Newberg Riverfront Master Plan: Market Analysis

Date	July 18, 2018 | **DRAFT**
To	Newberg Riverfront Master Plan Project Management Team
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Executive Summary

Introduction

This executive summary provides an overview of the Newberg Riverfront Master Plan Market Analysis, which assesses conditions for residential, commercial, office, and industrial development, as well as public recreational facilities at the Riverfront. The executive summary includes a description of Riverfront subareas; residential, commercial, office, and industrial forecasts and demand; and three preliminary development programs for the Riverfront that are based on this analysis. A full version of the report is available on the project website at www.newbergoregon.gov/planning/page/riverfront-master-plan-0.

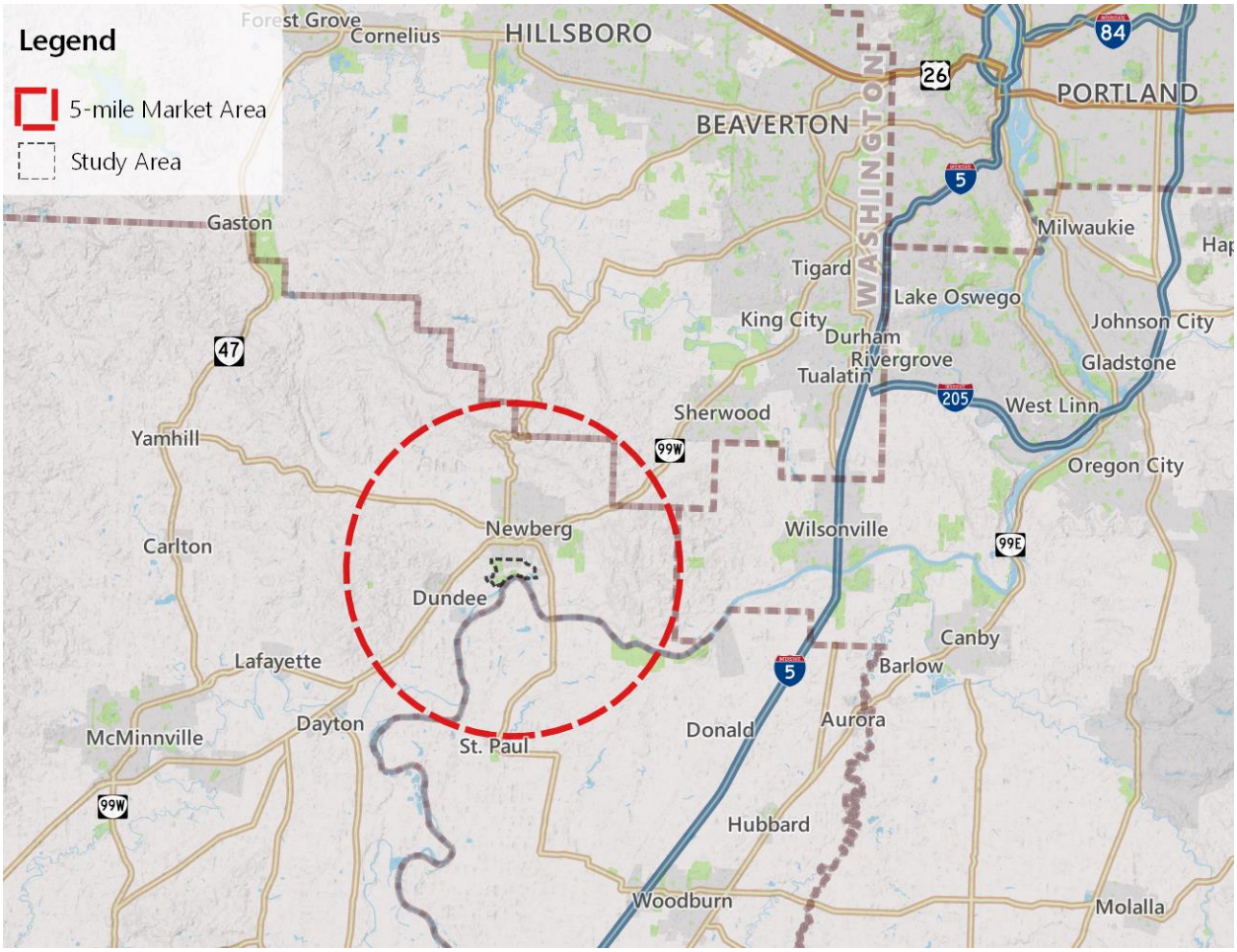
Study Area and Market Area

The Riverfront study area is shown below. It is located on the south side of Newberg, generally south of 9th Street. The study area is entirely within the City's Urban Growth Boundary (UGB).

Figure ES- 1. Riverfront Master Plan Study Area

The market area, as defined in Figure ES- 2, represents the area from which the most demand for residential, commercial, and industrial growth will originate, and where most of the competitive development is located. Residents and businesses located in this area are the most likely groups to support retail on site, lease/utilize office space, and live in the study area. The market area is approximately defined as a five-mile radius around the study area—roughly a 15-minute drive time from the study area.

Figure ES- 2. Regional Overview and Market Area



Source: TIGER, Leland Consulting Group

Residential and Employment Forecasts

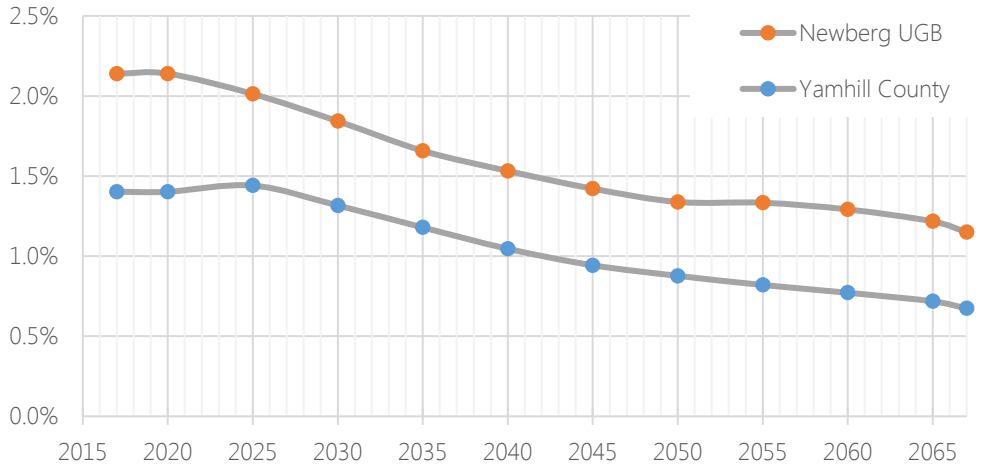
The Population Research Center at Portland State University (PSU) produces the annual Population Estimates for Oregon and its counties and cities, as well as the estimates by age and sex for the state and its counties. Population is projected to grow faster within the Newberg UGB than in Yamhill County as a whole.

Table ES- 1. Population Forecasts, 2017-2040

Area / Year	2017	2020	2025	2030	2035	2040
Yamhill County	106,555	111,101	119,339	127,404	135,096	142,311
Newberg UGB	24,296	25,889	28,602	31,336	34,021	36,709

Source: Portland State University

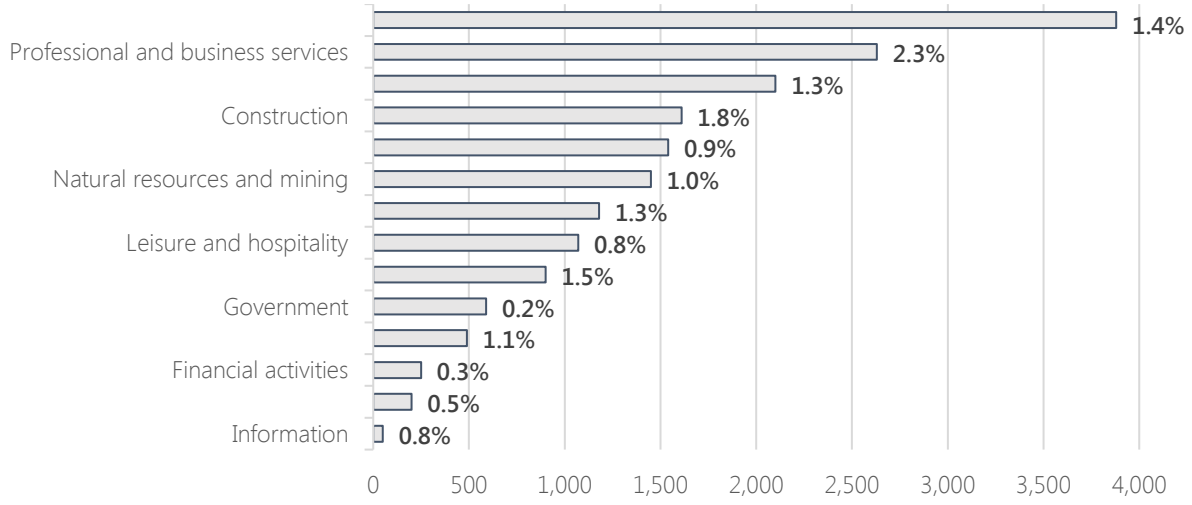
Figure ES-3. Annual Population Growth Rates, Newberg UGB and Yamhill County, 2017-2067



Source: Portland State University

In order to understand future employment, Leland Consulting Group (LCG) uses the State Employment Department's 10-year projections for each industry. Almost half of all projected employment growth is expected to be in the industries of Educational and Health Services, Professional and Business Services, and Manufacturing. The fastest-growing industry is Professional and Business Services. Aside from manufacturing, these industries tend to drive the most demand for new office construction.

Figure ES-4. Projected New Employment Growth, Yamhill & Marion Counties, 2014-2024



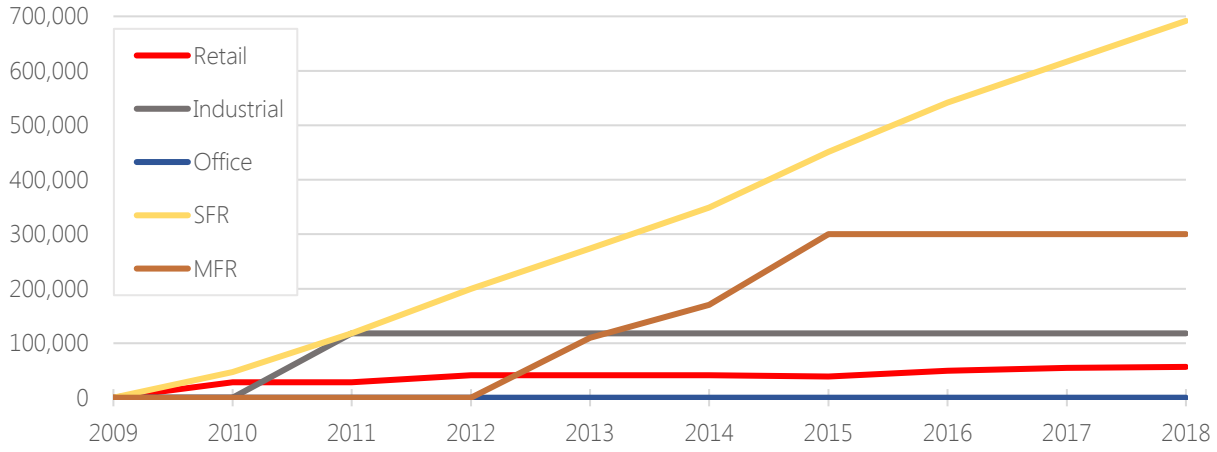
Source: Oregon Employment Department (QualityInfo.org).

However, caution is required with these projections. Not only do they apply to a more general area than the residential projections (two-county region of Yamhill and Marion versus the Newberg UGB), but the employment projections are given by industry, likely resulting in a significant margin of error.

All Development Types

Figure ES-5 shows all new real estate development that has taken place within the City of Newberg since 2009. This figure shows that single family and multifamily housing have comprised the vast majority of all development in the market area. Single family development has comprised 59% of all building area, and multifamily has comprised 26% of all building area, for a total of 85% in both housing categories. This is due to relatively rapid population growth and ongoing housing scarcity in Yamhill County and the Portland metropolitan region. If the Riverfront area were an undeveloped greenfield site, the highest and best use for most of the site would be a mix of single and multifamily housing. However, it is not a greenfield site, and therefore more nuanced development programs are appropriate.

Figure ES-5. Net New Development (square feet), City of Newberg, 2009-2018 YTD



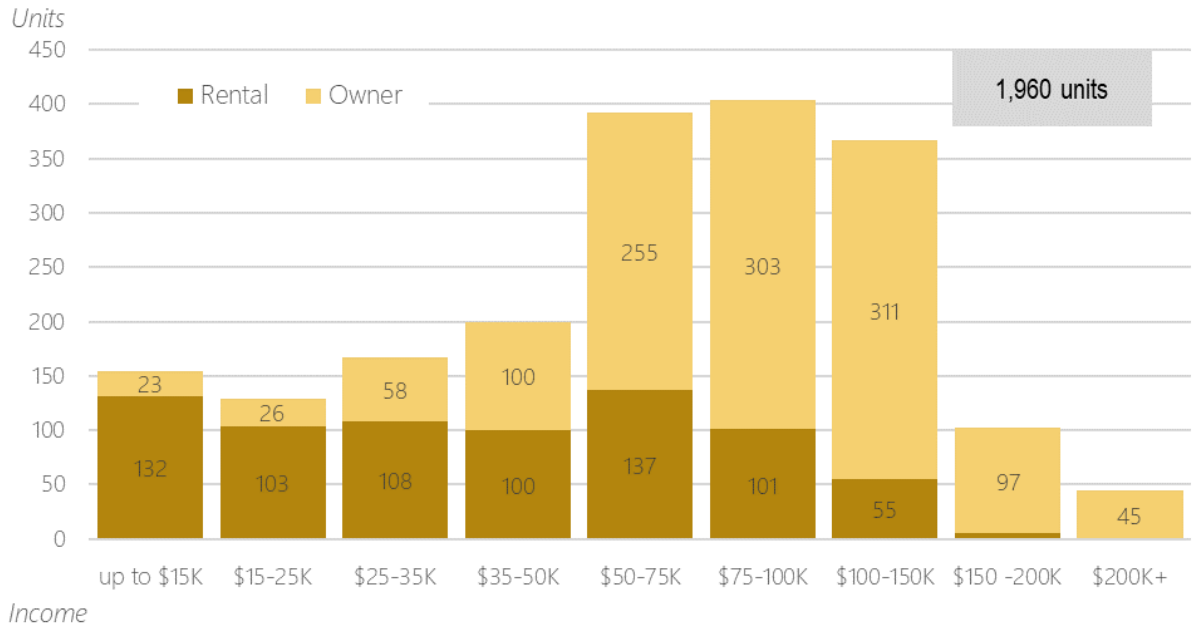
Source: Costar and Yamhill County Assessor

Residential Demand

For the residential and retail demand forecasts, we assume that actual household growth will be approximately 1.4%, which is closest to PSU's projection for the County, and between the lower historic rate observed in the market area, and the higher PSU projection for the UGB. LCG views this 1.4% rate as reasonable and potentially conservative. Based on this household growth rate, we project market area demand for an additional 1,960 units over the next 10 years within the market area, or about 196 units per year. We anticipate that the most demand for new *rental* units will be from households with incomes less than $75,000, and the most demand for new owner-occupied housing to be from households earning between $50,000 and $150,000. We expect about 38 percent of future housing demand to be for renter-occupied units, resulting in about 741 rental units and 1,218 owned units in the market area.

Feasible building forms are likely to include detached single-family homes, townhouses, and garden apartments, generally ranging from at 6 to 30 units per acre. "Urban garden apartments" (three to four stories, with tuck-under parking) require higher rents than are currently being achieved in Newberg but could be feasible in the medium- to long-term.

Figure ES-6. Residential Development, 10-Year Market Area Demand



Source: Costar and Yamhill County Assessor

Retail/Commercial Demand

LCG expects population and employment growth to drive demand for several hundred thousand square feet of retail throughout the market area, including demand for general merchandise, dining, grocery, building materials, and other commercial needs.

However, the Riverfront is a unique location and has significant challenges and strengths for retail/commercial development. Challenges include the fact that it is not well-known or highly visible from any major roadway, except for the "pass-through" visibility from the Newberg-Dundee Bypass. Traffic volumes are low, and it is not a convenient location for most residents and employees, who are located to the north, or visitors/passers-by. Its natural market-area of nearby residents is today virtually non-existent. Even if the Riverfront were to build out rapidly, it would still struggle due to a 180-degree, rather than 360-degree, potential market area. It is a weak "convenience retail" location.

However, the Riverfront also has strengths including special views and high usage during warm-weather months, when residents and visitors use Rogers Landing in much greater numbers. This suggests that retail and commercial uses here are likely to be "destination" uses, trends that can been seen in all of the case studies described in the market analysis. Commercial tenants in this category include restaurants, wine-tasting and wine sales, unique Willamette Valley food growers and vendors, other food and beverage vendors (coffee, ice cream, bakeries), and outdoor recreation suppliers. Secondary commercial tenants can fill space alongside these "anchor" tenants.

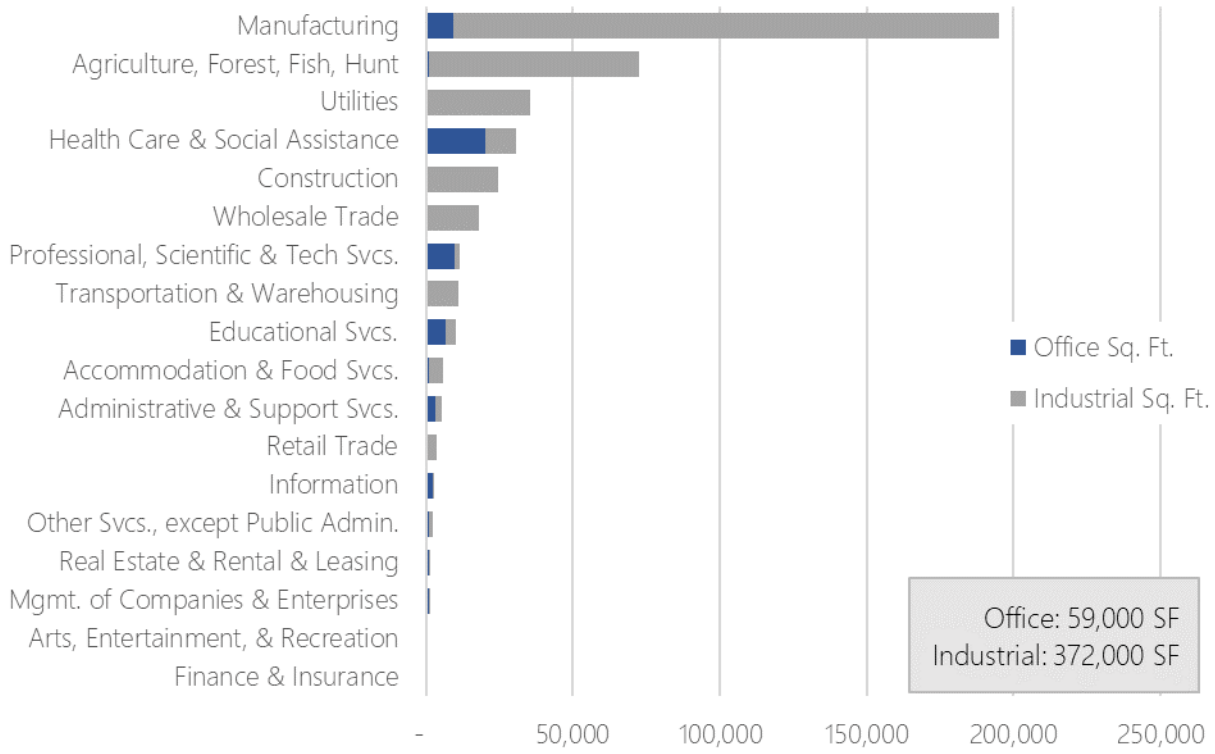
LCG's assessment is that 5,000 to 20,000 square feet of destination retail/commercial space is achievable in the medium term.

Employment: Office and Industrial

The demand for new office and industrial space is more difficult to predict than the demand for housing. This is because, although employment growth has been strong in the market area over the past decade, very little office and industrial development has actually been built. In the past decade, 41,000 square feet of industrial development has been built, and no office development.

Figure ES-7 shows LCG's projection for office and industrial development demand in the market area. This projection is based on State of Oregon job growth projections, and the amount of space needed for each employee. Industrial demand is expected to be significantly higher than office demand, with demand for manufacturing space leading all sectors. The manufacturing sector currently employs the most people in the market area, is projected to grow in the future, and typically requires relatively large amounts of space for each employee. Sources of office space demand include manufacturing, health care, professional services, and education.

Figure ES-7. Office and Industrial Development, 10-Year Market Area Demand



Source: Oregon Employment Department (QualityInfo.org).

Office at the Riverfront

The dearth of new office development in the market area is an indication that office rents are generally too low to justify the high costs of new, high-quality, speculative office development. Therefore, *speculative* office development is likely to be minimal in the Riverfront area in the near and mid-term. It is possible that build-to-suit office development could be completed for one or more tenants looking for a special site and campus

environment, particularly on the WestRock campus. However, a majority of new office development built in the last decade has been in urban, mixed-use environments, close to Downtown Portland.

Industrial Development at the Riverfront

Some or all of the WestRock site is likely to continue as an industrial facility. The center and eastern side of the WestRock site are the most likely areas to remain in industrial use due to valuable, in-place buildings and infrastructure (center), and land uses that will be difficult to reuse (e.g., lagoons).

The planning team should investigate the potential to transition some of the property and/or WestRock buildings to "commercial industrial," "craft industrial," and/or makers space. These are concepts that combine industrial production and/or warehousing, with some commercial element. One local example is a winery with a tasting room at front; others include furniture makers with a sales area. The best location for such commercial/industrial uses is at the west end of the WestRock site, planned in combination with the River Street Terminus subarea.

Lodging

Near Term. Due to the area's current industrial character, lack of commercial amenities on-site today, lack of major nearby employment clusters, and lack of visibility from major roadways, a hotel is not likely to be feasible in the near term.

Long Term. In the longer term, numerous amenities would improve prospects for hotel development, including: pedestrian and bicycle trails; additional parks, open spaces, and festival venues; restaurants and retail; wine tasting and wine-related uses; other residential and commercial development. The Riverfront will likely require a "destination hotel," that is special and differentiated from the Hwy 99W hotels now in Newberg, and also has a higher price point in order to justify the higher level of amenities. Numerous cities have transitioned their waterfronts from industrial to mixed-use. The Hood River and Independence waterfronts are two local examples, and both include hotels. Hood River "set the stage" with restaurants, retail, office space, and an exceptional series of parks and open spaces. Therefore, if place making amenities are built, and commercial amenities added, a hotel could be feasible in the medium or long-term. The more that a hotel developer needs to create these amenities "from scratch," the more difficult the economics will be.

Recreation and Open Space

Real estate developers and commercial tenants place a high value on quality of place and special amenities such as views, open space, and riverfronts (although these amenities can also limit visibility and access to larger market areas). In particular, restaurants, destination retail, housing, and lodging tend to pay a particular premium for these amenities, as seen in waterfronts around the Pacific Northwest such as RiverPlace in Portland, the Mill District in Bend, and First Street in Corvallis.

Quality bike and pedestrian facilities are increasingly important. *Active Transportation and Real Estate*, a recent report by the Urban Land Institute (ULI), states that, "active transportation infrastructure can catalyze real estate development. Trails, bike lanes, and bicycle-sharing systems can improve pedestrian and bicyclist access to employment centers, recreational destinations, and public transit facilities, thereby enhancing the attractiveness of developments along active transportation corridors. In some cases, former industrial districts and towns outside urban cores have benefited from active transportation infrastructure due to improved walking and cycling connectivity."

Therefore, LCG recommends that the City and its partners look to include pedestrian and bicycle paths, parks and open space, community event spaces, and related recreational opportunities at the Riverfront to the greatest extent feasible.

Case Studies

LCG evaluated five case studies for this market analysis: Columbia Riverfront, Hood River, Oregon; Independence Landing, Independence, Oregon; Columbia Riverfront, Astoria, Oregon; Kendall Yards, Spokane, Washington; and Vintner's Village, Prosser, Washington. Some key takeaways of the case studies conducted for this market analysis are:

- Employment and other uses can coexist. The Hood River and Astoria riverfronts indicate that industry, employment, and other uses such as commercial, open space/recreation, and food and beverage, can coexist if all site users are respected, signage guides visitors away from private areas, and public spaces are thoughtfully designed. At the Hood River waterfront, industrial and retail uses have long been adjacent; now, reportedly, they will be accommodated in the same building.
- Adaptive reuse. As seen at the Astoria Riverfront, adaptive reuse is often a logical and cost-effective way to bring current modern commercial tenants to historic waterfronts. When done right, adaptive reuse is less expensive than new construction, and therefore enables new uses in markets where current rents cannot support the cost of new construction. While opportunities for adaptive reuse are limited at the Newberg Riverfront, reuse is certainly possible in some locations such as the WestRock warehouse, and some office buildings. Due to its size and height, however, the warehouse will require a very creative approach to renovation. Most tenants are small and will be overwhelmed by a five-acre building with almost no interior light. Future industrial or office users will probably look to repurpose and improve the office and other buildings near the center of the WestRock campus.
- Housing is a key use at many waterfronts. Multifamily and single-family development comprise the majority of development within the mixed-use projects at Kendall Yards and Independence, Oregon. Housing is integrated with retail/commercial, limited office, generous open spaces, and lodging (at Independence).

Subareas

LCG has divided the Newberg Riverfront into five subareas, which are shown in the diagrams on following pages. Each of these subareas differs from the others in significant ways, including existing land use and transportation conditions; property ownership; parcel size; access and visibility; natural features including proximity to the Willamette River, slope, floodplain, soil and geotechnical conditions; and other features. These differences mean that the types of development that make sense in one area may not make sense in another.

The five subareas are the Existing Neighborhoods (between 9th Street and the Bypass); New Residential Areas (towards the western edge of the study area, both north and south of the Bypass); the Riverside, which includes property owned by Yamhill County, Hardrock Enterprises, the City of Newberg, and some sloped and wooded property owned by SP Fiber (WestRock) but not used for mill purposes; the River Street Terminus, comprised of multiple small properties near the southern end of River Street; and the WestRock Mill property.

Preliminary Development Alternatives

Based on the market analysis and case studies summarized above, and input from stakeholders and the Riverfront consulting team, LCG has developed the three preliminary development alternatives that are summarized in this section.

These alternatives describe development *programs and concepts*, that is, the types and locations of land uses and new development that can help tap into the market and achieve Newberg's vision for the area. We provide three different development programs here because there is no single, predetermined way in which the Riverfront will develop in coming decades. In addition to market forces, City policy and the input of the community, property owners, developers, and other stakeholders all will have some influence on the plan and its implementation.

The alternatives are quantified here only to illustrate development potential – the numbers are secondary to the *strategy* for transforming the Newberg Riverfront. LCG and APG team recommend that City's strategy focus on a strong vision, identifying a range of potential uses in appropriate locations, planning and delivering needed infrastructure and amenities, and forging partnerships and identifying resources to implement the plan. The exact uses and amounts of development will play out over time, guided by the strategy and framework established in the Riverfront Master Plan.

The images below depict the rough size and locations of the preliminary development alternatives.

Figure ES-8. Preliminary Development Alternative A

Figure ES-9. Preliminary Development Alternative B

Figure ES-10. Preliminary Development Alternative C

Existing Neighborhoods, New Residential, and Riverside Subareas

The future land use programs for three of the subareas are the same in all three development alternatives. These subareas are the Existing Neighborhoods, New Residential Areas, and Riverside.

The table below summarizes the current and future land use program for these subareas, which are described in greater detail following the table. The net area shown below is the total area within all properties/tax lots in the subarea and does not include roads, natural areas, or other undefined acreage outside of tax lots.

Table ES-2. Subareas Summary: Existing Neighborhoods, New Residential, and Riverside

Subarea Name	Net Area (Acres)	Current Land Uses / Program	Development Concepts and Future Program
Existing Neighborhoods	115	• Approximate 665 housing units • Mix of single family and multifamily • Commercial node near Ninth and Willamette Streets • Ewing Young Park • Chehalem Creek	• Incremental change; the existing pattern of single and multifamily housing remains, along with some infill • Additional dwelling units on vacant and/or underutilized properties over the long term • Addition of a small amount (3,000 to 10,000 square feet) of neighborhood-serving retail near Ninth and Willamette/River Streets
New Residential Areas	18	• Agricultural (orchards), bisected by Bypass	• 130 to 150 single family homes • Local streets • Small neighborhood parks
Riverside	95	• Rogers Landing Park: Parking, boat launch, parking, riverfront open space. • Industrial uses (HardRock Enterprises) • County Landfill	• Current uses, and: • Pedestrian and bicycle pathways, potentially connecting several miles up- and down-stream • Additional parks • Enhanced natural areas • Community gathering spaces for events, including potential concert space/amphitheater

Existing Neighborhoods. Newberg's Existing Neighborhoods are largely built out, with a mix of single and multifamily homes, and the built form of the majority of this neighborhood is unlikely to change. Incremental change will come through the residential infill development of vacant lots; potentially addition of accessory dwelling units; and potentially some small-scale multifamily redevelopment (lot sizes are too small to accommodate larger-scale multifamily development). The City should consider anti-displacement strategies to ensure that current residents can remain in place as improvements to the area take place. This Plan will also evaluate the potential for road and infrastructure improvements, wayfinding and signage, lighting, and other improvements that will connect existing neighborhoods to new amenities along the River.

New Residential Areas. The New Residential Areas (which are orchards today) are already seeing development interest for new single-family residential neighborhoods. Developers are planning two subdivisions which will result in 130 to 150 single family housing units, plus neighborhood streets, and small, neighborhood-scale parks.

Riverside. This sloped and natural area is treasured by the Newberg community and unlikely to be developed because of issues relating to floodplain, slope, geotechnical (County Landfill), and property ownership; as well as the community's desire for open space. However, this area can be enhanced and can become more of an asset for the entire Riverfront. It could be the location of future pedestrian and bicycle paths, active and passive park space, an amphitheater, event and festival space, etc.

The waterfront should be accessible to the general public to the greatest extent possible. The Project for Public Spaces (PPS) suggest that waterfronts with continuous public access are significantly more popular than those where public space is interrupted. Even small stretches where the waterfront is unavailable to people can greatly diminish the experience. Access also means that people can actually interact with the water in numerous ways—from swimming and fishing, to picnicking dockside and feeding the ducks.[1] This will ensure the Newberg Riverfront is a destination that can catalyze greater use and private investment in surrounding subareas.

The River Street Terminus and WestRock Mill Subareas

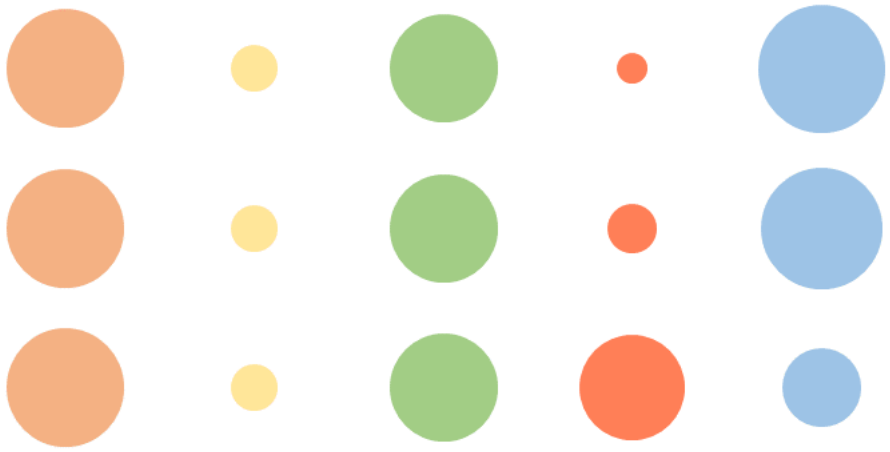
The Riverfront Vision and Goals statement calls for, "a mix of residences, public spaces, services, commerce, and industrial uses [that] will tie together through great design, creating a unique, mixed use setting on the Willamette River," and "a mix of uses that seamlessly integrates residential, commercial, and industrial development while preserving natural spaces."

The three development alternatives (A, B, and C) shown below, together with development concepts described above, provide different approaches to achieving the vision. Alternatives A, B, and C explore how redevelopment of the River Street Terminus and portions of the WestRock subareas could be integrated to establish a focal point and opportunity area. The key variables are how much of the WestRock Mill property would redevelop and what uses would be located there. Moving from alternative A to C, the amount of area in the River Street Terminus increases, while the WestRock Mill subarea decreases.

[1] https://www.pps.org/article/stepstocreatingagreatwaterfront

Table ES-3. Summary of Development Alternatives – River Street Terminus and WestRock Mill Subareas

Development Alternative	Area (Acres) by Subarea				
	Existing Neighbor-hoods	New Residential Areas	Riverfront	River Street Terminus	West Rock Mill
A	115	18	95	8	133
B	115	18	95	20	120
C	115	18	95	90	50
Primary Land Uses	Residential	Residential	Open Space Recreation	Retail Craft Industrial Office/Campus/ Institutional Housing Lodging	Industrial Office/Campus/ Institutional



Source: Leland Consulting Group.

The River Street Terminus is envisioned as an active area that provides Newberg residents and visitors with a wide range of uses—including food and beverage (e.g. wine tasting), destination retail, general commercial, "craft industrial," (e.g. small-scale wine production or makers space), housing, office, and lodging—and opportunities to socialize, shop, and conduct business, with views of the Willamette River, and easy pedestrian, bicycle, and auto access to the riverfront itself, downtown, and rest of Newberg. The Hood River, Independence, Astoria, and Kendall Yards (Spokane) waterfronts are examples of the potential River Street use mix and development concept. As one of the main thoroughfares that connects the Riverside area to downtown Newberg, River Street and the Terminus area is a key connection and natural activity center for the study area.

The WestRock Mill subarea is envisioned to accommodate industrial, office, campus/institutional (e.g. hospital, community college, major employer), potentially "craft industrial," (e.g. small-scale wine production or makers space), and potentially other related employment uses. It is an employment subarea.

Some or all of the subarea is likely to remain industrial. The central and eastern parts of the site are the most likely to remain industrial, due to valuable, in-place buildings and infrastructure, and land uses that will be difficult to reuse (e.g., lagoons). There are also significant water rights associated with the property, which may be valuable to industrial users.

Alternative A envisions a 5 to 10-acre (8 acres is assumed here), mixed-use River Street Terminus node located entirely west of River Street (and south of the Bypass). Uses would be destination retail and a small amount (15-20 units) of housing. The 130+ acres to the east remain in industrial/ employment uses.

Alternative B envisions a 10 to 30-acre (20 acres is assumed here), mixed-use River Street Terminus node that includes the areas west of River Street, and also the areas west of the Pacific Street alignment, including the current WestRock warehouse. This larger area would allow destination retail, craft industrial, some office/institutional, and about 50 units of housing. The warehouse could be renovated/adaptively reused as office, institutional, craft industrial, or retail, or demolished and redeveloped. The 120+ acres to the east remain in industrial/employment uses.

Alternative C envisions a significant expansion of the River Street Terminus – to the WestRock property's primary north-south road, or potentially further. With this larger amount of land, the River Street program can include all uses in Alternative B (including significantly expanded office/campus/institutional and housing components), and a hotel.

Development Programs

The estimated land use mix, gross and net areas, floor area ratios, residential densities (dwelling units per acre) and other metrics for the WestRock and River Street Terminus subareas are shown below for reference. As noted above, the alternatives are quantified here only to illustrate development potential – the numbers are secondary to the *strategy* for transforming the Newberg Riverfront. In all cases, LCG has made a 50% reduction when transferring from gross area to net buildable area, in order to take into account many areas on the WestRock site that are likely unbuildable today and in the future, including ponds, some structures, steeply sloped land, future roads, and other unbuildable lands.

Employment Demand and Development Alternatives

The WestRock site/subarea is large: about 130 gross acres today located within the UGB. This amount of land is likely to take a long time to absorb and develop or redevelop. Land uses with high levels of demand will be able to absorb this land more quickly; and faster development is typically associated with greater levels of profitability/feasibility for developers.

Based on past data and future forecasts, the Newberg industrial market appears to be considerably stronger than the office market. LCG estimates that the WestRock site could capture between 87 and 33 percent of all industrial development in the market area over the next 20 years. This is a high capture rate and suggests that buildout will take longer than 20-years. The parking lot at the site's northeast edge alone is more than 60 acres and could accommodate several hundred thousand square feet of industrial development. The Newberg office market has been slower than the industrial market. LCG estimates that the WestRock site could easily

accommodate all office demand in the market area over a 20-year period, under Alternatives A and B. This also suggests a buildout of over 20 years.

Mixed Use Demand and Development Alternatives

LCG estimates the River Street Terminus' capture rate of retail uses to be very small. Most retail in the market area will be built in the Hwy 99W corridor and in central Newberg and Dundee. The +/- 30,000 square feet of destination retail proposed here should be slowly built-out and will need to succeed based on its ability to attract locals and visitors, capitalize on riverfront views and access, and quality products and services that compel people to go out of their way to dine and shop here.

Table ES-4. WestRock Mill Programs

A						
Employment Area (Acres)	130	-	135			
Land Use	**Use Mix**	**Gross Area** (Acres)	**Net Area** (Acres)	**FAR**	**Square Feet**	**Market Capture** (20 Year)
Industrial	90%	119	59	0.25	646,714	87%
Office/Institutional	10%	14	7	0.70	209,296	177%
Total		**133**	**66**		856,010	

B						
Employment Area (Acres)	110	-	130			
Land Use	**Use Mix**	**Gross Area** (Acres)	**Net Area** (Acres)	**FAR**	**Square Feet**	**Market Capture** (20 Year)
Industrial	90%	108	54	0.25	585,703	79%
Office/Institutional	10%	12	6	0.70	189,551	161%
Total		**120**	**60**		775,254	

C						
Employment Area (Acres)	20	-	80			
Land Use	**Use Mix**	**Gross Area** (Acres)	**Net Area** (Acres)	**FAR**	**Square Feet**	**Market Capture** (20 Year)
Industrial	90%	45	22	0.25	244,043	33%
Office/Institutional	10%	5	3	0.70	78,980	67%
Total		**50**	**25**		323,023	

Gross to Net deduction for ROW, ponds, structures, and other unbuildable lands: 50%

LCG has projected demand for 1,960 housing units over 10 years (or 3,920 units over 20 years). Alternatives A through C therefore assume a 0 to 8% housing capture rate. This should be easy to achieve. A critical unknown is the level of environmental contamination on the WestRock site and the degree to which this would preclude single-family residential development. One the one hand, we know that housing has been developed at other industrial sites (including Independence Landing and Kendall Yards; and projects such as The Cove in Oregon City). On the other hand, environmental contamination can impose high remediation costs, and therefore preclude residential development in some cases. WestRock has not provided site-specific environmental analyses to the City or LCG. The concept of housing in the WestRock subarea, even in small amounts, is noted here based primarily on strong market demand. The City should examine the potential for housing from a policy perspective (what type of housing is needed for Newberg and whether this the right location), and, from an urban design perspective (the pros and cons for creating a walkable and desirable place to live). The policy discussion, and the urban design study, will occur as part of the Riverfront Master Plan process.

Table ES-5. River Street Terminus Programs

A							
River Street Terminus (Acres)	5	-	10				
Land Use	**Use Mix**	**Gross Area** (Acres)	**Net Area** (Acres)	**Density**		**Area** SF or Dus	
Destination Retail	60%	4.5	2.3	0.30	FAR	29,403	SF
Craft Industrial	0%	-	-	0.40	FAR	-	SF
Office/Campus/Institutional	0%	-	-	0.60	FAR	-	SF
Housing	40%	3.0	1.5	12	Du/Ac.	18	Dus
Lodging	0%	-	-	50	Rooms/Ac.	-	Rooms
Total	**100%**	**7.5**	**3.8**			47,403	SF

B							
River Street Terminus (Acres)	10	-	30				
Land Use	**Use Mix**	**Gross Area** (Acres)	**Net Area** (Acres)	**Density**		**Area** SF or Dus	
Destination Retail	20%	4.0	2.0	0.30	FAR	26,136	SF
Craft Industrial	10%	2.0	1.0	0.40	FAR	17,424	SF
Office/Campus/Institutional	30%	6.0	3.0	0.60	FAR	78,408	SF
Housing	40%	8.0	4.0	12	Du/Ac.	48	Dus
Lodging	0%	-	-	50	Rooms/Ac.	-	Rooms
Total	**100%**	**20.0**	**10.0**			169,968	SF
		-					

C							
River Street Terminus (Acres)	60	-	120				
Land Use	**Use Mix**	**Gross Area** (Acres)	**Net Area** (Acres)	**Density**		**Area** SF or Dus	
Destination Retail	6%	5.4	2.7	0.30	FAR	35,284	SF
Craft Industrial	5%	4.5	2.3	0.40	FAR	39,204	SF
Office/Campus/Institutional	25%	22.5	11.3	0.60	FAR	294,030	SF
Housing	58%	52.2	26.1	12	Du/Ac.	313	Dus
Lodging	6%	5.4	2.7	50	Rooms/Ac.	135	Rooms
Total	**100%**	**90.0**	**45.0**			769,468	SF

Gross to Net deduction for ROW, ponds, structures, and other unbuildable lands: 50%

Introduction

Project Description

The Newberg Riverfront Master Plan will update the 2002 plan and establish a desired mix of residential and employment uses; protect open space areas and other unique features; take advantage of a special location along the Willamette River; and plan for a multi-modal transportation network to provide internal access and connections to the rest of the City of Newberg.

Task Overview

This Market Analysis assesses conditions for residential, commercial, and industrial development as well as public recreational facilities. The report includes existing and future market conditions for development in the Project Study Area based on current forecasts for population and employment growth; published forecasts for expected growth and development trends; contact with industry professionals; and information provided by participants in Stakeholder Outreach Meetings, PAC and TAC meetings, and other public input.

The outline of the report is as follows.

Executive Summary	1
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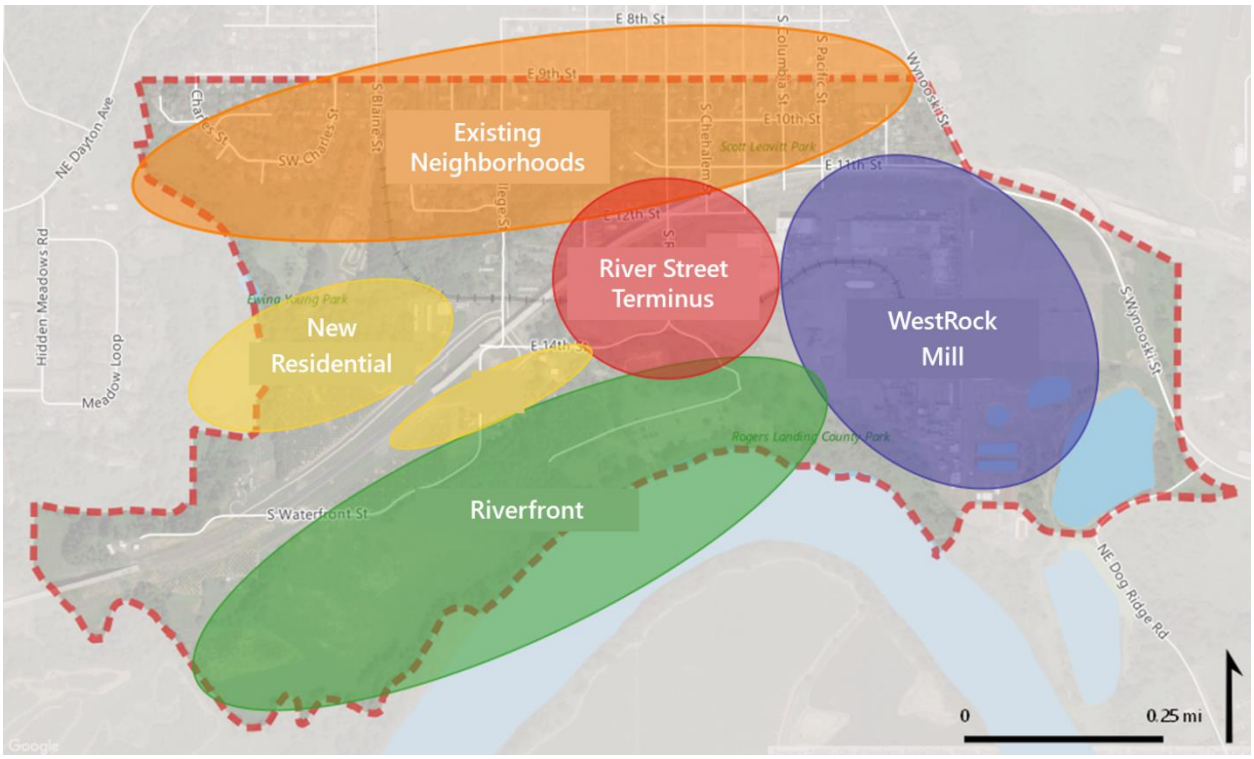
Project Study Area

The project study area is located on the south side of Newberg, generally south of 9th Street, and is entirely within the City's Urban Growth Boundary (UGB). The study area is primarily composed of neighborhood-density residential uses (which includes single family detached homes, attached homes, and multifamily housing); undeveloped open space areas, developed neighborhood parks, Rogers Landing Boat Ramp and park, and the former WestRock paper mill site. An initial phase of the Newberg-Dundee Bypass has been completed and is elevated through much of the Project Study Area. Portions of the Bypass are elevated on structures that allow passage underneath, while other portions are at grade and create a barrier to movement to and from the study area at grade level. The Bypass is a limited-access facility with no access to or from the Bypass in the Project Study Area itself. The closest access to the Bypass from the Project Study Area is the Bypass intersection with Highway 219.

Leland Consulting Group (LCG) has prepared the conceptual map of the project study area in Figure 1 below based on conversations to-date with community stakeholders, City staff and elected leaders, and the consultant team. As we move through this market analysis and ultimately estimate future demand for new commercial and residential development it is important to remember where new development is likely to occur to maintain a sense of the market realities and the greater context. As such, the following map provides an overview of the basic characters within the study area.

Figure 1. Newberg Riverfront: Current Uses and Potential Future Use Scenario



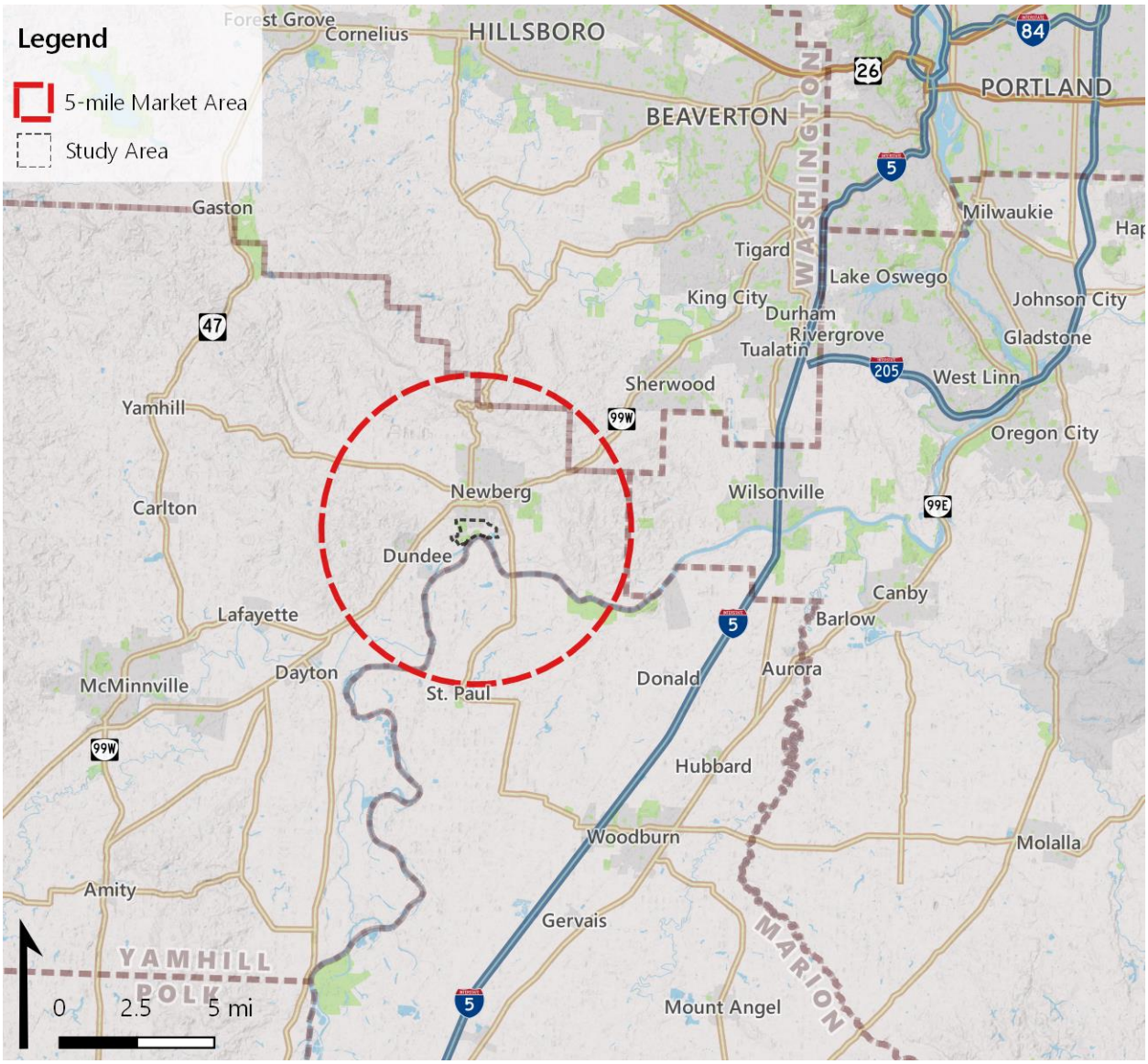
Source: Google, TIGER, Leland Consulting Group

The Market Area

The market area, as defined in Figure 2, represents the area from which the most demand for residential, commercial, and industrial demand will originate, and where most of the competitive development is located. Residents and businesses located in this area are the most likely groups to support retail on site, lease/utilize office space, and live in the study area. The market area is approximately defined as a five-mile radius around the study area—roughly a 15-minute drive time from the study area.

The boundaries of Newberg's market area fall about halfway between Newberg and McMinnville to the west, and halfway between Newberg and Sherwood to the east. McMinnville and other cities located on the western periphery are likely to capture the majority of demand in the Western Willamette Valley, while Sherwood is closer to the Portland Metropolitan Area and more likely to capture housing, retail, office, and industrial demand for residents and businesses whose lives and livelihoods are oriented towards Portland.

Figure 2. Regional Overview and Market Area



Source: TIGER, Leland Consulting Group

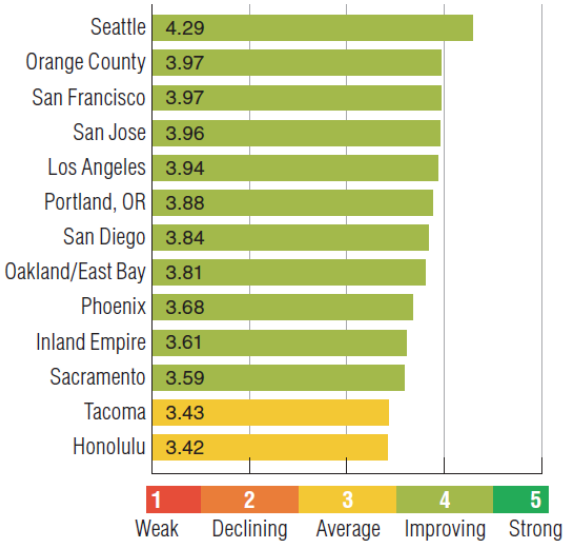
National and Regional Context

Development Context and Market Trends

Development and Land Use Types

This section includes excerpts from the Urban Land Institute's (ULI) Emerging Trends in Real Estate report for 2018, an annual publication that assesses the state of real estate markets both nationally and locally. Both national and regional trends have an impact on future land uses in the study area: they set the stage for the types of investments that are desirable for real estate developers and investors.

Figure 3. Local Outlook: Pacific Northwest



Emerging Trends[2] suggests that access to talent (i.e., well-educated workers) is what drives the economies of many of the Pacific Northwest markets.

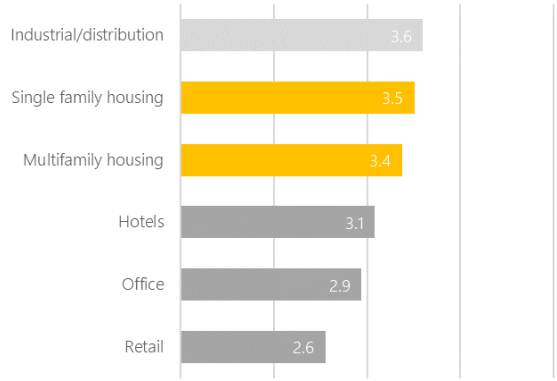
ULI describes Portland[3] as a "solid 18-hour city" whose strengths include strong economic growth due to increased wealth in the market, a high quality of life and attractive outdoor activities, and a diverse workforce that helps to supply trained labor to industries.

The Portland regional economy has experienced the benefit of being able to offer a more competitive cost structure to its more expensive neighbors (Seattle and San Francisco, for example) along with a high quality of life for residents. It is a prime example of how this can drive an economy as it continues to see job creation from firms headquartered in other Pacific Northwest region markets. The main challenges in the Portland area are housing affordability and critical infrastructure enhancements.

Emerging Trends also provides guidance about the types of development that are likely to be most desirable in the coming years. While this is a national outlook, the guidance is relevant for most local markets, including in Newberg.

The following figure shows ULI's high-level summary of national development prospects for 2018 and coming years. Several notable features are described below.

Figure 4. Development Prospects, 2018



Desirable Development Types. Industrial and distribution are favored development types, largely because of the acceleration of online retailing, and the need for distribution points for these goods. However, developers will seek to locate online distribution centers near the center of metropolitan areas where the density of residents and businesses is greatest, therefore the impact of this trend in Newberg is likely to be modest. Single-

[2] https://americas.uli.org/wp-content/uploads/sites/125/ULI-Documents/EmergingTrendsInRealEstate2018.pdf
[3] As ULI only includes major metropolitan markets, the local outlook for Newberg is not available.

family housing has picked back up significantly; for many years following the great recession the development of single-family housing was much slower. Multifamily housing is also seen as having fair to good development prospect. Hotel development is judged to be just above fair. LCG's experience is that hotel development is a specialized form of development, which will continue to work in specific locations, often with an established base of major employers or a major tourism draw. Office development is less desirable, in part because the new generation of white-collar employees require less space: many hard-wall offices have been eliminated in favor of open floor plans, more employees are working remotely, and paper filing and other "analog" space requirements have become digitized. A majority of new office development has also taken place in close proximity to central business subareas (e.g., Downtown Portland), where many young professionals locate and where job growth has been fastest. Retail development is seen as the riskiest and least desirable, primarily due to the rapid expansion of Amazon and other online retailers who are capturing market share from mall anchors and commodity retailers. Sears, Macy's, Toys R Us, Sam's Club, J.C. Penny, and Payless Shoes are among the chains that have completed major store closures. The retrenchment of these traditional retailers and years of high vacancies that followed the great recession have made retail developers much more cautious.

Existing Conditions

This section provides an overview of existing demographic and employment conditions.

Demographics

Household and Population Characteristics

In 2017, the project study area was home to almost 1,700 residents—approximately seven percent of Newberg's total population and five percent of the five-mile market area. The market area contains about one-third of Yamhill County's population.

The study area's population has grown very little since 2000, while the rest of Newberg has experienced significant population growth—particularly from 2000 to 2010.

Table 1. Population Counts

	Study Area	Newberg	Market Area	Yamhill Co.
2000 Total Population	1,651	18,246	27,866	84,992
2010 Total Population	1,718	21,980	32,491	99,193
2017 Total Population	1,689	23,319	34,290	104,675
00 to 10	0.4%	1.9%	1.5%	1.6%
10 to 17	-0.2%	0.8%	0.8%	0.8%
00 to 17	0.1%	1.5%	1.2%	1.2%

Source: ESRI and Leland Consulting Group

Selected household characteristics are provided in the following table. On average, existing households in the study area are slightly bigger, have lower incomes, and are significantly younger, more diverse, and less educated than Newberg and the wider region.

Table 2. Select Housing Characteristics, 2017

	Study Area	Newberg	Market Area	Yamhill Co.
Avg. Household Size	2.74	2.68	2.71	2.72

Median HH Income	$46,251	$60,383	$66,939	$58,446
Per Capita Income	$19,457	$26,136	$29,676	$27,372
Median Age	31.7	34.3	37.5	37.9
Non-white Pop	22%	14%	12%	15%
Bachelor's +	26%	31%	31%	25%

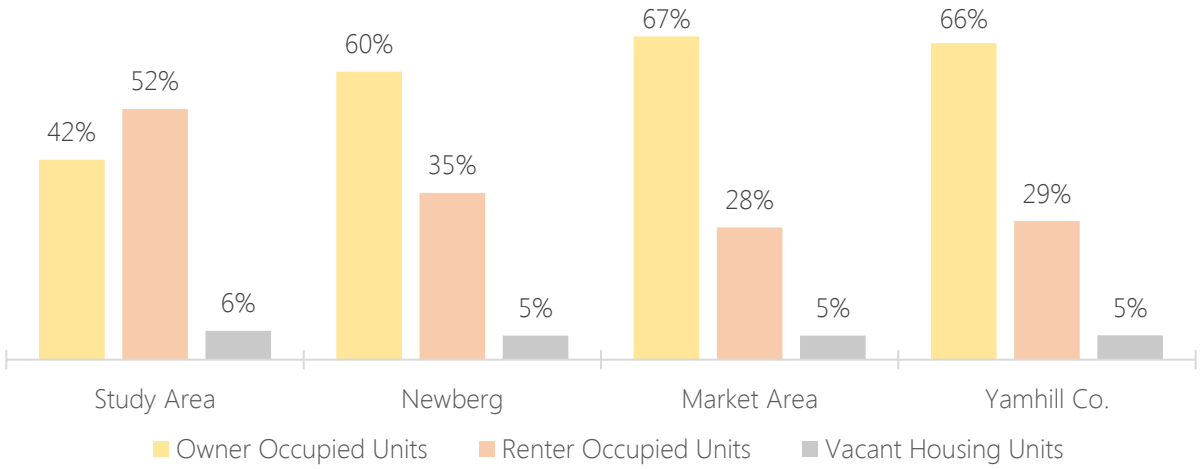
Source: ESRI and Leland Consulting Group

As shown in Figure 5, the study area has a significantly greater proportion of renters as compared to the city, market area, and county (where owner-occupied households are the norm). This is likely reflective of the higher proportion of younger and lower-income households in the study area.

The Pew Research Center indicates that certain demographic groups—such as young adults, nonwhites, and those with less educational attainment—have historically been more likely to rent than other groups, and rental rates have increased among these groups over the past decade. However, rental rates have also increased among some groups that have traditionally been less likely to rent, including whites and middle-aged adults.[4]

In fact, although renting is most common among young adults, nearly everyone rents at some point in their lives—whether by choice or by necessity. However, rental housing is particularly important for low-income and minority households, about half of whom are renters. As a result, supplying affordable units in a variety of structure types and neighborhoods is a critical housing policy priority.[5]

Figure 5. Tenure, 2017

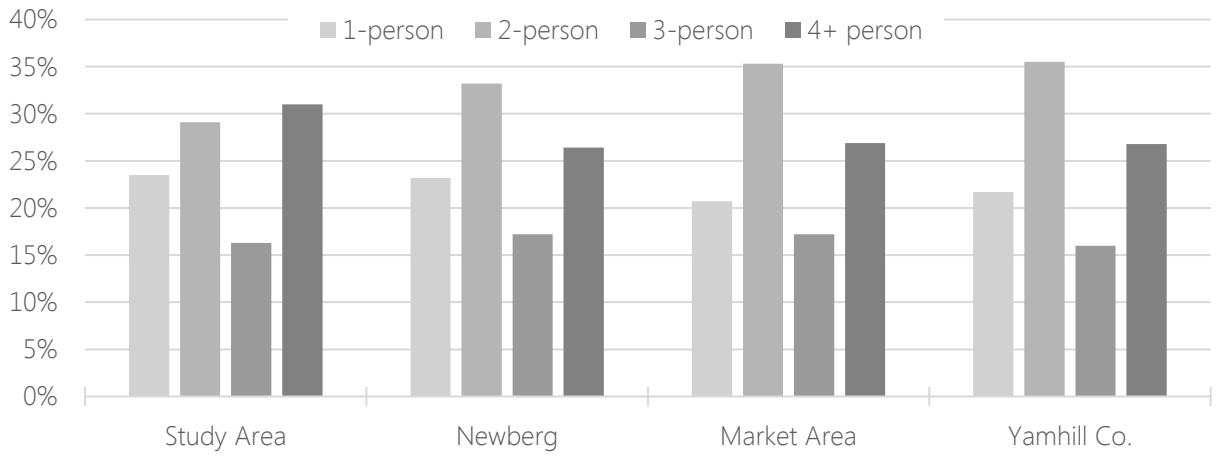


Source: ESRI and Leland Consulting Group

Figure 6 shows the proportion of households by size for each comparison area. The study area currently has the greatest proportion of large (four or more people) households, but also has the greatest proportion of one-person households. Generally, two-person households are the most common household size.

[4] Pew Research Center, "More U.S. households are renting than at any point in 50 years," 2017, URL
[5] From "Renter Demographics" by the Joint Center for Housing Studies of Harvard University, URL

Figure 6. Households by Size, 2010



Source: ESRI and Leland Consulting Group

The WestRock Mill Properties

The WestRock paper mill properties, shown in the map below, are the largest collection of properties in the project study area by a large margin. They comprise about 218 gross acres, though the actual useable acreage (whether by future industrial or other uses) is considerably smaller. Some of this acreage is located outside the UGB and the study area, and some of the acreage is not useable because it is sloped, used as ponds, etc. The useable area may be 160 acres of flat land, an unusually large site. The site is served by a rail line. WestRock is actively marketing the site and looking to sell it. Colliers' Portland office is representing WestRock, and some of the information summarized here was provided by Colliers.

As shown below, some buildings and machinery on the site are likely to be more valuable than others and therefore are more likely to remain intact. This includes the warehouse (a five-plus-acre building on the west side of the site); a series of offices, buildings, and machinery along the main north-south road, including the co-gen plant; and the hog fuel boilers just west of the co-gen plant. The co-gen and hog fuel facilities can be used to generate energy for future uses. There are a series of ponds/lagoons at the east end of the property that are unlikely to change. The site has rights to 19 million gallons of cool water from the Willamette River, which is unusual and valuable. This is of particular interest to heavy industrial users and data centers.

Figure 7. WestRock Paper Mill Properties

Source: Colliers

By contrast, the paper production building (approximately 100 feet east of the Warehouse) likely will not remain. The paper production machines are likely to be removed, which will open up large holes between the first and second floors, and it would be less expensive to demolish the building and rebuild than to renovate. Some future users, however, may want to retain this building. Any future development should stay about 75 feet away from the bluff due to erosion concerns.

Most or all of the property is outside Newberg city limits. Future users may or may not want to annex; large industrial users would be less likely to seek annexation, while smaller industrial uses would be more likely. This plan should consider whether annexation is desirable for the City.

A "waterline bridge" runs across the Willamette River near the WestRock property, however, WestRock does not own this bridge and does not output water or anything else across this bridge. The bridge is owned by the City.

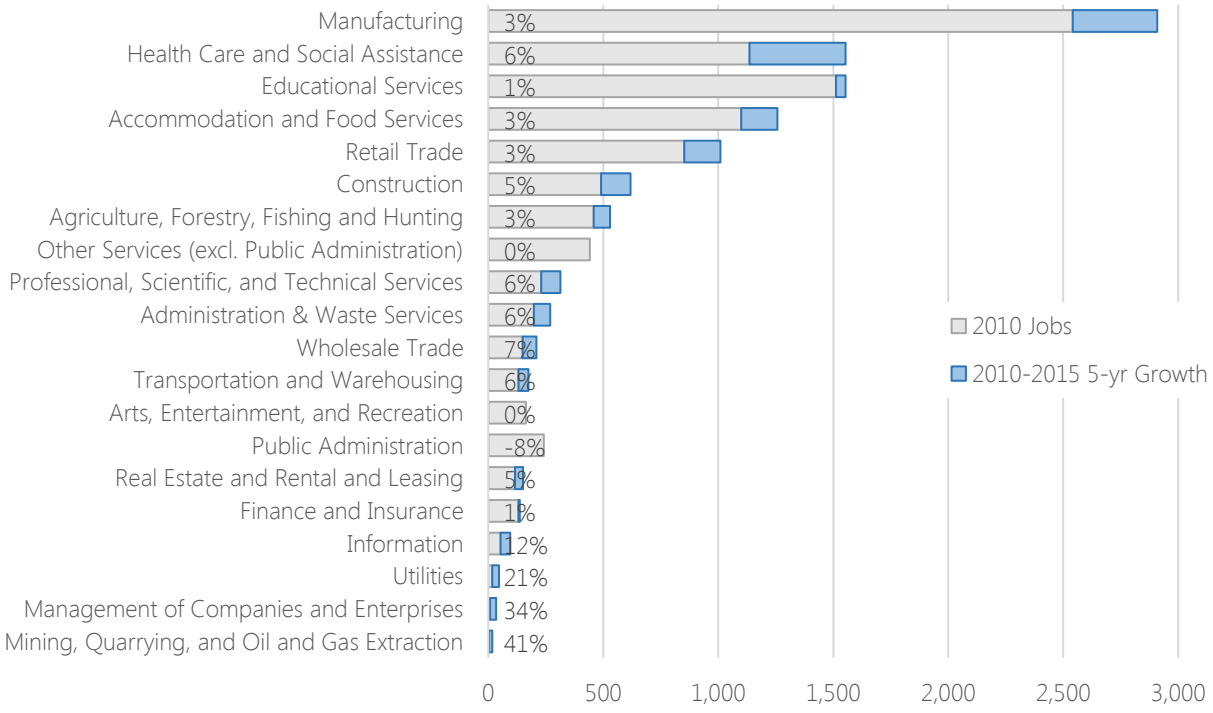
Employment

Total job counts for 2010 and 2015 and annual employment growth are shown in Figure 8. Employment in the Newberg market area predominantly consists of jobs in manufacturing, education, healthcare, accommodation and food services, and retail. These five industries were responsible for over 71 percent of all jobs in 2015. Approximately one-quarter of all jobs in 2015 were in the manufacturing industry. Of these top five industries, all but Educational Services experienced high annual growth of over two percent.

- The fastest growing industries between 2010 and 2015 were:

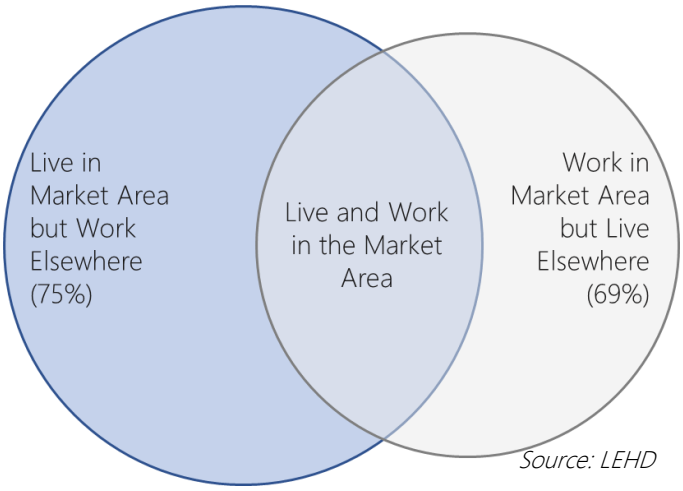
  - Management of Companies and Enterprises (33.6% annually)
  - Utilities (21.2% annually)
  - Information (12.2% annually)
  - Wholesale Trade (7.0% annually)
  - Healthcare and Social Assistance (6.5% annually)
  - Professional, Scientific and Technical Services (6.4% annually)
  - Administrative & Support, Waste Management & Remediation Services (6.3% annual)
  - Transportation and Warehousing (5.8% annually)
- The only industries to lose jobs in the five-year period between 2010 and 2015 were:
  - Public Administration (-8.0% annually)
  - Other Services (-0.4% annually)
  - Arts and Entertainment (-0.4% annually)

Figure 8. Employment Profile, Newberg Market Area



Source: LEHD. Percentages shown above are compound annual growth rates for the past five years.

Figure 9. Commute Patterns, Inflow-Outflow, Newberg Market Area, 2015

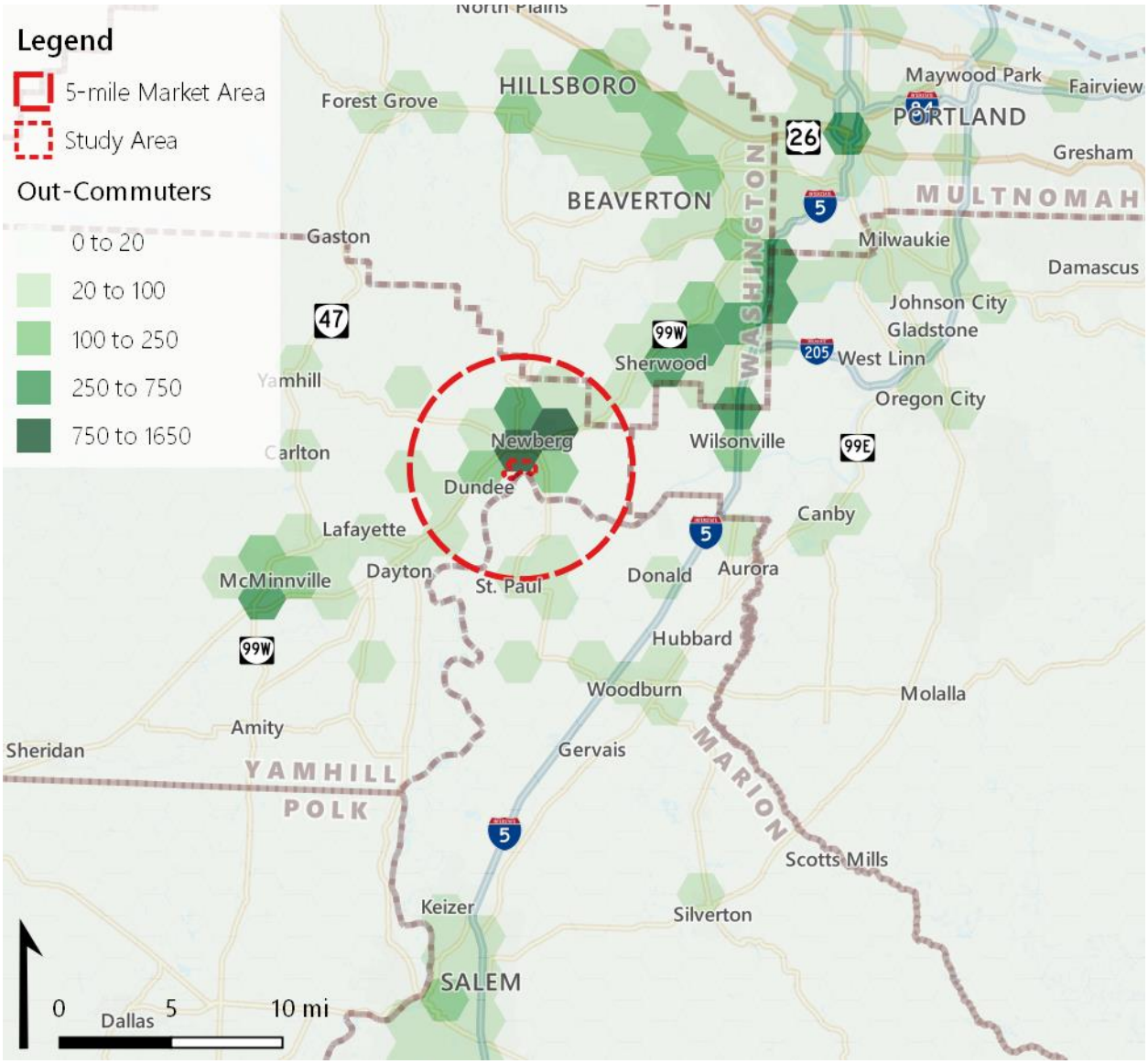


As of 2017, the Newberg market area included about 34,500 residents—17,500 of which were employed—and about 14,000 employees, indicating a greater number of out-commuters than in-commuters.

The number of people that both live and work in the Newberg market area decreased every year between 2005 and 2015, suggesting that Newberg may increasingly be becoming a bedroom community to employment centers elsewhere. Only about one-quarter of all residents also work in the area (down from 30 percent a decade ago) and only 31 percent of employees also live in the area (down from 38 percent a decade ago).

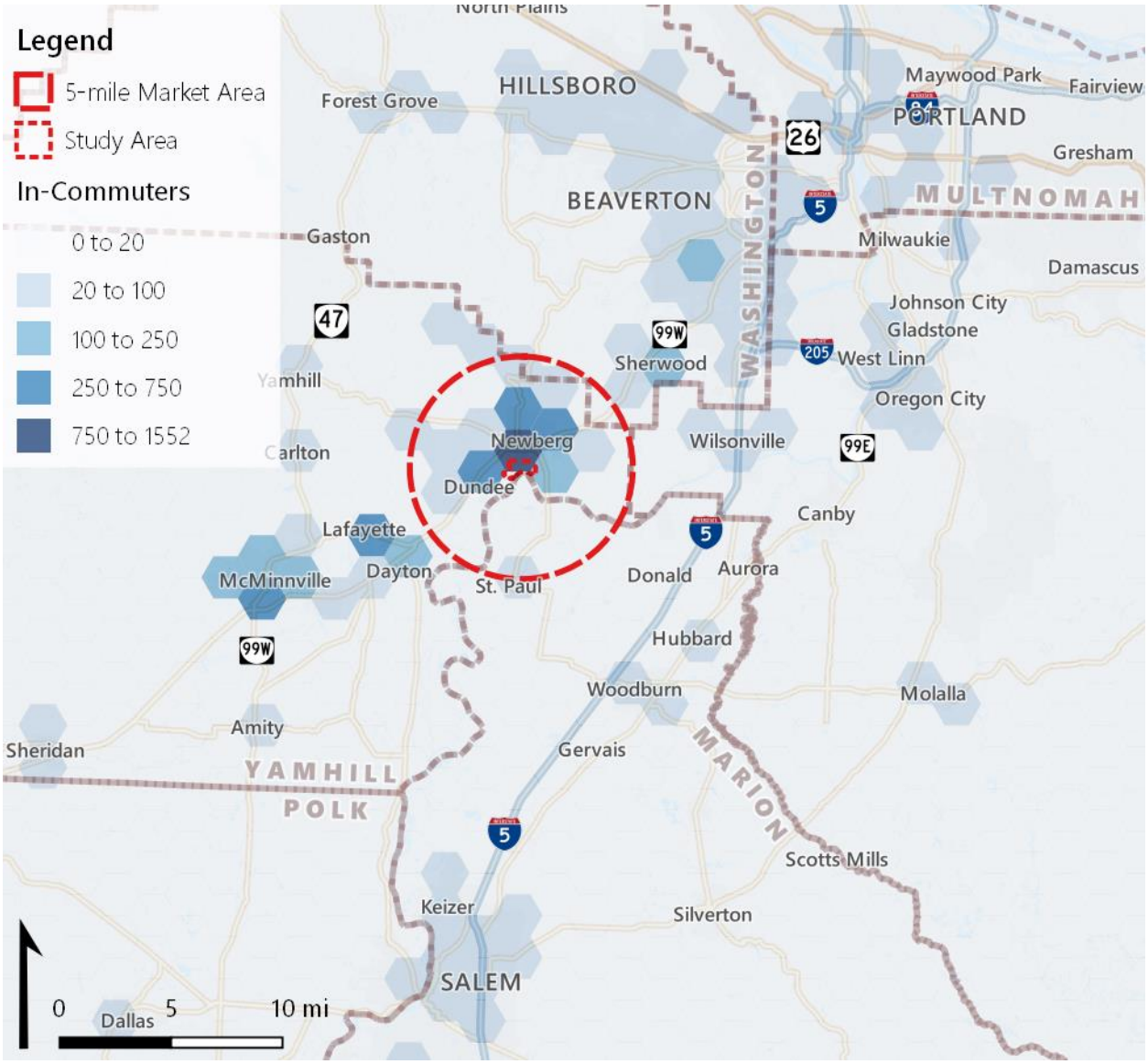
Figure 10 below shows where residents of the market area commuted to work in 2015. While there is a concentration of commuters within Newberg, significantly more residents commute north to various parts of the Portland Metropolitan Region. The highest concentrations of commute destinations are along the Highway 99W corridor, Beaverton, Hillsboro, downtown Portland, Wilsonville, and McMinnville. Commute destinations are also dispersed throughout other parts of the greater Portland area including Washington, Multnomah, and Clackamas counties. Residents also commute south to Woodburn and Salem. On the other hand, people who work in Newberg tend to be more concentrated in cities and towns to the southwest of Newberg (as well as residents of Newberg itself), as shown in Figure 11.

Figure 10. Where Market Area Residents Commute To, 2015



Source: LEHD OnTheMap and Leland Consulting

Figure 11. Where Market Area Employees Commute From, 2015



Source: LEHD OnTheMap and Leland Consulting

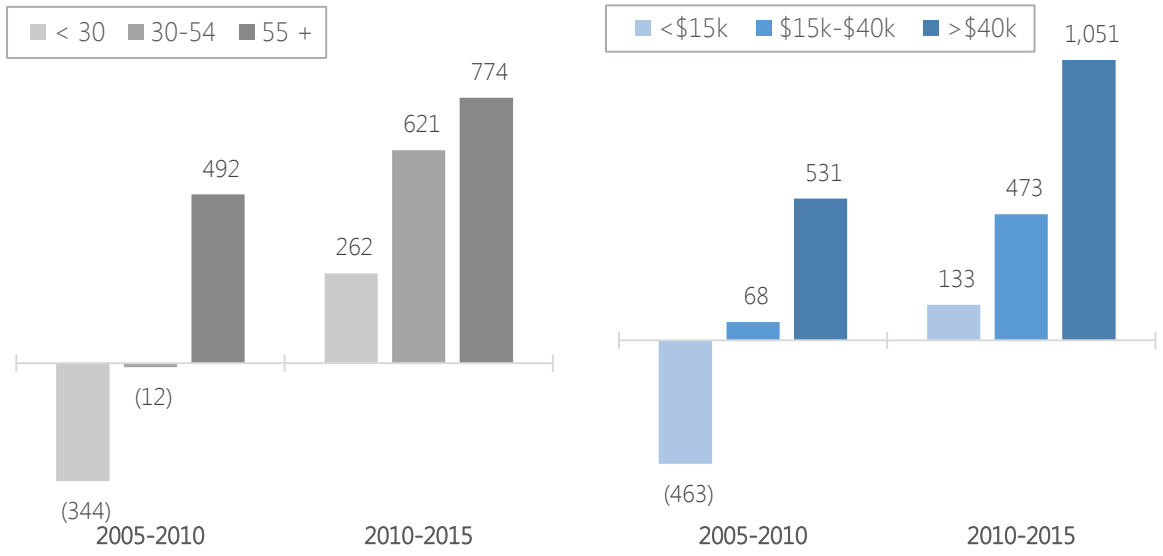
Table 3 and Figure 12 below show the proportion of market area employees by both age and annual income in 2005, 2010, and 2015. Generally, employees in the market area were significantly older in 2015 than in 2005 and earned significantly more annually. In fact, employment grew by almost 1,300 jobs in the 55-and-over age category. In this same period, there was no growth in the under-30 age category.

Table 3. Proportion of Employees by Age and Annual Income, Market Area, 2005-2015

	2005	2010	2015
Workers by Age			
< 29	26%	22%	22%
30-54	57%	56%	53%
55 +	17%	22%	25%
Workers by Annual Income			
<$15k	33%	28%	25%
$15k-$40k	41%	41%	39%
>$40k	26%	31%	36%

Source: LEHD

Figure 12. Change in Number of Employees by Annual Income (left) and Age (right), Market Area, 2005-2015



Source: LEHD

Forecasts

Population growth is a key indicator and driver of demand for both residential and commercial development, and therefore, population forecasts are critical in estimating future demand. The projected growth—or lack thereof—of population, households, and employment help to inform future growth rates which are used in the demand analyses presented later in this report.

Residential

The Population Research Center at Portland State University (PSU) produces annual population estimates for Oregon and its counties and cities, as well as the estimates by age and sex for the state and its counties.

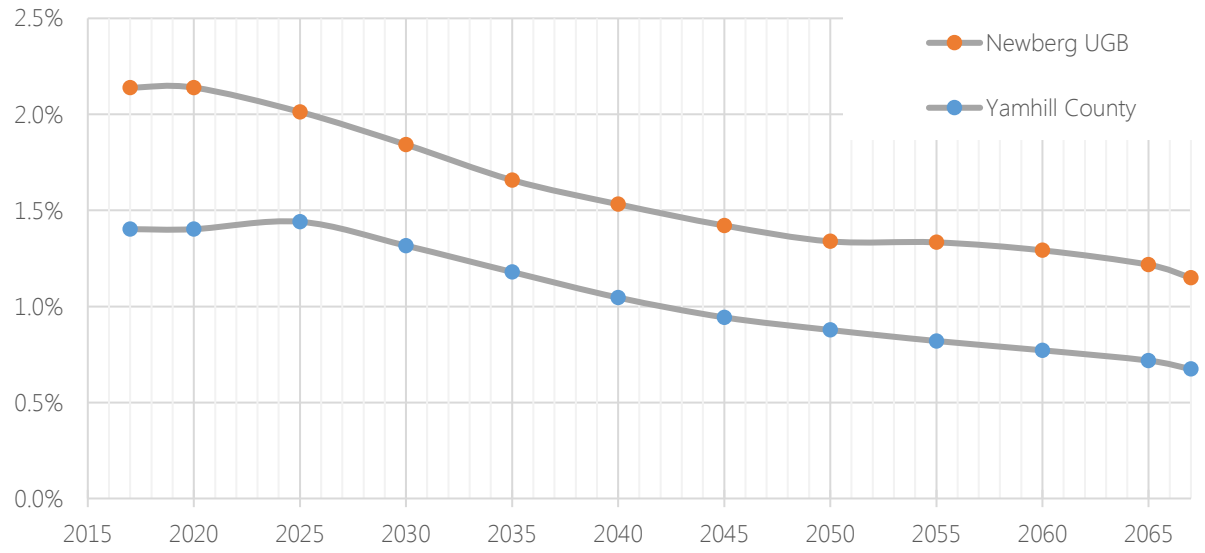
Population is projected to grow faster within the limits of the Newberg UGB than in Yamhill County as a whole. As such, an increasing share of the county's population is expected to reside in Newberg over the next 40 years (23 percent in 2017 and 29 percent by 2067). Newberg is projected to be one of the fastest growing cities in the county at 1.81 percent, second only to Dundee (1.84 percent). Lafayette (1.7 percent), Carlton (1.6 percent), McMinnville (1.4 percent), and Yamhill (1.2 percent) are also projected to experience high annual growth within their UGBs over the next two decades.

Table 4. Population Forecasts, 2017-2040

Area / Year	2017	2020	2025	2030	2035	2040
Yamhill County	106,555	111,101	119,339	127,404	135,096	142,311
Newberg UGB	24,296	25,889	28,602	31,336	34,021	36,709

Source: Portland State University

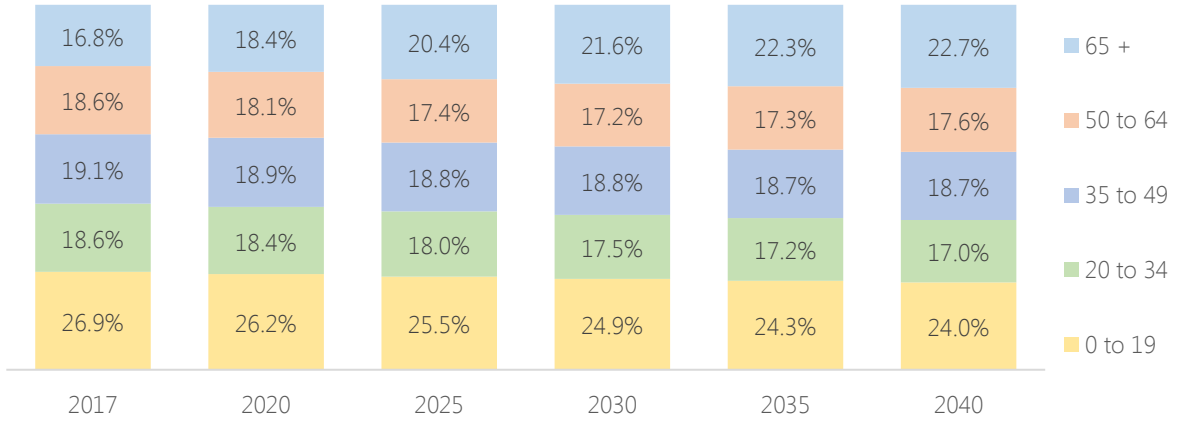
Figure 13. Annual Population Growth Rates, Newberg UGB and Yamhill County, 2017-2067



Source: Portland State University

The 65-and-over age group is projected to experience the most growth in the next two decades as the entire baby boomer generation enters retirement age. After 2030, the millennial presence is projected to significantly increase the proportion of the population aged between 50 and 64. Access to essential services and a sufficient range of appropriate housing options will be critical in accommodating these aging demographics.

Figure 14. Population by Age, Yamhill County, 2017-2040

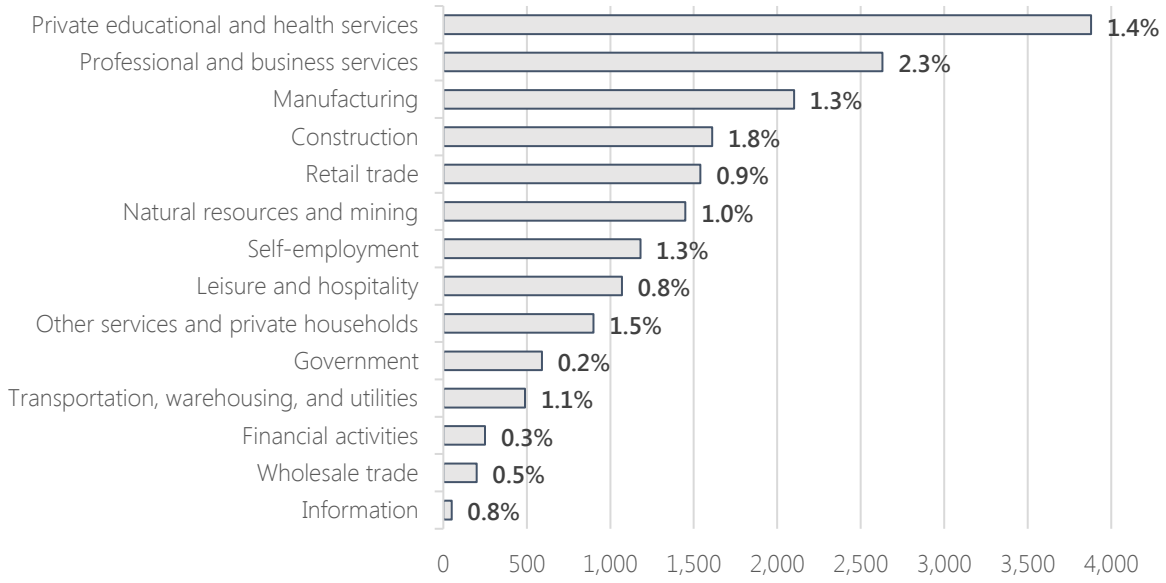


Source: Portland State University

Employment

For employment forecasts, we use the State Employment Department's 10-year projections for each industry. Almost half of all projected employment growth is expected to occur in the industries of Educational and Health Services, Professional and Business Services, and Manufacturing. The fastest growing industry is Professional and Business Services. Aside from manufacturing, these industries tend to drive the most demand for new office construction.

Figure 15. Projected New Employment Growth, Yamhill & Marion Counties, 2014-2024



Oregon Employment Department (QualityInfo.org)

However, caution is required with these projections. Not only do they apply to a more general area than the residential projections (a two-county region of Yamhill and Marion versus the Newberg UGB), but the employment projections are given by industry, likely resulting in a significant margin of error. As such, it is likely to be just as instructive to consider historical trends (e.g. from the last five to 10 years) in projecting future

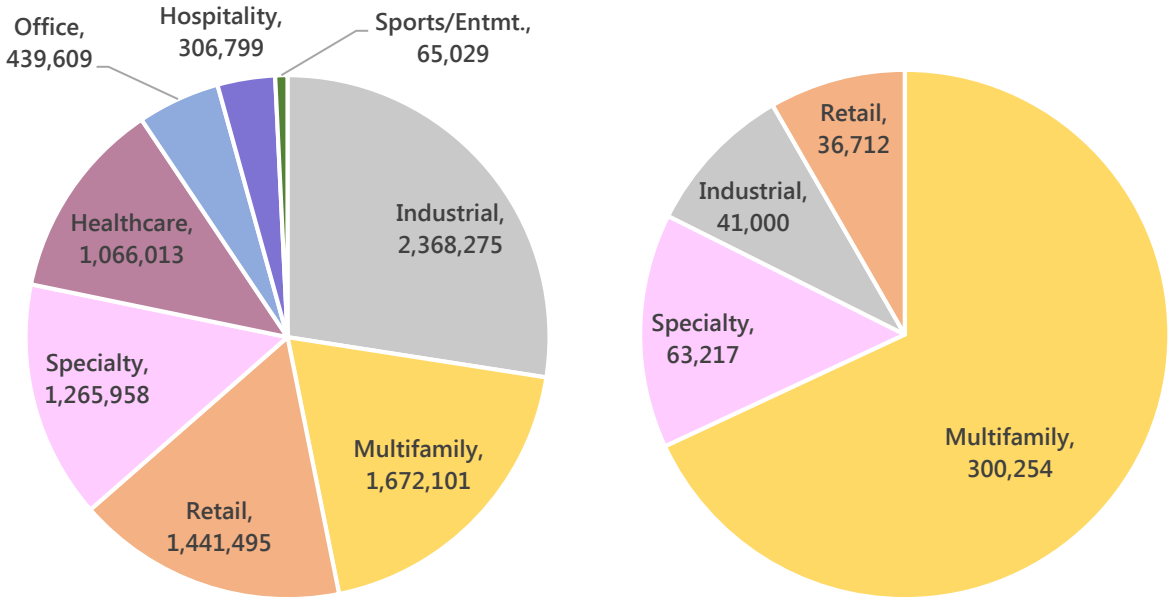
employment in the market area. The estimations of demand for new office and industrial development that occur later in this report are based on an average of historical and future growth rates.

Real Estate Market

This section covers the residential market, which includes both single-family and multifamily housing; the retail market; and the market for "employment" space, which includes both industrial and office uses. Market conditions—such as the development pipeline, building vacancies, rents, and other market trends—are critical to establishing the market's strength and subsequent level of suitability for new development or financial feasibility.

Figure 16 shows commercial and multifamily real estate development by total square footage within the market area. The chart on the left shows all development (except institutional and single-family) built across all years. The land use mix is relatively evenly spread across many development types. However, more recent development has been mostly multifamily residential (predominately apartments), which is consistent with national trends. With growing demand among millennials and baby boomers for apartments and a changing commercial market in which office space use is declining every year and retailers are closing at an unprecedented rate in face of e-commerce, multifamily has generally become the go-to development type. This trend appears to be applicable to the Newberg market area as well.

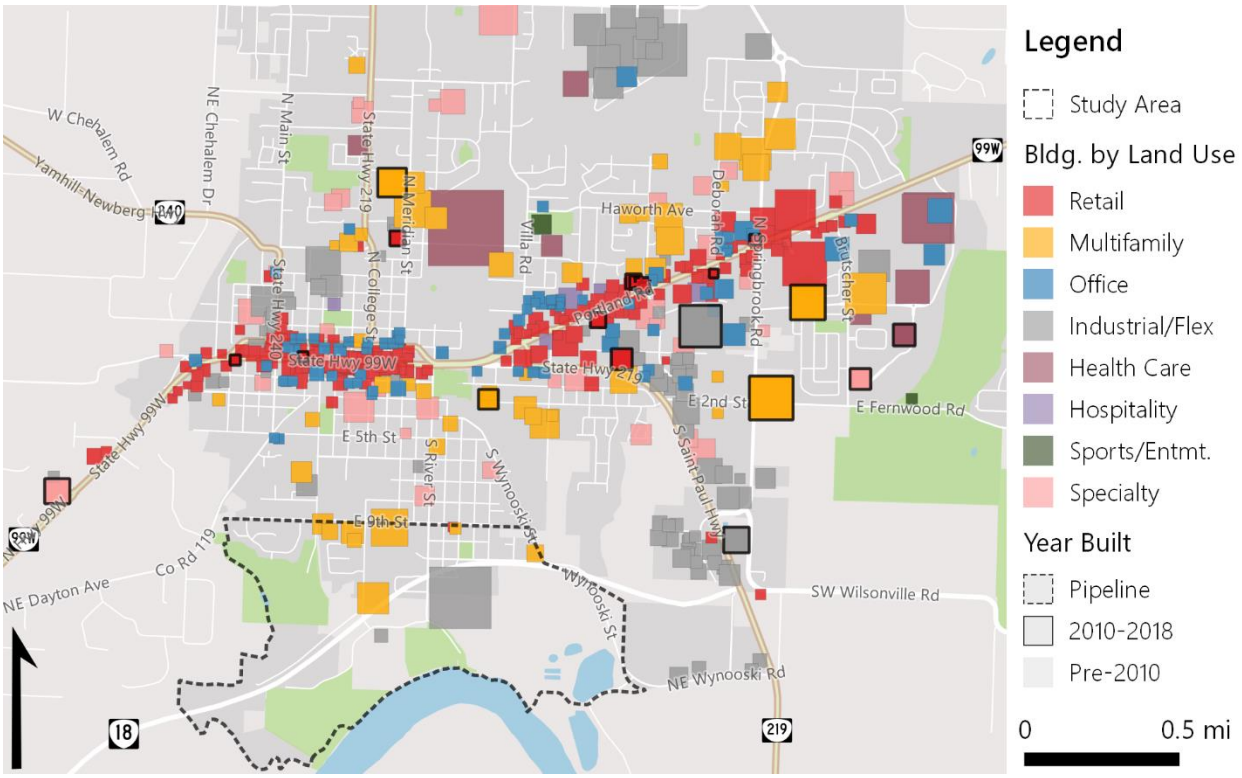
Figure 16. Market Area Land Use Mix, Commercial and Multifamily Development (left) Versus Development Built Since 2012 (right)



Source: Costar

Figure 17 shows the location and size (by total building square footage) for each land use. Squares with bold outlines indicate recent construction and 2018 deliveries, while squares with dashed or no outlines indicate existing or proposed projects expected from 2019 onwards (i.e. the "pipeline"). Almost all significant recent construction has occurred in the eastern sections of the city, with some smaller retail projects along the Highway 99W corridor.

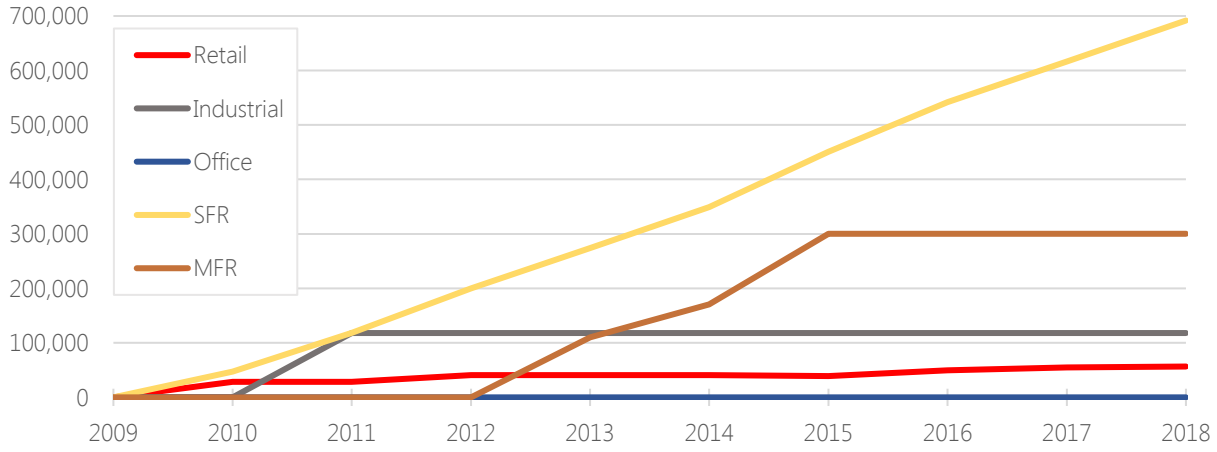
Figure 17. Development by Land Use* and Year Built, City of Newberg



Source: Costar and Leland Consulting Group
**Excludes institutional and single-family residential land uses*

When single-family residential data is included, it becomes apparent that residential development has been preferred over the course of the past decade.

Figure 18. Net New Development (square feet), Newberg, 2009-2018 YTD



Source: Costar and Yamhill County Assessor

Figure 19 shows improvement value to land value (I:L) ratios for the project study area and its surroundings. An I:L ratio is a general measure of land utilization and the likelihood of redevelopment. A very low ratio (<0.5) is indicative of a property with high potential for redevelopment as the parcel is likely to be vacant or have few existing buildings (or buildings in a state of disrepair). A high ratio (2+) is indicative of a property area with low

potential for redevelopment, typically because it is occupied by well-maintained and/or high-value buildings. This ratio does not take into account all factors that determine whether a property is likely to redevelop. For example, redevelopment to a more intensive use may not be permitted by zoning; property owners may have no interest in redeveloping or selling the property; and assessor's data for properties held by public agencies or nonprofit institutions can be incorrect.

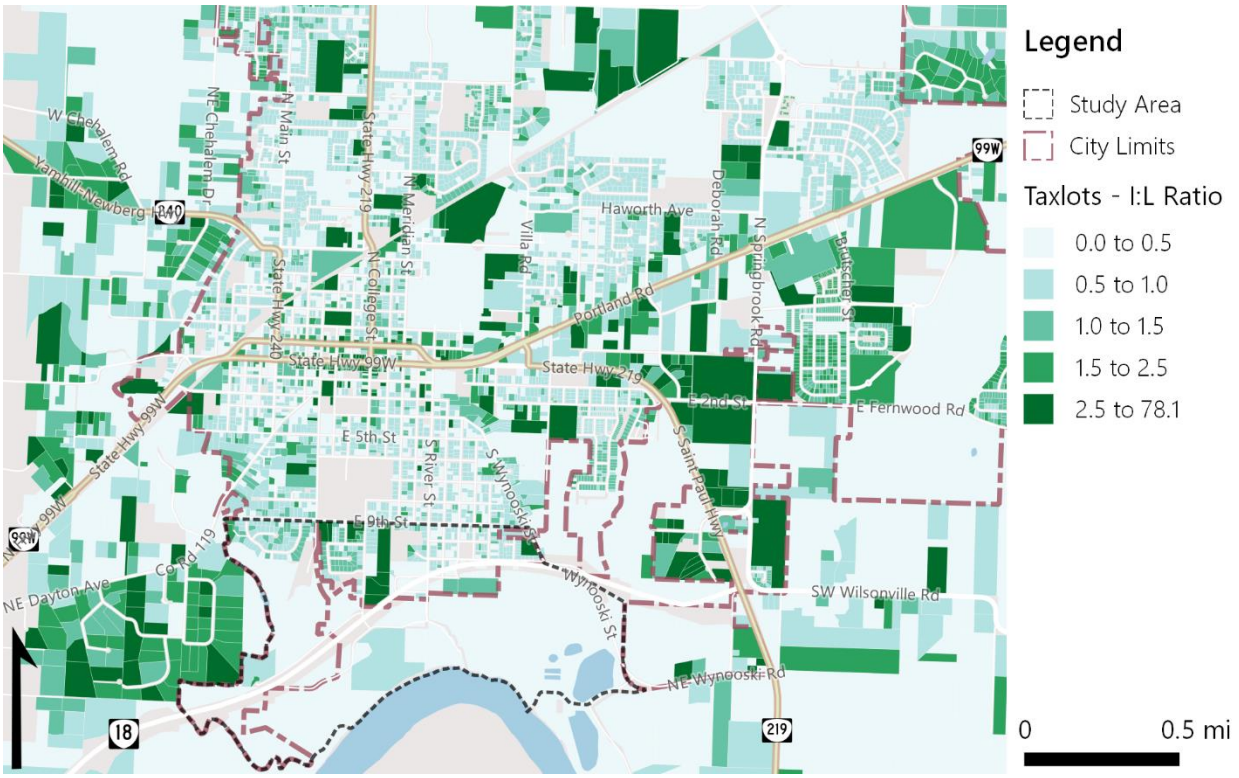
A summary table for the project study area's I:L ratio for each utilization category is provided below. Most (60 percent) of the Riverfront is highly underutilized. However, this includes *all* natural and recreational land, parks, and the mill site. In reality, total "buildable lands" will be significantly fewer.

Improvement-to-land Ratio by Total Acres, Riverfront Study Area

I:L Ratio	Total Acres
<0.5	345.2
0.5 to 1.0	50.7
1.0 to 1.5	26.5
1.5 to 2	12.3
2 +	22.4
No Land Value	112.2
Grand Total	569.3

Source: Yamhill County Assessor

Figure 19. Improvement to Land Ratio, City of Newberg



Source: Yamhill County, Leland Consulting Group

Residential Market

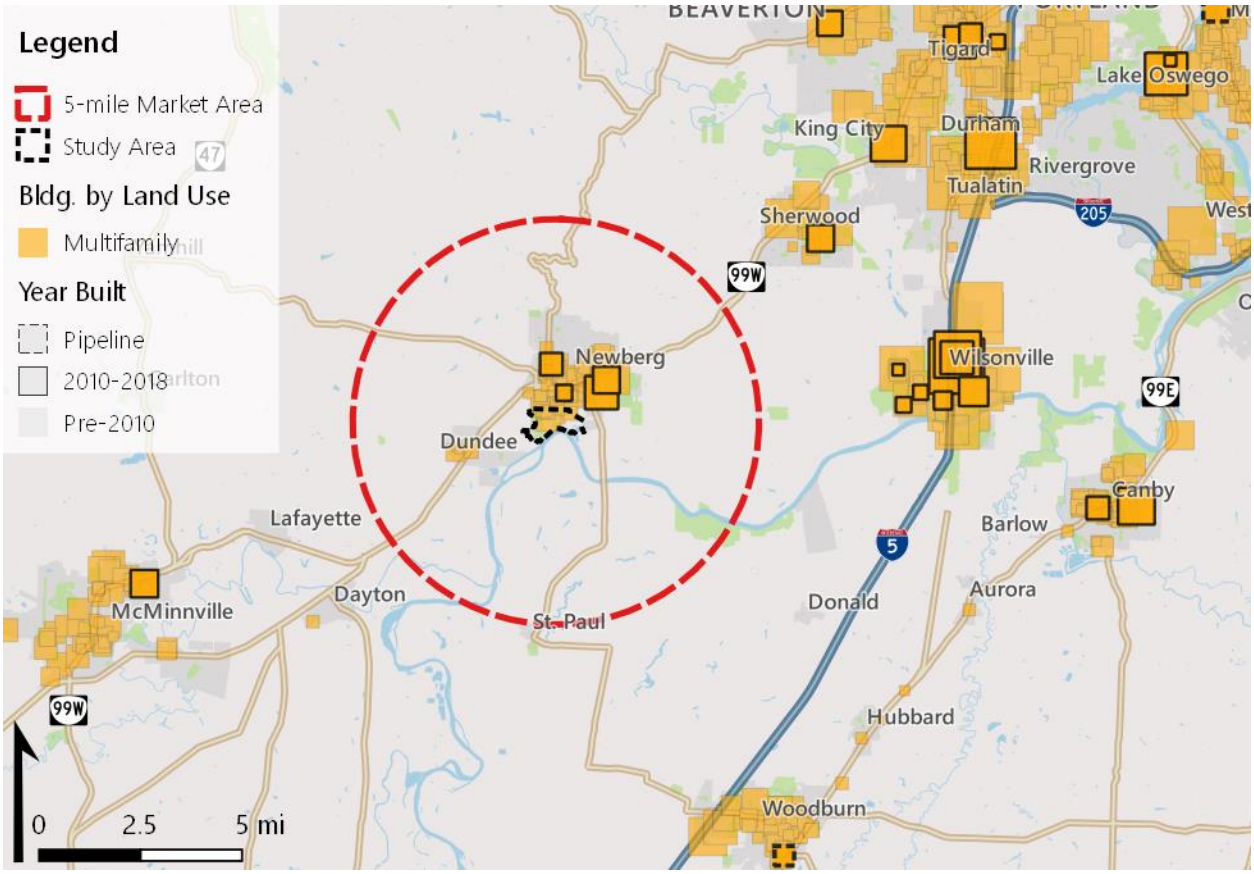
The residential market includes both single-family and multifamily development—renter-occupied and owner-occupied housing.

Multifamily Rental Market Summary

Nationally, apartment demand and occupancy remain strong and demographics are favorable to the apartment sector. However, apartment growth tends to be most apparent closer to the center of large metropolitan areas.

The Yamhill County market is largely rural and features a sizable proportion of renters, underpinned by demand from students at several local colleges and universities. Deliveries have been limited in this cycle, though lease-up has been rapid in new projects. The submarket features tighter vacancies and higher rent growth than in the wider Portland metro region. The primary inventory is for "workforce housing," and there are no high-end communities (designated by CoStar as 4 or 5 stars) in the submarket. Investment in Yamhill County are limited, with fewer than 10 properties typically trading each year between primarily local firms and investors.

Figure 20. Regional Multifamily Residential Development



Source: Costar, Leland Consulting Group

Within the Newberg-Dundee market area, 11 of the 27 apartment buildings with 20 or more units are non-market-rate (senior or affordable). Market-rate apartments rent—on average—from about $0.83 to $1.50 per square foot. Vacancy is typically very low, with the only vacancies near or above 10 percent in buildings older than 1980. Units in newer buildings typically achieve higher rents.

Four apartment projects have been completed within the market area since 2010. All are also located within the City of Newberg. These projects are pictured below along with a summary of their key attributes.

215 Church Street: An 18-unit market-rate apartment project, completed in 2013, that is located northeast of study area, two blocks south of 1st Street. The buildings are wood-frame townhomes.

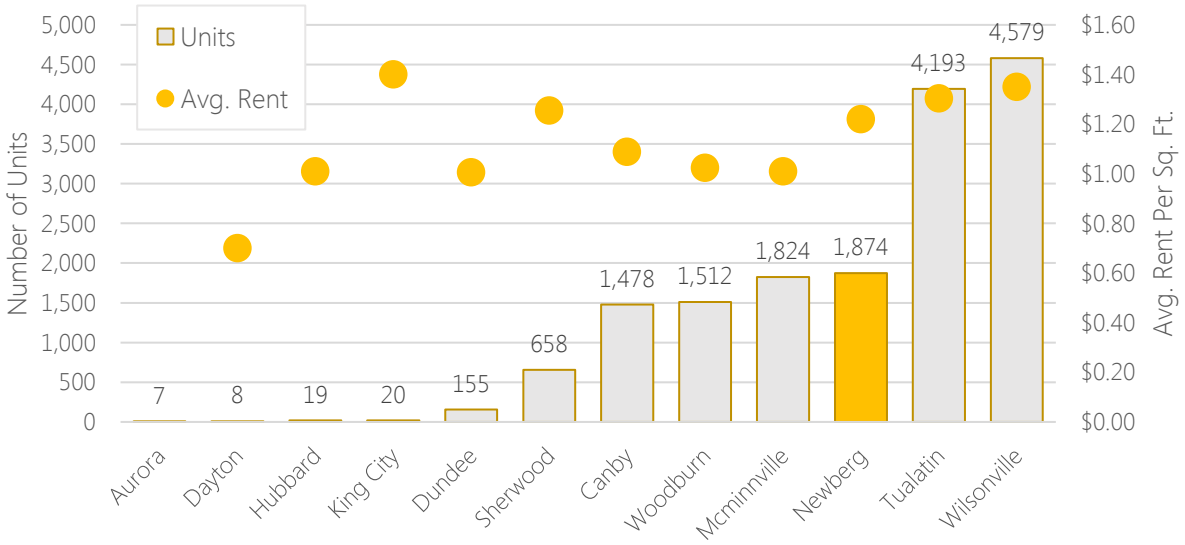
Deskin Commons: A 56-unit affordable/rent-subsidized project completed by the Housing Authority of Yamhill County in 2014. Located about one-half-mile north of downtown, just east of College Street. This project includes both the adaptive reuse of a historic home, and new construction.

Oakgrove Apartments: An 84-unit market-rate garden apartment community located at 3411 Hayes Street and built in 2013.

Springbrook Ridge (not pictured): A 120-unit market-rate garden apartment community located at 3355 E Fernwood Road and built in 2015.

As shown in Figure 21 below, the greatest concentrations of multifamily housing (existing and under construction) is located in Wilsonville to the east of Newberg and in Tualatin to the northeast. There are about 1,900 apartment units in Newberg, similar to the amount in Canby, Woodburn, and McMinnville.

Figure 21. Regional Multifamily Residential Summary



Source: Costar, Leland Consulting Group

Table 5. Multifamily Properties, 20+ Units, Market Area

Bldg. Name	Year Built	Size (SF)	Units	Rent PSF	Vacancy	Notes
Astor House	1980	122,859	121		4.1%	Senior
Springbrook Ridge	2015	140,000	120	$1.30	5.0%	
Oakgrove Apts.	2013	84,520	84	$1.27	4.8%	
Woodside Park Apts.	1970	97,328	84	$0.86	4.8%	Rent Subsidized
Woodview Village Apts.	1990	67,168	70	$1.44	2.9%	
Colonial Village Apts.	1968	46,822	63	$1.37	0.0%	
Canyon Ridge Apts.	1990	58,050	61	$1.41	4.9%	
Springbrook Apts.	1980	71,492	58	$1.19	5.2%	
Deskins Commons Apts.	2014	54,651	56		1.8%	Rent Subsidized
1100 North Meridian	1978	97,090	56		0.0%	Senior
Trillium Square Apts.	1994	51,144	52	$1.36	0.0%	
Rose Park Apts.*	1996	32,000	45	$1.29	0.0%	Senior/Rent Subsidized
Vittoria Square	1978	65,528	43	$1.09	2.3%	Senior/Rent Subsidized
Deborah Court	1986	46,218	40	$0.68	5.0%	Rent Subsidized
Haworth Terrace	1976	51,416	38	$0.68	2.6%	Rent Restricted
Chehalem Creek	1980	24,628	32	$1.31	9.4%	
Newberg Village	1978	45,028	32	$0.79	3.1%	Rent Restricted
Townhouse Village Apts.	1972	29,845	32	$1.50	0.0%	
Dunhill Apts.*	1983	30,176	28	$0.72	0.0%	Rent Restricted
Cedar Terrace Apts.	1971	24,441	27	$0.83	7.4%	
Cherry Hill Apts.	1970	29,380	26	$0.92	3.9%	
East Ninth Street Apts.		23,206	26	$1.49	7.7%	
Camellia Court	1977	22,176	24	$0.85	12.5%	Rent Restricted
The Oaks	1960	26,320	24	$1.15	0.0%	
Boston Square Apts.	1980	13,500	20	$1.21	0.0%	
Rivercrest Apts.	1963	11,300	20	$1.17	10.0%	
Typres Gardens	1973	19,104	20	$1.22	10.0%	

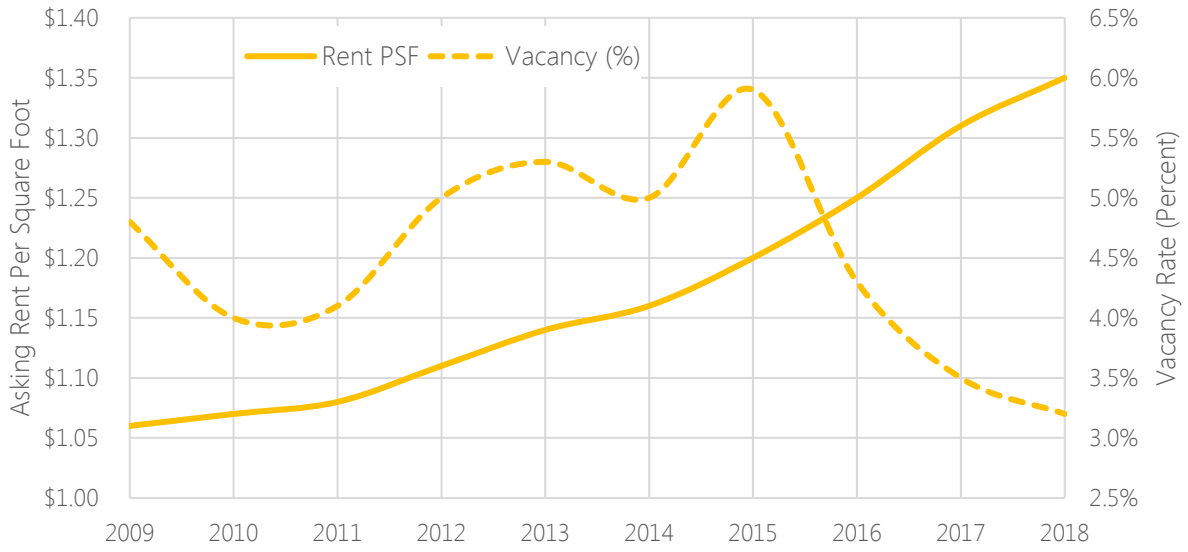
Source: Costar
**Located in Dundee*

There have already been suggestions of a strong, tight multifamily market in the Newberg-Dundee area. This is confirmed by Figure 22 below, which shows rent and vacancy trends for market-rate apartments. Average rents have been climbing over the last decade, while vacancies have been relatively low and have rapidly declined since 2015, indicating high demand for new multifamily construction.

In fact, this market strength and potential demand is underlined by the fact that Newberg's multifamily housing market experienced rent growth and declining vacancies during the recession—a period of time where most apartments in similar markets saw the exact opposite trends occurring.

The average rent per square foot for multifamily apartments in Newberg is comparable to those in Tualatin and Wilsonville, which are typically considered stronger markets as cities located in the Portland Metropolitan Area. Rents are significantly higher, on average, than non-metro cities with a similar unit inventory.

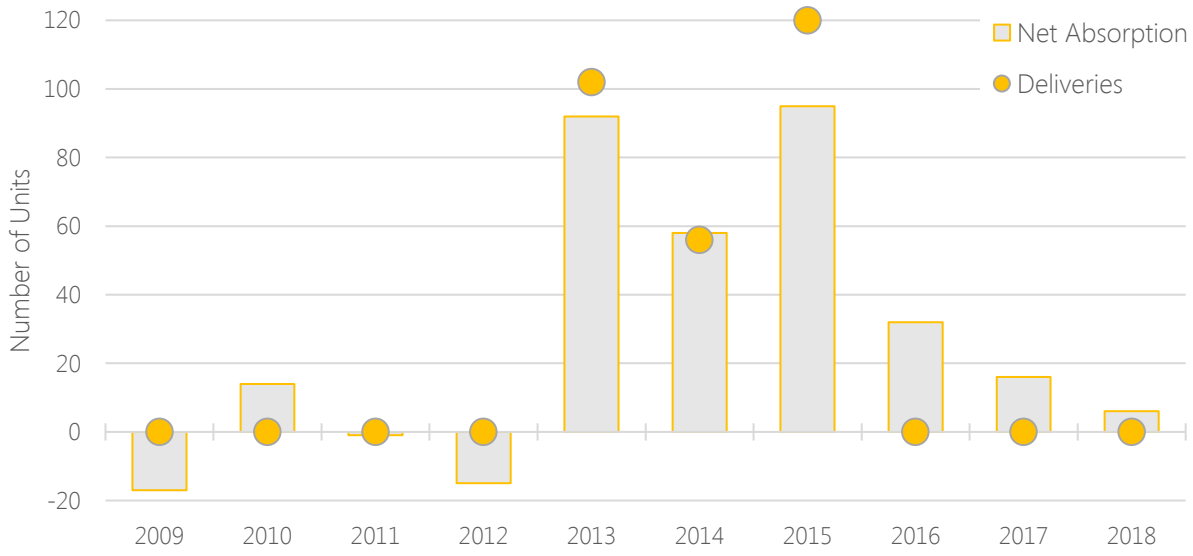
Figure 22. Market Area Multifamily Rent and Vacancy Trends, 2009-2018



Source: Costar, Leland Consulting Group

Vacancies appear to have increased between 2013 and 2015 due to the completion of 278 apartment units but trended quickly downward after 2015. There were not any more apartments built after 2015, and absorption has continued to be positive as these units were tenanted.

Figure 23. Market Area Multifamily Net Absorption and Deliveries (units), 2009-2018

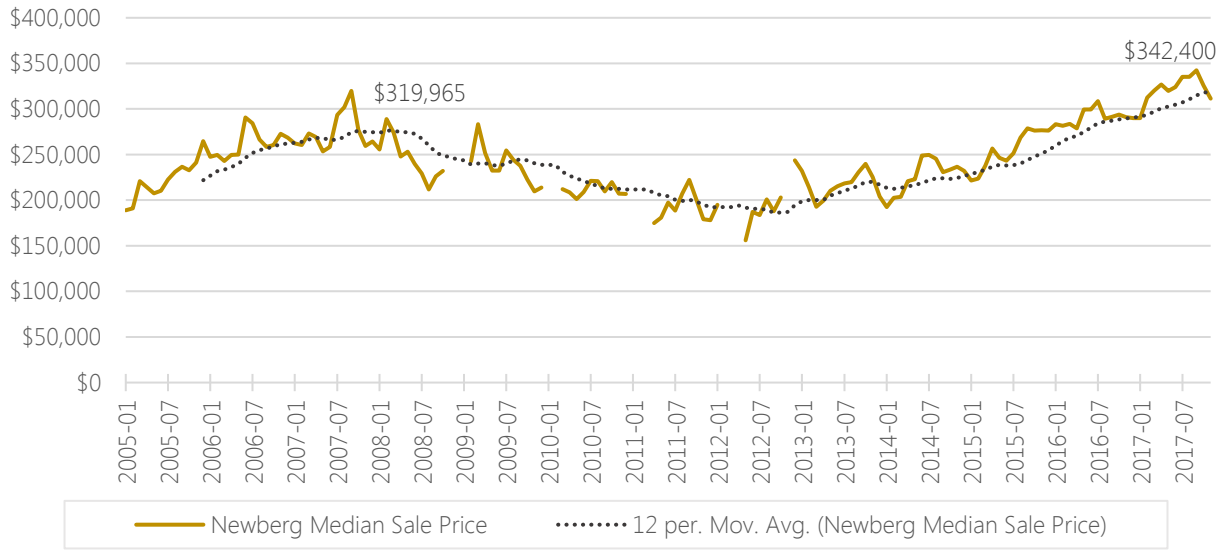


Source: Costar, Leland Consulting Group

Single Family Market Summary

Single-family home prices have only recently rebounded to pre-recession levels, which peaked at $320,000 in mid-2007. Figure 24 illustrates the volatility in the market over the past 10 years.

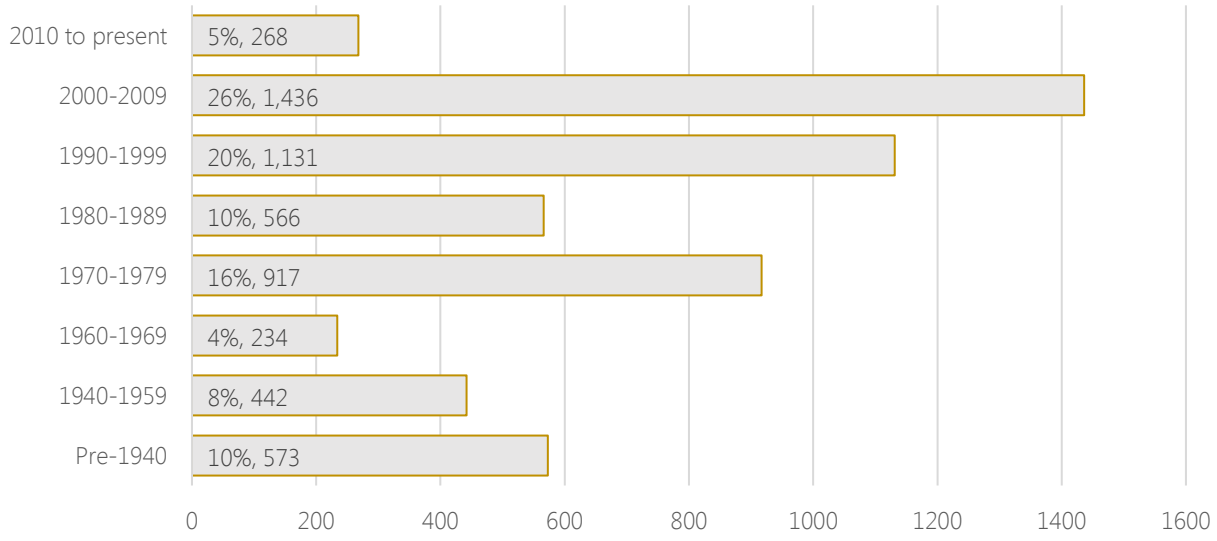
Figure 24. Newberg Single-Family Median Home Sold Price (2008 to 2017)



Source: Zillow Real Estate Research

On average, Newberg's single-family housing stock is relatively new. More than one-quarter of Newberg's single-family homes were built between 2000 and 2009, and one-fifth were constructed in the decade prior. Since 2010, 268 homes—or about five percent of all existing homes—have been constructed in the City.

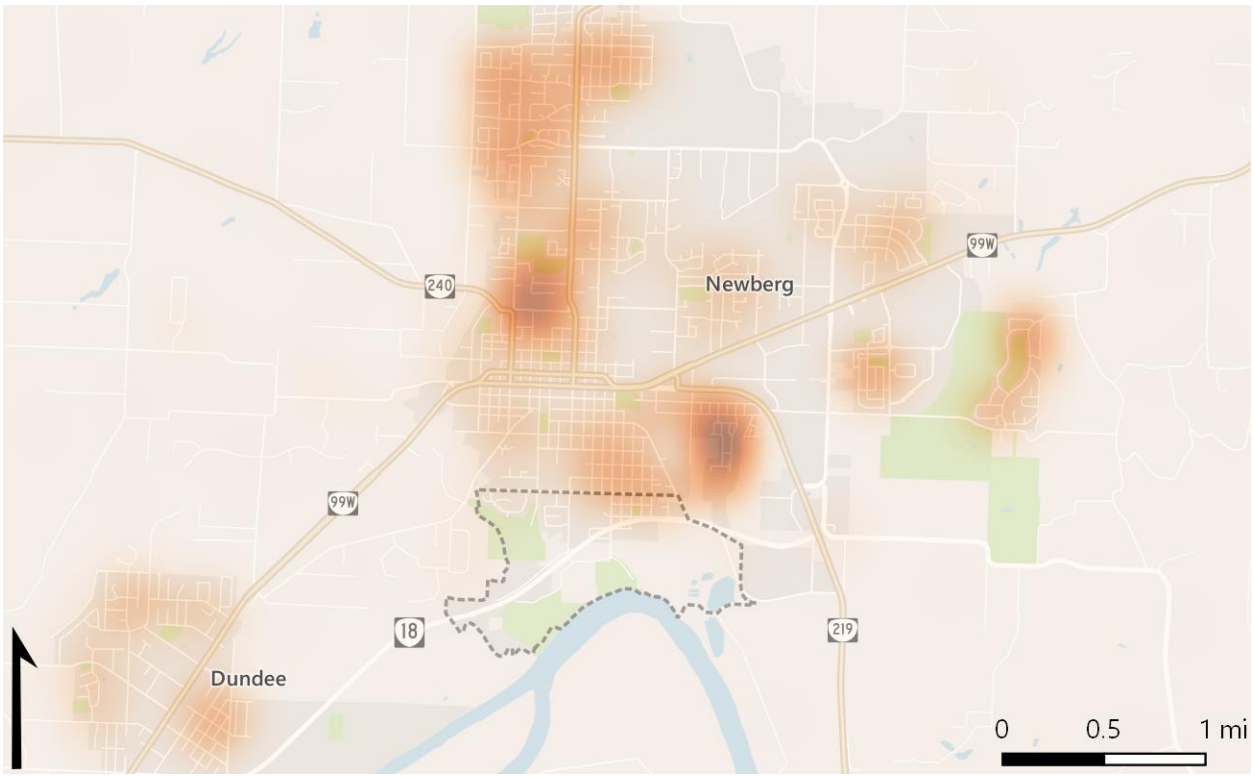
Figure 25. Single-family Homes by Year Built, City of Newberg



Source: Yamhill County Assessor, City of Newberg

Figure 26 shows the location density of residential sales for the past two years. Sales have been driven by new single-family construction in subdivisions, mostly in the west area of the city east of State Highway 240, in the northwest of the city, and northeast of the project study area.

Figure 26. Single-family Residential Sales, Past Two Years



Source: Redfin, Leland Consulting Group

Over the last 12 months, approximately 714 homes were sold (all new homes and resales), over 90 percent of which were single-family detached homes.

Table 6. Owner-occupied Housing Market Summary, 5-mile Market Area, 2017

	Sales in Last Year	Percent of Total	Absorption (Units Sold per Month)	Listings	Months of Inventory
Single-Family Homes			0		
Under $200k	12	2%	1	0	0.0
$200k to $300k	149	23%	12	5	0.4
$300k to $400k	279	43%	23	30	1.3
$400k to $500k	102	16%	9	22	2.6
$500k to $600k	47	7%	4	14	3.6
$600k +	62	10%	5	37	7.2
Subtotal	651		54	108	2.0
Attached Homes*					
Under $200k	10	2%	1	2	2.4
$200k to $300k	36	6%	3	2	0.7
$300k to $400k	11	2%	1	1	1.1
$400k +	6	1%	1	0	0.0
Subtotal	63		5	5	1.0
All Housing					
Under $300,000	207	29%	17	9	0.5
Over $300,000	507	71%	42	104	2.5
Total	714		60	113	1.9
Land	32		3	21	7.9

Source: Redfin and Leland Consulting Group
**Attached includes condominiums and townhomes*

Table 7. Single-Family Sales Within the Last Two Years by Number of Bedrooms

Number of Bedrooms	Percent of Sales	Avg. Price	Avg. Price per Sq. Ft.	Avg. Size (sq. ft.)	Avg. DOM	Avg. Year Built
All Construction	100%	$353,015	$199	1,866	368	1985
1	0.3%	$193,333	$340	571	347	1928
2	6.1%	$246,935	$241	1,053	372	1950
3	60.8%	$324,067	$207	1,602	368	1987
4	27.6%	$421,857	$180	2,381	365	1990
5	3.9%	$459,257	$157	2,962	379	1986
6	0.9%	$374,140	$131	2,795	404	1973
7	0.4%	$599,000	$154	3,845	300	2002
8	0.1%	$435,000	$99	4,384	-	1998
Built Since 2010	16.7%	$408,298	$203	2,029	313	2016
3	52.7%	$375,617	$212	1,773	309	2015
4	43.5%	$439,653	$194	2,274	313	2016
5	3.2%	$501,353	$184	2,739	385	2015
6	0.5%	$513,000	$165	3,102	293	2017

Source: Redfin, as of July 2018

Table 8. Active Listings by Number of Bedroom

Number of Beds	Percent of Listings	Avg. Price	$ PSF	Avg. Size	Avg. DOM	Avg. Year Built
All Construction	100%	$623,198	$224	2,781	72	1988
2	1%	$380,000	$318	1,195	138	1901
3	45%	$418,446	$225	1,951	70	1998
4	37%	$636,480	$212	2,970	51	1989
5	13%	$1,087,655	$233	4,744	128	1966
6	1%	$420,000	$182	2,310	28	1948
8	1%	$2,700,000	$367	7,365	91	2006
Built Since 2010	24%	$437,174	$217	2,072	111	2016
3	75%	$389,091	$223	1,774	113	2016
4	25%	$581,423	$198	2,967	106	2017

Source: Redfin, as of July 2018

Planned and Proposed Residential Projects

A few projects are in the pipeline in the Newberg market area. Multifamily projects include:

Chehalem Pointe is a 140-unit complex of one-, two-, and three-bedroom apartments that will sit on a 5.9-acre site that formerly held a small farm on the SW corner of the intersection of E Park Lane and N Villa Road. The project is under construction now and expected to open in spring 2019. The project moved forward based on a zone change from low-density R1 to high-density R3 zoning. According to plans filed with the city, the project will include eight primarily three-story buildings, with some two-story sections on the west side of the site.

The applicant (KWDS, LLC) for the apartments completed an updated housing needs analysis through 2030 using then-current population projections. The study found that the city has met 91 percent of its projected low-density needs and 51 percent of its medium-density needs, but only 11 percent of its projected high-density needs over the next 15 years.

Single-family projects include several proposed subdivisions. Per the City of Newberg's website, as of July 3 there were plans or proposals for approximately 127 new subdivided lots. Specifically, these subdivisions include:

- Nova Grace Subdivision. A 14-lot subdivision at 900 Wynooski Street (now complete).
- Columbia Estates Subdivision. A three-acre 29-lot subdivision between Columbia Street and Lynn Drive, west of Crater Lane (currently under construction).
- Dutchman Ridge Subdivision. A 46-lot subdivision at 25300 NE North Valley Road.
- South Park Newberg Subdivision. A 13-lot subdivision near E 6th Street between Columbia Street and Wynooski Street.
- Page Landing Subdivision. A 25-lot subdivision on E. Columbia Drive near the intersection with N. College Street.

Two single-family residential projects are currently proposed for the study area. Del Boca Vista (DBV) is the proposed developer of both projects.

- "The Orchards." 130 to 150 single family homes are planned for this property. Located on the Weatherly and Wozniak properties in the western part of the study area, both north and south of the Bypass, served by Weatherly Way and Waterfront Street.
- 1303 River Street. 16 bungalow-style single family homes are planned. This property (about 2.1 acres) is located in the heart of the project study area on the main access road to the Riverfront. The property is currently zoned for commercial use. DBV is seeking R-2 Planned Unit Development (PUD) zoning. These homes will be bungalow style, smaller single-family detached units. The homes will be smaller (less than 1,000 square feet) and will be marketed to people downsizing or first-time buyers. The lots are will be about 2,500, with PUD lot-size averaging. Pricing has not been finalized, but DBV expects to price the homes in the mid to high $200s; if not, the low $300s. DBV does not expect to create a homeowner's association (HOA) as part of this project; it will not be "cottage cluster" housing in that regard.

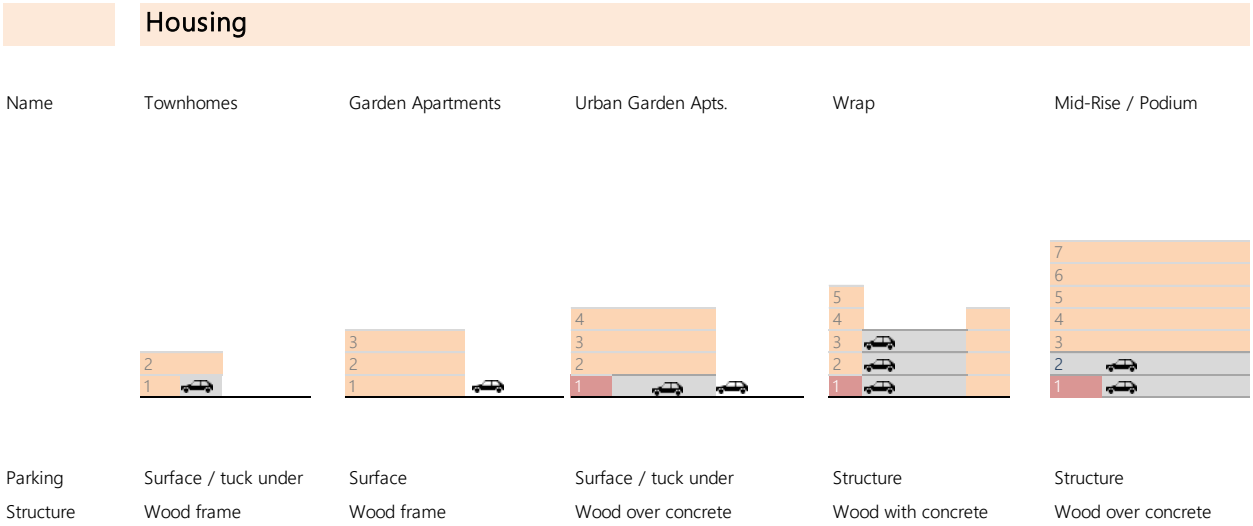
Housing Development Prototypes

Most housing can be categorized within a set of "prototypes," which are shown below. The prototypes increase in scale and density moving from left to right. Parking is a key factor that affects housing density and financial feasibility. Typical types of parking are surface, tuck under, structured, and below-grade structured. Surface parking is the least expensive and below-grade structured parking is the most expensive. Structured parking can add tens of thousands of dollars of construction cost per housing unit, and thus, higher-density housing requires significantly higher rents (or sales) per square foot in order to be financially feasible. Construction materials also change as housing density increases. Townhomes, garden apartments, and Urban Garden Apartments are typically entirely wood-frame buildings; while wrap and mid-rise/podium structures require

concrete construction for parking areas; in addition, steel is sometimes used instead of wood for the apartment areas. The construction complexity and specialization required for these building types also increases costs.

Due to the housing rents documented in Newberg and the recent multifamily development, townhomes and garden apartments appear to be the most financially feasible housing development types in the near- and mid-term. Single-family homes will also be feasible. Urban garden apartments (which include tuck under parking and sometimes ground-floor retail) may be feasible in the mid- and long-terms. Wrap and mid-rise projects are only likely to be feasible after significant "place-making" improvements have been made, and/or if the market changes. Affordable and/or mixed-income projects can sometimes achieve higher densities than market-rate projects since they have access to additional public funding sources.

Figure 27. Housing Development Prototypes



Market Trends

The recession had a profound and lasting effect on the housing market, and while the recovery is now well underway, more people are renting than ever before. For many people, financial barriers such as rising student debts, access to credit, and large down payments have forced them to rent. For many others, the choice to rent is simply a choice. Indeed, it is well established that the two most populous generations—the Baby Boomers (ages 54 to 72) and the Millennials (ages 22 to 37)—are currently the primary drivers of demand for residential units in walkable, urban locations that offer flexibility and a range of amenities.

As Baby Boomers reach retirement age and see the last of their children leave home, they are increasingly attracted to smaller move-down or "lock-and-leave" housing which requires less maintenance and affords more flexibility. As such, age-restricted and senior multifamily housing has risen near the top of the list for best investment choices (per ULI's "Emerging Trends in Real Estate 2018").

For Millennials, the situation is more nuanced and difficult to forecast. The common rhetoric for many years was that Millennials desire urban living and will continue to reside in urban cities because of financial conditions and choice. However, while demand for urban rental apartments has remained high among Millennials, they are increasingly forming households and having children, looking at select suburbs and secondary markets because of the quality of life, lower cost, and space and yard availability. Indeed, 70 percent of Millennials expect to be homeowners by 2020, even though only 26 percent own today (per ULI's "Gen Y and Housing"). With that said,

generational trends associated the next emerging generation—Gen Z (ages 21 and below)—are relatively unknown.

Other reports have recently documented important trends in housing. Findings include:

- Cost of housing, neighborhood safety; proximity to work; K-12 school quality; and community character, ambience, and visual appeal were the top five critical community features for survey respondents.[6]
- Urban setting; proximity to shopping, dining, and entertainment; walkability; and availability of mass transit are also important—but not critical—features in a community. [7]
- The more walkable the community, the more satisfied residents are with their quality of life.[8]
- Access to public transportation is much more important to those earning under $50,000 per year, while walkability is also more important to those with lower incomes. [9]
- Sixty percent of residents would spend at least a little more for a house in a walkable community. [10]
- Four-in-ten people prefer a walkable community and a short commute. Millennials, in particular, are swayed by a shorter commute. [11]

Talk of generational shifts, however, sometimes misses the point. Ultimately, people are waiting longer to make significant life choices, such as buying a home or having children, and quality of place has emerged as a primary desire for almost all prospective residents across all demographic groups. Quality of place is simply the components that make any given place enjoyable to live, such as availability of and access to good schools, parks, quality healthcare, transit, shops, entertainment, and cultural amenities.

Residential Demand

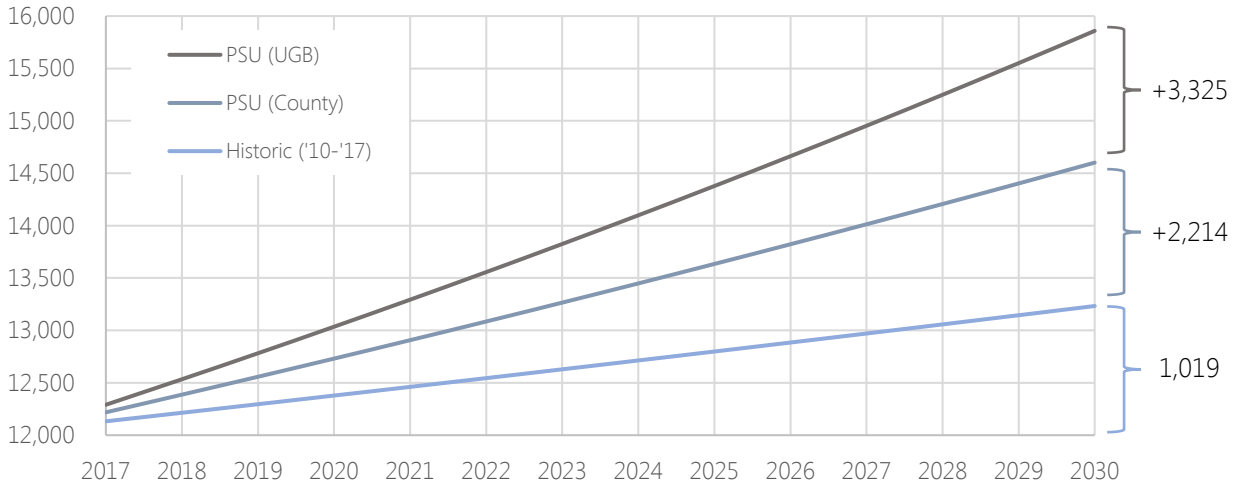
As noted earlier, projected growth rates vary significantly depending on the source and the geography in question. Therefore, it is important to carefully consider the "middle-of-the-road" option and note that actual demand is likely to change.

Figure 28 shows household projections using three data sources:

1. Portland State University's projections for the Newberg Urban Growth Boundary—the highest growth rate projected.
2. Portland State University's projections for Yamhill County.
3. The "baseline" growth rate, which applies the historical household growth rate from 2010 to 2017 in the market area to current households.

[6] Urban Land Institute (ULI), Gen Y and Housing: What They Want and Where They Want it, 2015
[7] Ibid.
[8] National Association of Realtors (NAR), National Community and Transportation Preference Survey, 2017
[9] Ibid.
[10] Ibid.
[11] Ibid.

Figure 28. Household Projections, Market Area, 2017 to 2030



Source: ESRI, PSU, Leland Consulting Group

For the residential and retail demand forecasts, we assume that actual household growth will be approximately 1.4%, which is closest to PSU's projection for the County, and between the lower historic rate observed in the market area, and the higher PSU projection for the UGB. LCG views this 1.4% rate as reasonable and potentially conservative. Based on this household growth rate, we project market area demand for an additional 1,960 units over the next 10 years within the market area, or about 196 units per year. We anticipate that the most demand for new *rental* units will be from households with incomes less than $75,000, and the most demand for new owner-occupied housing to be from households earning between $50,000 and $150,000. We expect about 38 percent of future housing demand to be for renter-occupied units, resulting in about 741 rental units and 1,218 owned units.

Figure 29. 10-year Market Area Unit Demand

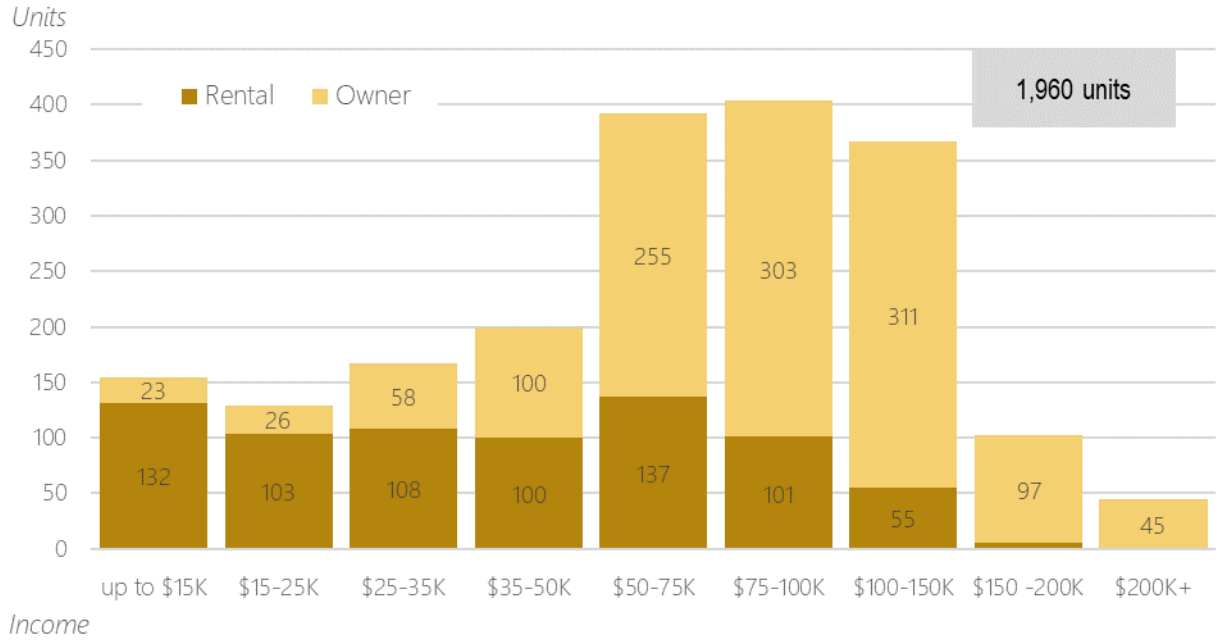


Table 9. Annual Income Range and Attainable/Affordable Monthly Rent and Housing Price

HH Income	$15k	$25k	$35k	$50k	$75k	$100k	$150k	$200k	$200k+
Attainable Monthly Rent	$375	$625	$875	$1,250	$1,875	$2,500	$2,500+	$2,500+	$2,500+
Attainable Home Price	$45k	$75k	$105k	$150k	$225k	$300k	$450k	$600k	$600k+

Source: ESRI, Leland Consulting

Riverfront Study Area Absorption

With such a tight single-family and multifamily market, we expect the project study area to capture a significant amount of new residential demand over the next 10 years. However, the rate of new residential development will largely depend on the amount of buildable land within the study area. There are few remaining significant tracts of contiguous land, but opportunities for housing may arrive near or on the WestRock Mill site.

There are currently plans for 140 new rental units and 127 subdivision lots in the market area outside of the project study area, totaling 14 and 8 percent of 10-year residential demand for renter- and owner-occupied units, respectively. Within the study area, 150 to 170 new single-family homes are planned, which equates to about 10 percent of estimated 10-year demand for owner-occupied units.

For rental units, the River Street terminus area would be the most appropriate location for new development. A small cluster of apartments close to shops and other amenities could result in a capture rate of 20 to 30 percent of new rental demand (200 to 300 units).

For owned units, the study area is already absorbing about 10 percent of 10-year demand. An additional 10 to 15 percent may be possible under current constraints.

Retail Market

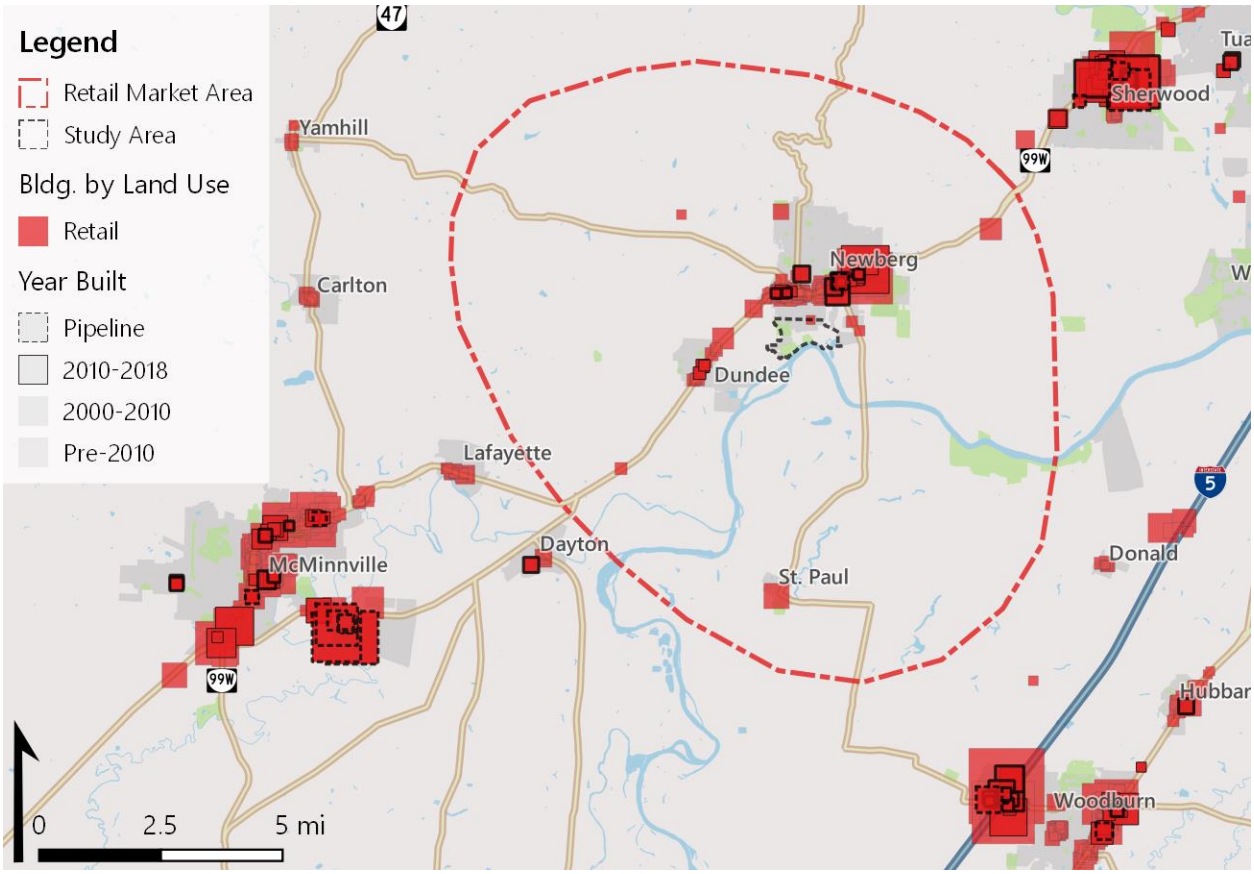
Market Summary

For retail, the analytic goal of defining a "market area" is generally to encompass likely customers whose spending power will fuel a significant majority of sales in future shops and eateries in the study area. Competitive supply (both existing and potential) will also, logically, tend to fall within that same market area. Neighborhood stores such as supermarkets tend to have much smaller market areas than big box stores, which in turn have smaller catchment areas than regional malls or other larger-scale projects.

CoStar reports that the Newberg market area has 222 buildings totaling 1.5 million square feet of retail space. The market has a low vacancy rate of 1.4 percent. Rents vary widely by retail property type, condition, and configuration. New retail pads along Highway 99W east of downtown achieve between $13 to high $20s. A few asking rents for new first-generation spaces are around the $30s (such as the recently-built Starbucks).

Figure 30 illustrates the relative size of retail development by total square footage. Retail development is largely concentrated around State Highway 99W. Generally, retail is small-scale—especially along and near First Street—while larger neighborhood-serving retail—such as Fred Meyer, Safeway, and Dollar Tree—is located in the eastern section of city.

Figure 30. Regional Retail Development



Source: Costar, Leland Consulting Group

Understanding the pattern of retail spending within a community is critical. By looking at estimated demand from existing households and current estimated sales, we can identify the relative strength or weakness of each retail category. Retail sectors in which household spending is not fully captured are called "leakage" categories, while retail categories in which more sales are captured than are generated by existing residents are called "attraction" or "surplus" categories.

A retail sales surplus indicates that a community pulls consumers and retail dollars in from outside the trade area, thereby serving as a regional market. Conversely, when local demand for a specific product is not being met within a trade area, consumers are going elsewhere to shop, creating retail leakage.

Table 10 shows the current annual retail leakage for different retail categories. Almost all retail categories show a sales leakage occurring, with only Food and Beverage (grocery) showing a surplus. This indicates that the Newberg area is a weak retail market with a lot of spending potential leaving the area. General Merchandise shows the highest leakage, but these retailers—such as Walmart and Target—have large catchment areas and it's very possible that Newberg residents travel to either McMinnville or Sherwood to shop at these stores.

While leakage usually presents an immediate opportunity to increase new retail development activity and capture some of the demand leaving the area, this may be unlikely for many of the retail categories in the table below given Newberg's proximity to several regionally-significant retail centers. For example, both Bridgeport Village and the Woodburn Outlets—which provide an extensive range of low-cost, high-quality products—are within a 25-minute drive of Newberg.

Table 10. Retail Leakage Analysis

	Current Est. HH Demand (ESRI)	Current Est. Sales (ESRI)	Current Leakage ($)
Furniture and Home Furnishings	$14,987,271	$3,092,411	$11,894,860
Electronics and Appliance	$14,964,887	$5,543,575	$9,421,312
Building Material, Garden Equip	$32,339,209	$29,287,375	$3,051,834
Food and Beverage (grocery)	$74,881,457	$82,010,504	-$7,129,047
Health and Personal Care	$27,847,061	$25,132,973	$2,714,088
Clothing and Accessories	$23,231,029	$2,413,627	$20,817,402
Sporting Gds, Hobby, Book, Music	$16,338,579	$3,114,943	$13,223,636
General Merchandise	$79,726,991	$38,472,797	$41,254,194
Misc. Store Retailers	$21,548,471	$12,428,394	$9,120,077
Foodservice and Drinking Places	$48,815,388	$32,042,273	$16,773,115
Other (including cinema, prof./med. office, consumer banks, etc.)	$53,202,051	$35,030,831	$18,171,221
		Total	$139,312,692
		Leakage only	$146,441,739

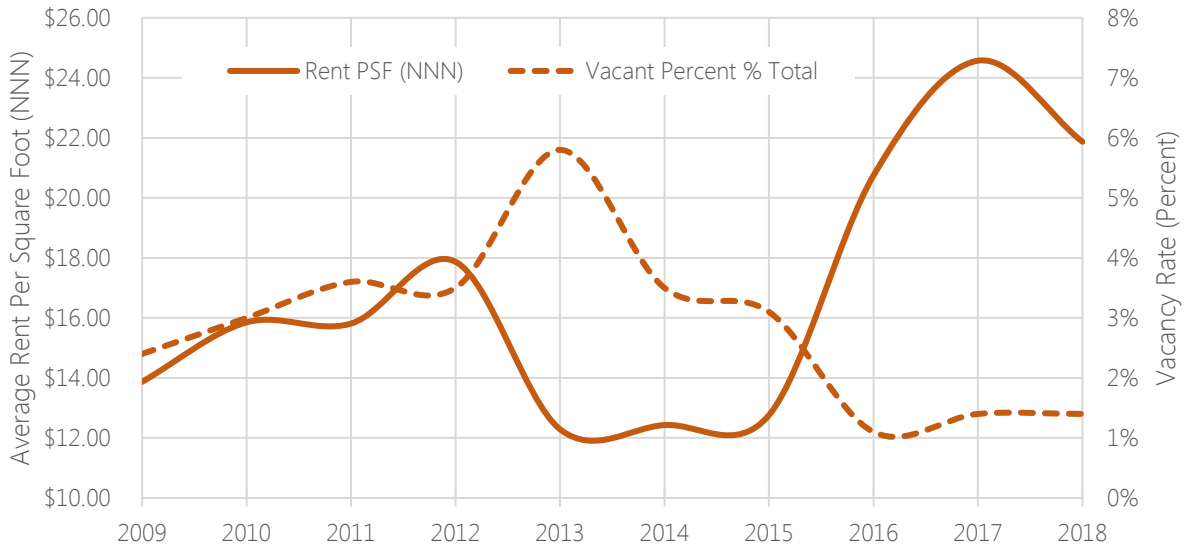
Source: ESRI

Figure 31 provides rent and vacancy trends for retail development in the Newberg-Dundee market area. Rents and vacancies tend to have an inverse relationship, and this has been the case with local retail development. The Newberg market experienced a slight spike in the overall vacancy rate in 2013, which triggered rents to drop. However, since 2014 vacancy rates have been dropping—to the extent that vacancy is now almost non-existent—and rents have nearly doubled.

Springbrook Plaza, one of the newer and larger retail centers in the area, boasts some of the highest rents at around $20 to $24 per square foot triple-net.

While such low vacancies typically suggest demand for new retail development, this may be small-scale. The changing face of the retail sector is resulting in record closures of national retailers, and other large regional retail centers—such as the Woodburn outlet mall and Bridgeport Village—are far more competitive and already established.

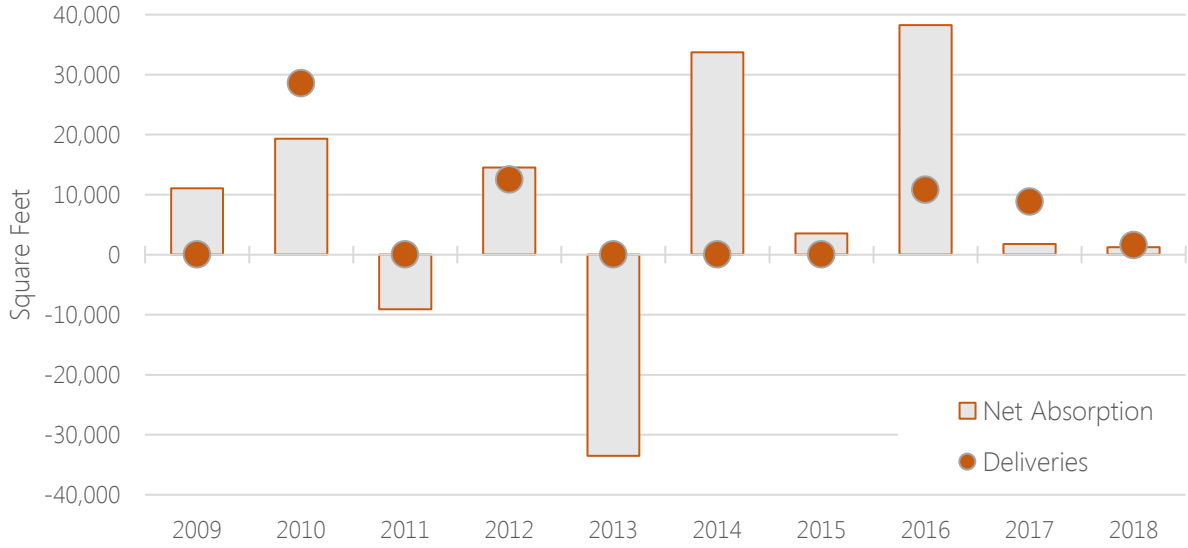
Figure 31. Market Area Retail Rent and Vacancy Trends, 2009-2018



Source: Costar

Figure 32, which shows the net absorption and total retail deliveries by year for the past decade, demonstrates why the spike in the vacancy rate occurred in 2013. Clearly, some major retail space was vacated in 2013, but this was immediately followed in 2014 by absorption that essentially cancelled out the negative absorption from the previous year. In terms of deliveries, there have been few significant developments over the past decade.

Figure 32. Market Area Retail Net Absorption and Deliveries (sq. ft.), 2009-2018



Source: CoStar

Planned and Proposed Retail Projects

There are no planned or proposed retail projects in the market area. As noted already, other larger retail centers in the region have absorbed most new retail development.

Market Trends

The goods-based consumer retail industry is undergoing a seismic shift and transformation. Big name retailers are declaring bankruptcy and closing hundreds of stores as online purchases grow and American buying habits change. Last year saw a record number of store closings. This is having a trickle-down effect on communities, as some see their brick-and-mortar retail bases slowly eroding, with impacts felt in shopping centers and along traditional Main Streets.

Planners in some cities and counties are taking proactive approaches to the shifting retail landscape. They're commissioning studies of the marketplace and developing new strategies to maintain and foster better retail environments. Also, many retail-only zoning classifications are being modified to allow a variety of new uses in ground-floor, street-fronting spaces. The idea is to liven up the street with pedestrian activity without relying on retail, with new uses ranging from offices to fitness facilities.[12]

Table 11 summarizes some of the key growing and declining retail types. This information is based on research conducted by commercial real estate company Cushman & Wakefield and reflects changing preferences. Online shopping is having a significant impact on "commodity retail." Retailers selling products that can easily be ordered and shipped from Amazon or others face a challenging environment and must have a competitive advantage against online competition—whether that is convenience, experience, customer service, or something else. Commodity retailer categories include electronics, office supplies, and video stores.

By contrast, retailers offering a special experience, or offering services that cannot be procured online, have the potential to thrive. A prime example is dining—as one retail guru has said, "you can't eat the internet;" and you certainly cannot dine with family and friends on the internet. Therefore, food and beverage establishments have become a larger and larger part of the retail experience, on both main streets and larger shopping centers. Another growing "retail" sector is healthcare. Small, neighborhood-scale providers are moving into both main street and retail center locations.

[12] https://www.planning.org/planning/2018/jul/retailrealities/

Table 11. Retail Trends: Growing and Declining Retail

Growing	Declining
	
• Retail that offers a special experience • Food! • "Fast Casual," i.e. Little Big Burger • Food Halls, artisanal markets • Trucks to Bricks • Grocery: Ranging from discount, to organic, to small format, and ethnic • Medical users, incl. ZoomCare • Apparel: Fast fashion, off-price, active sportswear • Sporting clubs • Fitness/Health Clubs • Marijuana dispensaries • Auto repair • Convenience stores • Car dealerships • Home improvement and home furnishings	• Commodity retail • Food: Casual dining, weaker fast food chains • Mid-priced apparel and shoes; children's • Dollar Stores • Pet supplies • Electronics • Office Supplies • Bookstores • Toy Stores • Video stores • Bank Branches

Source: Cushman & Wakefield, Leland Consulting Group.

The Rise of E-commerce

Between 2001 and 2015, total online retail sales grew at a 21.8 percent annual growth rate and accounted for 22 percent of total retail sales growth. During the same period, brick-and-mortar stores grew at a rate of only 3.7 percent annually, decreasing their share of the total retail market from 98 percent to 89 percent. While still only a small total market share, estimates indicate that up to 20 percent of total US sales will be attributed to e-commerce by 2019.

The rise of online retail has also had a major impact on the way retailers are doing business. As more people turn to the internet to do their shopping, traditional brick-and-mortar stores are altering their store formats and

incorporating an online platform into their business concepts. Omnichannel retail strategies, where a retailer operates through both physical locations and online sales, have proven to be a necessity in today's market.

The list of top online retailers reinforces this point, as many also have a significant brick-and-mortar presence. Of the top 25 companies with the highest online retail sales in 2016, 18 were more traditional brick-and-mortar retailers. These include companies such as Walmart, Best Buy, Macy's Inc., Nordstrom Inc., Target Corp., Gap Inc. and Neiman Marcus.[13] That said, Amazon remains king among online retailers, with almost six times the sales volume of the second ranked retailer, Walmart.

Employment Market

The Newberg market area has 90 office buildings with a total of 444,000 square feet of rentable space. Typical to the Newberg office market are wood-framed Class B and C office buildings built between 1960 and 1990. Office vacancy stands at 3.5 percent according to CoStar; this is down from a 10-year high of almost nine percent in 2014. Gross office rents currently average around $19.70 per square foot per year. Examining current listings, there are a few available spaces in buildings constructed in the mid-2000s along the 99W corridor northeast of downtown. These availabilities have asking gross rents that range from $18 to $25 square foot per year.

There are 76 industrial buildings with a total of 1.9 million square feet of rentable space. Industrial vacancy stands at 0.4 percent according to Costar, down from a 10-year high of about seven percent in 2012. Industrial rents average around $8.50 per square foot.

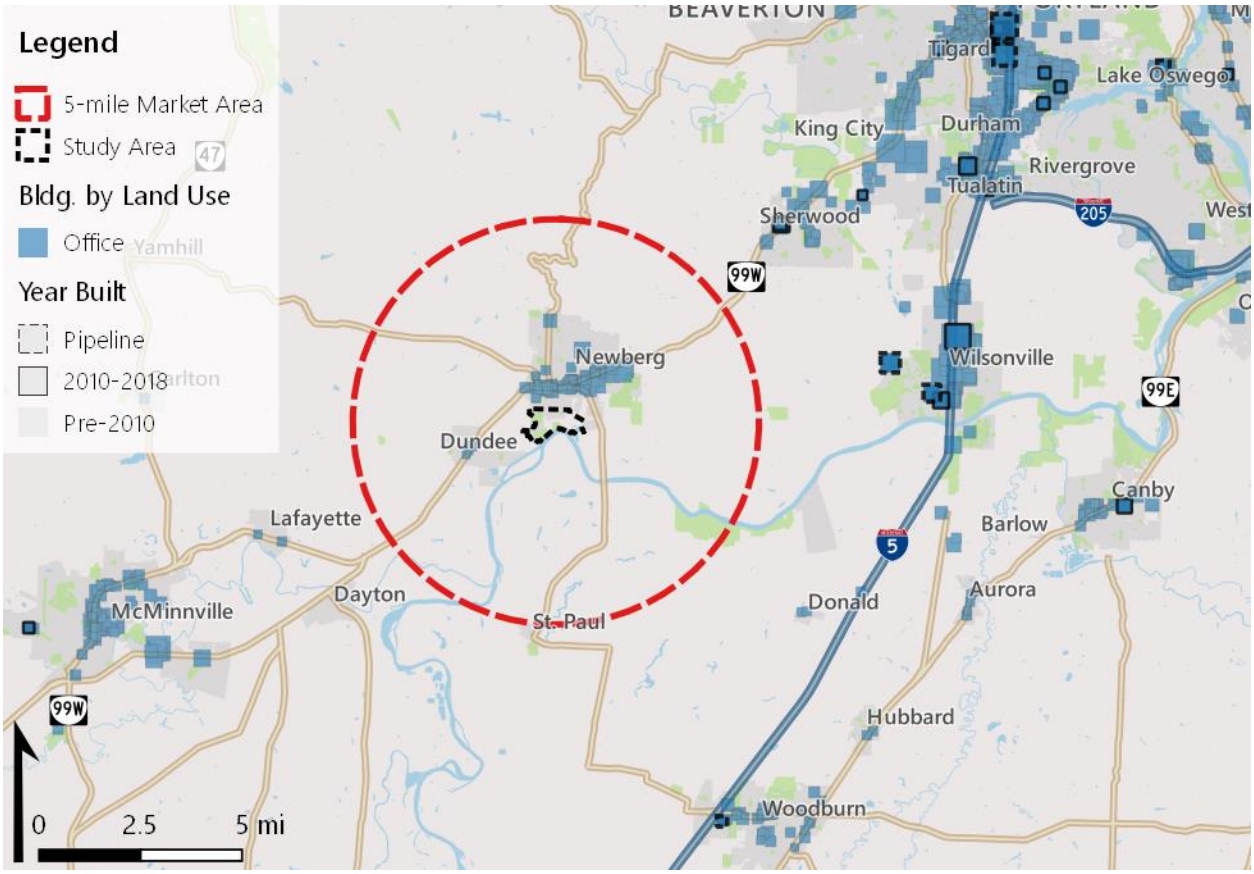
Market Summary

With an economy centered on agriculture, the Yamhill County office market is relatively quiet, and its tenants and investors are predominantly local. Vacancy is tight partially due to moderate absorption but mostly because of limited inventory. Rents experienced back-to-back years of growth in 2015 and 2016 but contracted in the past year. Over the cycle, the submarket has consistently posted minimal investment activity and nearly no new supply.

As shown in Figure 33, new office construction in the region has been limited to the Portland Metropolitan Area and other close-in cities.

[13] wwd.com/business-news/financial/amazon-walmart-top-ecommerce-retailers-10383750/

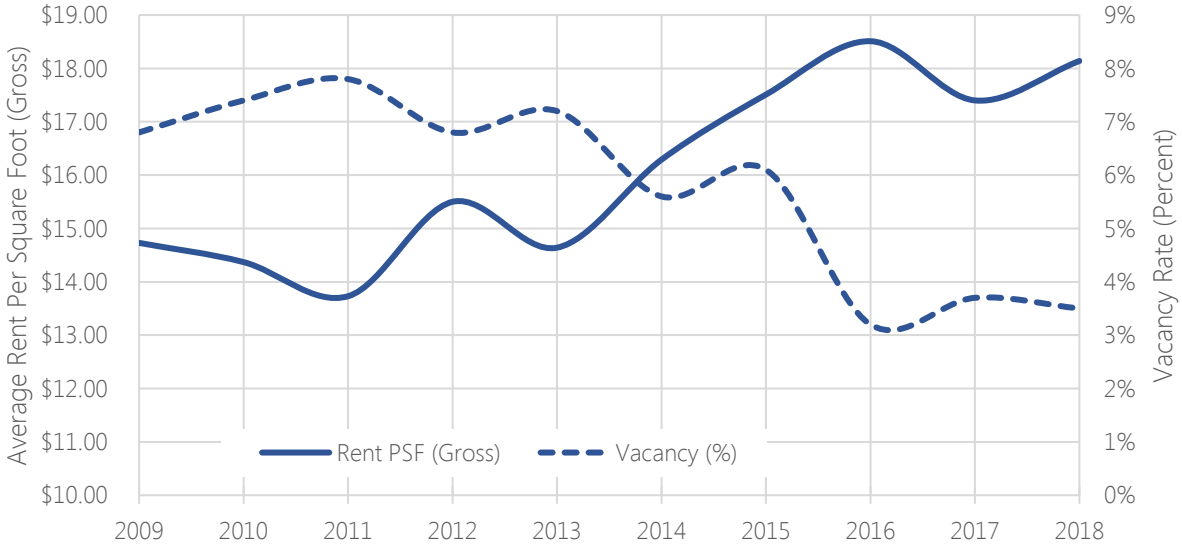
Figure 33. Regional Office Development



Source: Costar, Leland Consulting Group.

As noted already, the market area has experienced moderate rent growth over the past decade, and vacancy rates have been gradually declining during this same period, settling around 3.5 percent this year.

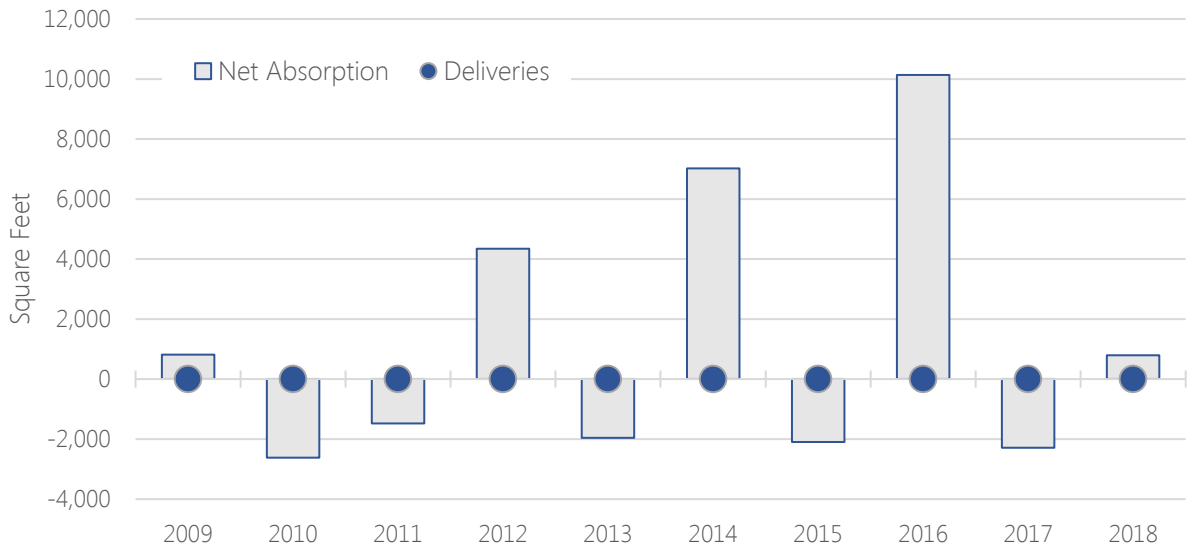
Figure 34. Market Area Office Rent and Vacancy Trends, 2009-2018



Source: Costar

Net absorption of office space has been largely positive, but it has been minimal, and no new office space has been constructed in the past decade. This is reflective of the fact that significant and more competitive employment clusters have developed throughout the Portland Metropolitan Area.

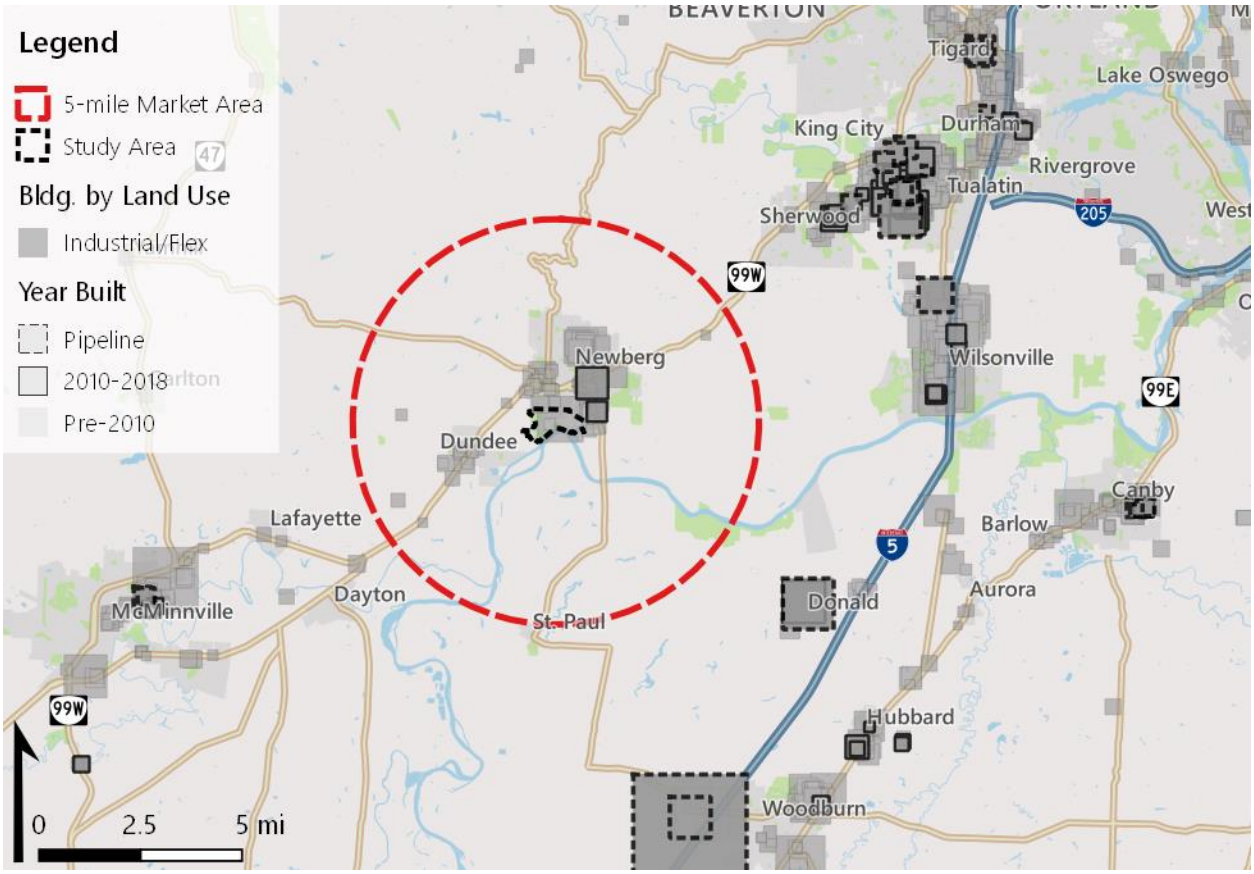
Figure 35.Market Area Office Net Absorption and Deliveries (sq. ft.), 2009-2018



Source: Costar

For industrial, the market is marginally stronger than for office. However, like office, industrial development has also clustered elsewhere in the region in locations that are arguably better suited for continued expansion. Locations such as the Tualatin, Tigard, and Wilsonville benefit from close proximity to Interstate-5 and access to talent in Portland. These locations have rapidly built up their manufacturing industries, among others. While Newberg has seen recent development, it is unlikely to compete with these other centers.

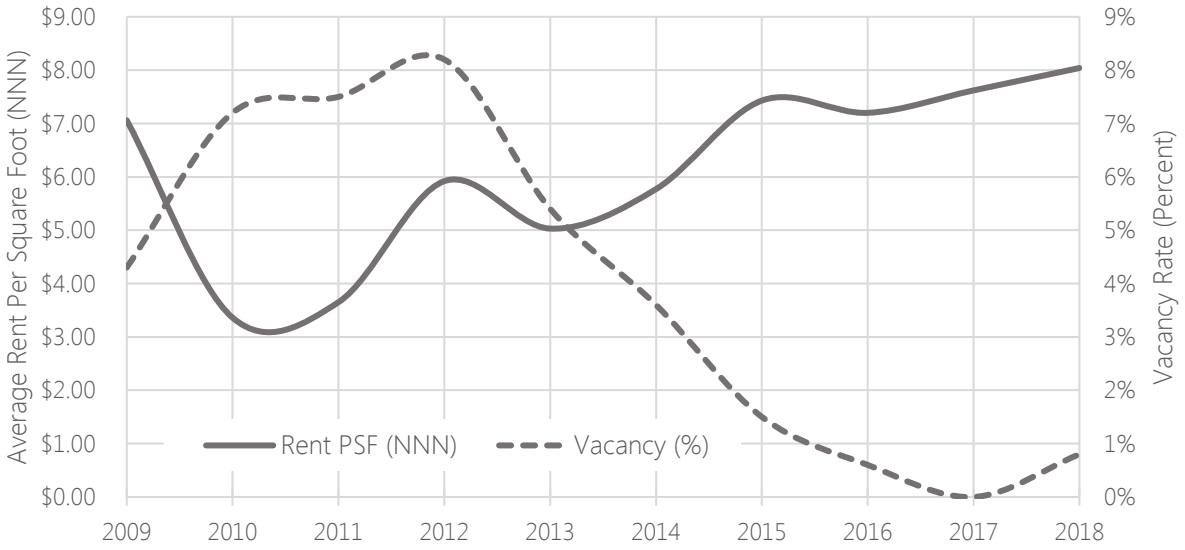
Figure 36. Regional Industrial/Flex Development



Source: Costar, Leland Consulting Group

While the industrial vacancy rate is virtually zero, rents have only just climbed to pre-recession levels.

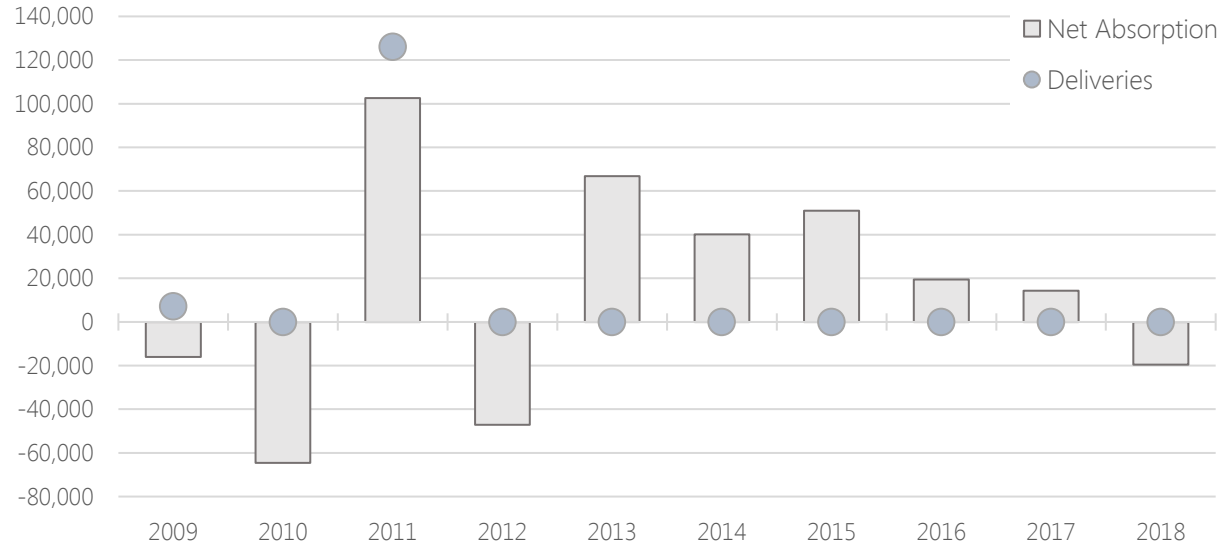
Figure 37. Market Area Industrial Rent and Vacancy Trends, 2009-2018



Source: Costar, Leland Consulting Group

Net absorption has been largely positive, albeit with no industrial deliveries since 2011.

Figure 38. Market Area Industrial Net Absorption and Deliveries (sq. ft.), 2009-2018



Source: Costar, Leland Consulting Group

Planned and Proposed Projects

Only one industrial building is currently in the pipeline, due for completion this year (2018): a 41,000-square-foot facility to the east of the project study area. The property is located in the Enterprise Overlay Zone, which covers a significant portion of the study area.

Figure 39. City of Newberg Enterprise Overlay Zone

Source: City of Newberg, Leland Consulting Group.

Market Trends

Across the United States, traditional office development is increasingly considered obsolete in today's shifting market. Tenant preferences are swinging toward mixed-use, walkable, live-work-play environments, as companies find it is tougher to recruit the emerging Millennial workforce to sterile, single-use buildings and in auto-dependent neighborhoods. There are many parallels with retail, although the office market is impacted more by location preferences and workplace trends than emerging technologies.

Location Preferences

While people once followed the jobs, corporations and professional firms are now following people back to the city. These companies have increasingly seen prospective employees choosing to live, work, and play in more interesting—often urban—locations, and now they have realized that attracting these employees requires them to be in these places too. As such, authenticity of place has become a sought-after commodity. Companies and workers now look for the genuine, the idiosyncratic, the unique and, most importantly, a personality of place that matches their own. In fact, a recent Newmark study identified a significant rent premium for office properties with transit access, dining operations, and open floor plans of around 50 percent higher than those with obsolescent characteristics.

For cities, this means that opportunity lies in attracting more investment and focusing on placemaking to make themselves the place where the best and brightest live, work, and shop. This might require updating office and industrial areas to reflect the way we now do business and work day-to-day. And, as the finance, utility, and even government sectors continue to consolidate, cities will need to backfill their buildings with new tenants to keep downtown an interesting and lively place.

For colleges and universities, the opportunity is drawing employers closer to their campuses in a way that will boost research funding, create jobs for graduates and consulting for faculty, and raise their overall visibility in the community. Institutions that do this creatively will also be able to tap new sources of financing for campus expansion. Investments in student housing will further boost the local experience.

Workplace Trends

General trends impacting the office workspace include a steady decline in the amount of square feet per employee, the increase in standardized work spaces and non-dedicated (shared) office space with more amenities, more tolerance for telecommuting and collaborative work spaces, and a greater emphasis on higher space utilization, innovation, and productivity. Within the private sector, "creative" office environments are becoming ever more popular. Real estate investors are wondering whether the office sector is next in line for a painful shakeup, as tenants continue to use office space more efficiently.

The impact of tenants' push for greater space efficiency has created winners and losers within the office market. Fitting more employees into less space has enabled office tenants to sign smaller leases or afford higher-end space. This is a particularly compelling tradeoff in the current market, as tenants are increasingly relying on amenity-rich office environments to help recruit the highly skilled workers who are now in short supply.

There are several examples of large companies moving to new space use models in their office environment. For example, P&G allows many workers to work anywhere and has been moving to standardized non-dedicated space, increasing their office work station utilization rate from 60 to 90 percent, and HP is targeting 120 to 150 square feet per employment and 85 percent utilization with standardization and highly shared space.

Innovation Districts

For the past 50 years, the landscape of innovation has been dominated by places like Silicon Valley—suburban corridors of spatially isolated corporate campuses, accessible only by car, with little emphasis on the quality of life or on integrating work, housing, and recreation.

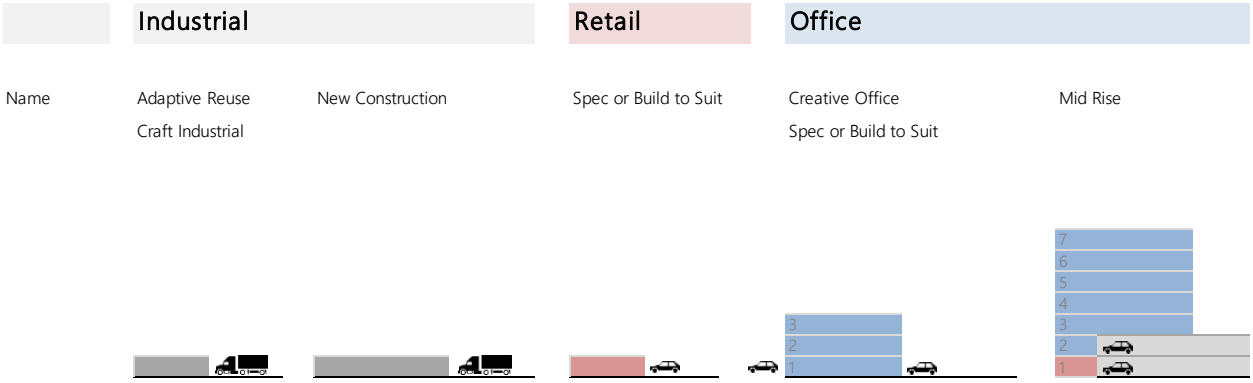
A new complementary urban model is now emerging, giving rise to "innovation districts." Innovation districts are the manifestation of mega-trends altering the location preferences of people and firms and, in the process, re-conceiving the very link between the economy, placemaking, and social networking. These districts are geographic areas where leading-edge anchor institutions and companies cluster and connect with start-ups, business incubators, and accelerators. They are also physically compact, transit-accessible, and technically-wired and offer mixed-use housing, office, and retail.

Innovation districts are still an early trend that, because of their multi-dimensional nature, has yet to receive a systematic analysis across the United States and other countries. Yet they have the unique potential during this pivotal post-recession period to spur productive, inclusive, and sustainable economic development.

Commercial Development Prototypes

Commercial development prototypes are shown below. Once again, parking is a major driver of building form. Only one commercial development prototype—mid-rise office—includes structured parking; this building type is unlikely to be feasible due to the high cost of structured parking.

Figure 40. Commercial Development Prototypes



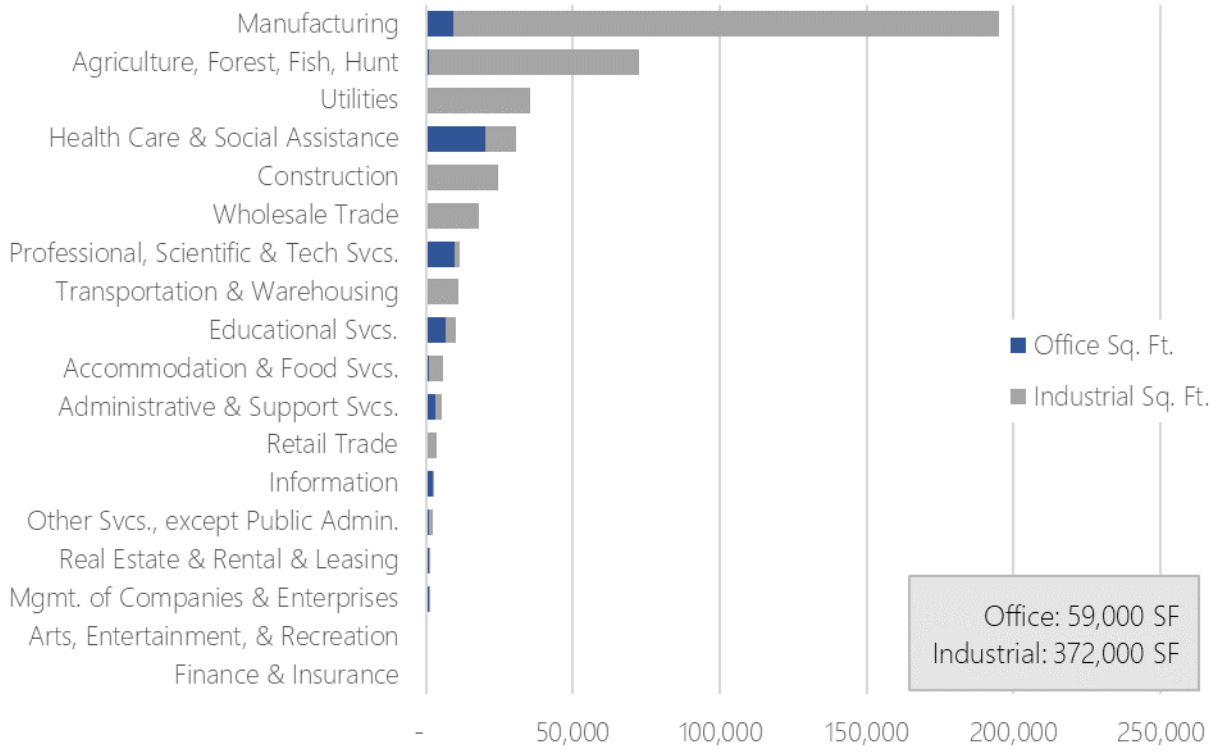
Demand for Commercial/Employment Development

This section provides an estimate of future 10-year market demand for residential development, office and industrial development, and retail development.

Employment Demand

Based on the respective strength of the office and industrial markets, most employment-based demand for new development is likely to be in the industrial sector, specifically manufacturing. With that said, this is largely dependent on Newberg's ability to compete with other cities in the region where industrial development has been more prevalent. Figure 41 shows LCG's office and industrial development forecast for the market area, based on job growth forecasts made by the U.S. Census.

Figure 41. Office and Industrial Demand



For office, employment growth in the industries of healthcare and social assistance, professional and business services, and educational services can expect to drive most of the demand for new office development.

However, the Census' employment forecast likely overstates demand for industrial and office space. The table below shows historical employment growth rates along with historical office and industrial deliveries documented over the past decade. These data are used to project office and industrial deliveries over the coming decade, for the market area. Because no new office space has been built (despite the addition of several thousand new employees), it is possible that there will be little to no demand for office space in the next decade. Likewise, demand for new industrial space may be lower than would be projected using Census data.

Table 12. Historical and Forecasted Trends

	Past Decade	Next Decade
Employment Growth	2,322	2,139
Annual Growth Rate	3.1%	1.8%
Population Growth	2,904	5,748
Annual Growth Rate	1.0%	1.7%
Net Office Absorption	12,657	11,700
Net Office Deliveries	0	0
Net Industrial Absorption	146,932	135,400
New Industrial Deliveries	41,000	37,800

Riverfront Study Area Absorption

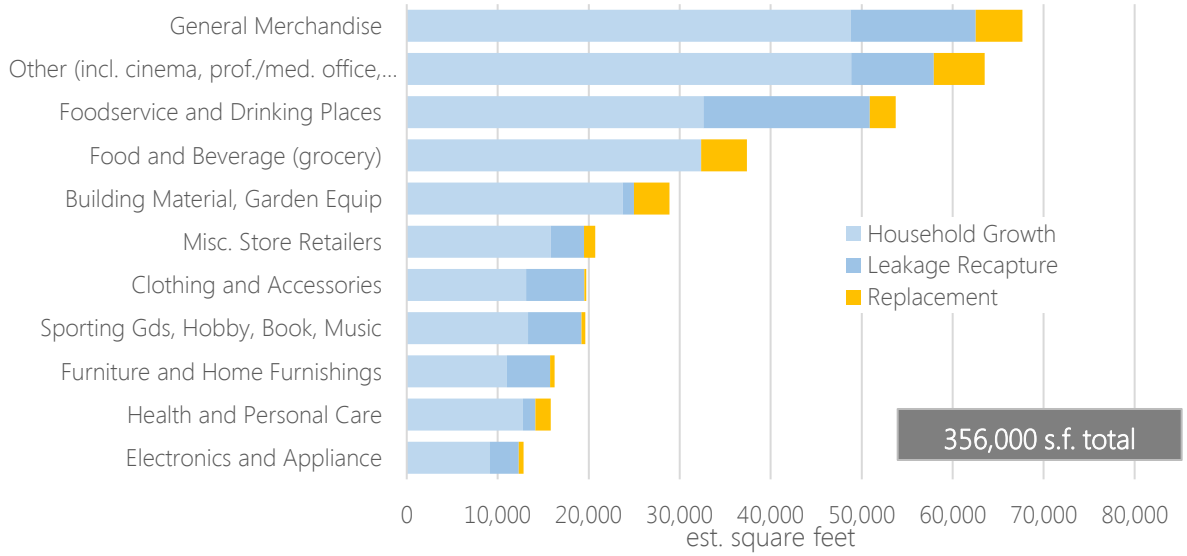
While employment is projected to continue to grow in the market area, no new office space has been built in the past decade. This is a clear indication that office rents are too low to justify the high costs of new, high-quality speculative office development. Therefore, *speculative* office development is likely to be minimal or nonexistent in the Riverfront area in the near- and mid-term. It is possible that build-to-suit office or healthcare development could be completed for one or more tenants looking for a special site and campus environment, particularly on the WestRock campus. However, a majority of new office development built in the last decade has been in urban, mixed-use environments rather than suburban campuses.

For the industrial capture rate, much depends on the future of the WestRock site and immediate surrounding area and whether it can continue to accommodate industrial users. If so, there are over 100 acres available for development and/or redevelopment.

Retail Demand

Using the household growth projections and leakage analysis described earlier, we forecast demand for approximately 356,000 square feet of additional retail development within the five-mile market area over the next decade. The general merchandise, "other" (cinema, medical and professional office, etc.), and foodservice and drinking places (restaurants and bars) retail categories are responsible for about half of total demand. Grocery demand would likely support one additional store.

Figure 42. 10-year Market Area Retail Demand by Source



Source: Leland Consulting Group

Riverfront Study Area Absorption

The Riverfront has challenges from a retail point of view: It is not well-known or highly visible from any major roadway, and its natural market area of nearby residents is today virtually non-existent. Even if the Riverfront were to build out rapidly with residential uses, retail would still struggle due to a 180-degree, rather than 360-degree, potential market area. It is a weak location for convenience and general merchandise retail and is not well positioned to capture a significant amount of market-area demand.

However, the Riverfront also has strengths including special views and high usage during warm-weather months, when residents and visitors use Rogers Landing Park in much greater numbers. This suggests that retail and commercial uses here are likely to be "destination" uses, trends that can been seen in all of the case studies below. Commercial tenants in this category include restaurants, wine-tasting and wine sales, unique Willamette Valley food growers and vendors, other food and beverage vendors (coffee, ice cream, bakeries), and outdoor recreation suppliers. Secondary commercial tenants can fill space alongside these "anchor" tenants. 5,000 to 30,000 square feet of retail/commercial space is achievable in the medium term.

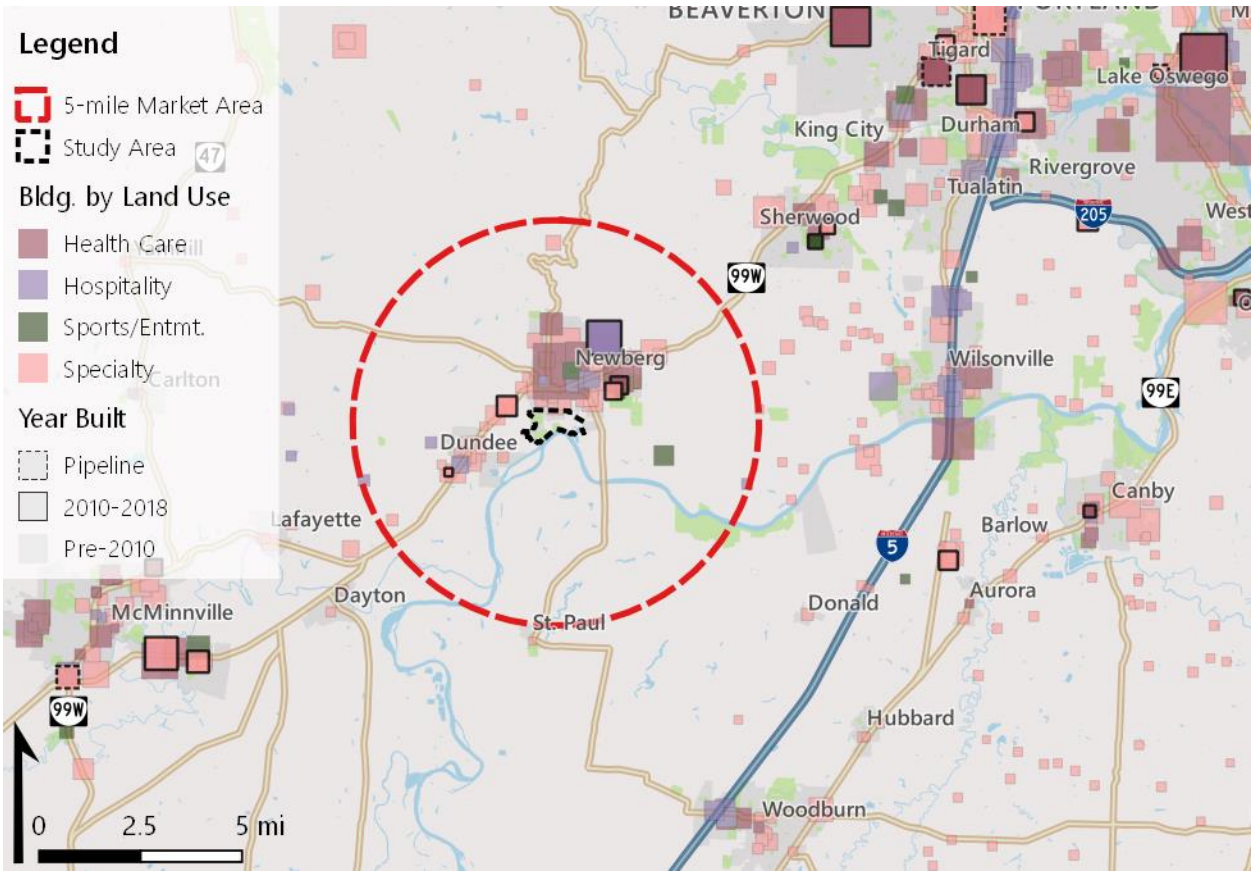
Lodging, Hospitality, Recreation, and Other Development

"Other" development includes health care, hospitality (hotel), sports and entertainment, and specialty.

Market Summary

Since 2010, there have been only a handful of new properties built in these categories, including one hotel (The Allison), one health care facility (assisted living), and two specialty properties (self-storage and PCC Newberg Center).

Figure 43. Regional "Other" Development



Source: Costar, Leland Consulting Group

Lodging & Hospitality

The primary demand driver for hotel development include:

- Tourism and tourist destinations

- Entertainment activities
- Business activity (number of jobs and businesses)
- Business conferences and conventions
- Travel patterns (visibility)

A selection of applicable new hotels is profiled below.

The Allison, Newberg, Oregon. The Allison is an 85-room, 5-star resort hotel in Newberg, Oregon which opened in 2010. Room rates average between $435 and $475 per night.

Located in the Willamette Valley in 35 acres of grounds, this luxury spa resort is within 10 miles of dozens of wineries and 2 miles from Chehalem Glenn Golf Course. Amenities include an upscale restaurant and wine cellar, a spa offering wellness treatments, an indoor pool and hot tub, and yoga classes.

Atticus Hotel, McMinnville, Oregon. Atticus is a new 36-room luxury boutique hotel in downtown McMinnville, at the corner of N.E. 4th St. and N.E. Ford St. The property—which takes the place of a vacant parking lot—is a 22,640 square-foot, four-story building, and was developed by the Odd Fellows Building (OFB) LLC. It is leased in its entirety by Live McMinnville LLC., which will operate the Atticus Hotel.

Eighteen wineries and tasting rooms are located within walking distance along the town's quaint and historic downtown stretch. The Atticus offers a variety of studio and one-bedroom suites from $300 per night, as well as a 2-bedroom 2.5-bath penthouse. The hotel features amenities including a conference room, exercise facility, business center, private dining space, and a restaurant and bar. Guests can expect a full accouterment of services, including valet parking, in room dining, 24-hour concierge, and group sales coordination.

The Hotel at Independence Landing, Independence, Oregon. A boutique hotel is expected to open in Independence, Oregon in May 2019. The developer, Tokola Properties, was selected by the City of Independence after they bought the waterfront property in 2015 and sent out a request for qualifications for developers to outline their vision for the site.

The Independence hotel, featuring "warm and contemporary" architecture that compliments the historic downtown area, will have 75 rooms.

Embarcadero Hospitality Group will manage the hotel. Seasonal rates for rooms will range from around $125 on winter weekdays up to $300 or more for certain suites during summer weekends, developers said.

Near Term Hotel Development Prospects.

In the near term (zero to five years and perhaps more), hotel development at the Newberg Riverfront will be difficult for several reasons:

- Even though the site may be visible from parts of the Bypass, it is not easily accessible or highly visible from a major thoroughfare such as 99W. It would need to be a destination hotel.
- Distance from downtown amenities. Visitors to the hotel would probably drive, not walk, to the restaurants, wine-tasting, boutiques, retail, and other amenities in downtown. There are no commercial amenities at the riverfront today and therefore a hotel at the riverfront would need to create its own sense of place and stand on its own. This would require a significantly higher level of investment, potentially in place making amenities, restaurants, meeting facilities, etc.
- The current setting is somewhat industrial, particularly to the east. This is not a highly desirable hotel setting. Uncertainty about what will happen west of River Street will also make hotel developers more reluctant to invest.
- There are no immediate comparables on which to rely. There is a cluster of existing hotels—including the Holiday Inn Express, Best Western, and Travelodge—along 99W, and any new hotel proposals at this location can rely on the room rates and occupancy at these properties. Most hotel development is low-risk and follows established leaders. Lenders will be cautious about applying the 99W economic assumptions to a new hotel at the riverfront.

Long Term Hotel Development Prospects.

In the long term, this could be an excellent site for a hotel.

- Numerous amenities would improve prospects for hotel development, including:
    - Pedestrian and bicycle trails, particularly those making regional connections, from Newberg to Dundee, and to the east, from Newberg across the waterline bridge, to Champoeg and the Willamette Valley Scenic Bikeway. A trail crossing the waterline bridge to the east would be a regional attraction and a postcard view.
    - Additional parks, open spaces, and festival venues.
    - Restaurants and retail.
    - Wine tasking and wine-related uses.
    - Other residential and commercial development.
- Numerous cities have transitioned their waterfronts from industrial to mixed-use. The Hood River and Independence waterfronts are two local examples, and both include hotels. Hood River "set the stage" with restaurants, retail, office space, and an exceptional series of parks and open spaces. The Independence waterfront is directly across the street from the historic downtown, so the sense of place and commercial establishments already existed.
- The more that a hotel developer needs to create these amenities "from scratch," the more difficult the economics will be. Depending on the level of investment, a destination hotel is likely to require average room rates of $275 to $350 per night.

Tourism

The tourism region of Willamette Valley includes Benton, Linn, Marion, Polk, Yamhill and portions of Clackamas and Lane counties. The region stretches from the crest of the coast range to the crest of the Cascade Range.

The Willamette Valley offers more than 500 wineries in 150 miles, historic towns and cities, craft breweries, farm stands, and hiking, paddling, and cycling.

The Willamette Valley continues to be a big draw for locals and tourists alike, with tourism rates in Oregon rising 54 percent in the last three years[14] (as of December 2017). In 2017, the Willamette Valley was the second-most visited destination in Oregon for overnight tourists, attracting almost 20 million visitors (Portland was first with 26.4 million, and the Oregon Coast was third with 17 million)[15]. New wine country restaurants and boutiques have made the area even more appealing.

Table 13. Willamette Valley, Direct Travel Impacts, 2012-2017

	2012	2017	Change
Direct Employment	18,830	21,890	16%
Employee Earnings ($M)	$385	$522	36%
Visitor Spending ($M)	$1,423	$1,629	14%
Taxes (State/Local) ($M)	$59	$79	34%

Source: Dean Runyan, Oregon Travel Impacts, May 2018

Per the Oregon 2015 Regional Visitor Report for the Willamette Valley Region[16], approximately seven percent of all overnight trips in 2015 were for business, 53 percent were to visit friends or relatives, and 40 percent were considered "marketable" (i.e. leisure). Of these marketable trips, most people were visiting for the outdoors, a special event, or touring—and mostly during the spring and summer months. In terms of spending, 30 percent of the $706 million spent in the region was on lodging, and 27% was on restaurant food and beverage.

The Willamette Valley attracts visitors that are typically older, higher-income, and often childless or retired individuals and couples. The average age of overnight visitors to the Willamette Valley was 49 in 2015, older than the state average of 46. A significantly greater proportion of visitors aged 45 and over visit the Willamette Valley (61 percent of all visitors versus 49 percent).

The City of Newberg has a thriving tourism industry. Located in Yamhill County's wine country, there are over 200 wineries within a 20-minute drive from downtown Newberg. Other area attractions include the Chehalem Glenn Golf Course, art galleries, the Newberg farmers market, heritage sites, and museums. Newberg hosts a number of festivals over the course of the year including the Old-Fashioned Festival, the Newberg Camellia Festival, the Willamette Valley Lavender Festival, and the Oregon Truffle Festival. The 85-room Allison Inn & Spa resort located in Newberg is frequently ranked as one of the best hotels in the nation and attracts visitors from around the world to Oregon's wine country.

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[14] http://www.wweek.com/culture/2017/10/09/two-oregon-natives-are-opening-a-bougie-new-hotel-in-downtown-mcminnville/

[15] http://industry.traveloregon.com/content/uploads/2018/05/Dean-Runyan-FINAL-2018.pdf

[16] http://industry.traveloregon.com/content/uploads/2016/11/Oregon-Willamette-Valley-Region-2015-Visitor-Final-Report.pdf

Downtown Newberg currently boasts wine tasting rooms, numerous restaurants, art galleries, and small retail shops. Both the Chehalem Valley Chamber of Commerce and the Newberg Downtown Coalition are active supporters of downtown tourism. Each advocacy group offers robust websites with detailed visitor information.

Recreation & Open Space

Infrastructure—the physical facilities and systems that support economic activity—is a key driver of real estate investment and development. Historically, real estate was influenced by the quality and location of roads, bridges, and other forms of auto-oriented infrastructure. The Interstate Highway System, for example, was a critical factor in the growth of suburban America.

More recently, transit-oriented development has become a common term in the lexicon of real estate and transportation officials. Transit-oriented development is characterized by compact, mixed-use, residential, and commercial development that is clustered around a transit stop or a rail station. Today, bike trails, bike lanes, bike-share systems, and other forms of active transportation infrastructure are helping spur a new generation of "trail-oriented development." This trend reflects the desire of people around the world to live in places where driving an automobile is just one of a number of safe, convenient, and affordable transportation options. The Urban Land Institute's America in 2015 report found that, in the United States, over half of all people (52 percent) and 63 percent of millennials would like to live in a place where they do not need to use a car very often; half of U.S. residents believe their communities need more bike lanes.

Active transportation was, until recently, an overlooked mode of travel. However, in recent years, investments in infrastructure that accommodates those who walk and ride bicycles have begun to reshape communities.

Shared themes among active transportation projects include the following:

> Active transportation infrastructure can catalyze real estate development. Trails, bike lanes, and bicycle-sharing systems can improve pedestrian and bicyclist access to employment centers, recreational destinations, and public transit facilities, thereby enhancing the attractive-ness of developments along active transportation corridors. In some cases, former industrial districts and towns outside urban cores have benefited from active transportation infrastructure due to improved walking and cycling connectivity.
>
> Investments in trails, bike lanes, and bicycle-sharing systems have high levels of return on investment. Regions and cities have found that relatively small investments in active transportation can have outsized economic returns due to improved health and environmental outcomes and reduced negative externalities, such as automobile traffic congestion and poor air quality.

Bike-friendly cities and towns are also finding that bicycle facilities boost the tourism economy and encourage extended stays and return visits. Tourism is one of the world's largest industries. The U.S. Travel Association explains that U.S. residents spend over $800 billion a year on travel and recreation away from home.

Case Studies

Case studies can provide the Newberg Riverfront team with many lessons about how riverfronts and other special places have been revitalized in other cities. This includes what has been successful and why, and just as importantly, why other places have not achieved a community's desired outcomes. Information about several

relevant case studies is included below. These case studies were selected because they are comparable in some (though often not all) of the following ways:

- Riverfront location
- Western United States
- Brownfield redevelopment of land that involves a change of use, often from a historically industrial to a mix of uses.
- Comparable market conditions. Achievable rents, absorption, and other factors have a significant impact on the types of real estate development that is possible. For example, riverfront redevelopment in large cities is not highlighted, because of the significant difference in market conditions in these locations.
- Public-private partnerships
- Wine- and/or tourism related

In addition to the case studies summarized below, LCG believes there are also lessons to be learned from these places:

- Willamette Falls Legacy Project, Oregon City, Oregon
- Waterfront Redevelopment Project, St. Helens, Oregon
- EWEB Riverfront, Eugene, Oregon
- Old Mill District and other riverfront areas, Bend, Oregon
- Waterfront Redevelopment Project, St. Helens, Oregon
- Waterfront and Terminal 1 projects, Vancouver, Washington
- Waterfront Place, Everett, Washington
- Old Sawmill District, Missoula, Montana
- Theater District and Downtown Revitalization, Petaluma, California
- Downtown revitalization, Oxbow Public Market, and riverfront, Napa, California

Riverfront, Hood River, Oregon

Location: Hood River, Oregon. On the Columbia River, about a half-mile north of downtown Hood River. Visible from Interstate 84.

Size: 100 acres+

History: The modern history of the Hood River waterfront dates to the 1950s, when a number of State and Federal agencies cooperated to fill more than 100 acres, extending from the Columbia River's southern shoreline, into the river. In the 1970s, the core of the current waterfront area (just north of downtown Hood River) was an active industrial park. Tenants included food preparation and distribution, and Hood River Distillers (still on site). The first Port of Hood River waterfront plan was prepared in 1975. Through the 1970s and '80s, improvements continued, including a 1985 pedestrian bridge that was built across the Hood River to link Marina Park with downtown.

In the 1990s and 2000s, after several false starts at bringing about new, ground-up private development, the Port focused on a "business park" concept—focusing on technology, food processing, and outdoor recreation—which remains its strategy today. In 2008, the City created a waterfront urban renewal district, with a maximum indebtedness of $5.75 million and the goal of building infrastructure, recreation facilities, habitat improvements, and conducting marketing, in order to augment the Port's efforts.

In 2010, the Port built completed the Halyard Building, the first new building to be completed in the waterfront in 25 years. In the last decade, development has accelerated significantly, and has included multiple buildings totaling more than 200,000 square feet of development, including a mix of office, restaurant, retail, and industrial space. Key tenants include the headquarters of DaKine, an outdoor sporting gear and apparel company; numerous small professional service offices; Pfriem family brewers; and pizza, coffee, and ice cream vendors.

Parks and open spaces have been significantly improved and now host a wide variety of festivals and events, ranging from day-to-day use by residents, picnicking, jogging, swimming, windsurfing, and other water sports. Festivals at the waterfront include the Gorge Games (a world-class outdoor sports competition), Harvest Fest, and the Roy Webster Cross-Channel Swim.

Key Public Agencies: Port of Hood River and City of Hood River, Oregon. The State of Oregon: ODOT, State Parks, Fish & Wildlife, other; U.S. Army Corps of Engineers, and Bonneville Power Administration.

Private Developers: Key Development, others.

https://portofhoodriver.com/waterfront-recreation/history-of-the-waterfront/

Independence Landing, Independence, Oregon

Location: Independence, Oregon, adjacent to downtown between Main Street and the Willamette River.

Size: 18 acres (Valley Concrete property only)

History: The Valley Concrete site was an 18-acre, industrially-zoned property that was home to a ready-mix concrete operation (gravel site). The City's 1996 Downtown Development Plan and 2009 Vision 2020 Plan identified this site as a key redevelopment opportunity and proposed concepts for housing and mixed-use development that would bolster Independence's restored Downtown. When Oldcastle Materials, the site's owner, expressed an interest in relocating Valley Concrete's ready-mix concrete operation and putting the property for sale, the City secured a State Transportation and Growth Management (TGM) Quick Response grant to further develop concepts for the site's future.

In 2005, the City completed Riverview Park, including an Amphitheater, which is located just north of the Valley Concrete site. The park is the largest in the City of Independence. The amphitheater now hosts numerous events including the eight-week River's Edge summer movie and concert series. Riverview Park is also the starting point for the Willamette River Trail, a 5k soft-surface path that loops north along the Willamette River providing excellent river views and birdwatching. In 2014 a disc golf course was installed in Riverview Park. In 2015, the Independence Biker/Boater Campground opened.

In 2015, the City purchased the Valley Concrete property for about $800,000 and began working to bring the concept plan to fruition. The City's goal was to remove perceived risks for redevelopment of the site and to make it development-ready.

In Summer/Fall 2016, the City took further steps toward making the site - now renamed Independence Landing - development ready. A new Downtown Riverfront Zone was created which allows the mix of residential and commercial uses envisioned for the site, and the property was rezoned to this new designation.

Today: Gresham-based Tokola Properties is building a hotel and more than 120 apartments in the years following the hotel opening as part of a three-phase development. Plans also call for a series of townhouses.

Key Public Agencies: City of Independence; State of Oregon TGM grant.

Private Developer: Tokola Properties

Columbia Riverfront, Astoria, Oregon

Size: Large--approximately four miles long and a quarter to half-mile wide as defined in the 2009 Riverfront Vision Plan.

History:

Like Hood River, Astoria's connection to the Columbia River is as old as the City itself, so it is difficult to pinpoint a "beginning" to waterfront revitalization. The City completed waterfront planning process in the 1970s, '80s, and 90s. Beginning with the 1970s era "People Places Plan," the community intentionally sought to find ways for the historic "working waterfront" industrial uses to coexist with more "people places" for the general public, while acknowledging that the interests of water-related businesses must come first. The concept of a Riverwalk—a pedestrian and bicycle pathway—came out of the 1970s plan.

Above: Astoria's trolley runs alongside businesses that continue to harvest and process fish, and restaurants and retailers serving locals and tourists. Below: Most of the "new development" in Astoria has involved the adaptive reuse of historic structures.

In 2009, the City completed the Riverfront Vision Plan, covering more than four miles of Columbia Riverfront. The goals of this plan were to promote access to the river; encourage a mix of uses and particularly "working waterfront" uses; new development of appropriate scale, that respects Astoria's historic character; and protecting the health of the river and natural areas. The Riverwalk remained an important priority.

In the past decade, Astoria has seen the ongoing operation of marine businesses along with the adaptive reuse of numerous historic riverfront buildings. Marine businesses include Fishhawk Fisheries and Northwest Sardines. Historic riverfront buildings have been renovated and reborn as breweries, restaurants, retailers, service businesses, and small inns. The Riverwalk and Trolley remain very popular with locals and visitors.

Key Public Agencies: City of Astoria.

Private Developers and property owners: Various.

Kendall Yards, Spokane, Washington

From Kendall Yards HOA

Location: Spokane, Washington, on the opposite side of the Spokane River from downtown, and about ¼ mile downriver.

History: Kendall Yards is a 78-acre former railyard and industrial site perched above the Spokane River. Greenstone Corporation gained control of the site over a decade ago, but prior to that two previous owners spent many millions acquiring multiple parcels, removing contaminated soil and relocating utilities. In 2006, the City of Spokane approved a plan for 2,600 residential units and about 1,000,000 square feet of non-residential commercial and office space.

Size: 78 acres

Key Public Agencies: City of Spokane.

Private Developer: Greenstone Corporation

Now. According the master plan, the neighborhood will "ultimately be home to 500,000 square feet of restaurants, shops and offices, over a thousand homes and 25 acres of parks and open space."

Land use mix (at full build out):

- 1,296 residential units (single family, town homes, low, mid, and high rise multifamily, seniors housing)
- 215,000 sq. ft. retail / restaurants
- 200,000 sq. ft. hotel
- 290,000 office space

While Kendall Yards' land use mix is largely residential at the moment, there are plans for near-term projects that will drastically increase the amount of commercial square footage in the area. One project, tentatively named "Podium" is currently going through the permitting process. One structure will be a four-story, 66,300-square-foot office building, and the other will be a six-story, 163,700-square-foot building with a total of 130 apartment units on the second through sixth floors. The apartment building will have retail space facing Summit

Parkway and residential amenities on the rest of the first floor. An 85,000-square-foot parking garage will have daylight exposure on the south side. It will have about 290 stalls, and the project also will include surface parking for about 22 vehicles. In addition to Podium, another multifamily project is proposed—the 89-unit Highline East.

Vintner's Village, Prosser, Washington

Location: Prosser, Yakima Valley, Washington. Vinter's Village is border on the north by Interstate I-82, on the west by Wamba Road, and on the south and east by private ownership.

Before: Prosser Vintner's Village (VV) is a 32-acre site located in north Prosser next to I-82, within the city limits. The land was owned by the Port of Benton, which had a business lined up to move in. When that fell through, the Port went another direction, creating space for wineries, complete with streets, electricity, water and other services. Thurston Wolfe was the first winery to open to the public in The Village, in 2006.

Size: 32 acres

Key Public Agencies: Port of Benton (land developer).

Private Developers: Various.

Now: The site has 14 existing wineries, with additional lots ready for development. The Port of Benton is actively marketing properties within The Village for development activities to support agritourism.

The initial 32-acre site is seen as a great success and resulted in the Port's purchase of the adjacent 18.5-acre parcel to the south in order to pursue further development. The new property contains a historic residence that was sold and converted into a private bed & breakfast in support of agritourism in the region. The Port also purchased an additional 20 acres to the west along Wamba Road.

Instead of waiting for businesses to build their own places in Vintner Village II, the port is creating a $2 million home for them to spur growth. Each of the bays in the new building will feature 500 square feet of office/retail space and another 2,000 square feet for manufacturing and storage.

The City of Prosser is also an example of successful efforts trying to capture the wine industry's production and tourism within the Vintner's Village area along with the Wine & Food Park, which is home to Hogue Cellars and Mercer Wine Estates.