
King City Market Analysis: Urban Reserve Area 6D

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Prepared for: City of King City

Revised Report

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1. Introduction

This report presents King City’s Market Analysis for Urban Reserve Area 6D (URA 6D) and its surrounding vicinity (Exhibit 1). This study generally pulls from recent work conducted for URA 6D (study area), modifying and adding to this work as necessary to further evaluate the market potential of the study area.

Exhibit 1. URA 6D Study Area
Source: ECONorthwest.



Purpose

The purpose of the report is to assess and refine the findings of the 2018 Concept Plan and 2017 Market Analysis for URA 6D by determining the market demand for commercial and residential uses in the study area. The analysis evaluates the market demand for various types of land uses as well as compatible businesses within the study area given current and projected future growth. Findings are measured against the community's vision for URA 6D, as described in the 2018 Concept Plan.

Ultimately, this report concludes with recommendations for an appropriate mix of housing types and densities and an evaluation of the type of businesses and services that are likely achievable given the area's locational advantages and disadvantages.

Background

A market analysis was produced for URA 6D in 2017¹. The analysis defined a 525-acre study area to understand existing and likely future site conditions, economic and demographic indicators, and residential/commercial development trends, including pipeline activities. The analysis came to several determinations, such as:

- The hottest residential markets are walkable, in-town neighborhoods with cultural amenities and proximity to jobs.
- Millennial household formation should drive starter home demand.
- Seniors will drive active senior and assisted living demand.
- The URA 6D area could absorb 500-900 dwelling units and at least 54,000–85,000 sq. ft. of commercial retail space.

Opportunities for retail cited in the analysis were: grocery store (16,000 to 25,000 sq. ft.), restaurant and drinking establishments (10,000 to 15,000 sq. ft.), and more general office/commercial uses. Acreage required to accommodate this retail demand was 4.6 to 5.5 acres. In addition, another 4.6 to 5.5 acres would be required to accommodate demand for roughly 40,000 to 60,000 sq. ft. of wine country lodging (with 70 rooms), event space, and dining.

Then, with the assistance of several consultants, the City of King City developed a concept plan for URA 6D in 2018. The Concept Plan² was developed along the same timeline as King City's Housing Needs Analysis (2018). The Concept Plan, submitted to Metro, served as a request to expand King City's UGB so that it would include URA 6D. The Plan proposed land use designations, four neighborhoods (including a Main Street/Town Center), a residential buildout

¹http://cms6.revize.com/revize/kingcityor/document_center/URA/Concept%20Plan%20Index/D.%20Market%20Analysis/20170307%20King%20City%20Market%20Analysis%20Memorandum,%20March%202017.pdf

² City of King City. (May 2018). King City Urban Reserve Area 6D Concept Plan.

program, transportation routes, and needed infrastructure (and costs) to support development. The Plan concluded that the mix of proposed uses would help address the city's residential land deficit and create a mix of amenities, employment, and educational opportunities to serve the area.

The King City's Housing Needs Analysis determined that the city had a deficit of housing capacity in most of its plan designations that allow housing outright. These plan designations were: Single-Family (SF) Plan Designation, Residential (R-9) Plan Designation, and MF Plan Designations (R-12, R-24, and AT). All told, citywide residential land deficits in 2018 were attributed to a deficit of future housing capacity of approximately 940 dwelling units.

The deficit of housing capacity further demonstrated the importance of URA 6D to accommodate growth in King City. Analysis in King City's 2018 Concept Plan found that URA 6D could accommodate 3,576 dwelling units. As such, the estimated buildout program presented in the Concept Plan suggests that the area could *more than* accommodate the city's entire household/dwelling unit forecast (2018–2038), with a surplus of 2,596 dwelling units. Capacity is consistent with the purpose of URA's generally (i.e., they are purposed to accommodate 50-years of growth).

Approach and Methods

The approach for this analysis was to build on past work (conducted as part of the concept planning process), while updating and including new, key data analyses where appropriate. We also use case studies and comparative analysis to understand the factors that influence expansion areas and commercial centers. We supplemented data analysis through interviews with local developers, City officials, and representatives at Metro.

Data Sources

Unless otherwise noted, we used the following data sources to inform this study:

- **US Decennial Census:** Completed every ten years, it is a survey of all households in the U.S. which is considered the best available data for information such as demographics, household characteristics, and housing occupancy characteristics. The analysis uses the 2000 and 2010 Decennial Census to better understand the socio-economic factors influencing King City and the larger region.
- **American Community Survey (ACS):** Completed every year, it is a sample of households in the U.S. The ACS collects detailed information about households, including demographics, household characteristics, housing, income and housing costs, and other characteristics. The analysis uses the 2014–2018 ACS to better understand the socio-economic factors influencing King City and the larger region.
- **Portland State University's (PSU) Population Research Center (PRC):** The PRC prepares population forecasts for cities and counties outside of Metro's UGB and

population estimates for all cities and counties across the state. The analysis uses PSU's official population estimates for King City and larger regions.

- **Metro 2040 Distributed Forecast:** This is the Metro region's official population, household, and employment forecast for cities and portions of counties within the Metro Urban Growth Boundary. We use Metro's projections where applicable to describe growth expectations in King City and the region.
- **ESRI Business Analyst:** A GIS-enabled program that provides market data for site-specific trade areas. We use Business Analyst to inform our case study analysis and commercial retail trends analysis for URA 6D.
- **CoStar:** An online platform that provides real estate data. We use Costar data to analyze commercial retail and multifamily residential market trends.

How does the COVID-19 Pandemic affect our analysis?

This report was drafted in the Spring of 2020. As of this draft, the COVID-19 virus has created a global pandemic that has resulted in entire sectors of the economy being put on pause. Short- to intermediate-term impacts on the economy remain uncertain, although disruptions in commercial and housing market fundamentals are expected. Over the long-term horizon, as the study area is built out, prevailing demographic and economic trajectories will have greater influence than cyclical variations or economic shocks. As such, in this analysis we assume a return to long-term economic stabilization.

Organization of the Report

The remainder of this document is organized as follows:

- **Chapter 2. Socio-Economic Analysis of Market Area** describes demographic and economic trends in King City and larger regions.
- **Chapter 3. Residential Real Estate Analysis of Market Area** presents information about the local, residential housing market. It presents residential real estate market trends that will likely influence development in URA 6D's primary, residential trade area.
- **Chapter 4. Commercial Real Estate Analysis of Market Area** summarizes the factors that influence commercial development and the competitive retail landscape for the primary, commercial trade area. It also summarizes several comparative analyses about commercial centers to assess the relationship between the scale of retail development to catchment areas.
- **Chapter 5. Market Potential in the Project Area** reflects on the King City's 2018 Concept Plan for URA 6D, summarizes URA 6D's competitive advantages and disadvantages, and presents findings about an appropriate mix of land use and development types in URA 6D.

In addition to these chapters, a series of appendices present additional details of our case study analysis.

- **Appendix A.** Villebois in Wilsonville, Oregon
- **Appendix B.** Northwest Crossing in Bend, Oregon
- **Appendix C.** Bethany in Washington County
- **Appendix D.** Progress Ridge in Beaverton, Oregon

2. Socio-Economic Analysis of Market Area

Chapter two provides analysis of demographic and economic trends in King City to better understand the makeup of, and factors that affect, the King City community. For some exhibits, we compare city trends to larger regional trends. In this analysis, King City refers to King City city limits.

Community Demographic Trends

King City's demographic makeup is different from the greater region. King City has a larger share of older residents and a relatively small share of younger people under 20 years of age. About 40 percent of the city is in retirement/at retirement age, compared to 13 percent for Washington County. King City's age distribution is largely due to the fact that it developed as a retirement community that strictly forbade homeowners under the age of 55.

Over the last two decades, King City's population more than doubled and as the city grew, its residents became more diverse. The community grew younger on average and gained a greater share of large households and family households with children. In addition, inflation-adjusted household incomes grew across the city, likely because more working-aged residents moved into the city. Given these changes, it is expected that the King City community will more closely resemble the Portland Region, as the city continues to grow and evolve.

The following subsections present and summarize the demographic data for King City and its comparative regions.

POPULATION . . . King City is growing at a faster rate than the region.

King City's population grew by 115 percent between 2000 and 2019, adding 2,245 new residents. Over this period, King City's population grew at an average annual growth rate of 4.1 percent, which is a rate faster than both the tri-county Portland Metro Region (1.3 percent) and Oregon (1.1 percent).

Based on Metro's forecast for future growth, King City's population is forecast to reach 5,310 people by 2040 (an increase of 1,120 new people between 2019 and 2040). Population growth will continue to drive future demand for housing in the city.

Exhibit 2. Historical Population Growth, King City (city limits), Portland Region (tri-county), and Oregon, 1990, 2000, 2010, and 2019

Source: Portland State University, Population Research Center Estimates.

	1990	2000	2010	2019	Change 2000 to 2019		
					Number	Percent	AAGR
Oregon	2,842,337	3,421,399	3,844,195	4,236,400	815,001	24%	1.1%
Portland Region	1,174,291	1,444,219	1,644,535	1,858,560	414,341	29%	1.3%
King City	2,060	1,945	2,800	4,190	2,245	115%	4.1%

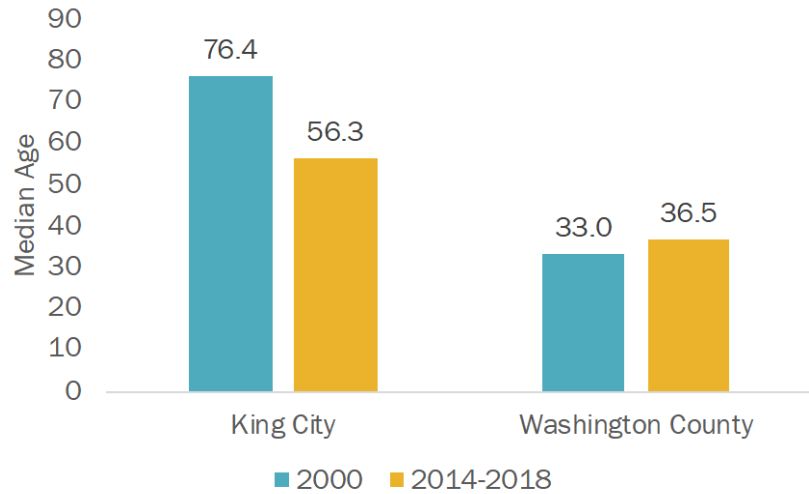
AGE . . . Residents of King City are typically older - but getting younger on average.

From 2000 to 2014–2018, King City’s median age decreased by 20 years.

Despite this trend, King City’s median age in 2018, was still 20 years older than the median age of Washington County residents.

Exhibit 3. Median Age, King City (city limits), Washington County, 2000 and 2014–2018

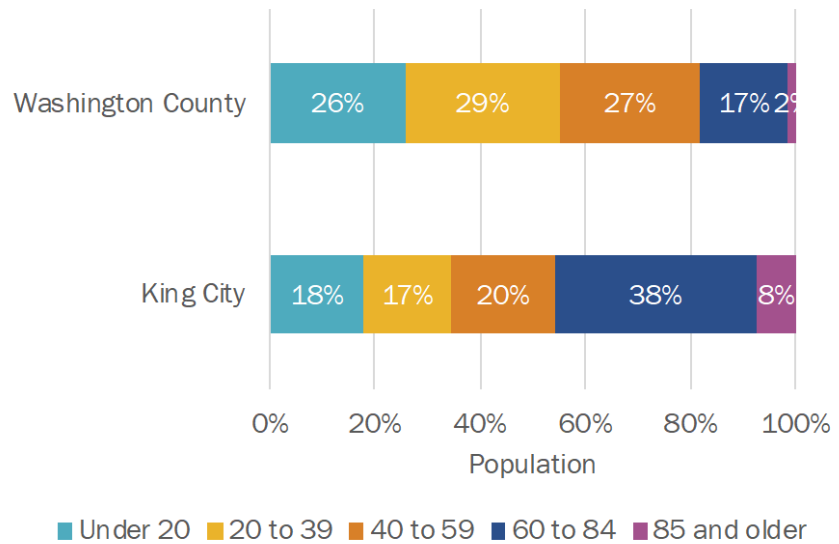
Source: U.S. Census Bureau, 2000 Census Table P013 and 2014–2018 ACS Table B01002.



In the 2014–2018 period, 46 percent of King City’s population was aged 60 or older, compared to 18 percent of Washington County’s population.

Exhibit 4. Age Distribution, King City (city limits), Washington Co., 2014–2018

Source: U.S. Census Bureau, 2014–2018 ACS Table S0101.



HOUSEHOLDS · · · Most of King City’s households contain one or two people.

From 2010 to the 2014–2018 period, King City added 165 new households.

From 2018 to 2040, King City is forecast to grow by 1,322 households.

King City’s average household size was smaller than both the county’s and state’s average.

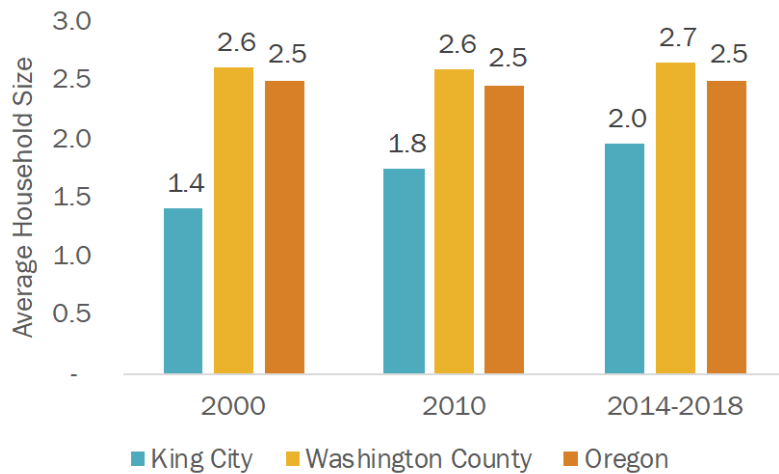
Exhibit 5. Household Formation, King City (city limits), 2010, 2014–2018, and 2040

Source: U.S. Census Bureau, 2010 Census Table P20, 2014–2018 ACS Table DP02. Metro 2040 Distributed Forecast.



Exhibit 6. Average Household Size, King City (city limits), Washington County, and Oregon, 2000, 2010, and 2014–2018

Source: U.S. Census Bureau, 2000 Census Table H012, 2010 Census Table H12, and 2014–2018 ACS Table B25010.



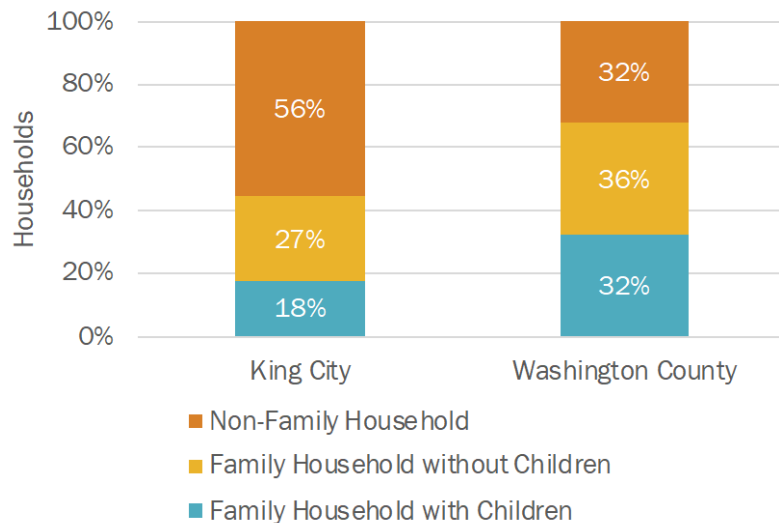
Over half of King City’s households were non-family households (e.g., one-person households and unrelated roommates).

King City has a smaller share of family households (with and without children) than Washington County.

In 2010, 58 percent of King City’s households were nonfamily households, 30 percent were family households without children, and 12 percent were family households with children.

Exhibit 7. Household Composition, King City (city limits), Washington County, and Oregon, 2014–2018

Source: U.S. Census Bureau, 2014–2018 ACS 5-year estimate, Table DP02.



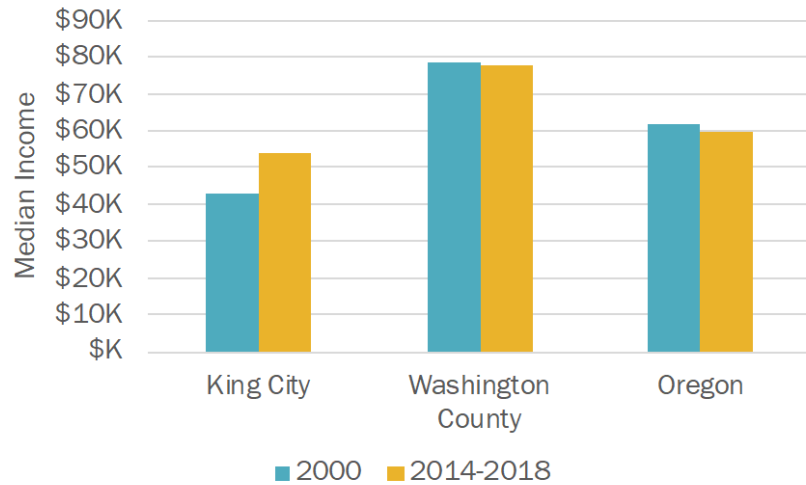
INCOME . . . The gap between King City’s and regional income levels is closing.

After adjusting for inflation, King City’s median household income (MHI) increased by \$10,994 (26 percent) from 2000 to 2014–2018.

In contrast, over the same period, Washington County and Oregon’s inflation adjusted MHI declined by 1 and 4 percent, respectively.

Exhibit 8. Change in Median Household Income, King City (city limits), Washington County, Oregon, 2000 to 2014–2018, Inflation-adjusted

Source: U.S. Census Bureau, 2000 Decennial Census, Table HCT012; 2014–2018 ACS 5-year estimate, Table B25119.

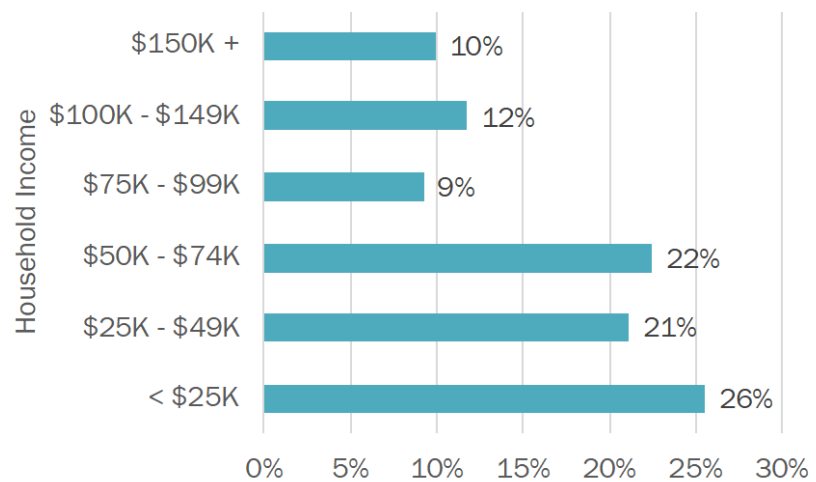


Almost half of King City’s households earned less than \$50,000.

The likely reason for the lower incomes is King City’s older population, with more retirees in King City than the region.

Exhibit 9. Median Household Income by Household Size, King City (city limits), 2014–2018

Source: U.S. Census Bureau, 2014–2018 ACS 5-year estimate, Table B19001.



Community Economic Trends

King City exists as part of an interconnected economy in the Portland Region. However, King City’s demographics include an above average concentration of retirees. In 2017 King City’s labor force participation rate was 47.5 percent, compared to 66 percent regionally. Among King City’s residents that do work, most (about 99 percent) commute outside of King City for work, most notably to Tigard, Portland, and Beaverton.³

Recent data shows that the unemployment rate for King City residents is relatively low, compared to Washington County.

The sectors that have primarily led to employment growth in King City, over the last decade, were professional and business services (adding 210 jobs); private education, health care, and social assistance services (adding 176 jobs); and retail trade (adding 151 jobs). In part, these same sectors are also expected to contribute to regional employment growth trajectories—adding 65,300 new jobs in the Portland Region between 2017 and 2027.⁴

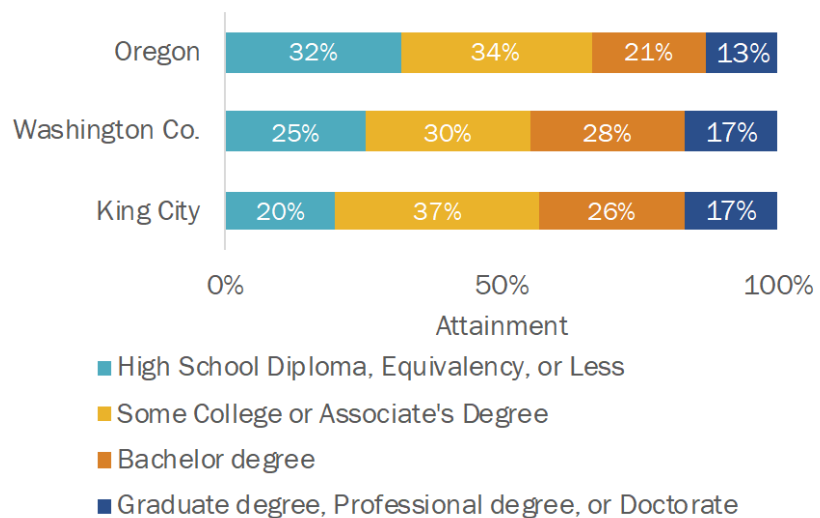
The following subsections present data about characteristics of King city’s economy.

EDUCATIONAL ATTAINMENT · · · Less than half of residents have higher ed. degrees.

King City’s population over 25 years of age is similarly educated relative to the county.

About 43 percent of King City’s residents over the age of 25 attained a bachelor’s degree or higher form of education, compared to 45 percent of Washington County’s residents.

Exhibit 10. Educational Attainment, Population 25 Years or Older, King City (city limits), Washington County, and Oregon, 2014–2018
Source: U.S. Census Bureau, 2014–2018 ACS 5-year estimate, Table B15003.



³ Census on the Map, primary jobs in 2017.

⁴ Oregon Employment Department. Employment Projections by Industry 2017–2027 (Clackamas, Multnomah, and Washington County).

EMPLOYMENT · · · Employment in professional, service, and retail industries grew.

In the 2014–2018 period, King City’s unemployment rate, for the civilian population 16 years and older was 2.9 percent.

Exhibit 11. Unemployment Rate, King City (city limits) and Washington County, 2014-2018

Source: U.S. Census Bureau, 2014–2018 ACS Table S2301.

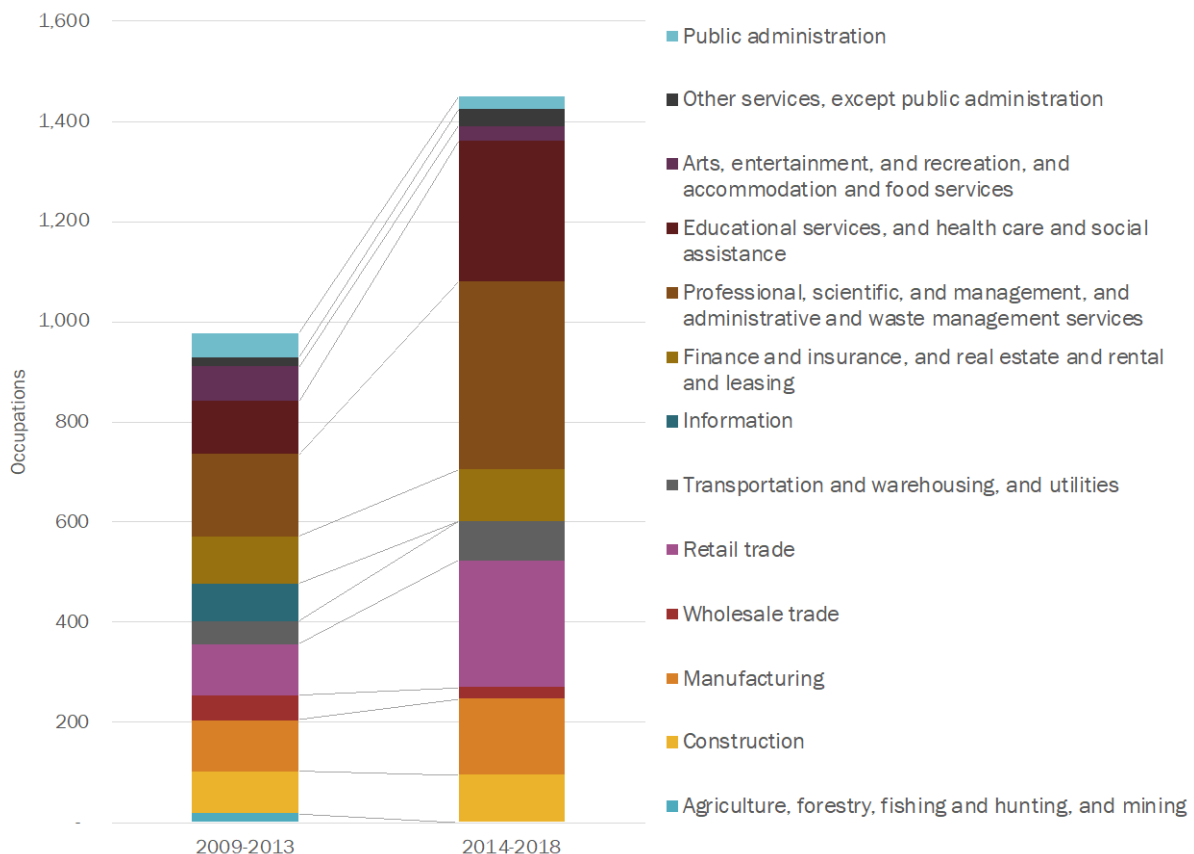


Exhibit 12 shows that the total number of occupations in King City has grown. From the 2009–2013 to the 2014–2018 period, King City gained 471 jobs (a 48 percent change). The industries with the most employment growth in this time were:

- Professional, scientific, and management, administrative, and waste management services (210 new employees, 127 percent change)
- Educational services, and health care and social assistance (176 new employees, 168 percent change)
- Retail Trade (151 new employees, 147 percent change)

Exhibit 12. Change in Industry by Occupation for the civilian employed population 16 years and over, King City (city limits), 2009–2013 to 2014–2018

Source: U.S. Decennial Census, ACS 2009–2013 and 2014–2018, Table S2405.



King City is forecast to add 434 employees from 2015 to 2040.

The 434 new employees would account for less than one percent of the employment growth expected in all of Washington County (portion inside Metro’s UGB) in that same time.

Exhibit 13. Employee Growth Forecast, King City (city limits), 2015–2040

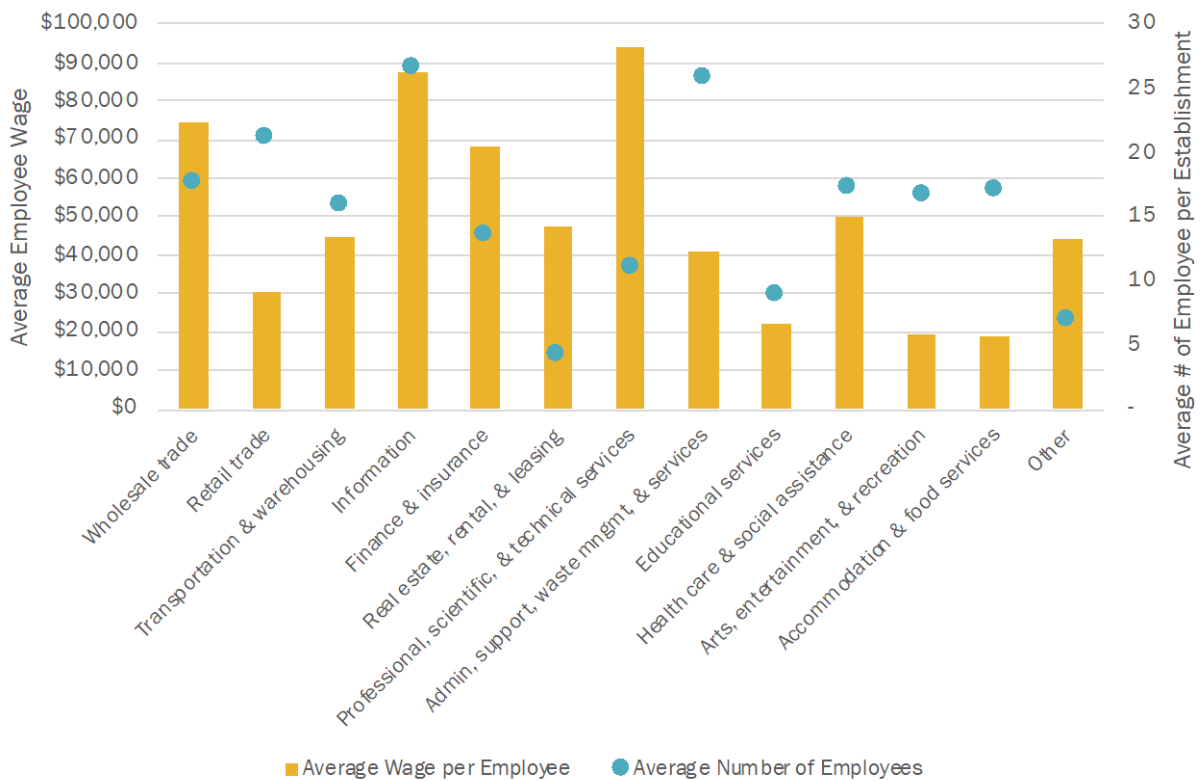
Source: Metro 2040 Employment Distributed Forecast, created July 12, 2016.

	KING CITY	WASHINGTON COUNTY (INSIDE METRO UGB)
2015	709	266,600
2040	1,143	398,484
Change (2015–2040)		
Number	434	131,884
Percent	61%	49%
Rate	1.9%	1.6%

On average, across Washington County and for all sectors, the average number of employees per business was 16 employees and the average wage was \$49,600 (2017).

Exhibit 14. Business Size Distribution, Washington County, 2017

Source: U.S. Census Bureau, Economic Census 2017, Table EC1700BASIC.



3. Residential Real Estate Market Analysis

Chapter 3 presents ECONorthwest’s analysis of the residential real estate market in the URA 6D market area.

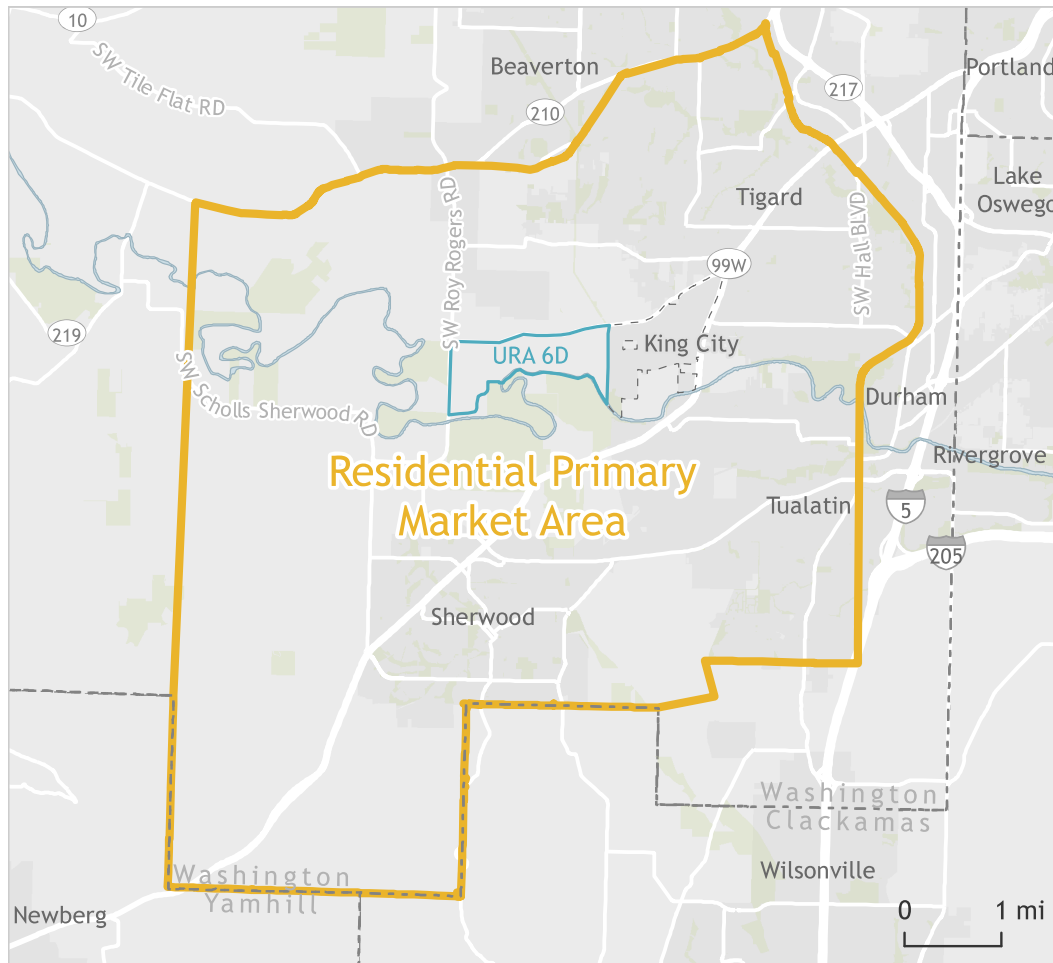
Primary Market Area

A primary market area (PMA) for residential real estate is defined as the geographic region from which the majority of market support can be expected to originate. Total market depth for housing is a product of two components, net-new household growth, and turnover. Net-growth is an estimate of the number of new households that will move into an area over a specified period of time. An example of a net-new household would be a young couple moving out of an apartment in Portland and purchasing (or renting) a starter home in the market area. By contrast, turnover demand is the shuffling of existing households within the market area. An example of turnover would be a retired couple currently living in the market area selling their home and moving into a condominium also located within the market area. Turnover is a source of demand for new housing development capturing market share and it has an influence on the delineation of market areas.

In residential markets, physical factors influence the delineation of a market area, but to a lesser degree than other types of real estate. Factors such as housing choice, proximity to employment centers, tax structure, schools, and other factors play a larger role in the cross-shopping decisions of households. Our assessment of the 2017 Market Study is that the market area used for residential remains suitable. This study will continue to use this market area delineation, as summarized in Exhibit 15.

Exhibit 15. Residential Market Analysis Trade Area for King City URA 6D

Source: Leland Consulting. (March 2017). King City Market Analysis. Figure 2: Market Area for Competing Development and Retail Development, page 5.



Summary of Existing Housing Market Fundamentals

The Market Analysis completed for the King City URA 6D Concept Plan included an assessment of demographic factors influencing housing preferences and housing market fundamentals. Structural shifts in these factors tend to move slowly across larger geographies. For this reason, we are not duplicative in our efforts, and assume these findings continue to influence market conditions. Where appropriate, this analysis will add to and interpret previous efforts. In other areas, data is updated to reflect current market conditions. Original research on for-sale market conditions is also presented.

Population and Household Growth

Population growth was rapid from 2000 to 2019 at a rate of 2.1 percent, double the national growth rate. Growth dissipated in the period after 2010 to match the national rate of 0.9 percent. In 2016, 97,000 residents across 37,000 households were estimated to reside in the PMA. Over

the long-term, 1.7 percent annualized compound household growth is forecasted by Metro’s Transportation Analysis Zone (TAZ) based model. The model indicates that the PMA will gain regional market share over the next 20 years.

Housing Preferences

Psychographic analysis is a market segmentation tool used to interpret consumer behavior across social and demographic cohorts. It is a commonly used method in establishing consumer preferences in market analyses. Psychographic data is produced and sold by consumer and demographic research companies. Qualitative insights are combined with demographic and proprietary consumer spending data to organize households into profiles based on shared traits and characteristics. The 2017 Market Analysis used psychographic profiles from ESRI called “Tapestry.” Tapestry psychographics classify all households in the nation into one of 67 unique segments. The 2017 Market Analysis included this data as an input to help estimate housing preferences. Because changes in consumer behavior move slowly, we only revisit and interpret the data from the 2017 Market Analysis to confirm that preference assumptions remain valid.

Data in the 2017 Market Analysis found that over 73 percent of households in the PMA are represented by just seven Tapestry cohorts. While not fully comprehensive, these cohorts represent a large cross-section of the market, and for that reason, reasonably reflect housing choice in the market.

A brief summary of key socioeconomic characteristics for each Tapestry cohort is summarized below, followed by our insights into how these characteristics will influence housing choice in the study area. The concentration of local households relative to the national average is presented in parentheses.

A note about the ESRI Tapestry data:

Full demographic profiles for each Tapestry cohort with expanded qualitative narrative from ESRI can be found on their website linked [here](#). We recognize that the labels used here are not particularly sensitive to some populations. We repeat them here to maintain consistency with the 2017 Market Analysis. For their part, ESRI has also tried to update their Tapestry descriptions to be more inclusive. Their latest Tapestry version has labels that are different than those presented here.

Soccer Moms - (8.0x U.S.)

This is the largest segment of the study area and represents eight times the proportion seen across the U.S. This group is affluent and includes a high composition of family households⁵. They prefer new housing located in the periphery of metropolitan areas with access to

⁵ A Family is defined by the Census Bureau as a group of two people or more (one of whom is the householder) related by birth, marriage, or adoption and residing together.

professional job centers. More than 85 percent live in owner-occupied single-family homes with a median value of \$226,000.

Bright Young Professionals - (5.5x U.S.)

This group is five and a half times more representative of the study area than the U.S. Members of this segment favor the urban outskirts of large metropolitan areas. One in three are under the age of 35. Roughly 56 percent are renters with an average monthly rent of \$1,000. Over a third live in buildings with 5 or more units, while two-fifths live in single-family homes.

Professional Pride - (6.0x U.S.)

The third-largest segment of the study area is six times more represented here compared to the rest of the U.S. Members of the segment commute far and work long hours. They are about 41 years old. More than 80 percent are married, many with kids. They prefer newer neighborhoods with a median home value of \$433,400. About 92 percent live in owner-occupied single-family homes.

Savvy Suburbanites - (2.9x U.S.)

This segment is highly educated, with more than 50 percent holding a college degree. About 91 percent live in owner-occupied single-family homes valued above \$360,000.

The Elders - (10.1x U.S.)

This segment is also highly represented in the study area by more than 10 times the national average. Members are largely retirees, with only 21 percent still actively employed. They favor communities designed for senior living, which is congruent with their median age of 72. This group lives in a variety of housing types ranging from mobile homes to high-rise apartments. Still, more than 82 percent own their homes with a median value of \$153,000.

Middleburg - (2.3x U.S.)

This segment is made up of young couples with children who live semirural lifestyles within metropolitan areas. Their neighborhoods rapidly transformed from country to subdivisions over the last decade. More than 74 percent own homes with median values of \$158,000. These range from mobile homes to single-family houses.

Boomburbs - (4.1x U.S.)

This segment includes married couples with established wealth. Roughly 84 percent are homeowners with a median home value of \$350,000.

Exhibit 16. Summary of Psychographic Segments, Primary Market Area, 2017

Source: 2017 King City URA 6D Market Analysis (from ESRI data)

Segment	Market Share	Homeownership Rate	Predominate Housing Preference
Soccer Moms	22.4%	84.9%	Single Family
Bright Young Professionals	12.2%	42.8%	Multi Family
Professional Pride	10.7%	91.6%	Single Family
Savvy Suburbanites	8.7%	90.6%	Single Family
The Elders	7.1%	81.4%	Mixed
Middleburg	6.5%	73.4%	Single Family
Boomburbs	6.1%	84.0%	Single Family

ESRI Tapestry Cohort Summary

- The large majority of households are expected to live in owner-occupied housing, with many expressing a preference for newer construction. Collectively, these seven cohorts have an average homeownership rate of 78 percent.
- All but Bright Young Professionals (12.1 percent) and The Elders (7.1 percent) are expected to consume single-family homes ranging in value from \$153,000 to \$433,000 plus.
- These two groups, that coincide with Millennial and Boomer age ranges, have a greater preference for higher density multifamily buildings. Only the Bright Young Professional segment lives in primarily rental housing.
- The ESRI data does not differentiate between single-family detached and single-family attached housing types. We expect both market and regulatory forces to lead to more single-family attached development than in previous cycles. Elevated housing costs have made homeownership for middle-income households prohibitive. Attached housing products can be constructed at a lower comparative price point and for that reason, they are more accessible to a wider range of households. Additional market support for attached housing comes from retirees downsizing to newer, lower maintenance homes. In other words, in recent years preferences among multiple market segments have become more accommodative to single-family attached housing products. Locally, this has been observed in development outcomes at River Terrace where well over 150 attached units have been purchased, most at price points between \$280,000 and \$350,000 per unit.

From a regulatory perspective, the State of Oregon’s new legislation—HB2001—removes some regulatory barriers to the development of attached housing. Where it is common for the return-on-investment for attached housing product to exceed detached development, developers will also prefer this product segment.

- The ESRI Tapestry psychographic segmentation points to a higher need for single-family neighborhoods—with detached and attached housing products—with some residual demand for multifamily rental units coming from Millennials and downsizing Boomers.

Household Size and Type

While the average household size in King City was 2.0 persons, in the more broadly defined PMA it is 2.61 persons. The PMA's smaller concentration of single-person households (25 percent) coupled with a larger share of family households with children (28 percent) drives this differential.

Multigenerational Households

Nationally, a growing family typology is the multigenerational household⁶. Estimates from the Pew Research Center suggest this market segment grew by 21.6 million households between 2000 and 2016.⁷ The same research found Asian and Hispanic/Latino⁸ households to be 35 percent to 45 percent more likely than average to be multigenerational. In Washington County, the Hispanic/Latino share of the population is roughly on par with the national average but the Asian population share is 83 percent higher.

To approximate multigenerational households in Washington County, we evaluated two metrics from the American Community Survey:

- The share of households with at least one grandparent and grandchild (4.5 percent).⁹
- The share of the population in family households with non-spouse, non-child relative (5.3 percent).¹⁰

Despite a proportionately small share of multigenerational households in the area currently, we expect this household typology to grow. Demographic, cultural, and economic forces will make multigenerational housing a necessary housing option for some, and a more attractive housing option for others.

Commuting Patterns

The 2017 Market Analysis reported that 26,000 workers commute into the market area each day, while more than 40,000 travel in the opposite direction from homes in the market area to a

⁶ Defined by the Pew Research Center as households that include at least two adult generations or grandparents and grandchildren younger than 25.

⁷ Pew Research Center (2018). Multigenerational Household Analysis. Retrieved from: <https://www.pewresearch.org/fact-tank/2018/04/05/a-record-64-million-americans-live-in-multigenerational-households/>

⁸ When in reference to Census data, race classifications use terminology currently defined by the Census Bureau.

⁹ Source: U.S. Census Bureau, 2014–2018 ACS 5-year estimate, Table S1002

¹⁰ Source: U.S. Census Bureau, 2017 ACS 1-year estimate, Table DP02

workplace outside the area. The majority of these trips are to Portland, followed by “other” places, Tigard, and various nearby suburbs. Only 5,700 workers live and work within the market area, most of whom represent the manufacturing sector. The high proportion of workers traveling outside the market area is indicative of King City’s role as a bedroom community.

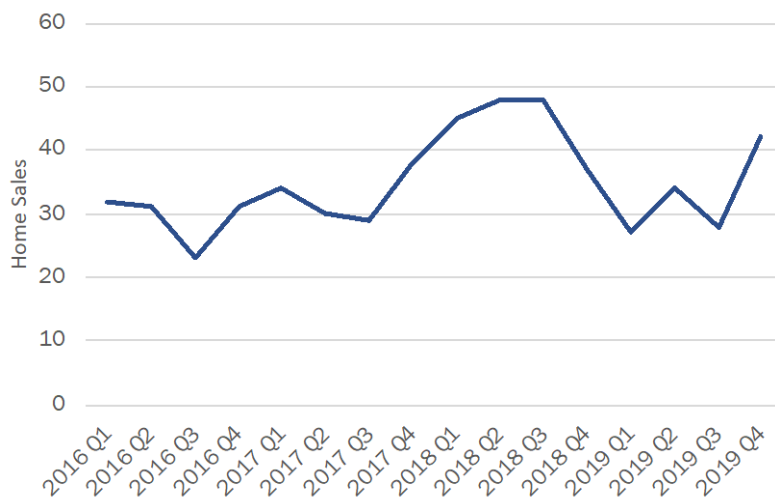
Residential Trends Analysis

The following exhibits demonstrate recent residential market trends in King City, the PMA, and in Washington County. Varying geographies were used in this analysis based on the availability of data, consistency with updating the 2017 market study, and the relative impact on local market conditions.

HOME SALES VELOCITY . . . Seasonal variance with a modest upward trend.

Home sales peaked at 50 per quarter in 2018, only to dip in the beginning of 2019. Sales increased in the final quarter of 2019.

Exhibit 17. Quarterly Home Sales (#) in King City, 2016–2019
Source: Zillow.

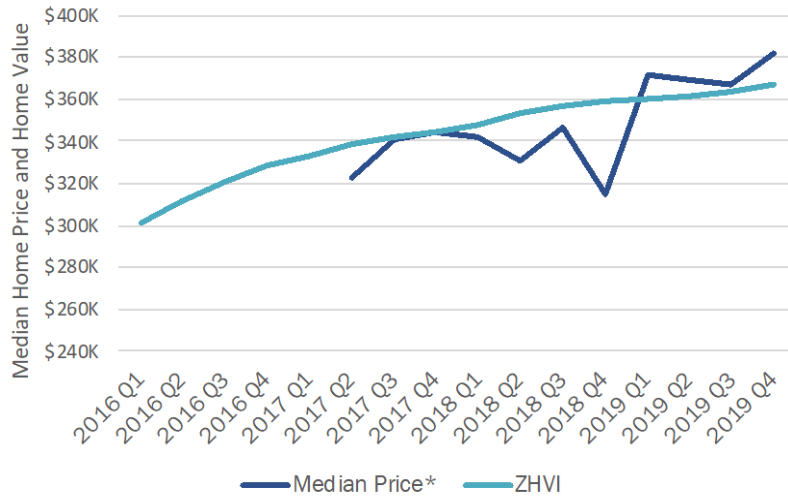


MEDIAN PRICE · · · Price appreciation beginning to level off.

Between 2016 and 2019, median home prices have grown from \$300,000 to over \$366,000.

Exhibit 18. Median Home Price and Zillow Home Value Index (ZHVI) in King City, 2016–2019

Source: Zillow.

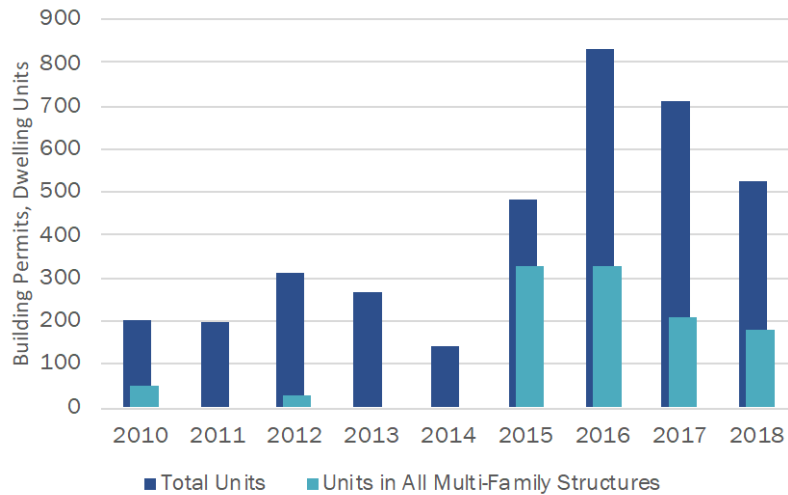


MARKET AREA CONSTRUCTION · · · Multifamily cycle begins in 2015.

Construction has accelerated over the last five years, peaking in 2016 with the delivery of 833 units. Multifamily units represent 41% of the market since 2015.

Exhibit 19. Residential Building Permits (Total and Multifamily Units), Market Area, 2010–2018

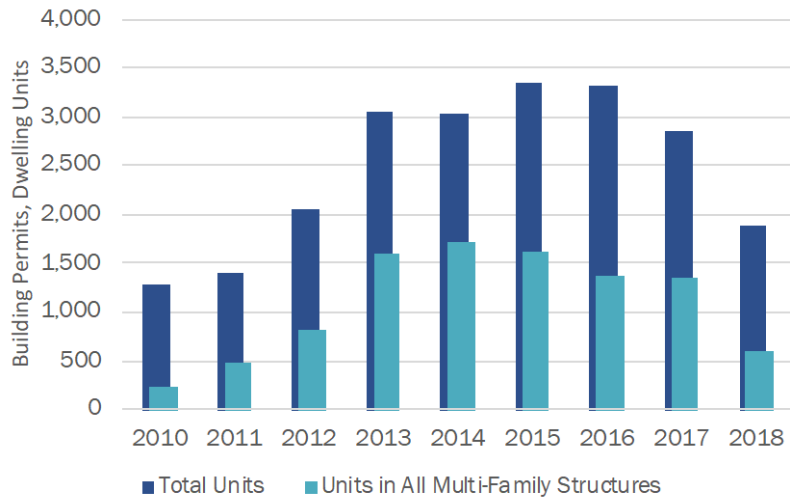
Source: HUD SOCDS Data.



WASHINGTON COUNTY CONSTRUCTION . . . Development activity moderating, supply constraints likely a factor.

Since 2010 over 22,200 units have been delivered in Washington County. Construction peaked in 2015, with 2018 development representing a 44% drop from the peak of the cycle.

Exhibit 20. Residential Building Permits (Total and Multifamily Units), Washington County, 2010-2018
Source: Zillow.



Rental Market Conditions

Exhibit 21 outlines rental apartment market conditions in the PMA. Ideally, this section would represent an apples-to-apples update to the 2017 Market Analysis. However, recent acquisitions and methodological shifts by CoStar, the data analytics company that supplies this information, have resulted in significant changes in data output. As such, the data presented in Exhibit 21 is reflective of current market conditions, which are not necessarily directly comparable to 2017 findings. Results from our overview of current data indicate:

- Robust construction activity underway with 78 properties in the construction pipeline.
- Higher than expected vacancy rates (6.5 percent) may be indicative of recent deliveries in the market.
- Rent escalation has been strong over the past two-years. Current rents average \$1.71 per-square-foot.

Exhibit 21. Sub Regional Apartment Supply, Portland, King City, Tigard, Tualatin, Sherwood 2019
 Source: Costar.

	Total
Properties	3,888
Unit Inventory	121,981
Under Construction Properties	78
Under Construction Units	7,518
Vacant Units	7,980
Vacancy Rate (%)	6.5%
Median Asking Rent	\$1,313
Median Rent/sf	\$1.71

Residential development considerations

All of these factors will continue to influence development patterns; however, it is important to note how patterns among groups have deviated in recent times. Previous age-based projections saw demand for apartments among those in their early 20s, starter homes for small families in their 30s, and “move-up” homes for higher-income families in their 40s and 50s. Older adults were expected to either remain in their homes or downsize for reduced maintenance. This is all in-line with the expectations laid out in the ESRI Tapestry psychographic segments.

Millennials, expected to seek starter single-family homes, were delayed due to the Great Recession, rent escalation, and increased debt burdens. Economic conditions drove a preference for preserving mobility. Their continued demand for apartments and rentals should sustain that higher-density industry for a few more years as they slowly begin to form households. The extent that economic repercussions of the COVID-19 crisis influences the timing of the Millennials’ transition to ownership housing remains to be seen.

Boomers, often predicted to downsize, have also been slow to do so. This could be the result of several possible factors including: the need to house millennial children affected by the Great Recession, high housing costs, low vacancies, increased life expectancy, or delayed retirement. In any case, we can expect an increase in demand for assisted living, active senior multifamily, and multifamily over time.

Gen X is thought to have led the urban regeneration and will continue to show a preference for urban walkability. Some Gen X and Boomers may seek “move-up” single-family homes. Even as each of these generations reveal an openness to suburban locales, we can expect them to bring their fondness for cultural amenities and walkability. A propensity for these features above and beyond average create additional need for density.

A large share of King City’s population is 60 years or older. In general, most retirees prefer to age in place by continuing to live in their current home and/or community as long as possible. This may result in lower than average turnover demand. As more Boomers and Retirees age in

Developer Interview Findings:
Insights from horizontal developers and homebuilders with active projects in nearby areas, like South Hillsboro and North Bethany.

- The area directly west of the Town Center should have high-medium density component that is more dense than rural
- 8–10 units per acre with 5,000–6,000 sq. ft. lots as you approach east. Furthest west should have largest lots of 5,000–7,000 sq. ft.
- Live/work units could be possible in Mixed Employment zones
- Overall, agree with existing plan
- Seeing demand for more dense housing – closer to 15 units per acre
- Lots of townhomes and small lot detached
- Transportation and infrastructure could pose challenges – Beef Bends alignment will dictate viability – funding infrastructure upfront through LID is essential.

place—and become a large share of growth in the household base, demand for housing unique to this segment will accelerate. A share of elderly households, with healthy physical and financial conditions, will continue to downsize and choose to live on their own for as long as possible. This segment will support small cottage homes and age-restricted active adult multifamily. For households where independent living is not feasible, the market will continue to see growth in assisted living and multigenerational households. The long-term impact of the COVID-19 pandemic on assisted living facilities remains to be seen. We can see a plausible scenario where—in the intermediate-term, households become more averse to assisted living formats, shifting demand to multigenerational formats and/or home health care. We currently estimate that five percent of households in Washington County are multigenerational. This is likely to increase two to three-fold over the next 20 years. Developers have already begun to plan for this market segment. For example, national homebuilders Lennar and DR Horton both have branded multigenerational floorplans. This market will also drive demand for attached and detached accessory dwelling units (ADUs).

The percentage of young people and Millennials is likely to grow in King City over the next 20 years, consistent with trends across the Portland Region. King City's ability to attract people in this age group will depend, in large part, on whether the city has opportunities for housing that both appeals to—and is affordable to—Millennials. Surveys show that Millennials prefer single-family detached housing, housing in an urban neighborhood or town center, and opportunities for both ownership and rental housing.

4. Commercial Real Estate Market Analysis

Chapter 4 presents our analysis of the commercial real estate market in the URA 6D market area.

Primary Trade Area

For retail development, we define a primary trade area (PTA) as the geographic region from which a retail development generates the majority of its customers (Exhibit 22). As a general rule-of-thumb, 75 percent of market support is derived from the PTA. Many variables factor into the delineation of a PTA, including:

- **Proximity and Access to Household Concentrations.** The study area is a new urban area on the periphery of the existing metropolitan region. Household concentrations will not exist to the immediate west and south of the study area in the foreseeable future. In the near-term, retail market support will be reliant on existing housing concentrations to the northeast. Over time, residential development within the study area will offer marginal growth in market support.
- **Planned/Zoned Retail Development Form.** The 2018 Concept Plan envisions retail development in the study area as a main street or town center format. This scale of development is classically defined as neighborhood or convenience retail. Tenants in this category generally serve local populations as opposed to regionally drawing retail formats. The neighborhood serving retail generally draws from a five- to ten-minute drive-time.
- **Size, Location, and Retail Mix of Competing Locations.** The theory of retail gravity asserts that time and distance are primary determinants of shoppers' willingness to patronize a particular center. *Households are not generally willing to travel past (or further than) a comparable or superior center.* Where competitive alternative centers exist, the ability to draw from a progressively larger geography is a function of tenant differentiation. For the study area, major arterials to the north, east, and south offer well-established retail concentrations. We would expect these centers to continue to draw their fair share of market support and will serve as primary competition for any retail that is developed in the study area.
- **Presence of Pass-through or Daytime Employment.** Although the Concept Plan includes some planned employment uses in the southwest portion of the study area, the study area is not envisioned or planned as a primary employment center. Therefore, the influence of daytime employment will be limited. Located on the periphery of the UGB, the study area is not positioned between housing concentrations or multiple employment centers. As housing concentrations continue to build-out, we would expect the commute flow south (along Roy Rodgers Road) to the Tualatin-Sherwood Corridor and east (along Beef Bend Road) toward Highway 99 to increase.

- **Presence of Physical or Manmade Barriers.** Physical barriers will have a significant impact on the study area's PTA, specifically the Tualatin River. Topography influences the road network and presence of through arterials north of Bull Mountain Road up to SW Barrows and SW Walnut Street. Highway 99 is a highly congested arterial that represents a considerable manmade barrier.

Defining URA 6D's Primary Trade Area

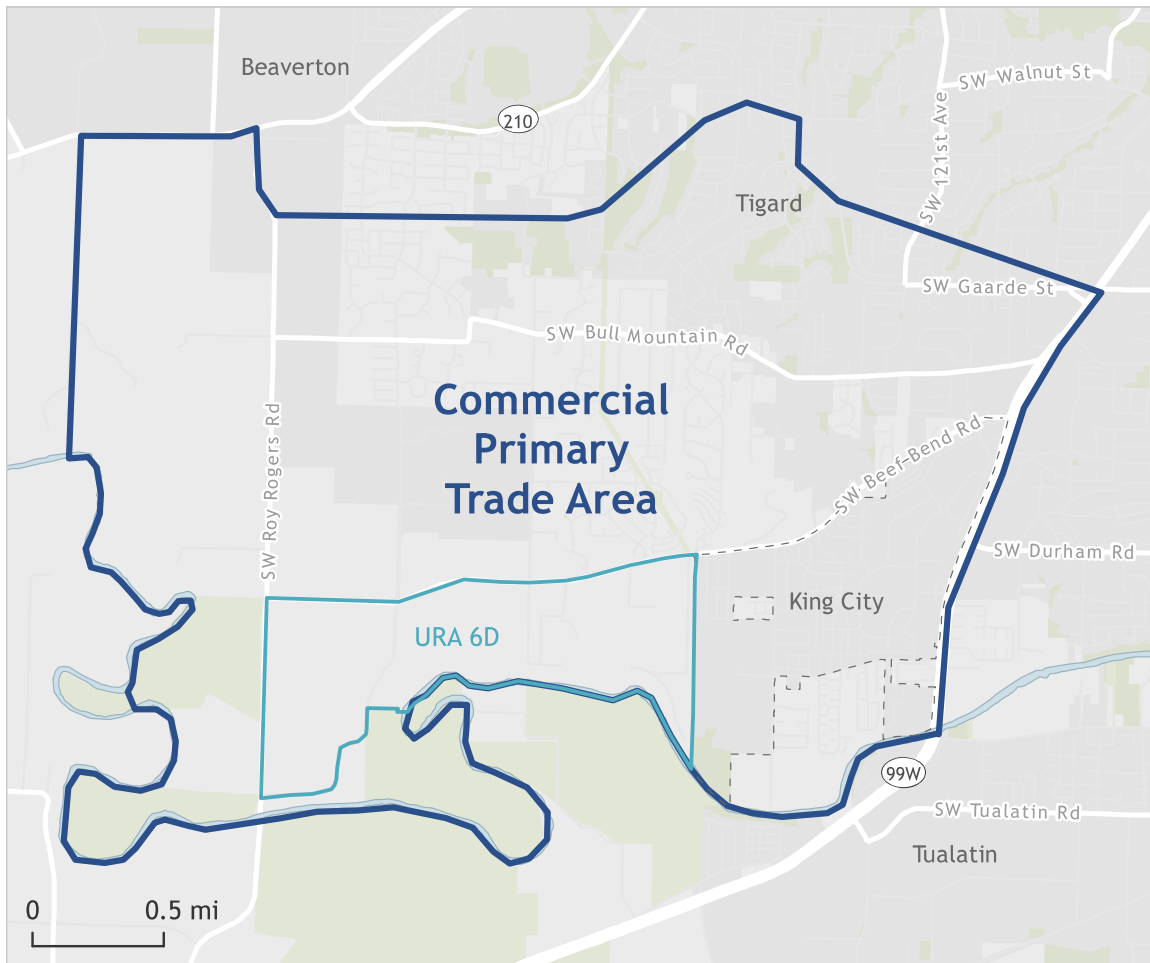
With consideration of the aforementioned factors and influences, we draw the following conclusions with respect to the PTA.

- **The Tualatin River will truncate the PTA to the south/southwest.** Households south and west of the river are more likely to gravitate toward retail concentrations in Sherwood and Tualatin.
- **Existing retail concentrations exist along Highway 99 from Main Street Tigard south to SW Durham Road.** These centers will continue to draw their fair share of retail patronage from households up to and including the project study area. However, the character of the Highway 99 tenant mix differs from what would be expected in the study area, allowing the PTA to extend up to Highway 99. Households east of Highway 99 are more likely to gravitate to retail concentrations in Tualatin (Nyberg Rivers) and Bridgeport Village.
- **To the north, development in the study area will compete directly with retail concentrations at the Murray Scholls and Progress Ridge Shopping Centers.** Both centers offer a competitive mix of specialty grocery, food and beverage, personal services, and other neighborhood convenience tenants. The topographical nature of the area will continue to support the diversion of households to these areas. These influences will limit the extent of the northern boundary of the PTA. Households north of SW Gaarde Street and roughly halfway between SW Bull Mountain Road and SW Barrows Road will most likely continue to gravitate north.

Divergence from the 2018 Concept Plan

The PTA delineation proposed for this analysis differs from what was utilized in the Concept Plan market study (completed in 2017). That market area was considerably larger and more reflective of a community or regionally serving retail center. It encompassed the City of Sherwood in its entirety, in addition to large swaths of Tigard and Tualatin. This larger geographic region is consistent with an area we consider appropriate to model housing market fundamentals, as it was also utilized in the market study. However, the factors influencing market choice for retail and housing are decidedly different. It is our opinion that a more compact trade area is more reflective of the locational and competitive dynamics present in the commercial real estate market for retail developments.

Exhibit 22. Commercial Market Analysis Trade Area for King City URA 6D, including Locations of Competitive Commercial Centers
Source: ECONorthwest.



Competitive Retail Landscape

The ability of the study area to attract commercial retail uses will be a function of the competitive landscape. Households in the PTA will cross-shop competitive alternatives, while market fundamentals will drive developer interest.

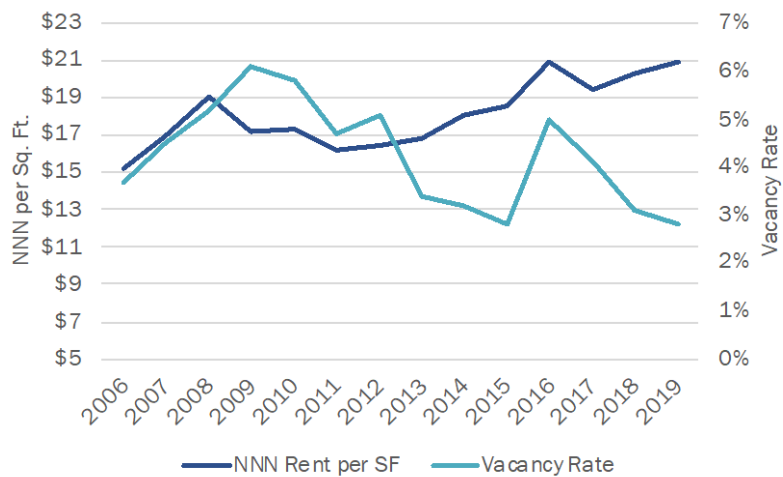
A backward look at how a commercial retail market has performed offers some indication of how it might perform in the near-term future. The following exhibits show the aggregate average rent, vacancy, and absorption and delivery trends for King City, Tigard, Tualatin, and Sherwood’s retail real estate markets.

RETAIL RENT AND VACANCY . . . Falling vacancy rates creating rent pressure.

Retail rents per square foot were \$21 in 2019, up from \$17 a decade prior.

The retail vacancy rate was 3 percent in 2019, down from 6 percent in 2009.

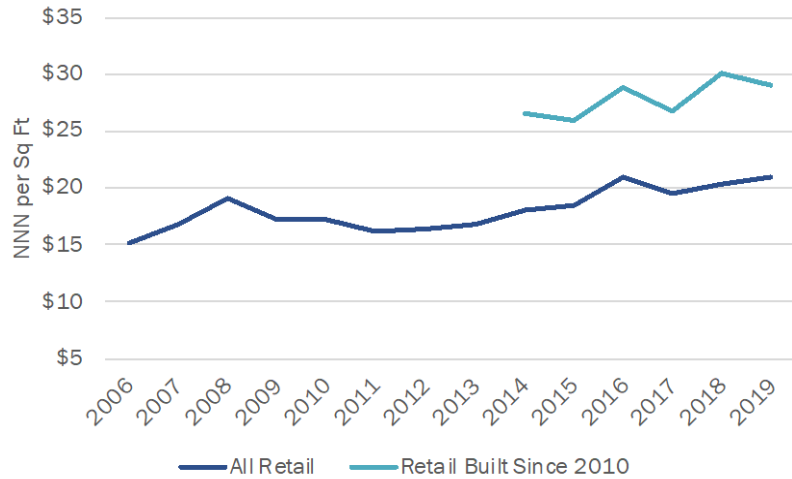
Exhibit 23. Retail Rent per Sq. Ft. and Vacancy Rate, Market Area (King City, Tigard, Tualatin, Sherwood), 2006 to 2019
Source: Costar.



PER SQ. FT. RENTS · · · New space commands a 40 to 50 percent premium.

Between 2014 and 2019, newer buildings (built in 2010 or later) rented at a premium—\$7 to \$10 higher per square foot than the market average.

Exhibit 24. Retail Rent per SF, Newer Buildings versus All Buildings, Market Area (King City, Tigard, Tualatin, Sherwood), 2006–2019
Source: Costar.

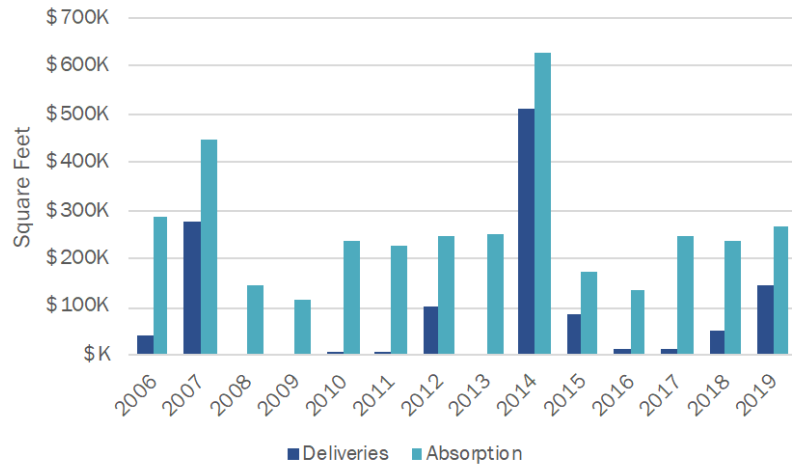


ABSORPTION AND DELIVERIES · · · Absorption is steady, deliveries not keeping pace.

From 2015 to 2019, about 813,505 sq. ft. of retail space was delivered in the market area. This accounts for about 66 percent of all retail space deliveries (sq. ft.) since 2006.

In this same time (2015–2019), about 1.7m sq. ft. of retail space was absorbed in the market area. This accounts for about 46 percent of all retail space absorptions (sq. ft.) since 2006.

Exhibit 25. Retail Deliveries and Absorption (SF), Market Area (King City, Tigard, Tualatin, Sherwood), 2006–2019
Source: CoStar.



Competitive Retail Centers

Exhibit 26 identifies some characteristics of URA 6D’s primary competitive centers. Areas were selected for their proximity to URA 6D.

Taken together, the centers identified in Exhibit 26 total over 900,000 sq. ft. of commercial space. With the exception of Progress Ridge and Sherwood Parkway Village, retail centers with the greatest competitive influence on the study area were constructed pre-2005. Auto-centric formats, dated structures, and physical limitations will limit the marketability of these centers moving forward. This is evidenced in tenant positioning and achievable lease rates. Given strong demographics in the trade area, we would expect future commercial development in the study area to out-perform the competitive market.

Exhibit 26. Characteristics of Primary Competitive Centers

Source: Public info and Costar.

Center	Year Built	Anchor Tenants	Typical Lease Rate per Sq. Ft. (NNN)
Progress Ridge TownSquare	2008-2011	New Season, Ace Hardware, AMC, Big Al’s	\$11 - \$47
Sherwood Market Center/Sherwood Crossroads/Parkway Village	1996-2014	Target, Safeway, Regal, Walmart	\$15 - \$34
Tigard Towne Square	1988	Marshalls, Dollar Tree, Rite Aid, Anytime Fitness	\$17 - \$31
Tigard Promenade	1995	Safeway, Petco	\$19 - \$34
King City Plaza	1978	Grocery Outlet	\$17 - \$26

Competitiveness with Alternative UGB Expansion Areas

Along with Beaverton’s South Cooper Mountain and Tigard’s River Terrace, King City’s URA 6D is one of three new, major urban expansion areas in Washington County.¹¹ South Cooper Mountain and River Terrace are both located in direct proximity URA 6D. How and when these areas develop will directly impact the market in the study area. Both areas have commercial components in their concept plans that will directly compete with the study area. Along with an

¹¹ A fourth is located in South Hillsboro that is less likely to compete directly with King City.

assessment of relative competitiveness, Exhibit 27 summarizes the scale of planned development in each of these expansion areas.

Exhibit 27. Commercial Areas in UGB Expansion Areas: Competitive Advantages and Disadvantages
 Source: River Terrace Community Plan (2014) and Funding Strategy (2014). South Cooper Mountain Community Plan (2014).

UGB Expansion Area	Planned Commercial Area	Advantages	Disadvantages
River Terrace, Tigard	40,000 Gross Sq. Ft. (developed space)	Residential Development currently underway, ability to draw from Bull Mountain Neighborhood and planned development to the north and south. Commercial area is located at the intersection of two collector streets.	No future development to the west.
South Cooper Mountain, Beaverton	10 Acres (of land to accommodate future developed space)	Residential Development currently underway, existing high school, future development at North Cooper Mountain. Limited competition.	Proximity to Murray Scholls competition, no future development to the west.
URA 6D King City	80,000 to 120,000 Sq. Ft. (developed space)	Presumed potential for tourism, limited immediate competition, ability to draw from River Terrace household growth.	Limited existing household support, physical barriers limit market area, last urban area to begin development.

Future commercial development in both River Terrace and South Cooper Mountain will compete for market support with the URA 6D Study Area. However, both competitive areas will provide new household growth that will support the collective sub regional commercial market. Both areas are planned for neighborhood scale commercial development. From a market perspective¹², River Terrace is best positioned for development in the near-term, with the ability to draw from existing household concentrations while facing limited competition.

As the “last area in,” the URA 6D Study Area will be influenced by both the scale and tenant mix of competing expansion areas. The Study Area’s strongest competition is likely to come from River Terrace. However, if properly scaled and with a differentiated tenant mix, URA 6D could offer a competitive alternative commercial area to those across its trade area. Collectively,

¹² Potential physical constraints are not considered here.

both areas could provide the synergies and scale to capture a greater share of resident spending than each area would on its own.

Commercial Retail Leakage

The 2017 Market Analysis provided an analysis of retail market supply and demand for a trade area surrounding URA 6D (i.e., the trade area consistent with the area delineated in Exhibit 15). Across several major categories of retail (General Merchandise, Foodservice and Drinking Places, Clothing and Accessories, Food and Beverage (grocery), Health and Personal Care, Sporting Goods/Hobby/Book/Music, Misc. Store Retailers, and Electronics and Appliances), the analysis found that the approximate retail leakage was roughly \$520.2 million¹³. Retail leakage occurs when locals spend a larger amount of money on goods than the amount of sales reported by local businesses. Retail leakage implies that locals are traveling outside of the local market area to buy retail goods – suggesting unsatisfied demand within the PTA.

We remind the reader that the PTA used in the 2017 analysis (Exhibit 15) is different than the PTA used in this report's commercial real estate analysis (Exhibit 22). This report relies on a trade area that is more narrowly defined to consider the characteristics of neighborhood serving retail demand. Leakage rates in this case will be considerably higher as a calculation, because the PTA does not include as much competitive supply. For the PTA's nearly 9,000 households, leakage rates are likely across all retail categories, with an estimated \$0.73 for every \$1.00 spent outside the PTA.¹⁴ From this data, we can assume that leakage recapture has the ability to provide market support in the PTA.

¹³ Leland Consulting Group. (March 2017). King City Market Analysis. Figure 20, Page 31.

¹⁴ ESRI Retail MarketPlace Profile (2017).

Factors Influencing Commercial Retail Demand

The demand for commercial retail space, and ultimately land that needs to be planned for future development is a function of many interrelated factors. Here we summarize these factors as they relate to the study area.

Existing Consumer Base

There are currently 8,964 households residing within the PTA, 67 percent of which are family households. These households will provide early market support for commercial development in the study area. Existing housing concentrations are located north and east of where commercial development is planned to go. Considering the distance of these housing concentrations from the planned commercial development, we would not expect this existing household base to provide sufficient market support for early-phase commercial development. Moreover, commercial development in the study area is only likely to see demand sufficient for its creation once a foundation of new households has formed in the study area.

Future Consumer Base

Building upon the existing household base, net-new household growth in the PTA will further influence commercial demand. Taken together, the Study Area and Tigard's River Terrace have a planned capacity for 7,320 housing units. The 2017 Market Study estimated 500 to 950 housing units could be absorbed within the first 10 years. It also assumed a 1.66 percent average annual household growth rate based on Metroscope data consolidated at the traffic analysis zone (TAZ) level.

Purchasing Power

Households with higher incomes generally have more disposable income, and by extension, consume more retail goods and services. In the PTA, the average household income is \$119,298, well above the local and regional rates. Beyond a supportable scale, income levels will influence the mix and character of future commercial tenanting. For example, analysis of psychographics for the PTA finds that "buying American" was important to 40 percent of households and that 34 percent of households were likely to buy "brands that support charity." Commercial centers geared toward the existing market are more likely to absorb the purchasing power of the existing consumer base.

Consumer Behavior and Preferences

The historical shift in retail businesses, starting in the early 1960s, was the movement from one-off, 'mom and pop shops' toward superstores and the clustering of retail into centers or hubs. Notably, we still see this trend persist; for example, in 1997, the 50 largest retail firms accounted

for about 26 percent of retail sales, and by 2007, they accounted for about 33 percent.¹⁵ The more recent shift in retail began in the late 1990s, where technological advances gave consumers the option to buy goods through e-commerce channels.

The trend toward e-commerce has become increasingly preferential to millennials and Generation X, who are easier to reach online and are more responsive to digital ads than older generations.¹⁶ Since 2000, e-commerce sales grew from 0.9 percent to 6.4 percent (2014) and was forecast to reach 12 percent by 2020. It is reasonable to expect this trend to continue. With it has come closures of retail stores. By 2027 for example, an estimated 15 percent of about 1,050 U.S. malls in smaller markets will close, impacting local employment levels, local government revenue streams (tax dollars), and neighborhood character.

The draft 2018 Metro Urban Growth Report¹⁷ describes the uneven impact on retail from e-commerce. Overall, e-commerce accounts for 9 percent of national retail sales, with online sales growing at a faster rate than retail sales growth overall. Nationally, non-store retailers are negatively affecting furniture stores, electronics, clothing, and recreational goods (e.g., sporting goods, hobby supplies, and books and music). The retail types that grew strongly in the Portland Region between 2007 and 2017 were grocery stores, general merchandise stores, and miscellaneous specialty retailers.

It seems probable that e-commerce sales will continue to grow, shifting business away from some types of retail. Over the next decades, communities must begin considering how to redevelop retail buildings and reimagine shopping centers, commercial corridors, and urban centers.

Commercial Retail Space Utilization

Structural shifts in the retail industry are reducing the physical space that retail stores occupy. For institutional retailers, advances in logistics are allowing for less on-site inventory. For all users, even independent retailers, the ability to sell goods through e-commerce is making brick-and-mortar retail more “experiential,” further reinforcing lower on-site inventory needs. Even in the restaurant business, the proliferation of food delivery services is driving an increasing share of restaurant sales outside of restaurants. Because restaurants operate on thin margins and delivery services command 20 percent or more of top-line sales, this trend is driving reductions in brick-and-mortar overhead among independent restaurants.

¹⁵ Hortaçsu, Ali and Syverson, Chad. (2015). The Ongoing Evolution of US Retail: A Format Tug-of-War. *Journal of Economic Perspectives*, Volume 29, Number 4, Fall 2015, Pages 89-112.

¹⁶ Pew Research Center (2010b). *Generations 2010*. Retrieved from: <http://www.pewinternet.org/Reports/2010/Generations-2010.aspx>.

¹⁷ *Urban Growth Report*, Discussion Draft, Metro, July 3, 2018, Appendix 4.

From the perspective of land utilization, walkable neighborhoods combined with fewer trips, rideshare, and alternative transportation modes are allowing retail to develop at lower parking ratios than previous cycles.

Access and Visibility

All firms are heavily dependent upon surface transportation for efficient movement of goods, customers, and workers. Access to an adequate highway and arterial roadway network is needed for all industries. Close proximity to a highway or arterial roadway is critical for businesses that generate a large volume of truck/auto trips. It's also critical for businesses that rely on visibility from passing traffic to help generate business. Locations visible from the highway or major streets, or that receive a lot of foot traffic, are highly sought after; many retailers will pay a premium for these locations. In some instances, rent premiums are also associated with right-in, right-out access during the evening commute.

Literature and previous research conducted by ECONorthwest provide insight into the extent to which access to bus service is an important factor in successful commercial development. We find that low capacity transit (i.e., conventional bus, dial-a-ride, or shuttle bus services) has a negligible impact on commercial and residential marketability. Commercial properties near *rail transit* (LRT), (e.g., medium-capacity), have land value premiums, but those premiums diminish almost entirely for properties more than a quarter-mile away from rail stations.¹⁸ Employment in some sectors (e.g., transportation and arts, entertainment, and recreation) does increase substantially between 0.25 and 0.50 miles of *bus rapid transit* (BRT) stations (160 percent and 130 percent) – as does retail, but then begins to decline outside of those distance bands.¹⁹

Commercial Centers in Oregon

As is the case with urban reserve areas in Portland's metropolitan region, URA 6D is essentially a blank slate for new development. A rural "greenfield," URA 6D will be, over the course of years, transformed into a suburban landscape.

The recent Concept Plan for the area indicated the area could accommodate the construction of 3,576 new homes—of various types and of ranging densities. It also presented a vision for a Main Street/Town Center style urban village. The Main Street/Town Center included proposed uses such as neighborhood retail (e.g., grocery store, restaurants, shops), a hospitality component (e.g., a 70-room lodge or event space), and campus-style mixed employment/institutional uses (e.g., education facilities or primary school, business incubator, health and wellness center, etc.).

¹⁸ Cervero, Robert, and Michael Duncan. "Transit's Value-Added Effects: Light and Commuter Rail Services and Commercial Land Values." *Transportation Research Record: Journal of the Transportation Research Board*, No. 1805. Washington, D.C.: Transportation Research Board, 2002.

¹⁹ Nelson, Arthur C., et al. "Bus Rapid Transit and Economic Development Case Study of the Eugene-Springfield BRT System." *Journal of Public Transportation* 16, no. 3 (2013): 41-57.

But how does one know that this vision is possible?

We sought to answer this question by evaluating a series of commercial centers in Oregon, using the factors that influence commercial retail demand documented in the previous section. We evaluated retail centers that are similar in scope to King City’s vision for URA 6D. We used the findings to help determine a viable scale of commercial development—particularly retail development—that may be possible in URA 6D.

To understand how URA 6D’s proposed commercial center may perform, and how policy can support it, it is essential to understand the nature of retail centers’—their similarities and differences. The case study approach allowed us to identify the characteristics/market realities that made each of the selected four centers successful.

The areas of study selected are Villebois,²⁰ Northwest Crossing,²¹ Bethany,²² and Progress Ridge.²³ The following pages present a summary and comparative analysis of the factors that affect retail demand using the four case study areas. Additional information is presented in a series of appendices.

Criteria for Selected the Areas of Study:

To conduct the analysis and draw comparisons to URA 6D, we selected areas that met the following criteria:

- Greenfield development with commercial center.
- Completed in the past two decades
- Newly developing residential area
- Similar in scale (relative to other selected areas)
- Similar locational characteristics (relation to urban core)

In addition, we selected areas that comprise varying magnitudes of retail, so that we could evaluate the relationships between retail scale to catchment area.

- Villebois and NW Crossing share similar trade area characteristics (roughly 35,000 people within a 10-minute drive) and support limited retail uses. Bethany and Murray Scholls share similarities (each with roughly 107,000 people within a 10-minute trade area) and support a more robust retail market. In each of these areas, housing was/will be the catalyst to development, and for that reason, population and household counts, including family household counts, are a clear indicator of retail scale and success.
- Neighboring areas will influence development. For example, in Villebois, retail uses have yet come to fruition as it does not draw from a broad residential base. Villebois will likely rely on Wilsonville’s Town Center for retail support. In contrast, the commercial center in Murray Scholls (Progress Ridge TownSquare), has ample commercial options as it is located on the urban periphery with less commercial competition and surrounded by many established residential neighborhoods. In Northwest Crossing, commercial uses are limited, but residential occupancies are growing and development of a new residential neighborhood, just west of Northwest Crossing, is underway

²⁰ <http://villebois.com/>

²¹ <https://www.northwestcrossing.com/>

²² <http://www.bethanyvillage.com/>

²³ <https://progressridgetownsquare.com/>

(master planned in 2018). Northwest Crossing's expanded residential base has catalyzed nearly 64,000 sq. ft. of commercial space (including a market hall) and a 22,000 sq. ft. mixed-use building with office tenants above retail (expected delivery: end of 2020).

- Public transportation connections have a negligible influence on commercial development in these areas. With the exception of Bethany, these study areas have no transit connections within a quarter-mile of the primary retail center. Bethany's primary retail center is served by bus route 67, which only provides local weekday service.
- Existing ownership conditions may influence the timing of development. A key pillar of success for Northwest Crossing was that a single developer was willing to absorb early development costs. Further, the expansion of three public schools in Northwest Crossing helped to reduce typical infrastructure barriers. In general, greater parcelization (more property/landowners) will increase the complexity of development, introducing the risk that development will be piecemeal or intermittent.
- The timing of commercial development will be influenced by an area's ability to draw from existing household concentrations. Early development with phasing that is not adjacent to existing household concentrations will exhibit a delay in commercial development support.

Exhibit 28. Demographic Characteristics within a 5- and 10-minute Drive²⁴ of Villebois, Northwest Crossing, Bethany, and Progress Ridge

Source: ESRI Business Analyst.

	Villebois	NW Crossing	Bethany	Murray Scholls	URA 6D
Within a 5-minute drive					
Population	7,773	10,207	42,949	28,348	16,578
Households (HH)	3,150	4,223	15,020	11,420	6,207
Family HH Share	64%	60%	75%	64%	70%
Tenure Split	75% owner, 25% renter	63% owner, 37% renter	75% owner, 25% renter	61% owner, 39% renter	83% owner, 17% renter
Median HH Income	\$103,956	\$82,865	\$116,241	\$92,389	\$100,550
Share of Population 65 Years and Older	11%	15%	11%	11%	17%
Within a 10-minute drive					
Population	36,311	31,037	106,984	106,911	99,661
Households (HH)	13,668	13,102	41,415	41,478	39,197
Family HH Share	66%	58%	66%	65%	65%
Tenure Split	62% owner, 38% renter	58% owner, 42% renter	60% owner, 40% renter	64% owner, 36% renter	66% owner, 34% renter
Median HH Income	\$92,019	\$75,656	\$99,064	\$86,926	\$88,301
Share of Population 65 Years and Older	13%	16%	12%	14%	15%

²⁴ ECONorthwest conducted this analysis using the centroid of the commercial center for each case study area, for five-and ten-minute drive-times.

Exhibit 29. Retail Characteristics Villebois, Northwest Crossing, Bethany, and Murray Scholls

Source: Costar.

	Villebois	NW Crossing	Bethany	Murray Scholls
RETAIL CHARACTERISTICS				
Study Area	500 acres	486 acres	1,936 acres	N/A
Total Leasable Retail Space (sq. ft.)	N/A	55,431	525,032	330,407
Available Leasable Retail Space (sq. ft. ²⁵)	N/A	0	93,196	17,865
Number of Retail Tenants	N/A	28	93	68
Commercial Anchors	N/A	La Rosa, Roundabout Books, The Grove (proposed)	QFC, Walgreens, Bethany Library, Bethany Athletic Club	New Seasons, Ace Hardware, AMC, Petco Unleashed, Gentle Dental
Transportation Connections ²⁶	None	None	Bus (Route 67) ²⁷	None
Number of Surface Parking Spaces	N/A	73	958	250

²⁵ As of April 1, 2020.

²⁶ Transit connection within a quarter mile of the primary retail center.

²⁷ Average weekday ridership in Fall 2019: 4.5 rides per hour.

[https://trimet.org/about/pdf/route/2019fall/route_ridership_report_\(sorted_by_route\)_weekday.pdf](https://trimet.org/about/pdf/route/2019fall/route_ridership_report_(sorted_by_route)_weekday.pdf)

Commercial Office and Employment Uses

The 2017 Market Analysis identified that, “lack of nearby office employment will make new office development on the site highly unlikely during the buildout period.” We agree with this assessment that higher density employment uses in sectors outside of personal services is not likely in the study area. This is further reinforced in our case study analysis above. With the exception of NW Crossing, which has unique cultural and market fundamentals, non-retail uses in these areas have been generally limited to personal service industries. The greatest opportunities for non-retail commercial development are summarized in Exhibit 30.

Exhibit 30. Opportunities for Non-Retail Commercial Development
 Source: Summarized by ECONorthwest.

Non-retail Sector	Potential Uses	Typical Form
Medical/Health Services	Dental Office, Neighborhood Clinic, Optometrist, Veterinary Clinic	Standalone Pad, Retail/Mixed-Use Tenant, Single/Multi-story Medical Office Building, Medical Campus
Financial Services	Neighborhood Bank/Credit Union, Financial Advisory Services, Real Estate Brokerage, Insurance	Standalone Pad, Retail/Mixed-Use Tenant, low-rise campus
Personal Care	Salons, Fitness Centers	Standalone Pad, Retail/Mixed Use Tenant
Household Services/Other	Childcare Facilities, Education, Co-working Spaces	Standalone Pad, Retail/Mixed Use Tenant

5. Market Potential in the Project Area

The purpose of the market analysis was to assess and refine the findings of the 2018 Concept Plan and 2017 Market Analysis for URA 6D by determining the market demand for commercial and residential uses in the study area. This section presents the conclusions of market demand for various types of land uses, as well as compatible businesses within the study area given current and projected future growth. Findings were assessed against the community's vision for URA 6D, as described in the 2018 Concept Plan.

Reflection on the Concept Plan

The Concept Plan for URA 6D identified four distinct neighborhoods. The Concept Plan purposed two of the neighborhoods for lower density residential uses and one neighborhood for higher density residential with some mixed-use/neighborhood-scale commercial uses. The Concept Plan purposed a final neighborhood as a Main Street/Town Center, which could accommodate high-intensity commercial and mixed-use residential uses. Overall, the URA 6D Concept Plan proposed the following quantitative development targets:

- 3,576 residential units²⁸
- 54,000 to 85,000 sq. ft. of retail (10-year demand), with opportunities to include: 16,000-25,000 sq. ft. grocery store and 10,000–15,000 sq. ft. restaurant/drinking establishments,
- 40,000 to 60,000 sq. ft. of wine country lodging, event space, and dining

The Metro 2040 Growth Concept has previously defined center types to include a characterization of both a Main Street and Town Center. For context, and to encourage consistent use of vocabulary, these centers are defined here:²⁹

- **Regional Centers** are hubs of commerce and local government services serving hundreds of thousands of people. They are characterized by two- to four-story, compact employment and housing development served by high-quality transit.
- **Town Centers** provide services to tens of thousands within a two-to-three-mile radius. One- to three-story buildings for employment and housing are characteristic. Town centers have a strong sense of community identity and are well served by transit. Town Centers may include small city centers such as in Lake Oswego or Tualatin, or larger neighborhood centers such as in St. Johns or Hillsdale.

²⁸ Note: Per King City's Housing Needs Analysis, the 2018-2038 forecast for new dwelling units is 980.

²⁹ Definitions/descriptions are copied from Oregon Metro's 2040 Growth Concept: <https://www.oregonmetro.gov/2040-growth-concept>

- **Main Streets** are similar to town centers in that they encompass a traditional commercial identity, but on a smaller scale to tie better with the immediate neighborhood. Main Streets feature “good” access to transit.
- **Station Communities** are centered on a light-rail or high-capacity transit station that features a variety of shops and services. These communities are accessible to all modes of transportation.
- **Neighborhoods** include existing neighborhoods, where some redevelopment can occur to better use vacant land or under-used buildings, and new neighborhoods. New neighborhoods are likely to have smaller single-family lots, mixed uses, and a mix of housing types (such as row houses and accessory dwelling units). The growth concept distinguishes between slightly more compact inner neighborhoods and outer neighborhoods with slightly larger lots and fewer street connections.

Competitive Advantages and Disadvantages

This section is informed by the analysis presented in this report as well as the existing conditions research presented in the Land Use Refinement Memo (developed as part of this project). Relative to other UGB expansion areas nearby where Main Streets, Town Centers, and commercial hubs are planned, URA 6D’s advantages are:

- **Location.** King City is located along a major transportation corridor (HWY 99W) and is 12 miles from downtown Portland. King City is not a large city, but it is in close proximity to the kinds of urban amenities and services one expects in a large metropolitan area. Residents of King City have access to cultural activities, employment centers, and outdoor recreational activities which are locational aspects that are attractive to prospective residents and businesses who prioritize quality of life.
- **Household Base.** URA 6D is proposed to have a Main Street/Town Center, which as defined by Metro, should accommodate a trade area of tens of thousands of people within a two-to-three-mile radius. As presented in this report, URA 6D is surrounded by 99,661 people within a 10-minute drive. This is more people than Villebois and Northwest Crossing has in their respective drive-time distances bands. In addition, within both a 5- and 10-minute drive of URA 6D, the existing household base maintains relatively high incomes; incomes are consistent with the median incomes in all four master planned case study communities evaluated in this analysis (Exhibit 28). Planned development in the study and development underway in River Terrace will provide growing market support.
- **Labor Market.** Prospective businesses that may locate in URA 6D in the future will need access to labor. At present, most of King City’s residents who work commute outside of the city for employment. However, consistent with other cities in the region, King City has access to a regional labor pool, which presents opportunities for new/expanding businesses.

- **Greenfield Development.** Despite lack of infrastructure today, URA 6D is a blank canvas that developers often prefer to brownfield, infill, and redevelopment sites.
- **Retail Demand.** While existing commercial hubs near URA 6D (see Exhibit 26) do absorb some of the areas' needs, metrics suggest there is demand for retail space in the greater area. In looking at the competitive retail landscape of a four-city trade area (King City, Tigard, Tualatin, Sherwood), this analysis finds that absorption of retail sq. ft. has surpassed retail sq. ft. deliveries every year since 2006. Further, retail vacancies have declined since 2016 as retail rents per sq. ft. rise (Exhibit 23).

The area's disadvantages are:

- **Relative Competition and Timing.** Many nearby cities are going through similar planning efforts to accommodate growth in their respective expansion areas and urban reserve areas. Some of these plans present conceptually similar development intentions to what is proposed in the URA 6D Concept Plan. These alternatives have overlapping market areas, drawing from the same market as the URA 6D Concept Area. Competitive areas are also further along in the process, with development well underway or commencing. In this context, the market risks saturation within discrete development types.

To better explain the relative competition that adds to URA 6D's locational disadvantages, this assessment compares key details of URA 6D's proposed development to competing expansion area positioning. For example, URA 6D proposes to have a "non-residential component, based on a "gateway to wine country" positioning [which] could add another 40–60,000 sq. ft. of campus-style employment or institutional uses." Meanwhile, the Preliminary Concept Plan for Sherwood West, an Urban Reserve Area southwest of URA 6D, proposes a "Gateway to Wine Country" node that is envisioned to capitalize on Sherwood's location and proximity to the surrounding wineries by providing opportunities for lodging, restaurants, tourism, and agriculture-related businesses.

Market Potential Findings and Conclusions

The demographic makeup of the area indicates that URA 6D will most closely compare with the smaller commercial area case studies, particularly Northwest Crossing. Based on the case study analysis and our assessment of supply and demand dynamics, URA 6D's commercial center is likely to function and look more like a Main Street and less like a Town Center.

Northwest Crossing zoning allows a variety of employment uses, "community commercial"³⁰ opportunities, and small-scale businesses in select locations to foster mixed-use residential neighborhoods. The area also permits live/work apartments, which provides distinct

³⁰ Community Commercial means establishments not exceeding 2,000 sq. ft. for retail, service, office, and food/beverage establishments, excluding drive-through.

opportunities for small, local businesses and sole proprietors. While commercial development is growing in Northwest Crossing, the area is currently served by 55,400 sq. ft. of commercial space, which includes both commercial retail and office tenants. This leasable area is slightly less than commercial targets proposed in the URA 6D Concept Plan.

Market conditions have been improving at both the local and regional level. Structural demographic trends, in terms of growth and composition, are supportive of development densities in the URA 6D Concept Plan. Recent development trends at River Terrace are indicative of market potential. However, limited differentiation at River Terrace, South Cooper Mountain, and URA 6D risks market saturation.

In the near- to intermediate-term, development is likely to be owner-occupied, consistent with patterns exhibited in the demographic analysis and ongoing development patterns in surrounding areas. Opportunities for multi-story attached housing will be limited to the for-sale market in the near-term. Apartment rents in the market area are not likely to support densities beyond surface parked, garden walk-ups.

Commercial establishments in Northwest Crossing's commercial area include various restaurants, an independent bookstore, a salon, and a Pilates studio. A certified accounting business, family dentist office, a law office, a community bank, an engineer office, and a cat clinic have also located in this area. These types of small-scale businesses have the potential for success in URA 6D's commercial hub.

We would characterize the URA 6D Concept Plan's estimation of 54,000–85,000 sq. ft. of supportable resident-driven commercial retail space to be an optimistic upper bound of likely outcomes. Approaching this upper bound of market support will be influenced by; 1) the extent that personal services and non-retail uses provide market support; and 2) if or where a neighborhood scaled grocer (approx. 20,000–25,000 sq. ft.) locates in the market. For example, if a grocer locates in River Terrace first, there is not likely to be support for a second grocer in the local market area.

At this time, dense retail is not likely achievable in URA 6D. In later phases of development dense retail is possible—once developers build enough housing to generate a critical mass of households to support greater scales of retail. As such, phasing is a critical factor for URA 6D's development trajectory over its build-out period. We note that this is not uncommon; Villebois took upwards of 13 years to build out, and to date, it has highly limited commercial and retail. Villebois remains on the periphery of urban development and does not draw from a broad residential base outside of the community. This limits the number of "rooftops" to support commercial development (there are only 3,150 households within a five-minute drive of the Villebois' Village Center).

Additional market support of 40,000–60,000 sq. ft. of tourism/wine-related commercial support was not supported by technical analysis in the 2017 Market Analysis and requires further study to be validated. From a competitiveness perspective, we do not find an inherent advantage of

the study area vis-à-vis alternatives. In our view, the study area is too close to the metro area and too removed from wine country to be considered a “destination.” Some localized branding and tenancing are plausible, but market support for a thematic development at the scale proposed has not been established.

Recommendations

To conclude this analysis, a set of recommendations are offered to address URA 6D’s market demand that the area can reasonably deliver.

- **Plan for 500 to 950 new residential units in URA 6D over the next 10 to 20 years.** This recommendation is partially aligned with residential demand projections in the 2017 Market Analysis (which found that URA 6D could accommodate 500 to 900 units in 10-years). Our analysis does deviate slightly in the time horizon in that King City’s Housing Needs Analysis found that King City will need 980 new dwelling units to accommodate 20-years’ worth of growth (2018 and 2038).
- **Plan for the mix of housing types and average density ranges as designated in the Concept Plan.** We agree with the suggestion made in the 2017 Market Analysis—that there is an opportunity to provide an amenity-rich, walkable neighborhood/main street area. This node will attract housing consumers that are priced out of the urban core, or housing consumers who simply prefer to raise a family outside of the city while remaining in proximity to urban services and amenities. Our analysis finds that the previously proposed residential development scheme is appropriate for URA 6D.
- **Plan for commercial development slightly below the scale planned in the URA 6D’s Concept Plan.** A development scheme consistent with the form, scale, and type of commercial development in Northwest Crossing is advised. From a market perspective, Northwest Crossing is the most analogous case study area to the future realities of URA 6D. Accordingly, the development pattern in the commercial core should be concentrated along corridor(s), be neighborhood-serving, and smaller in scale.
- **Conduct further analysis to validate non-resident tourism/wine related market support.** Roughly half of the URA 6D Concept Plan’s commercial market support was assumed to originate from this source. Limited technical analysis to substantiate this demand exists.
- **Establish a proactive economic development strategy** to encourage growth of business and service types in URA 6D consistent with the kinds of uses permitted in Northwest Crossing. These businesses and services are likely achievable given the area’s locational advantages and disadvantages, but their development—especially in the near and mid-term—is likely contingent on thoughtful planning and proactive support from the public sector. The type of support offered could be determined through the development of an action-oriented economic development strategy, with input from the community and stakeholders. Examples focused on the needs of URA 6D may include: prioritize infrastructure projects that are necessary to support employment growth, evaluate

offering economic development incentives to support the Study Area’s vision, and/or work with partners to resolve potential barriers to small business growth and expansion.

- **Consider deviating from phasing recommendations as presented in the URA 6D Concept Plan.** We find, consistent with the 2017 Market Analysis, that commercial development will require the build-out of rooftops in the market area to be viable. Moreover, a market for mixed-use development in the commercial core is not likely to materialize early on. Phasing strategies that encourage near-term growth of new homes (and the households that come with them) will improve the viability of commercial development in the mid to long-term.

Disclaimer

In this report, we rely on third-party data sources known to be reputable and industry-leading. ECONorthwest does not independently verify this data. Similarly, we draw conclusions from existing research and analysis as directed in our scope of work. We specifically leverage data produced in the 2017 Market Analysis that we assume to be reputable and accurate.

Appendix A: Villebois Case Study

Villebois is a European village-styled, master-planned neighborhood in Wilsonville, Oregon. It was conceptualized to “include residential neighborhoods with more than 2,300 homes, a viable commercial and employment core, an interconnected series of roads and trails, and a strong commitment to natural spaces and the environment.”³¹ Its primary locational advantages are that it is 16 miles from Portland and it is connected to I-5 and the commuter rail.

Villebois is approximately 500-acres, including 160-acres of parks and open space and a Village Center of approximately 48-acres. The community has three neighborhoods within a quarter-mile radius of Villebois’ Village Center (Exhibit 32). Each neighborhood has a Neighborhood Commons which provides convenient retail uses that are small in scale. The Villebois Master Plan was adopted in in 2006, timing that was ill-fated in retrospect. Early phases of the development struggled through tough market conditions in the aftermath of the Great Recession. Today, the residential components of Villebois are mostly built-out, and the community functions as a complete community.

Villebois falls within the City of Wilsonville’s comprehensive plan designation “Village.” It is also zoned “Village,” with a small, centralized area zoned “Public Facility (PF).” The Village zoning code permits most housing types outright. Many commercial uses, subject to standards, are also permitted outright. These include sales and servicing of consumer goods (e.g. bicycle shop, clothing or book stores, florists), food and sundries (e.g. bakery, butcher, drugstore, hardware store), lifestyle and recreation (e.g., art gallery, hair salon, restaurants and pubs), service commercial (banking, child care, dry cleaner), and general office (e.g. health services, professional services, real estate offices, insurance agencies).

The Village zoning allows single-family and duplexes up to 35 feet in height, multifamily buildings up to 45 feet in height, and mixed-use buildings up to 60 feet in height. Retail in the Neighborhood Commons may be no more than 3,500 sq. ft. in area. Larger retail development is permitted in the Village Center; commercial lots may be greater than 8,000 sq. ft. in area with an 80 percent maximum lot coverage ratio and commercial buildings may be up to 60 feet in height.

While residential development has succeeded in Villebois, commercial elements have struggled to gain critical mass. Villebois remains on the periphery of urban development and does not draw from a broad residential base outside of the community. This limits the number of “rooftops” to support commercial development. There are only 3,150 households within a five-minute drive of the Village Center. High construction costs coupled with low rents, parking restrictions, and small lot sizes that prohibit scale have further contributed to a challenging environment for commercial development.

³¹ Villebois Concept Plan (2003).

Perhaps the greatest impediment to commercial development in Villebois is the proximity and access to viable commercial alternatives. Wilsonville Old Town Square is a Fred Meyer anchored community center located less than a five-minute drive-time from Villebois. Just beyond Old Town Square, Wilsonville Town Center even greater commercial diversity. Wilsonville Town Center is currently being planned for considerable redevelopment. The Wilsonville Town Center Plan, developed in 2019, is purposed to guide development and redevelopment of the subarea. The Plan’s vision is to provide for a mix of uses, entertainment and community gathering opportunities, consolidated parking, walkability, and support for local businesses. Taken together, we suspect that the majority Villebois residents’ commercial needs are being met by these commercial centers.

Exhibit 31. Villebois Community

Source: <https://villebois.com> and google maps.





Appendix B: Northwest Crossing Case Study

Northwest Crossing is a master planned neighborhood in Bend, Oregon. The neighborhood is about 1.5 miles west of downtown Bend and caters to the “Central Oregon” aesthetic. It is composed of various residential uses (single family, cottages, townhomes, and apartments) and over 80 businesses representing a range of industries (manufacturing, medical, professional services, retail).

The community is roughly 486 acres with 32 acres of parks and an interconnected street and trail network. All of the area’s open spaces (including parks and rights-of-way) were dedicated to the City of Bend and are now under public ownership. A majority of Northwest Crossing is purposed for residential use and there is an elementary, middle, and high school that support students in the area (Exhibit 35). Commercial uses primarily center around the high school in the southwest quadrant of Northwest Crossing, however, at this time the commercial/retail uses are not fully built out.

Ultimately, the area is composed of several zoning districts,³² which are superseded or supplemented by the Northwest Crossing Overlay Zone. The overlay zone enables “compact, mixed-use development, along with areas of commercial and employment uses surrounded by higher density residential... [of] 7.2 to 19 units per acre, depending on the intended character of the particular subarea.”³³

In particular, the overlay zone on top of the Mixed Employment (ME) zoned areas enable consolidated parking areas and special setbacks to create a pedestrian-oriented environment. ME and the overlay zone both allow several uses outright including auto-oriented retail sales and services, restaurants, offices and clinics, lodging, and entertainment – at no more than 45 ft in height. The overlay zone on top of the Industrial Light (IL) zoned area limits the kinds of industrial uses typically permitted in that district to *compatible* light manufacturing. It further ensures industrial uses are delivered in a park-like setting at reduced heights of no more than 45 ft.

Current activity in Northwest Crossing is focused on development of the “Grove” – a new mixed-use development, on a 1.8-acre vacant site in the neighborhood’s commercial core. The Grove will accommodate up to 64,000 sq. ft. offering a public market hall and commercial building; a 22,000 sq. ft. mixed-use building with a suite of office spaces (ranging from 500 to

³² Underlying zoning includes RS – Residential Urban Standard Density, CL - Commercial Limited, PF – Public Facilities, and ME – Mixed Employment, and IL – Industrial Light.

³³ ODOT (n.d.). Oregon Greenhouse Gas Reduction Toolkit: Case Study, Northwest Crossing. Oregon Sustainable Transportation Initiative.

4,000 sq. ft.) above ground floor retail; and 33 new condominiums.³⁴ The development team will deliver the condominiums as a *second* phase, once the commercial uses are delivered.

The success of Northwest Crossing has encouraged Northwest Crossings' development team to set their sights on a 10- to 15-year build-out of a new neighborhood west of Northwest Crossing. The new neighborhood is called "Discovery West." This area is expected to accommodate an additional 40 acres of park and a mix of missing middle residential uses including single-family homes, townhomes, cottages, and apartments. The additional residential volume will continue to catalyze commercial development envisioned in Northwest Crossing's core.

Northwest Crossing has benefited from strong market positioning. Commercial development accelerated in the current economic cycle that has brought an influx of new higher-income households to the region. Northwest Crossing has a strong geographic location. With commercial development limited on the westside, the commercial area likely draws from an atypically large market area that includes most of West Bend. Demographic growth in Bend remains robust, translating into strong demand for housing development to support scale in commercial development. A primary developer willing to absorb early development costs, coupled with three schools has lowered typical infrastructure barriers in developing new urban areas.

Outside of commercial retail, Northwest Crossing has had relative success in attracting employment uses beyond personal services. Capitalizing on Bend's quality of life characteristics, concentration in outdoor recreation and "maker" industries, and emerging start-up culture, Northwest Crossing has been able to attract several small manufacturing and mid-size headquarters to its employment area.

³⁴ Northwest Crossing. <https://www.northwestcrossing.com/2019/09/plans-for-grove/>

Exhibit 34. Northwest Crossing Community

Source: <https://www.northwestcrossing.com/>



RESIDENTIAL BUILDING

COMMERCIAL BUILDING

PARKING CANOPY

MARKET HALL BUILDING



BIRDSEYE VIEW GROVE_NW CROSSING

RESIDENTIAL BUILDING

COMMERCIAL BUILDING

PARKING CANOPY

MARKET HALL BUILDING



BIRDSEYE VIEW GROVE_NW CROSSING

Exhibit 35. Northwest Crossing Property Map, Bend
 Source: Harcourts The Garner Group Real Estate, 2017.

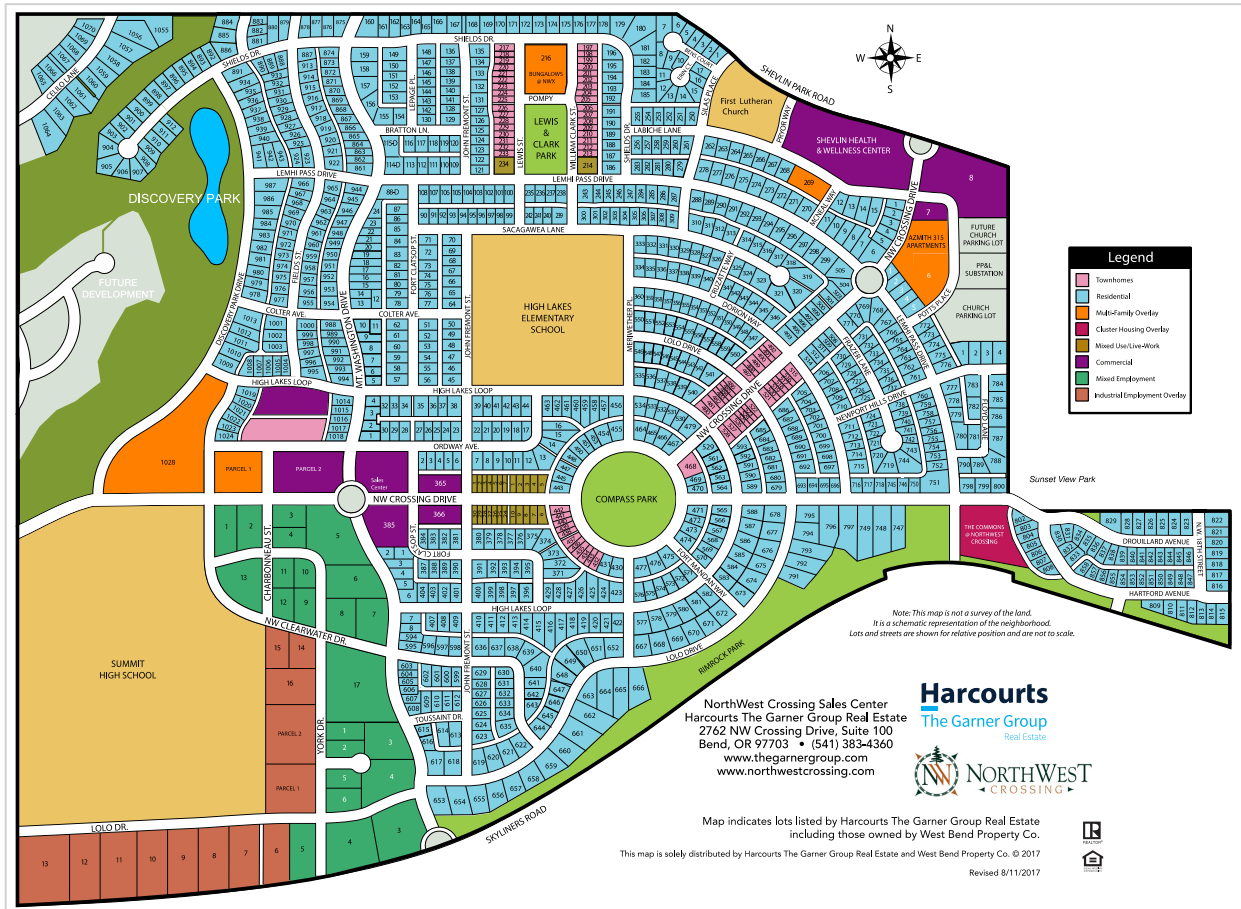
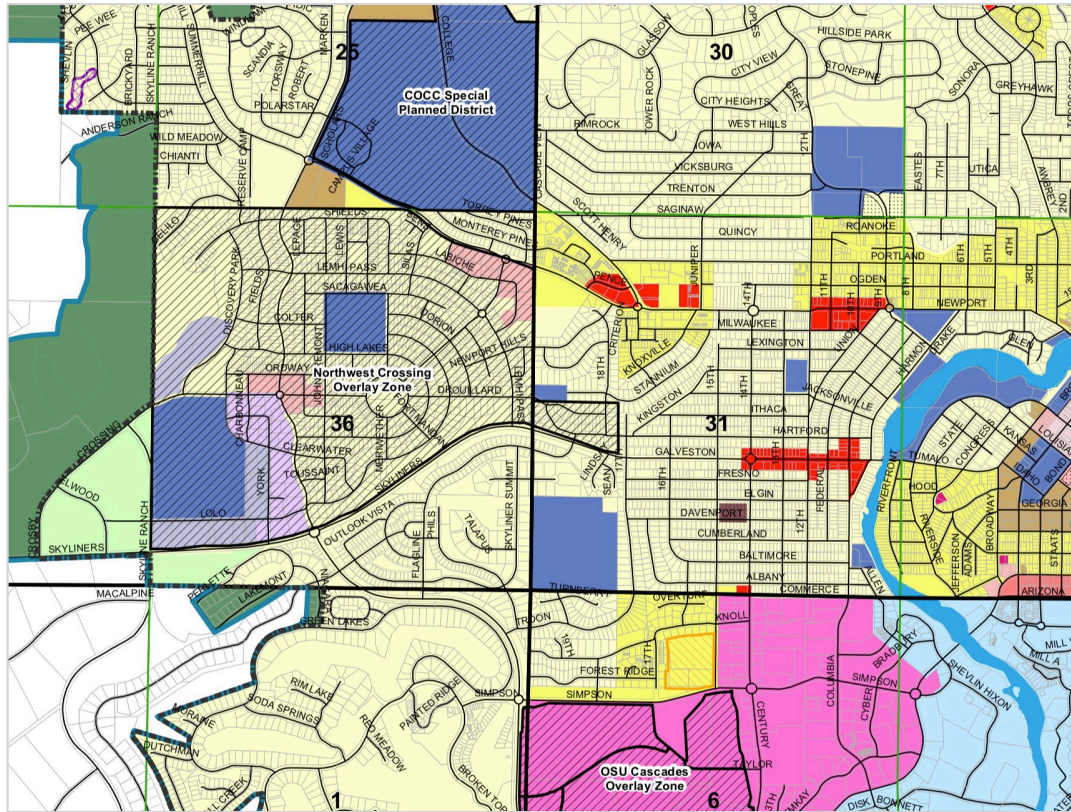


Exhibit 36. Subset of Bend Zoning Map to display Northwest Crossing Zoning
Source: City of Bend.



Appendix C: Bethany Case Study

Bethany is a master-planned development in unincorporated Washington County. The area is north of U.S. Route 26 and is located within 10 miles of downtown Portland, Hillsboro, and Beaverton. The area is composed of six subareas: North Bethany, West Bethany, Central Bethany, Arbor Oaks, Springville, and Thompson (Exhibit 38). Initial planning of Bethany began in the 1980s with the adoption of the Bethany Community Plan. Then, planning efforts in 2006–2010 resulted in the adoption of updated plan language and maps for the North Bethany Subarea Plan.

Despite Bethany's location in unincorporated county, the area is a relatively dense suburb. The area has a central commercial core surrounded by residential subdivisions. Portland Community College is located in the North Bethany subarea. Several parks, including a golf course, comprise the area and an open space/bicycle pathway provides connectivity between subareas.

Several land use districts comprise the study area to accommodate a community business district, a range of residential densities (from six to 24 dwelling units per acre), institutional uses, and commercial uses. The commercial core zoned as the Community Business District (CBD) was envisioned to provide a community-village atmosphere. Metro and Washington County formally designated this area as the Bethany Town Center.

Accordingly, the Bethany Town Center, or CBD, allows a mix of retail, service, and business establishments (e.g. grocery; restaurant; financial, real estate, institutional services; offices; entertainment; etc.) at medium-to-large-scales. The CBD also permits residential uses, in conjunction with commercial uses, of 20 to 40 units per acre. In some cases, when additional open space standards are met, residential densities are permitted up to 100 units per acre. The minimum lot area for uses in the CBD is 8,500 sq. ft. and the maximum height is 100 ft.

Areas designed for neighborhood commercial use, outside of the Bethany's CBD, allow many of the same uses as the CBD, but at small-to-medium-scales. In these areas, residential uses above ground floor retail are allowed, but at densities of 15 units per acre or less. The minimum lot area remains 8,500 sq. ft., but maximum heights are reduced to 35 ft. for all structures.

Bethany's principal commercial hub, Bethany Village Centre, was developed in 2002, only after the community had reached a critical mass of rooftops to sufficient to support commercial development. Today over 15,000 households are located within a five-minute drive of the center. Central Bethany benefits from very limited competition as the only retail center within a 1.5-mile radius. In real estate terms, Central Bethany is characterized as a community center, with over 225,000 sq. ft. and a trade area that extend beyond a ten-minute drive-time. Strong income demographics, limited competition, and land use allowing appropriate scale have all contributed to the success of commercial development in Central Bethany.

Exhibit 37. Bethany Community Business District

Source: <https://www.portlandonthemarket.com/bethany-oregon-homes/> and https://www.facebook.com/pg/bethanyvillagecentre/photos/?ref=page_internal.

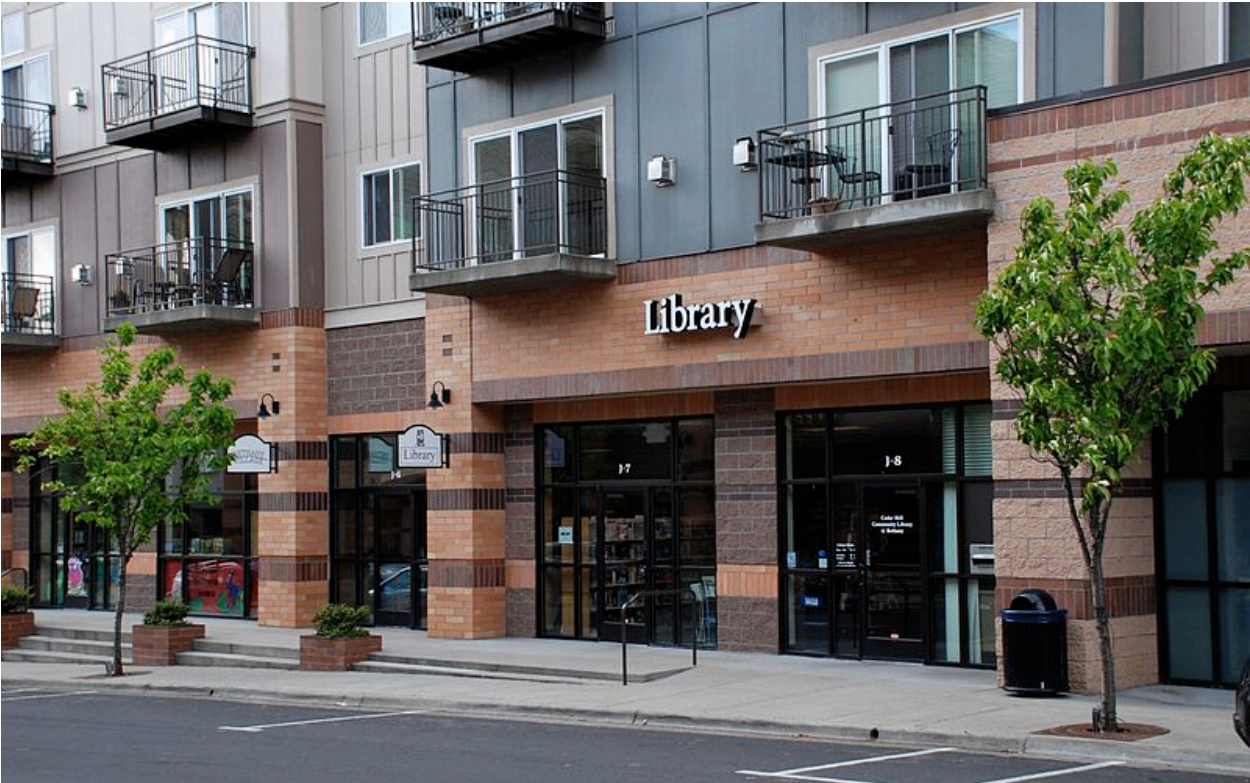
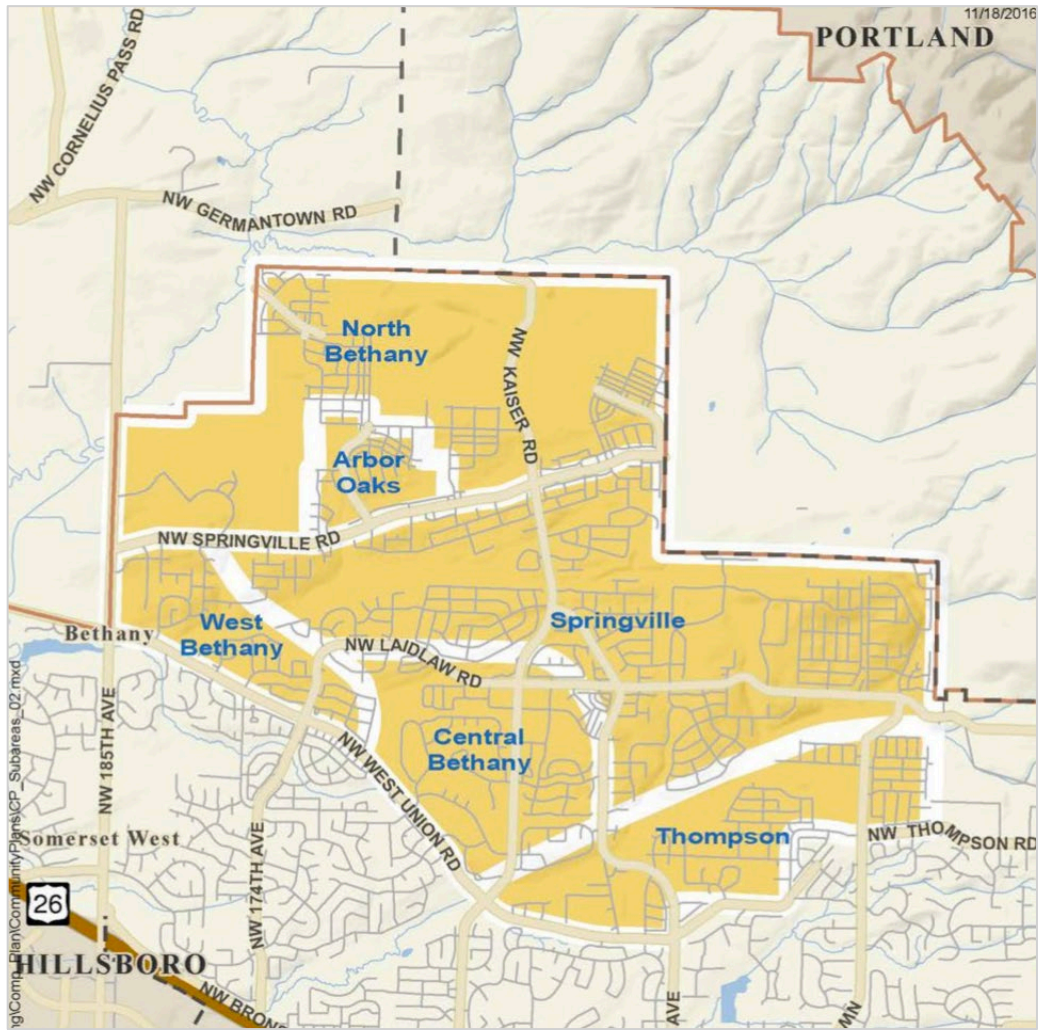




Exhibit 38. Bethany Subarea Vicinity Map, Washington County
Source: Washington County Comprehensive Plan, Bethany Community Plan.



Appendix D: Murray Scholls Case Study

Murray Scholls neighborhood is zoned Town Center – High Density Residential (TC-HDR) and Town Center – Multiple Use (TC-MU). *TC-HDR* permits residential uses (24 to 36 dwelling units per acre); it also permits commercial uses, parks, (small) free-standing offices, and limited retail in mixed-use buildings. In this zone, structures are permitted up to 50 ft in height. *TC-MU* allows office, retail, and service uses as well as light manufacturing uses. Residential uses (of 24 to 40 units per acre) are also allowed in mixed-use structures. In this this zone, the maximum building height is 60 ft.

The Community Plan for the Town Center was developed in adopted in 2005. Policies in that plan established residential targets – a minimum of 1,050 units and a maximum of 2,500 units (more units when improved public infrastructure can accommodate more households).

The primary commercial hub in the Town Center is Progress Ridge TownSquare. Developed in 2008, Progress Ridge was envisioned to be a pedestrian-oriented, civic hub offering a variety of commercial and employment uses to serve the growing region. Today it operates as somewhat auto-centric boutique, destination shopping center providing roughly 280,000 sq. ft. of shopping, dining, beauty and healthy, entertainment, and service options. It is anchored by a New Seasons Market and an AMC Theater.

Significant rooftop support outside of the Murray Scholls Town Center pre-existed development of Progress Ridge. Over 100,000 people live within a ten-minute drive of the center. Drawing in part from established neighborhoods, competitive commercial development exists in close proximity. From a competitiveness perspective, the success of Progress Ridge can be attributed to product differentiation and the recruitment of regionally drawing tenants. The most proximate commercial center at the time, ironically named Murray Scholls Town Center (but not located within the Murray Scholls Town Center Plan area), was owned and developed by Gramor, the same developers as Progress Ridge. Gramor had a deep understanding of the market, and their experience in the area led them to identify demand for premium tenants and existing voids in the market. Regionally drawing entertainment users Cinetopia (now AMC theaters) and Big Al's extended Progress Ridge's market support.

Exhibit 39. Progress Ridge TownSquare

Source <https://progressridgetownsquare.com/>



Exhibit 40. Murray Schools Vicinity Map

Source: Murray Scholls Town Center Community Plan, Index Map.

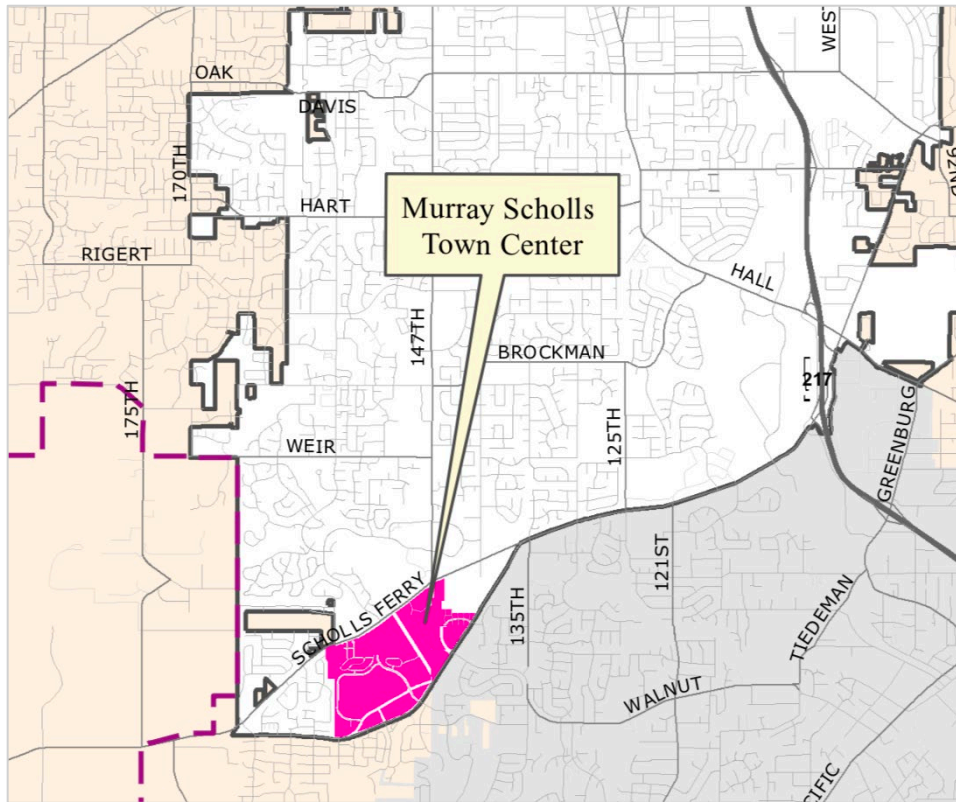


Exhibit 41. Commercial Directory and Layout, Progress Ridge TownSquare

Source: <https://progressridgetownsquare.com/>

