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Columbia Corridor News

Cover Story:

Industrial Real Estate Market Continues to Recover…but SLOWLY

The big chunks of industrial warehouse space in the Columbia Corridor are finally starting to disappear. With almost no new construction over the last 4 years, we all knew the big empty warehouses would fill up eventually but our internal optimism has been tested by the time it has taken for new and existing firms to commit to new space. Anyone looking for some big prolonged and consistent bursts of industrial leasing characterized by the itinerant big deals get their hopes dashed as months go by with…nothing. It's a market characterized by two steps forward one step back…funny looks and feels just like the overall US economy but at least the net effect is forward but from where we came from any progress looks and feels like a bigger deal than it is.

At the recent Columbia Corridor Commercial Real Estate Forecast, three veteran commercial brokers presented a mostly tepid but positive outlook. "The trend is positive over the last 24 months with net absorption up and vacancy rates slowly falling but there are also incidences of firms consolidating operations outside of Portland, stagnant leasing rates, shorter term leases and a lack of new industrial construction" says Don Ossey of Capacity Commercial Real Estate. That sounds positively negative, but that is the world we live in but most agree it really is getting better out there in the industrial real estate landscape. The presentation gave some numbers that supported the cautiously optimistic reality for the Class A warehouse space which revealed a vacancy rate around 8% which I find to be a misnomer as my less than scientific calculations for Class A industrial space points to a vacancy rate in the teens (but down from close to 20% of two years ago) but the trend is the main take away which is slowly downward. Net Absorption of warehouse space is up year over year even while the recent quarter showed negative net absorption which attests to the sporadic nature of the market. Incentives such as free rent and generous tenant improvement allowances are beginning to fade and return rates for industrial investments have come down markedly which means values have bumped upwards on industrial investments but with values still historically low the upside over the coming few years for good quality industrial real estate is perceived to be a good bet. This has attracted some big investment players nationally as some billion dollar deals have occurred in the last year on some big industrial real estate portfolios as buyers have been attracted by some prices well below replacement costs and debt heavy sellers willing to "unload" and buyers see the long term ability to push rents and achieve higher occupancy rates.

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INSIDE:

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Deals, Projects Transactions Etc.

Diamond Transport buys Northeast Cross-dock Facility

Diamond Transport

Diamond Lines Delivery a trucking company out of Idaho has purchased a 24 door cross dock facility at the corner of NE 33rd and Argyle (7315 NE 33rd). The purchase which occurred in late October represents an initial foray into the market for Diamond Delivery and the Fillmore Family ownership. “We had been looking for a facility in Portland for over a year and this property fit the bill in which to grow our business in Portland” Diamond says of his transportation business which was started in 2000 multiple terminals mostly in Idaho and Utah but with an expanding base of clients in Oregon, Diamond needed a more convenient base to better serve those accounts and grow their business on the west side of the Cascades. Diamond has been operating in the facility for several months and if all goes well they may look for a larger facility in a few years. The price was a healthy $1,362,000.

ASE buys former ABC Roofing Building

The flurry of activity in the industrial area known as the Heintz Industral which constitutes the large sea of warehouses north of Columbia from NE 13-33rd area, continues with another tenant opting to control their future and purchase a building in the neighborhood. Located many years in a large Prologis leased warehouse facility down on Argyle, ASE Supply a local employee owned business that distributes replacement parts to the trucking and automotive industries, bought a 25,000 sf space on NE 17th a block north of Columbia Blvd. The warehouse has dock high and grade level loading; 20’ ceilings and some outside storage area and the purchase price was $74 psf or $1.85 million down from the asking price which was north of $2 million. After a retrofit, ASE is up and operating at the site.

Organically Grown Leases Space and Goes “Very Green”

The largest organic produce distributor in the Northwest, Organically Grown, leased 119,000 at the Columbia Distribution Center at NE 201st and Sandy and will be partnering with Energy Trust of Oregon to try and achieve a LEED Gold designation for their tenant improvements in the 300,000 sf 3 year old distribution facility. Some of “green” and efficient components of the space will be: smart lighting, energy monitoring systems, non-toxic and recycled materials throughout the office and warehouse build out, FSC certified wood, low flow toilets, increased day lighting to reduce light use, extensive bike facilities and a workflow that will help the company reduce product waste. The biggest sustainable investment is the state of art ammonia refrigeration system in a large part of the warehouse that requires less energy to operate and ammonia unlike previously used refrigerates does not reduce the ozone. The new space which should be operational sometime this summer and will almost triple the company’s growing (no pun intended) organic produce distribution business and also brings the building to full capacity with Odom Distributing taking up the remainder of the building.

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But there are some persistent negative leftovers from the last 3 years namely that rents for the newer warehouse space have stagnated at 20-25% discounts from their highs. Of the 3,000,000 plus sf of Class A new space that came on the market in the 2007-2008 timeframe, over 700,000 sf of that remains vacant and there still is over 10 vacant spaces of 100,000 sf or more (mostly in Rivergate). Other than the Subaru 400,000 sf build to suit, industrial construction is also non-existent and probably will be anemic for at least the next 12-18 months with a few smaller user projects being the only people tilting panels in the Corridor. Even given those less than stellar market characteristics, there was some mumbling about potential new speculative industrial construction spurt or the "next wave" of building beginning maybe next year but there remain some significant challenges to that prediction: Rates will need to rise to justify new construction as construction costs (i.e. materials; permitting fees, etc.) have not moved downward to offset the lower rental numbers; financing for such projects should remain elusive without significant pre-leasing and lastly there is a limited number of "shovel ready" sites in the Columbia Corridor.

Supplement these challenges with the predicted future lackluster employment and economic growth numbers both regionally and nationally and the recent memory of developers/investors getting slammed with tons of new industrial product coming on line and the tide going out a few years ago and you have some not so miniscule challenges to overcome. But if the nascent trend of continued space absorption continues, there may be a real dearth of industrial space especially in certain size ranges so a developer who gets going on a project later this year and delivers product say in late 2013 or early 2014 may prove clairvoyant and hence very successful. But given recent history, this maneuver is not for the faint of heart and pocketbook.

So expect any movement of dirt for industrial space to involve users building for themselves or a build to suit where a firm has some sort of specialized need or space requirement that does not exist among the vacant buildings but that is a relatively small niche at the moment. This can change relatively quickly with several good quarters of absorption which will quickly limit options for firms and bring the economics of new industrial construction closer to reality.

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United Salad Expands Down the Street

Just next door to a Keller purchase (see page 11), United Salad is a 70 year old wholesale distributor of produce, cut fruits and vegetables. United Salad has its HQ and main 136,000 sf distribution facility on NE 33rd. Recently United Salad purchased a 45,000 sf similar facility for expansion located at 2705 N.E. Argyle. The building owned by the Lewis Family in Clark County had been home to NW Trailer Parts for many years until the business was sold then became home to over 70 vintage cars in the family's collection. An auction drawing car collectors from all over preceded the sale of the building this past fall. The competitive $2,400,000 price reflected the need for substantial need upgrades which mainly revolve around a new roof. United Salad is anticipating a million dollar plus upgrade to the site which for their special needs and, hopes to be operational this summer.

Elrod Property
Finally Finds a Buyer

A long marketed 11 acre site in NE Portland with its share of "issues" has finally found a buyer which to most of us out there in the industrial real estate market definitely provides an endorsement of a recovering industrial real estate sector. With a sales price under a $1,000,000 which translates to a price per square foot close to $2 you might think it was some sort of "one off" desperate seller anomaly but there is a bit more to it as this purchase and coming development looks to add some jobs and development to the area. Purchased by a Chicago based industrial development firm, Bucknell Industrial, I had a devil of a time finding out what is going to go on and the firm that would be occupying the site. Paul Thurston a project manager for Bucknell while nice was not too helpful. "I really cannot say much about it but we are moving dirt and we hope to have construction permits in hand within 45 days. It is a great site and though it provided some challenges it was also a great opportunity to be creative for our client" Heavy machinery is crawling over the site which is accessed by the country road past Riverside country club but part of the development will require a new bridge over the slough to connect to Riverside Way. The project will have both warehouse and trucking facilities and my prediction looking at Becknell's client list that Kraft/ Nabisco may be the recipient of the development to service their large factory on Columbia Blvd. My calls into Kraft got silence which I think means it could be those guys who have leased warehouse space in several locations which means a consolidation on the Elrod site might be in the works or who knows... could be a totally different firm. But it's great to see dirt moving on a long vacant site.

“Supermarket to the World”

buys long vacant Con-Met site in Rivergate

With the above catchy moniker Archer Daniels Midland has extended its reach into almost every facet of the world food chain on its way to $80 billion in sales. Involved in a cornocupia of food processing activities from animal feed, ethanol, food additives and a world class transportation network, ADM is the preeminent world agricultural processor. ADM just closed on a 20 acre site of older manufacturing buildings owned by Con-Met that is a long term supplier to Freightliner but had shut this facility down and been trying to sell it for the past 4 years. There were a couple of “runs” at the property but the separated older buildings were an impediment and in the end not really salvageable as ADM is looking to scrape the site for their new facility. In fact they have already creamed all but two old buildings and construction is going fast to building a huge new sweetner (think high corn fructose) plant that will represent an investment well over $10 million dollars with the hopes it will be up and operational within 12-14 months. The site already looks different with the foundation poured for the new plant. Besides getting rid of an eyesore, this represents a big investment in both capital and jobs for Portland.

Urban Renewal in Portland

World War II had a tremendous impact on Portland with huge industrial companies turning out an assortment of war supplies from liberty ships to aluminum ingots. This brought thousands of workers and their families to the city. They piled into existing areas or created “instant” neighborhoods where the infrastructure and the housing stock could not keep up with the invasion. This spike in population was rapid and unplanned and quickly led to cramped and blighted neighborhoods, many of which were already on the decline due to the depression of the 30’s.

Urban Renewal in Portland had its “fits and starts.” The general populace in Portland, having a somewhat independent streak, were skeptical of the concept that got an earlier start and wider acceptance in other cities. Portland rejected early proposals to redevelop three targeted dilapidated neighborhoods. In 1956, an urban renewal sector was initiated within the city’s Planning Bureau and the election of a pro-urban renewal mayor, Terry Schrunk, in that same year helped the movement pick up momentum and support. Large sections of Portland were slow to enjoy the benefits of the Post War economy and many were looking to kick start job based redevelopment. On May 16, 1958, the voters by a slim margin approved the creation of the urban renewal agency, the Portland Development Commission. The new agency claimed “the men of Portland business and civic organizations will see their reward in the future elimination and prevention of blight and the promotion of industrial development.” Other stated goals by the PDC was to elevate and stabilize property values and in turn increase property tax returns as well as to protect public and private investments in urban renewal areas. Led by a Chicago transplant and wood products executive, Ira Keller and John Kenward, a planning official by way of Santa Barbara, they formed a team of tireless believers in how the public and private sector could work together to harness both federal and local funds for civic improvement.

Keller was a tornado of energy and proceeded to lay out succinctly and pervasively the arguments for the PDC’s mission and projects over the next 13 productive years of his involvement. He was handed one of the most valuable urban renewal tools ever conceived when in 1961 state voters granted the agency the ability to apply tax increment financing.

The “test tube” in Portland for urban renewal was the 109 acre South Auditorium south of downtown which had over a period of decades become a crowded conglomeration of substandard housing, crime and unsanitary conditions. Home to several immigrant populations, there was a certain seedy but attractive culture and liveliness to the area that had its supporters which proved no match for the city “do-gooders” looking to dismantle a traditional albeit slovenly neighborhood to create a futuristic and vibrant area. By 1963, 349 parcels had been acquired, 1573 residents and 289 business were relocated and basically the whole site was cleared to become the SOMETHING South Auditorium Area.

It took just over a decade for the famous fountains, parks, office buildings and high rise apartments to appear and create $394 million of assessed value. Fast forward through the next couple of decades and you see a piecemeal but productive implementation of PDC’s programs and vision which made such iconic (re)developments possible such as Pioneer Square, Waterfront Park, Pioneer Place, Expansion of Portland State, the Oregon Convention Center, Esplanade, OMSI etc. Urban Renewal had to weather the loss of federal funding, property tax limitation measures and periodic and persistent criticisms that claimed urban renewal often times was not market driven but was a tool of a limited number of political forces and government planners to benefit areas that really were not blighted and often benefited a less than needy group of developers and property owners. But, whatever side you are on, Urban Renewal in Portland, has changed the look and character of the city immensely.

Interstate Corridor Urban Renewal Area Expands

There are currently 11 urban renewal areas in the city of Portland and all are somewhat different and unique but when it comes to size the Interstate Corridor Urban Renewal Area (ICURA) stretching from inner northeast Portland almost to the Columbia River has always been the goliath of all URA's and it just got bigger to encompass almost 4000 acres. Back in 2007, the city initiated a study of all 11 URAs known as the Future of Urban Renewal and as a follow up to this effort, the PDC authorized another study beginning in early 2009 that focused on the current and future investment in the Interstate Corridor and Oregon Convention Center Areas mainly to consider revisions to the current boundaries. This was prompted by the fact that the Convention Center URA was going to expire in 2013 and there were many areas and projects that had not been addressed. Over the next couple years some intensive political jockeying played out as many felt that this review was a backdoor effort to build momentum to get the Rose Quarter assimilated into the Interstate Urban Renewal area and its large unused bonding capacity could then be tapped in helping the Blazers with their plans to redevelop what has become a lifeless and inactive area around the Rose Quarter. As plans for the Rose Quarter bogged down and lost steam and organized opposition by north/northeast neighborhood groups to the Rose Quarter's potential "robbing" of Interstate's funding capacity, this scenario died a quiet death but expansion of Interstate was still proceeding ahead. The 21 member group entrusted with looking at new boundaries of the URA met 12 times and received broad community input but not all went smoothly. Members of Interstate Corridor URA advisory committee felt left out of the process as they had only two members on the committee and felt the additions may have been preordained. Additionally many felt the addition of further areas would dilute needed funding for existing projects but the train was already rolling down the tracks for expansion. The Committee voted 19-2 and the PDC approved and then the city Council last July signed off on adding a net 196 acres to ICURA. "While not always perfect, it was a comprehensive and well thought out process with tons of input from many stakeholders and sources. And this expansion brings in areas that have tremendous community support by resident business owners in those areas who have long wanted to have the benefit of the urban renewal programs and resources." says Denyse McGriff, a project manager for the urban renewal area. Areas along MLK, parts of Alberta/Killingsworth, the south side of Lombard Street and the Town Center area of St Johns which has long wanted to be included are now part of the Interstate Corridor mega-area. The most appealing aspect of this expanded area is the potential investment that could be put together as there is over $260 million in available bonding capacity which is by a large margin the most resources available in any of the city's URA's.

Pardon me for a moment, as I step into the editorial realm, as I see a huge potential here to undertake some aggressive investment into industrial development and assisting both new and existing firms to both create and retain jobs. It is not hard to see after perusing the PDC's urban renewal project list to see that a bulk of urban renewal investment dollars in many URA's goes towards affordable housing, or public projects like streetscapes or even large public projects like light rail, trolley or Esplanade. So the question creeps into my industrial real estate brain "But, what about helping that manufacturer who employs 30 that wants to expand and build an addition to their factory and hire another 20 people?" This becomes even more vexing when Portland's unemployment rate has hovered above 10% for much of the last two years and current public officials and those running for office ardently espouse their intention to create and cultivate family wage jobs in Portland. Look up the Interstate Corridor website and you will see the site enumerating some of the more notable projects funded over the last decade and not one involved an industrial firm or development. There are affordable housing projects, streetscapes, development studies, livability grants and the all important economic development project of renovating the Dawson Park Gazbo, but I did not see one notable industrial project that would be related to job retention or creation. This reality gets even a bit more uncomfortable when you read one of the objectives of the Interstate URA "Create wealth through expansion of existing businesses, fostering is a healthy business environment and generate family wage jobs. I brought this up with the PDC development manager of the area, Sara King, "I don't know all the projects within the URA we are working on, but admittedly there has not been any significant industrial investments and we probably need to do a better job of outreach to that market segment because I know it is an area we really want to address and serve".

There is a significant amount of industrially zoned property in the district (Portland Meadows; land on Columbia Blvd; Swift site) so it makes sense that there is a huge opportunity to be aggressive in both assisting existing firms with their growth plans as well as recruiting new companies into the areas. King says PDC is hiring a person to be specifically responsible for industrial recruitment and outreach especially in the urban renewal areas sKing did follow up with me with a list of firms that have taken part in URA programs in Interstate but nothing that stood out to me as a big job creator. PDC and the city have some work to do to get out into the business environment and understand how their resources and programs can assist companies with their facility and growth ambitions. As when I asked one of the larger employers in the area if he knew that his significant manufacturing operation was located in the Interstate Corridor Urban Renewal Area and was eligible for significant financial programs to assist in the investment of his company and facilities. He responded blankly, "What is urban renewal?"

P O R T L A N D

Portland is Not as Expensive as You Think.

A recent comparison of permit fees by Group Mackenzie has turned up (at least to me) some surprising numbers showing that building an industrial building within the city of Portland as compared to other Portland metro area jurisdictions is actually very competitive if not downright cheaper. My surprise came from hearing the occasional anecdotal evidence in my daily brokerage contacts with developers and business owners/managers which obviously are often times unsubstantiated stories and opinions about how expensive it can be for firms to do business in the city of Portland. Obviously costs of operating a business as compared to building or redeveloping a building are quite different propositions but the rhetoric that gets ratcheted up from time to time about what some people seem to perceive to be Portland's anti-business proclivities and expensive business climate often gets lumped into one overall label of the city of Portland being exorbitantly expensive to build or renovate commercial property. If you break it down into segments, Portland can be expensive in certain areas and in other areas costs might be quite reasonable. But everyone, especially those seeking some political end love to take one situation or statistic and use that to paint a very broad and often times inaccurate picture. However, if you are looking to build or expand an industrial building, Portland stacks up fairly well cost wise.

Tom Wright, the director of Planning at Group Mackenzie and the person who oversaw the data comparison, is the first to tell you that you should not read too much into this and how this is basically a snapshot in time. "This just provides a very generic view across jurisdictions of the fees you would expect to incur on a construction of a vanilla 80,000 sf industrial building. Nothing more nothing less. Each project is different but this analysis can give you some very good basic information on fees for Portland and surrounding communities." Naysayers then counter that building in Portland has can be cumbersome and time consuming with a multitude of reviews and approvals that can add considerable time to the process. Wright counters that proposition with, "For the most part in Portland, if you build in most industrial zones you do not have to go through significant land use actions or reviews for construction of a standard concrete tilt building." He goes on to explain that every situation is unique and there can be some serious inconsistencies in how long it can take to get a building approved and break ground especially if the building and use are "less than standard" and it triggers certain design review processes." Another aspect that these numbers don't cover are requirements that these jurisdictions may impose that add hard costs to the building construction numbers. This could be items like additional landscaping; extensive storm water facilities, dedications of land, and offsite improvements such as bike lanes, sidewalks, utility extensions etc. Again, this is hard to peg as every building and where it is being built will point to different requirements and hence costs.

Overall the government fees and charges to construct a standard concrete tilt industrial building costs $498,000 or $5.30 sf in the city of Portland; $424,000 or $5.30 psf in Hillsboro and (hold on to your checkbooks), in Wilsonville you will be paying $567,000 or $7.10 psf to build a generic 80,000 sf warehouse. Vancouver, as many of you have known is the less expensive alternative coming in at $1.70 or $135,853. The differences in these fees lay mainly in system development charges (SDCs) that each city requires for new development. SDCs are charges that jurisdictions apply based on varying and somewhat arbitrary formulas to recover a portion of the cost of both existing and future infrastructure costs necessary to serve new and existing development. These SDCs get broken out into various categories to cover infrastructure systems such as transportation, sewer, stormwater, parks and almost anything a city feels is appropriate in which to charge for new construction. Transportation charges are where the big differences lie. Wilsonville charges $375,000 for transportation while Vancouver hits you for $48,315 and Portland requires a check for $178,000.

I know this article provides limited information on only one slice of the overall costs of operating and growing a business in Portland and the metro area, but it is interesting to see these fee comparisons which may shed light and counter some of those negative perceptions of Portland's business climate.

If you would like a complete cost breakdown please contact me.
email: cascadecommercial@integraonline.com

Long Delayed Sunrise Corridor To Finally Begin .....

I don't believe it! This may be the lament by many who have been involved or had any interest in the long discussed and planned Sunrise Corridor project in Clackamas when hearing that the first segment of this transportation improvement project was funded and ready to begin construction this year.

Starting in the mid 1980's, some people, but mostly businesses in Clackamas County, started expressing increasing concerns about traffic congestion on Oregon Highway 212/224 near I-205. Much of this issue can be traced to the increased development of the industrial area east of 205 along Hwy 212 where millions of square feet of industrial space was constructed with massive distribution centers of both Fred Meyer and Safeway contributing the most to the increased transportation bottlenecks. You could often see on any given day a half mile line of cars and trucks stacked up the elevated west bound 212 route to get on I-205 or Hwy 212. Planners with ODOT and Clackamas County found some money in 1993 to draft some preliminary solutions routing an extension from Hwy 212 east dropping down along Lawnfield road and north of Camp Whitycomb and then hugs the hillside all the way out to SE 140th where it will rejoin Hwy 212 with the catchy moniker of the Sunrise Corridor. This information and initial plan basically sat for close to a decade as it lost a bit of leadership and precious transportation dollars found other "pressing" needs. New energy came to the project around 2004 when increased traffic concerns by some of the high employment businesses in the area again brought the Sunrise Corridor to the forefront. Like usual an updated study had to be done which provided more detail and outlined a "preferred alternative" with considerably more detail. The study showed how impacts would be mitigated and determined preliminary costs which was an eye popping $1.4 billion for a six lane alternative all the way out to SE 172nd.

No funds accompanied the Federal Approval of this recent alignment but heads got together to figure out what is a the typical financial rubix cube approach to big projects these days; namely tapping multiple sources to band aid together an initial phase. $130 million was blended together which will allow a scaled back first phase of a two lane highway extending from Hwy 212 down the hill across SE Lawnfield, over the railroad tracks and then will pass through county land in back of Camp Whitycomb east along the base of the hill until it swings south at SE 122nd to meet up with Hwy 212. Originally envisioned as a six lane facility, there is not too much criticism over the scaled down nature of this first phase and most in the general area that would look to utilize this improvement are just happy to finally get any part of the planned Sunrise Corridor "We are just happy to finally get some dirt moving on this project that many times looked to never be started which will hopefully relieve some of the freight congestion that has at times adversely affected the area for some time," says a Manager of Fred Meyer's Distribution Center in Clackamas.

In conjunction with this Clackamas County is undertaking several complimentary improvements nearby. The highest component is a new much long term desired connection from Lawnfield through Mather, Industrial Way and SE 102nd will be built.

Right of Way Acquisitions are occurring presently through summer. Bids hope to be out by the end of 2012 with construction to begin early next year with completion slated for the first half of 2015. Though considerably scaled back, the logjam has been broken to hopefully obtain traffic relief and a more efficient freight movement in a crucial transportation corridor in Clackamas.

Old Dominion Trucking Buys Former Raceway Sift from Swift

On a given hot August night, there was not a more exciting place to be than a loud and crowded piece of dirt in North Portland. “Some of the kings of auto racing came here to tear this place up,” says Mikey “Speed” Jones, a long time racing fan who spent many a steamy summer night at the raceway in the 60’s through its closing. He was describing the car and truck racing that took place for over 75 years at the Portland Speedway that sat on 30 acres off North MLK just to the east of the Portland Meadows horse track.

Originally constructed as a clay oval track in the 1920’s, the Portland Speedway came to be a preeminent place to race midget, stock and later trucks on the west coast. The track was shortened and paved after WWII to accommodate the growing larger sedan racing but its popularity only increased through the 50’s and 60’s. Portland Speedway attracted some of the future giants of racing such as Al Unser and AJ Foyt showed up in their early years there as part of what was a popular culture of barnstorming racers that hit America’s many local and regional tracks on their way to stardom and winning the Indianapolis 500.

Western Speedways, a regional owner of racing facilities, acquired the lease on the track in 1984 and secured a NASCAR affiliation and then later returned the track to its original dirt condition in order to satisfy a growing demand for a return to the “purity” of racing with the popularity of dirt stock car and open wheel racing. Racing at the track started to wane in the late 1990’s and then the tracks 11 owners and the manager could not come to a new lease arrangement and racing stopped with the track being torn down shortly thereafter. The land with total acreage of just under 30 acres went on the market in 2004 with several suitors tossing offers in the ring close to the unheard asking price for industrial land of $7.50 psf. Swift Transportation a national full load truck carrier based in Phoenix won the beauty contest and purchased the site for what at the time was an eye-popping $7.75 psf. The idea was to build a new and larger truck yard with offices, truck maintenance facilities and mainly a large paved yard for hundreds of trucks to replace their cramped 16 acre facility in Troutdale. Months and years passed as Swift went through ownership changes and financial challenges. Then the recession slammed the trucking business and though times are better it is all about costs and doing more with less. Swift who is using a broker based out of their hometown of Phoenix was asking $10.00 psf but the recent sale was done slightly under $8.00 psf which still on the high end in a challenged market but given the lack of I-5 centric sites makes sense for a user. Old Dominion Trucking a national Virginia based LTL Trucking company is buying the site to build a 120 door mega trucking facility as they have outgrown their leased facility less than a mile away off Gertz Road. This purchase is a testament to the lack of cross dock availability in the Portland metro facility which less than 3 years had multiple empty trucking facilities. “Portland like many west coast cities really has a lack of quality cross dock space especially in good core locations so even though the price was a bit high and the site has some issues, Old Dominion which is growing in the marketplace jumped at the chance to take down one of the last larger industrial sites close to Ingterstate 5” says Zack Bode of Burr Temkin who represent Old Dominion in the sale. Watch for construction to start in 6 months.

VISIBLE INTERSTATE 5 SITE TO BECOME AVAILABLE

Most drivers don’t notice it or at least they have become immune to its presence and don’t think twice but one of the most visible sites in the Portland metro region may get a new upgraded use sometime soon. Located on the west side of Interstate 5 at Delta Park and stacked with hundreds of containers, this 18 acre site has seemed to have been continuously underutilized for years. ConGlobal, North America’s largest retailer, handler and servicer of containers to the intermodal industry which is the current tenant on the site will be relocating to another site later this year in Rivergate which is closer to container operations at Terminal 6. “We have been wanting to get closer to T-6 for years and compound that with some drainage issues with the city and a site that was too large and expensive for our operations and we were long overdue for a move,” says Portland ConGlobal general manager Jason Simonson.

With tens of thousands of cars going by each day and much of the area at least on the east side of the freeway populated with well known retail names (and Walmart coming soon!) you might think you would see a higher retail use on this site. But digging a bit deeper you begin to understand why it has been a less than attractive container yard for much of the last 2 decades. The big issue is that the site is zoned industrial and then add to it that the site is irregularly shaped, has convoluted access and other development issues, you understand why there has been these containers on a graveled site for much of the last 20 years and then maybe scratch your head about what the site could be in the future.

Partly owned and completely managed by Tom Moyer’s TMT Development Group who also manages and has a large percentage interest in Hayden Meadows, the ConGlobal site will need some serious analysis and maybe a little talk with the city if the site will get any sort of upgraded use. Lamont Smith, the head of property management for TMT admitted that there are a lot of questions to be answered before any set plan is pursued ‘There is a lot going on with the site and general overall area and we have yet to fully become engaged on the future of that site but it is definitely on our agenda this year as ConGlobal moves to their new location”.

Throw into the question about what will happen with the Portland Meadows horse racing use on the other side of the freeway and the coming but precarious Columbia River Crossing project and there are far more questions than answers and any answers may be many years off so after you see the containers disappear it may be a vacant industrial site for the foreseeable future.

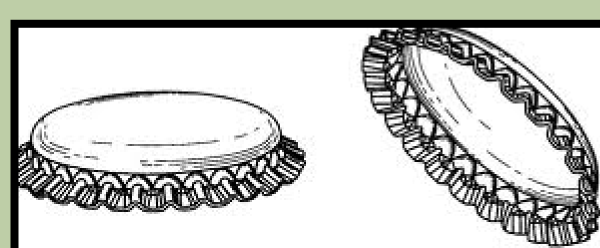
Former Crown Cork Manufacturing Plant in Rivergate for Sale/Lease

I felt like I was stepping back in time recently as I entered the offices of the Crown Cork and Seal facility on North Lombard just outside of the burg of St. Johns at the entrance of Rivergate. I could get a whiff of old cigarette smoke and all the colors in the offices reflected the palate of the 60's and 70's. "These offices were added in the early 70's but the building dates to just after World War II" says the plant manager. The building, which was a former Continental Can facility until Crown Cork and Seal based out of Philly bought Continental Can a decade back and with that got a plant from another era located here in Puddletown. The facility is immense at 250,000 sf on 24 acres and is owned by a New York investor who bought the building back in the 1990's. It is divided up into production, offices, warehousing and something you don't see much anymore, an interior rail dock. Crown made a whole variety of tin cans in the building mainly for the fruit and vegetable markets until last summer when the decision to close the aging plant came down. Once employing over 300 employees in three shifts when business was humming, the place is now a boneyard of huge pieces of idle machinery some the size of a bus. Hard not to reminisce about a bygone era where huge plants like this filled with all sorts of mechanized machinery were being tended and controlled by hundreds of workers scurrying about cranking out products for global demand.

Crown Cork may be gone, but we all remember the products they produced.

Our little class field trip revealed a stout building that is in remarkably great shape with a good combination and ratio of warehouse storage space to production and office space. As my client who loves these old buildings marveled at the tongue and groove roofing; huge steel I-Beam joists and supports and the multitude of air and power lines running through the building commented, "The place is beautiful and they just don't construct facilities like this anymore." It was hard not to nod in agreement. Add to its bullet proof construction, some rather good truck staging and parking and several acres for potential expansion or outside storage and this older manufacturing facility has some serious potential to remain intact and have a new life. But, it is just difficult to think what sort of firm could come into such a facility and make it work without breaking the bank on retrofitting the structure and then just how many 250,000 sf users of manufacturing come along…. I can answer that. Very, very few. With over 25,000 amps of power, interior rail facilities and being in an enterprise zone and on first blush, the possibility that it could accommodate several distinct users, this building does have some rather special characteristics. Those amentities are very expensive to duplicate elsewhere, combined with a tepid but noticeable rebirth in manufacturing activity (think "insourcing") this proud old dog may garner some interest for 2012 and beyond. Even those manufacturing firms that have made deals in the market the last couple of years like the solar panel and film guys have moved into newer concrete boxes and spent tens of millions to add all the power and other amenities to these big spaces. But, what if you could get clean, versatile, manufacturing space for .20¢ psf gross?

With a $12 million asking price, and it being early in the marketing process, it is difficult to predict the potential buyers. According to Stuart Skaug, the CBRE listing broker, the ownership is quite flexible regarding a sale with potential owner financing or a lease with an option to purchase. "The ownership knows this will not be an easy building to find a tenant or buyer for given its type, size and age so they know they have to be both flexible and aggressive," Skaug explains. It will be interesting to follow the progress of this behemoth and how much interest it draws and if a deal can be made this year, or next, as it might provide sort of barometer into the strength and validity of the manufacturing sector in Portland and the Northwest. Seeing this cool but solid building come back to life would be a great testament to our ability to "make old, new again" and really be sustainable rather than wrecking it and starting over.



Airport Land Becomes Available for Development

The business of aviation is constantly changing. Bigger planes, more complex schedules, land-locked older airports, fuel prices, increased traffic, you name it, the way we travel on jets has and will always seem to be subject to change driven by economics, technology, demographics, etc. Because of the massive logistical and financial investments necessary for the airline transportation system to keep up with the level and frequency of travel, these investment decisions have to be anticipated and prepared for decades prior to the predicted need for the actual improvement. Throw in the unpredictability of the price of oil, events like 9/11, and the recent economic downturn and it makes it very difficult if not next to impossible to look out into the future and figure out what direction air travel will go and what needs to be done to prepare for these inevitable changes. Many airports that once were out in the "tulies" now have seen growth envelop the areas in which they operate. This makes these potentially huge investments in facilities to accommodate growth even more dicey as airports need to balance diminishing land resources, as well as mitigating the impact airports now have on the communities that have grown up around the air operations.

Case in question, the Portland airport, upon its expansion from its initial location on Swan Island, to its present location along the Columbia River, it has been a steadily growing entity serving more and more planes and passengers. It mirrored the growth of the city and the region as well as our society's desire and need to travel. What you see today at PDX is a big change from what you saw back in the 70's or a decade ago as the level of investment in facilities has been huge and necessary to both achieve efficiencies and handle the growth of passengers and freight. But some of that thinking of more and larger is changing a bit on the part of Port of Portland aviation planners which may open up some precious land not for airport expansion but potentially home for new businesses and employees at some very attractive sites surrounding the airport.
In the airport's 2000 master plan, a third runaway located to the west of the PDX complex was planned for construction as soon as 2015 to accommodate what was thought to be a steadily increasing number of landings and people using the facility. Then came 9/11 and coupled with the latest severe economic downturn has helped to facilitate a major shift in thinking about the size and type of travel which will be going through the airport over the next 30 years. Add to the fact that there was growing opposition from the start to the Port's third run-way plans by neighborhood groups and environmentalists that saw increased noise and pollution and believed it was not a prudent investment, all of which has led to a major rethink of a third runway at PDX. This received thorough investigation and treatment in the Airport's largest planning effort to date, Airport Futures, which was adopted in the spring of 2011 and took almost 3 years to complete.

It was determined after extensive information gathering and analysis that the much heralded third runway would not be needed until at least 2035 (and most likely longer) because of a scaled down prediction of passenger and freight traffic and how the overall airline industry's business model revolves around wringing efficiencies out of existing facilities. With this shift in thinking that bigger is not necessarily better agreed upon it put new focus on the undeveloped land inventory the Port had accumulated and banked over the last couple of decades to prepare for the inevitable need for the third runaway. A unique approach came about that helps the Port heighten and put into action its commitment to an increased set of sustainable practices and goals while at the same time possibly freeing up some rather valuable industrial land for development. Much of this effort revolves around a large undeveloped island we all have driven through in the middle of the Columbia River.

Government Island is a 1760 acre gem of a natural area sitting smack dab in the middle of the Columbia River with a major freeway (I-205) running through it. It's history goes back to potential visits by Lieutenant Broughton's boat the Chatham as part of George Vancouver's survey of the area in 1792 and Lewis and Clark's potential camping on the island during their expedition 13 years later. The name goes back to the US government's acquisition of the island in 1850 prior to Oregon statehood. The Port acquired the island complex (includes adjacent Lemon and McGuire islands) in 1969 as part of the airport expansion and it has remained in the Port's ownership since then.

The island has been home to a seasonal cattle ranch and of course many people boat and camp along its shores in the summer but generally it has remained inaccessible and left in its semi-natural state. It is home to several important wildlife species but over the years it has also been overrun in many places by large swaths of non-native vegetation. That is soon to change as the Port has struck an innovative deal to start a long term restoration of the island with removal of the non-native plants and restoration to its original historical state of which Meriwether Lewis would be proud. Additionally the Port has agreed to invest $50,000 a year for 25 years in target surrounding neighborhoods near PDX which are most affected by the Port's operations. In exchange for these long term commitments and investments, the Port gets the ability to develop four "shovel ready" industrial parcels around the airport. Even the environmental curmudgeon and watchdog Bob Salinger of the Audubon Society of Portland seems to like it. "They have a real good chance of leaving the landscape better than they found it. It looks like a good deal for both sides". The port agreed to restore two acres on Government Island for every acre it develops for industrial uses starting with a 50 acre parcel on the island which started with some surveying and planning last spring and will pick up momentum this summer. This gives the port a 25 acre target to pick from the 267 potential "surplus" acres which lies in 3 parcels surrounding existing runways and a prime piece of industrial property along 33rd Avenue between Marine Drive and NE Riverside.

With the need for a FAA blessing, any development on these parcels will have an extra level of approval and might not be quite the same sort of lease arrangement that the Port is able to offer at their other developments such as Rivergate and Troutdale. The 60 acre parcel west of NE 33rd and south of Marine Drive seems to cry out for industrial development because of its flat topography, multitude of transportation connections especially to I-5/I-205 and inventory of industrial development nearby. Many of us in the industrial real estate game have long looked at this property as one of the best possible sites in the Columbia Corridor for industrial development. With the 3rd runway idea being pushed far off into the future and the Port's innovative approach to freeing up its land resources, this underutilized site might actually turn into the home for dozens of companies and potentially hundreds of employees generating increased economic activity and tax receipts for the Port, city and the region.

Keller Gets Out of Light Rails Way and Buys Northeast Warehouse

The $1.6 billion 6 mile long commuter choo choo train is displacing multiple businesses in the older close in industrial areas of southeast Portland. One such firm is Keller Supply which is a 70 year old plumbing, spa and HVAC product distributor and services firm. "We have known for many years our warehouse would be acquired for light rail plus we wanted to obtain a larger more efficient facility which led us to the building on Argyle," says Stuart Sulman, VP of Real Estate for Keller. The 43,000 sf warehouse owned by a local investor was on the market after a long term tenant moved out and Keller paid $2,714,000 or just over $63 psf. The concrete tilt building which was built in 1979 was in good shape with 4500 sf of offices; 24' insulated ceiling and numerous dock and grade doors.

Enterprise Zone to Expand

One of the more successful Economic Development tools is set to grow this summer. The Enterprise Zone an state economic development program which has been around over 30 years and which allows firms to get substantial property tax savings on new investment in facilities, could be expanded to include some major chunks of property in East Portland including several key areas in the Columbia Corridor "The legislature is allowing 5 more Enterprise Zones into the program and Portland is confident that we will be able to expand this effective program into more areas on Portland's eastside to help spur new investment and job creation" says Andy Reed, Enterprise Zone Manager for the PDC. Much of the new proposed land is along some street corridors such as Foster; Division; 82nd and along I-205 but a big area covers the former boundaries of the Airport Way Urban Renewal Area which is a large territory from NE 185th west to PDX with the areas on both sides of Airport Way being the centerpiece. When you think the tax savings to a firm on a $15 million project could be over a million dollars, the Enterprise Zone can be that kindling to stoke the industrial development fire in parts of the Eastside. The proposal has sailed through its local approvals and sits at the state which should make its selections by the end of the summer but with few applications for the 5 spots, Reed thinks the chances are high the *East Portland Enterprise Zone* will be designated.

Malarkey Roofing Survives…Grows in Tough Times.

"We think we can literally revolutionize the roofing industry" says an impassioned Greg Malarkey of Malarkey Roofing, a bastion of Portland manufacturing for close to 60 years. I was sitting in Greg's office at Malarkey's headquarters and main manufacturing facility which is located in an older and non-descript industrial hodge-podge along N. Columbia Blvd. This complex of manufacturing buildings and outside storage areas stacked with roofing shingles is home to over 160 employees and is running at full tilt. I was there to find out what Malarkey has been doing differently in the last half dozen years that has brought close to 20% average growth to annual sales north of $200 million in arguably one of the worst housing and real estate markets on whose existence roofing manufacturers depend. While I appreciated the confidence and boldness of his statement and the conviction in which it was offered, the skepticism that some sort of little Portland roofing manufacturer could out maneuver and innovate better than the well-funded goliaths of the industry such as GAF, Certainteed and Owens Corning had me wondering what sort of "gimmicks" they were employing. He could detect my puzzlement which prompted him to spring to his feet and grab the dry erase marker and head to the whiteboard in his office. He sketched out a shingle design and proceeded to show me how Malarkey designed a better shingle with a wider nailing strip thus making it easier for roofers to hit the bigger "sweet spot" in nailing for shingle installation and in turn reduces substantially the possibility of shingle failing and allowing water intrusion. He went on to describe several other innovations that have won numerous awards but more importantly increased sales and earned Malarkey a reputation in the industry as an innovator and developer of products that meet unique needs in the marketplace. These include the first shingle to withstand 100 MPH winds (now 160 mph) or a shingle that can weather the brutal pounding of golf ball sized hail stones that destroy thousands of roofs in the south and the Midwest which has made Malarkey the choice of home insurers in these markets. The success of this roofing R & D is demonstrated by the fact that these new designs were either copied or adopted in some form by the larger manufacturers but more importantly won Malarkey new converts or further imbedded deeper loyalty upon the most important link in Malarkey's supply chain: the roofing contractor. "Roofers are active participants in our business," Malarkey says with a steely glaze. "Roofing is not a sexy product but sure can be important. Just ask the guy with water pouring through his ceilings from a failed roof product or less than perfect installation. Or, the homeowner in Texas whose roof was destroyed by a hail storm while his neighbor's is intact. We continuously think about better and more efficient roofing solutions to increase the satisfaction and success of both the roofing installer and the end user of the product."

Malarkey Roofing Products™

I was kind of expecting some sort of simple bolt of business revelation that has led Malarkey to outflank its much larger competitors which has led to a doubling of sales in the last decade. Instead, I got a more philosophical, dedicated and longer term commitment to a way of doing business that seems to be paying off during a very rough time for the roofing industry. The word that came up more than once was "ecology" which Greg used to describe the web of support that Malarkey has built with its suppliers, distributors, installers and "partners" like insurers that often pay for the roof replacements from storms that surprisingly represent a big aspect of the roofing products business. During a large severe weather event Malarkey will often get 10% of the blow off or roof failure complaints that other product suppliers receive. This builds up some very valuable trust and support from those who pay to have these roofs replaced. "It is a web of support and trust that has been built and tested over many years. We have been doing business with many of our suppliers and customers for over 50 years and they know to expect only the best product and support in good times and in bad from us which it not always something to be expected from our larger competitors. "

I wanted to get out of the Malarkey world to get a different perspective on how Malarkey is perceived down the supply chain, so, I called Ken Francis at Dealers Supply, one of the largest roofing product distributors in the Northwest, and a company that has been proudly handling Malarkey products for decades. "They are just really good at understanding the individual needs of a given market and then developing a great product to fit that need. You have seen that time and time again, whether it is a product that will withstand gale force winds, golf ball size hail or temperatures that regularly go below zero. They see the need and come up with a perfect solution. Add to that that they are both price competitive and support their products and you have a winning combination which seems to prove itself more in down times," Francis observes.

Malarkey goes to explain that they made some basic strategic decisions not to sell their products through the big box retailers like Home Depot and Loews and to largely avoid the new housing sales channel where Malarkey's high quality product and support are not overly valued (not to mention the hammering on price that goes on in this segment). This move was vindicated when the housing collapse hit the bigger roofing manufacturers that catered to the housing bubble. Malarkey is almost exclusively devoted to the replacement market which appreciates the superior quality and longevity of Malarkey's product. "We are in this for the long haul and we understand and are devoted to our distribution and sales channels and it has served us well. We cannot be all things to everyone so we have invested and cultivated those market segments that align with the quality of our products and devotion to the customer," Malarkey resolutely states.

You may also think that the making of roofing shingles is less than "green" but, hearing some of Malarkey's quiet sustainable initiatives over the years will change your mind. They receive much of the power from a methane pipeline coming from the decommissioned St. Johns landfill down the street and recycles religiously throughout their manufacturing processes.

Malarkey does not see anything in the company's path to deter their recent growth and success other than to carefully and diligently increase their manufacturing and supply capabilities while continuing to innovate and strengthen that "ecology" of their supplier and customer networks. Their new facility coming on line in Oklahoma City represents Marlarkey's largest investment in facilities at over $20 million. This plant which has the capability to quickly surpass Portland's production volume will be on line this summer and provides Greg the opportunity to compare his experiences in Oklahoma City with his interactions with the city of Portland in upgrading some operations on North Columbia Blvd. "We are basically building a new manufacturing and distribution facility in Oklahoma which will take less than 15 months from land acquisition to it being operational while we have built several less complicated and far less expensive structures on our complex here in Portland that took twice as long." Greg moves to his computer and gets on the city website to look at all the reviews and approvals he had to obtain to get his modest project on line in Portland, "23 different entities had to review our plans," he exclaims. He goes on to explain that most of these reviews could not be done concurrently or together which lengthen the process considerably and added to the cost. Consequently the approvals required for a much larger more expensive project in Oklahoma City required 5 sets of approvals and took less than half the time. While Greg explains that he does not want to "throw rocks" at the city, he goes on to enumerate the various challenges the city provided in getting his buildings approved as well as what it takes to operate a manufacturing operation within the city. To wit; the bike parking spaces he was required to provide though not one of his employees bike nor do they encourage it as biking along N. Columbia may be dangerous if not deadly.

The substantial permit fees and System Development charges he had to pay for his new buildings compared to Oklahoma City were also hard to stomach. Others financial "annoyances" revolve around items like the Trimet Taxes he pays though there is no real bus service that comes close to the Malarkey plant, and the gargantuan stormwater/sewer/water charges that have risen sharply over the last decade. But, Greg does not want to sound like some sort of pissed anti-government zealot. "I totally get it. I am a fifth generation Portlander and I love Portland. It is one of the most forward thinking and coolest cities around but I am deeply concerned about how the city can make it difficult for firms like ours to employ more people and these are great jobs that will allow you to send your kid to college". He has hit upon one of my economic pet peeves which is namely that far too much attention, resources and energy seems to get put into the recruitment of new firms that fit into some sort of sexy eco-friendly business category whether it be solar, green energy or footwear. This is not totally misguided or a waste of time but many long term existing businesses that have employed hundreds if not thousands of Portlanders and paid tens of millions in taxes and fees get little attention or concern. These firms may be a bit "dirty" and not be involved in the hot new green or targeted market segments but many like Malarkey are cutting edge innovative companies that are leaders in their industries and looking to invest and grow their operations which could use some assistance or at the very least a level playing field. As Greg Malarkey states "We are not looking for any handouts or special assistance just some basic understanding of the costs we face to grow our business in Portland and how we can work together to keep those costs sensible and consistent to keep us competitive".

Malarkey roofing is a wonderful example of a historical Portland firm that has prospered in tough times through sheer innovating customer service and smart management.

Malarkey Extends Product Warranties

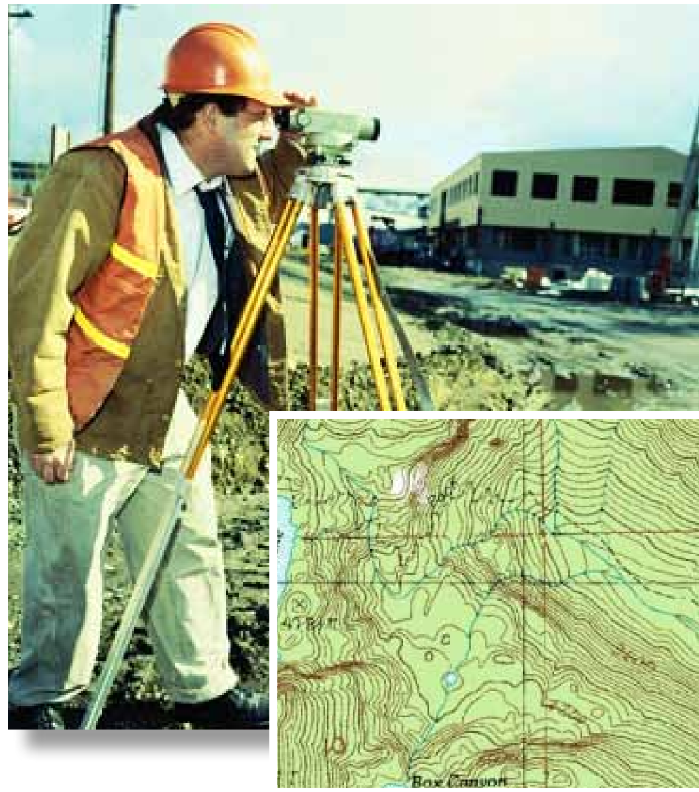
Our Commitment:

At Malarkey Roofing, we believe in creating long-term value for our customers and business partners. Our commitment challenges us to find and improve the ways we manufacture products to support our customer's needs. Striving for excellence propels our company to new heights in polymerization and the development of long lasting products.

fi nal ly [fahyn-l-ee]

1. at the final point or moment; in the end.
2. in a final manner; conclusively or decisively.
3. at last; eventually; after considerable delay:
   After three tries, he finally passed his driving test.

finally [fahyn-l-ee]



FINALLY…an ACCURATE Industrial Lands Survey.

"The Portland metropolitan area has to have an adequate inventory of development ready industrial lands in order to both attract new business investment as well as to retain growing firms". A statement to this effect seems to be like a reoccurring comet that comes around every few years into the political and business arena of Portland with much fanfare and hype then disappears off into the cosmos. Mayors, governors, economic development officials, developers, labor unions, commercial brokers, pro-business groups etc., have engaged in this age old economic development discussion or sometimes argument about the need to create and sustain an inventory of medium to larger sized industrial sites in the metro area in order to attract companies looking to make facility investments or to retain home-grown business looking to expand and stay in the region. While this need for shovel ready land often has energetic and well-articulated spokesmen, it is difficult to understand what amount and quality of land is needed to provide options for firms and developers if you really don't have a concrete accurate understanding of what you have.

This industrial land scrutiny has finally attracted a well-supported and consensus driven detailed effort of what industrial land the metro area has and more importantly the quality of that resource and what it will take to maintain and maybe even increase supply. As one developer told me recently, "We talk incessantly and almost everyone agrees about the necessity to have a varied inventory of shovel ready industrial sites throughout the metro area, but we really don't understand what we have, what impediment there is to development on these sites and what it will take to get the land ready to build". Often times, a cursory review of the amount of the land with an industrial zoning in the metro area would be offered which would stretch into the thousands of acres and to many would look on the surface as an adequate supply and the hullabaloo over the lack of land seemed to dampen temporarily for a few years.

Many times it would not go much farther than that and efforts to perform a detailed and critical inventory could not be successfully coordinated among many disparate groups which frustrated many of us concerned about the region's economic development future. There has been a big disconnect between the amount of land zoned industrial and the ability to offer an assortment of ready to go sites for a 20 acre industrial user toting hundreds of jobs. Brokers for years have been saying that they get calls from outside the state concerning a very serious established firm looking to buy a 10, 20 or 50 acre site for a facility and they just cannot offer up many options in the metro area and often what options are out there have some sort of "hair" on them that prevents development in an acceptable timeframe. "There has been a real frustration in the development and real estate community about the quality of the industrial land inventory in the region. And the fact is our land use system is based upon an accurate inventory of land, and the industrial land aspect just was not accurate" Says Mark Clemons, a long term economic development expert with Group Mackenzie.

I do not want to get into some "wonky" discussion of land use and the Urban Growth Boundary, but some historical perspective is necessary to understand the on-going progress towards establishing an accurate and real portfolio of the metro area's industrial land. Since the Urban Growth law was passed in 1973, urban growth expansions in the Portland metro land area, which were initiated in 1979 with the creation of the regional government entity METRO, often ended up being very political and sometimes resulted in the expansion into areas and on to properties that were difficult and expensive to develop. In the last decade several state wide and conflict-

Matching Quote

"Finally, beloved, whatever is true, whatever is honorable, whatever is just, whatever is pure, whatever is pleasing, whatever is commendable, if there is any excellence and if there is anything worthy of praise, think about these things."

ing land use measures were passed and politicians and stakeholders in the urban growth process realized while the original law had very good and practical intentions, there needed to a more pragmatic and flexible approach to the urban growth expansion method. So with a statewide planning effort called the "Big Look" and another law passed in 2007 (Senate Bill 1011) there came the ability for Metro to identify areas outside the urban growth boundary that will be designated "urban reserves." This law created a process to designate areas where only the urban growth boundary will be allowed to expand in its still valid 5 year cycle. This gives all the jurisdictions and those involved in the process a "target" for expansion. The biggest change with this "tweak" to the process is how expansion areas or reserves are determined. While previously the overriding concern was the preservation of quality farmland and preventing sprawl, the urban reserve concept takes a more complete, logical and holistic approach to determining what is necessary from a land use standpoint for a healthy community. Healthy meaning that the process looks at balancing types of land to create complementary uses that all communities need such as housing; industrial; retail; schools, open space etc. that can complement each other and be more in balance. Also reserves would be designated with more emphasis towards lands that could best be served by infrastructure (i.e. roads, utilities etc.) and that did not contain an unnecessary degree of impediments for development such as severe slopes and wetlands. Additionally the urban reserves process would seek to achieve a bottom up approach where stakeholders in a given community would be instrumental and in agreement in selecting those areas that are the most sensible and economical to develop and compliments the overall growth dynamics of their community.

As part of the urban growth boundary expansion process a Urban Growth Report is conducted every five years which involves strenuous analysis, planning and thinking regarding whether the current land inside the urban growth boundary can accommodate the projected growth or does the boundary need to be expanded. The most recent report adopted at the end of 2009 pointed mostly to sufficient land and few adjustments however the big pimple which many of us whom assist firms in finding suitable industrial sites knows, it did point out a glaring shortage of 50 acre plus industrial sites. As unemployment hovered well above 10% at the time of this revelation, Metro was moved to appoint a subcommittee to study the issue while at the same time a "perfect storm" of groups (many who were already on the subcommittee) came together in order to provide more "weight and depth" to the study and analysis of large lot industrial sites in the metropolitan area. NAIOP (National Association of Industrial and Office Parks); the Port of Portland; METRO; Business Oregon and the Portland Business Alliance all put their money where their mouth is and helped fund a "real" survey of industrial land. The venerable integrated planning and engineering firm Group Mackenzie with Mark Clemons in the lead was chosen to lead the effort which started in early 2011.

The study with the name of the "Regional Industrial Lands Inventory" kicked off spring 2011 and presented its preliminary findings in November with several purposes: Determine the supply and the readiness of large lot industrial sites within the Metro region; Inform and engage those entities that invest and work to promote and execute effective economic development strategies local and regionally and lastly lay the foundation for innovative financing tools and approaches to meet market demand.

Phase 1 involved accurate identification of sites and ranking its "readiness". For a site to be considered it has to be either zoned industrial, designated industrial on the Comprehensive Plan or Concept Plan and have to be at least 25 net developable acres (down from the original target of 50). "Our goal was to include everything. From there we did some very critical and focused filtering to get a true and accurate picture of the industrial land inventory," says Clemons. That filtering centered around slope, wetlands and infrastructure which resulted in a shake out of properties to include a total of 56 sites after reviewing over 4000 vacant industrial lots region-wide. From here these sites were further classified along 3 tiers which were determined by looking at numerous criteria that would be barriers to development. These include natural constraints like topography but also included environmental, infrastructure, transportation and then several sites had certain barriers to a sale as the ownership not wanting to sell, unrealistic pricing or the site needs the assembly of multiple ownerships to get to the 25 acre parameter. Tier 1 which included a very paltry 10 sites would include properties termed to be that all too familiar term "shovel ready" or where you start developing the site within 6 months. Tier 2 would accommodate development within a 7-30 month timeframe and there were 16 sites in this category. Tier 3 which had the bulk of the properties at 31 would require substantial more work and timelines (31 months plus) to turn a shovel. The geographical areas were not unfamiliar as the Columbia Corridor; Hwy 26 (Washington County), I-5 South (Wilsonville & Tualatin) and to a lesser degree Clackamas were home to all the sites. This information was combined into a detailed spreadsheet with information on how each site ranked on the 30 criteria to give a cleared picture of the plus and minus of each site. "We tried to be very detailed and data driven but we also tried to be also market driven in our analysis," Clemons explains. With this Phase 1 complete, the sponsors of the study did a "road show" earlier this year presenting their findings to the counties, Metro, NAIOP and other interested parties throughout the metro area. Phase 2 which is well underway involves the selection of 11 strategic sites in the Tier I and Tier II categories in which further analysis will be done to provide a "roadmap" to taking a property with significant barriers to development to a shovel ready status. "This exercise will reflect a variety of sites with differing challenges and hopefully will provide some detailed and strategic plan of how challenged industrial properties can be transformed into ready to go sites. It is going to take patience and capital and probably is going to take some policy issues that need to be addressed." Clemons explains.

Though those supporting and conducting the study don't get too preachy about the what this Industrial Lands Study has revealed but the results are pretty obvious; (We have a significant and real deficiency of unencumbered industrial land sites to accommodate job creating industrial development which threatens the mid and long term viability of the region's economy.) Period. We will lose both homegrown firms looking to expand and will not be able to accommodate companies who want to move to our region if this situation persists. This excellent work and analysis is moving the discussion forward to figure out innovative ways to bring more industrial land into "readiness" which hopefully will lead to action and results. As Keith Leavitt, general manager of business development and properties at the Port of Portland stated in a recent presentation of the Regional Industrial Lands Inventory stated, "If we are serious about growing the economy, providing jobs and moving the needle on income, then we need to take this issue very seriously."

Colwood Golf Course Owners Back with Zone Change Proposal

After going through a bruising battle four years ago to get their golf course rezoned from Open Space to Industrial, the longtime Hawaii based owners of the Colwood Golf Course, on Columbia Blvd., are back with a rejiggered effort to obtain about 48 acres of developable industrial land on their 138 acre parcel. The previous process in 2008 was contentious and a close call and many came away from the failed zone change thinking that if the owners scaled back their plans and make a few more concessions to the neighborhood and preserved more land for public use that a renewed effort might fly. Well, that is exactly what is happening in this latest effort. Probably the biggest component in this new and improved proposal is the fact that the Port of Portland has made a landmark decision recently not to plan and land bank acreage for a third runaway in the next 30 years or more. The rezone application in 2008 stipulated that most of the land north of the slough would be purchased by the Port leaving only about 22 acres for open public space which was one of the main irritants to neighborhood and environmental groups. With the third runway out of the picture much of that land the Port was going to purchase can now be added to the potential park piece which under the current application will be over 80 acres. A large part of the equation involves the Trust for Public Land (TPL) acquiring two thirds of the property around the Columbia Slough and then deeding eventually this piece over to the City for public use. The Trust for Public Land is a national conservation organization that has employed innovative approaches on its way to preserving over 3 million acres in its 40 year history providing a wide range of parks, wild areas and natural spaces in every state in the Union. Dan Goldberg, local project manager for TPL, recently explained in a DJC article "The hearings officer from the rezone effort 4 years ago said that if a more balanced project was presented, then he potentially would have found a different conclusion. I am basically giving the public what he suggested. This has been a very controversial issue but I think we have found a good balance for everyone". While Mr. Goldberg's confidence is admirable, Portland's land use landscape is fraught with unpredictable and capricious forces but there is some cautious initial warm fuzzies from the previous neighborhood and environmental groups that opposed the last effort. With a long and growing persistent cry for more industrial land to provide family wage jobs in the city and more land of the site dedicated to preservation there does seem to be some genuine agreement and nodding of the heads on this most recent proposition. Goldberg, with over 20 years experience in commercial real estate in San Diego is serving as the point person and the guy trying to bring all the parties together for a mutually beneficial result, namely more accessible natural public spaces in a neighborhood deficient of these areas while also providing much needed industrial land for potential job creation and tax base expansion. He mentioned that the golf course owners have been talking with and getting close to an agreement with a prominent development firm regarding the 48 acres of industrial land. Eventually The City Council will need to approve the deal, but we all hope it becomes less of circus than it was the first time around but rather sails through approval with consensus among all the stakeholders to provide more needed industrial land inside the city for retaining and attracting employers.