whether to locate in the region require sites where they can break ground within 180 days of site selection.

It is also important for the region to offer a number of potential sites for employers to choose from in order to receive serious consideration by site selectors. The fewer the number of sites available for immediate development, the lower the odds are that the region will be able to meet the new employer’s requirements.
What about Clark County?

Could the Portland-metro industrial land readiness issue be addressed by looking north to Clark County? Not according to a report recently issued by the Columbia River Economic Development Council, which found only 13 sites are available and it would take up to 12 to 18 months to get permits in place for construction. The report noted that the shortage of readily available land has already led some businesses to look elsewhere to grow, and could hamper the community’s economic recovery, according to local leaders.4

What do large-lot industrial developments add to the regional economy?

A 2010 Metro report found that 60 employers located on parcels of 25 acres or more accounted for more than 8 percent of the region’s total employment in 2006 or 65,500 jobs.5 A Business Oregon analysis of recent recruiting efforts found the economic impact per acre of large-lot developments varies depending on the type of company and ranges from $200,000 per acre for warehouse and distribution centers to $1.4 million per acre for clean tech manufacturing.

Based on experience, Business Oregon has identified the characteristic minimum parcel size and other site requirements for most cluster recruitment targets. Most of these cluster industry recruitments require net developable sites of at least 25 acres with a number of clusters, such as globally scaled high tech, requiring much larger sites.

This analysis focuses on the net developable acreage, as some sites have a high number of gross acreage but limited area that would be suitable for an employer to build a facility.

To identify the inventory of market-ready sites in the region, the project applied a series of filters from the perspective of potential employers. Starting with Metro’s 2009 Buildable Lands Inventory, supplemented with information from local jurisdictions throughout the region, the analysis identified parcels with the following characteristics:

- Inside the UGB or in selected urban reserves
- Zoned, planned, or, in the case of urban reserves, suitable for industrial uses
- Containing at least 25 net buildable, vacant acres after accounting for constraints such as wetlands, flood plains and slope
- Not set aside by existing firms for future expansion opportunities

Using Business Oregon and industry expertise, the parcels identified through this initial process were further analyzed as to their market readiness using sufficiency of infrastructure and transportation facilities, brownfield or environmental issues, need for land assembly, need for annexation and availability for lease or sale.

This more refined analysis resulted in an inventory of existing or potential industrial sites that were assigned a tier based on market readiness or estimated length of time before they can be developed. Tier 1 sites could be shovel ready within 180 days (six months). With sufficient resources and expeditious jurisdiction approvals, Tier 2 sites could be development ready in seven to 30 months. Sites that will require more than 30 months to be ready for development were designated Tier 3.6

6 The Value of Jobs Coalition is working with the Regional Industrial Lands Study partners on a second phase of this analysis that will examine the costs and benefits of moving Tier 2 and Tier 3 sites into the Tier 1 level of readiness.
What the numbers show

**Tier 1 Sites**

The analysis found that there are only nine sites in the UGB that are both 25 net acres or larger and can be developed within 180 days. Washington County has five of these sites, followed by three in Multnomah County and one in Clackamas County. The number of very large sites is even more limited. There is only one 50-acre and one 100-acre site in Tier 1.

Beyond shovel-ready availability, there are a handful of economic factors that drive the suitability of industrial sites for immediate development. A closer look at the nine Tier 1 sites reveals that the number of sites attractive to a broad range of potential traded-sector cluster companies is even smaller. Of the nine sites, two are for lease only, which is typically less desirable to potential users who, anticipating significant capital investments, want to own rather than lease.

It is also more difficult to secure financing for a land lease versus a fee-simple ownership project. Another Tier 1 site is of an irregular shape and would require an unusual development footprint, possibly increasing costs and precluding market-accepted building design.

One last factor is, of course, price. One site is currently for sale at a price that is much higher than industrial development could support and it is unclear when, if ever, the current owner will align the asking price with current industrial market pricing.

The net result is only five Tier 1 sites that can meet the business retention, expansion or recruitment criteria for a broad range of potential users.

**Figure 2: Tier 1 sites that meet development criteria**

<table>
<thead>
<tr>
<th>TIER 1 SITES</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease only</td>
<td>-2</td>
</tr>
<tr>
<td>Irregular shape</td>
<td>-1</td>
</tr>
<tr>
<td>Above market price</td>
<td>-1</td>
</tr>
</tbody>
</table>

**TOTAL SITES** | 5 |

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7 This analysis only included the area within the Metro UGB, or adjacent urban reserves. It did not examine industrial sites outside the Metro boundary.
It is important to recognize that, for site selectors, these requirements are the absolute minimum requirements for a location to even be considered. Meeting these requirements is like reaching first base in a baseball game: all significant, potential employers require much more than simply meeting the minimum threshold. To make it all the way home, many factors must fit for the transaction ultimately to work and result in hiring.

The smaller the inventory of sites that meet even the minimum requirements, the less the region’s odds are of successfully making it to first base, let alone hitting a home run and successfully recruiting the employer. Given the region’s lagging wages and incomes, it should be our goal to increase our opportunities for success by ensuring that we have a variety of development ready sites.

“No one wants to go to their company president with only one possible site.”

Peter Bragdon, senior vice president of legal and corporate affairs for Columbia Sportswear, in reference to his experience with site selection.

**Tier 2 and 3 sites**

The analysis found 16 Tier 2 sites (seven to 30 months from shovel ready) and 31 potential Tier 3 sites (more than 30 months to shovel ready) within the UGB and selected urban reserves. The bulk of these sites are in either Washington or Multnomah counties. Here again, the number of larger sites is very constrained. Tier 2 has no 100-plus acre sites, and only four 50-plus acre sites. Tier 3 has only four potential 50-plus acre and six potential 100-plus acre sites.

The few large sites in Tier 2 and 3 face significant challenges to becoming ready, including the need to complete brownfield clean up, build infrastructure such as roads and sewers, remediate wetlands and assemble parcels currently under multiple separate ownerships.

Ten of the potential Tier 3 sites would require aggregation of parcels in separate ownership, and ownership ranges from two owners up to 17 owners, depending on the site. The more owners involved, the more complex and lengthy the development process would be. Twenty of the sites in Tiers 2 and 3 will require some kind of state, regional or local action such as concept planning, annexation or UGB expansion to become development ready.

All of these steps can be challenged through the land-use process. Thirty-one of the Tier 2 and 3 sites face multiple challenges. The table to the right shows the variety of challenges faced by sites in the pipeline.

**Figure 3: Tier 2 and 3 potential development constraints**

<table>
<thead>
<tr>
<th>Constraint</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative Actions</td>
<td>20</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>19</td>
</tr>
<tr>
<td>Transportation</td>
<td>18</td>
</tr>
<tr>
<td>Not willing to transact</td>
<td>18</td>
</tr>
<tr>
<td>Land Assembly</td>
<td>14</td>
</tr>
<tr>
<td>National Resources</td>
<td>13</td>
</tr>
<tr>
<td>Brownfield/Cleanup</td>
<td>8</td>
</tr>
</tbody>
</table>

The largest sites face tremendous challenges and limitations. One is West Hayden Island, which has extensive environmental limitations associated with future marine terminal development and will require annexation into the city of Portland. Three sites are outside the current urban growth boundary and one is limited to aviation-oriented, lease-only development. In sum, there are very few of the largest sites currently available and the supply of future large sites is equally or even more constrained.
Demand for land

Being market ready is critical as industrial land development is very cyclical. According to an analysis by Business Oregon and NAIOP, the majority of the demand for industrial lands comes in short bursts. Fifty percent of all industrial land acres developed in the study area over the past 20 years came during two three-year peak periods of development (1996-1998) and (2006-2008). If the region does not have developable sites ready to go when the growth cycle hits, it will miss the opportunity for significant job and income expansion for a decade or more. How our region grows jobs and improves wages and incomes depends on getting these sites ready for employers. The goal of this inventory study is to move conversations forward so our region can better coordinate, recruit and grow the number of traded-sector employers and grow jobs.

8 2011 Industrial Lands Policy Paper: Large Lot Supply & Demand, Business Oregon (Source: Costar, NAIOP). Analysis of industrial construction square footage reported in Costar for all parcel sizes converted to acreage assuming an average 30 percent coverage ratio.

Land-banked parcels

The analysis excluded land-banked parcels (owned and held for future expansion by existing firms) and sites with structures comprising more than 25 percent of the land area for redevelopment. While land-banked parcels may become available for recruitment in the future, there is currently no way to judge if or when this might occur. Redevelopment of occupied parcels may be possible but is generally not broadly attractive to targeted cluster industry companies due to uncertain timing and costs that can greatly exceed market rates for industrial land in other parts of the country or world. Additional analysis of redevelopment costs and opportunities was outside the scope of this analysis.
Conclusions

The industrial land inventory analysis confirms that Portland-metro’s market-ready supply of large-lot industrial lands for targeted traded-sector employer expansion and recruitment is limited, particularly for potential developments that require 50 acres or more.

The sites that are available are concentrated in the Columbia Corridor of Multnomah County and around Hillsboro in Washington County, limiting the potential to more broadly distribute job opportunities within the Portland-metro area.

While this analysis has identified the available sites and, at a high level, outlined the challenges that exist to bringing Tier 2 or 3 sites to shovel-ready status, the timeframes in the analysis assume that the jurisdictions, property owners, land-use regulatory bodies and potential interveners are all working in support of the potential employer and the site’s development.

The tier designations assume the “best case” and do not reflect issues that could significantly delay development such as unidentified wetlands or brownfields, opposition from interest groups, or requests from local jurisdictions for additional planning or design reviews. Any one of these factors could dramatically extend the timeframe for these sites to become market ready.

Figure 5: Economic impact per acre

Our dwindling inventory of available industrial lands is making it difficult to respond to companies interested in expanding their operations into Oregon. We need to find strategies to make potential sites shovel ready so we can compete, not just for recruitment, but for expansion and retention of the great companies we already have."

Tim McCabe, Director, Business Oregon

Future analysis, known as Phase 2 of this study, will look at the costs and benefits of getting these sites ready and what the potential impact of successful recruitments or expansions could be in terms of jobs, incomes and taxes generated and improving the Portland-metro region’s quality of life.
About the Value of Jobs Coalition

The Value of Jobs Coalition is based on the premise that in order to have a prosperous, healthy Portland region with a good quality of life, we need more private-sector jobs. The coalition began with an economic study in the fall of 2010, which uncovered troubling economic data about the Portland-metro region. A number of other studies have followed that highlight the region’s economic opportunities and challenges. Find out more at: 
