

Portland Metro Industrial Site Readiness Inventory Update Fall 2017

*Westside Economic Alliance
April 18, 2018*



Portland General Electric



Why Should We Care?

- Job creation and income growth are key to Oregon's economic prosperity
- Traded-sector jobs provide middle income jobs and provide sustainable funding for public services
- Cities we compete with have more site options available
- Business decision timeframe continues to shrink



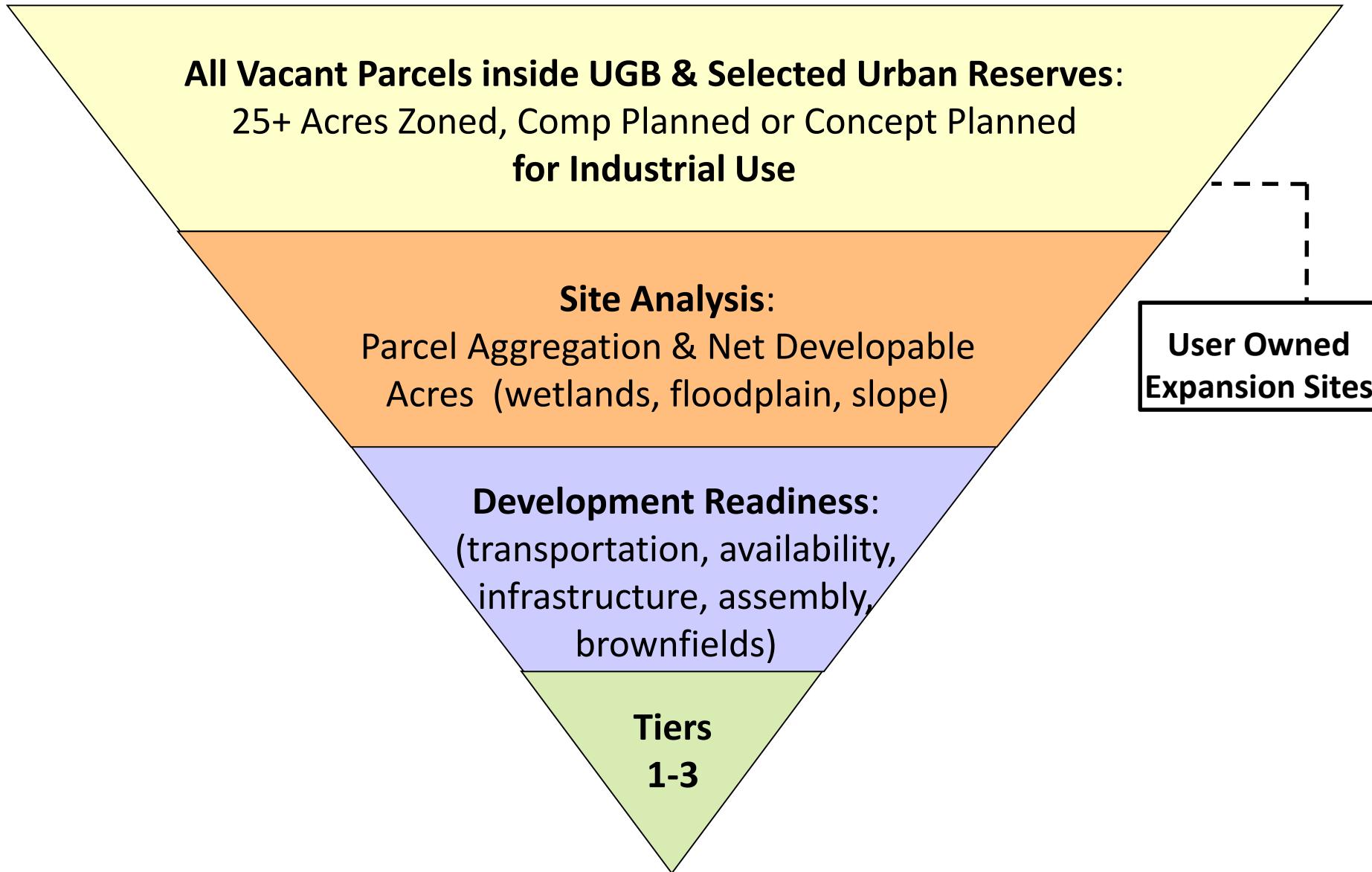
Today's Agenda

- 2017 Inventory Update
 - Project background
 - Results from similar PGE study
 - Findings
 - Pipeline is dwindling and not being replenished
 - ROI shows that investment is well spent
 - Possible solutions to filling pipeline
- Q&A/Discussion

2017 Inventory Goals

1. Track changes since 2014
2. Analyze sites' varying states of development-readiness
3. Summarize investments and jobs created from development of inventory sites
4. Identify possible policy and investment actions required to ensure an adequate supply of development-ready sites

How Does a Site Make This List?



Site Tiering



Tier 1: 6 months to development-ready

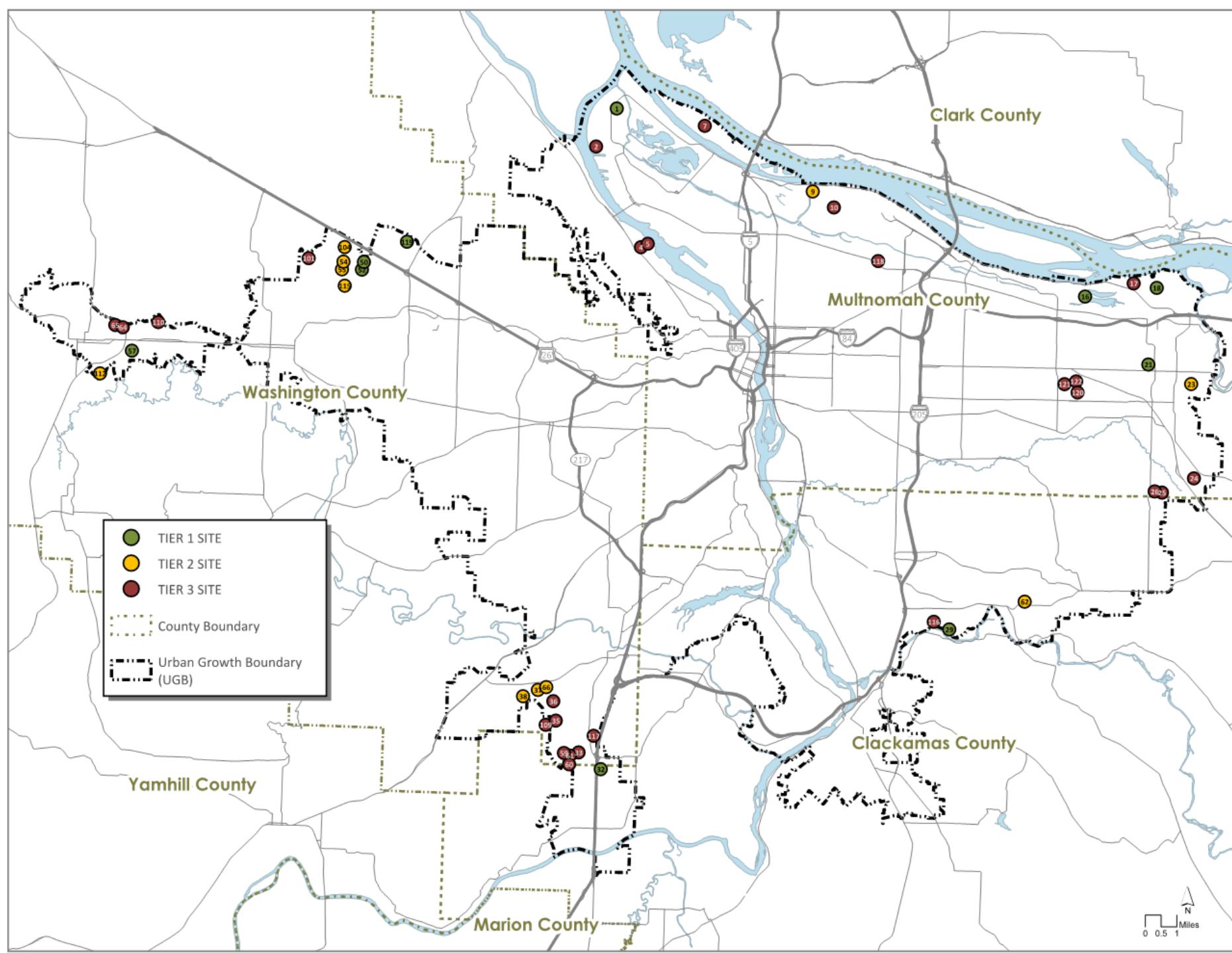
- Consistent timeline with Business Oregon Site Certification
- Minimum threshold timeline for most recruitments

Tier 2: 7 months to 2½ years to development-ready

- Time to permit not viable for recruitment
- Requires patient investor for this longer horizon site development

Tier 3: Greater than 2½ years to development-ready

- Requires very patient, risk taking investor



2017 INVENTORY FINDINGS

Findings

1. Inventory has decreased since 2014
2. Few Tier 1 sites remain
3. Few 50+ acres sites remain
4. Moving Tier 2 & 3 sites to Tier 1 is costly and time intensive
5. Slower movement between tiers, but more development

1. Number of sites have decreased from 54 to 47 since 2014

- **10 Tier 1 sites** (500 total acres)
- **11 Tier 2 sites** (750 total acres)
- **26 Tier 3 sites** (2,300 total acres)

	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

Inventory Changes

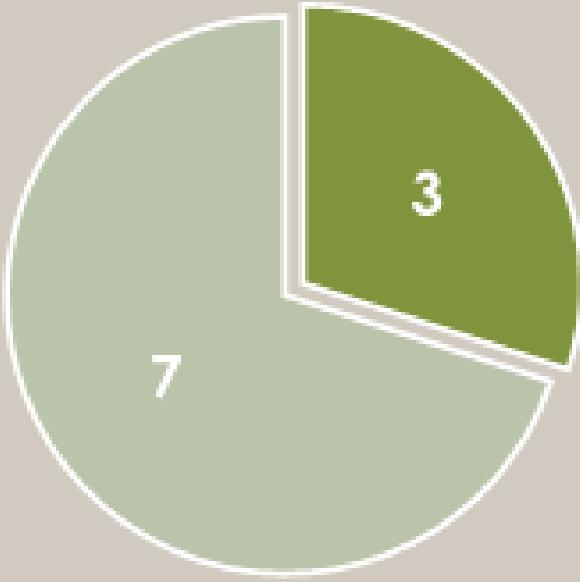
+ 6 sites

- Hillsboro (1), Wilsonville (1), and Portland (4)

- 13 sites

- 5 sites fully developed
- 4 sites partially developed
- 2 sites sold
- 2 sites reduced acreage due to environmental constraints

2. Few unencumbered Tier 1 sites



UNENCUMBERED 2017 TIER 1 SITES
 2017 TIER 1 SITES WITH
DEVELOPMENT AGREEMENTS



3. Limited number of 50 + acre sites

- **Zero Tier 1 100+ acre sites**
- **Ten 50 - 99 acre sites in all tiers**
 - 4 have development agreements
 - 3 are High Need sites
- **Four 100 acre Tier 2 and 3 sites**
 - 2 are High Need sites

4. Development challenges remain to move sites to Tier 1

- 13 of 37 Tier 2 & Tier 3 sites require aggregation**
 - No aggregation tools available
- 15 of 26 Tier 3 sites are High Need sites**
 - Expected to take 5 years + of development readiness
 - May never develop
- 22 of 37 Tier 2 & Tier 3 sites require infrastructure investments**
 - \$143M est. infrastructure investments for 11 sites

Tier 2 & 3 Site Development Challenges

Brownfield clean up:	7
Natural Resources:	17
Infrastructure (water, sewer, storm utilities):	16
Transportation:	22
Land Assembly:	13
Local and State Legislative Actions:	22
Willingness to Transact	
No:	15
Unknown:	6

Note: Most sites may have multiple constraints

PGE Infrastructure Study



Problem: Lack of sites

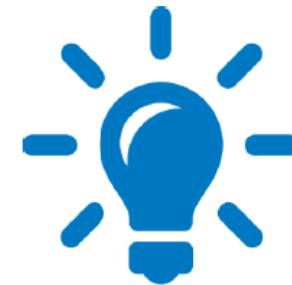
611 acres PGE service territory gone off the market in last 18-24 months



Process

PGE kept tally of sites being developed

1. dwindling # of “shovel-ready” sites
2. Asked: what is state of remaining lands?



Goal

Hired Mackenzie Consulting to analyze 15 sites 25+ acres in service territory

PGE Infrastructure Study Results

Number of Tier 1 sites that can be developed *affordably* in one year or less has decreased in PGE service territory

- 611 acres gone, 267 acres remain (175 of that is in Molalla & Estacada)

15 Tier 2 and 3 sites face significant timeline and cost challenges

- **22 months** avg. total development timeline to get **Tier 2** site to **Tier 1**
- **40 months** avg. total development timeline to get **Tier 3** site to **Tier 1**
- **\$2.40** avg. cost per gross square foot for *only water, sewer, storm, and transportation upgrades* to reach Tier 1
- **\$55M** costs for transportation upgrades
 - 50% of the total for the 15 sites
- **11 months** average time needed for just design/permitting
- **15 months** average time needed for construction

5. *Slower movement between tiers but more* development



RETURN ON INVESTMENT

Development since 2011

- **6 developed sites**
 - Hillsboro - *105 acres (2 sites)*
 - Portland - *53 acres (2 sites)*
 - Gresham - *39 acres*
 - Tualatin - *27 acres*
- **9 currently under construction**
 - Gresham – *120 acres (4 sites)*
 - Hillsboro – *76 acres (2 sites)*
 - Troutdale – *80 acres*
 - Portland – *48 acres*
 - Forest Grove – *28 acres*

15 sites

575 total
acres

6 Sites Fully Developed (2011-2017)

- 4M SF on 225 acres

SPECULATIVE INDUSTRIAL PARKS



MAJESTIC REALTY CO.



BUILD TO SUITS



- 2,500 – 2,750 jobs
- \$50,000 average annual wage
- 2,500 additional indirect jobs
- \$230M investment in real property
- \$500,000 annual property tax revenues (for 4 of 6 sites)
- \$5.2M annual state income tax revenues

9 Sites Under Development (2016-2018)

- **4.78M SF on 350 acres**
- **2,800 – 3,250 job capacity**
- **\$500 million investment in real property**

BUILD TO SUITS



SPECULATIVE INDUSTRIAL PARKS



x 2

Summary

- Inventory has **decreased** since 2014
- Few unencumbered **Tier 1** sites remain
- Limited number of **50+ acre** sites remain
- Tier 2 and 3 sites require **significant investment** and will take **years to develop**
- **Half** of the Tier 3 sites are ‘high need’ and **may never develop**
- Sites are getting developed but **site readiness not keeping pace** with market demands (12 months)

Potential Solutions

1. Local and Regional Site Readiness Actions

- Property aggregation
- Site readiness analysis
- Brownfield/Portland Harbor clean-up
- State infrastructure finance programs

2. State Legislative Actions

- Advocate for tools/funding for brownfield clean-up
- Support funding Industrial Site Readiness Program and Special Public Works Fund
- Support Regional Solutions Teams

3. Local Development Actions

- New/expanded enterprise zones and other incentives
- Expedited permitting progresses