

**DATE:** August 2013  
**TO:** WFLP Project Management Team  
**FROM:** Lorelei Juntunen, ECONorthwest and Matt Brown, LOCI  
**SUBJECT:** WILLAMETTE FALLS LEGACY PROJECT MARKET ANALYSIS

---

**ECO Project #: 21357**

ECONorthwest (ECO) is part of a larger multi-disciplinary team lead by Walker Macy to create a Master Plan for a site known as the Willamette Falls Legacy Project. The purpose of this memorandum is to inform an ongoing planning process for the Willamette Falls Legacy Project by providing: (1) a compilation of data describing major demographic and real estate development trends that will affect the redevelopment of the Willamette Falls Site, (2) initial findings regarding possible “highest and best use” for the site, and (3) a list of economic or market-based issues that will require further evaluation as the planning process continues.

This market analysis will not, at this point, provide any specific recommendations regarding uses for the site, but rather will provide data and discussion to inform an on-going process. While it discusses uses for residential, retail, or industrial uses, additional research and community conversation will be needed to determine the appropriate mix.

The remainder of this memorandum has the following sections: (1) executive summary (2) background information on the site; (3) demographic and economic conditions; (4) local employment, industry, and incomes; and (5) development markets (residential, office, retail, and industrial markets).

## **Executive Summary: Findings and implications**

The City of Oregon City, together with other community partners, is planning for the redevelopment of the former Blue Heron Mill adjacent to Willamette Falls. The planning process will address several key barriers to the site’s redevelopment, creating certainty for future developers regarding the location of key infrastructure, zoning and entitlements, and potential for adaptive re-use of some of the existing buildings. The planning process builds on four inter-related values identified through an extensive community process: public access, cultural and historic interpretation, economic development, and healthy habitat.

This market analysis provides data and interpretation to inform ongoing conversations about how the site’s redevelopment can maximize outcomes in each of those four values.

Overall, the analysis finds that market fundamentals in the area surrounding the site are improving, but are not strong enough to overcome the development challenges on the site in absence of investment in implementation of a master plan that maximizes the site’s value. High quality open space, maximizing the view potential associated with the falls, and a mix of uses that compliments the existing downtown main street will all be critical in overcoming the market challenges. If well-designed and executed, the site’s incredible opportunities can drive

development value that is beyond what the market analysis suggests might be possible, helping the site to draw from a regional (in addition to a local) market.

In summary, *developing a high quality urban mixed-use project on the site will be a challenge* given that no current market comparables for such development exist in Oregon City today. By definition, these types of projects will be pioneering a new market for Oregon City, and will require private developers to take on a higher level of risk as compared to the more typical development seen in the rest of the City. In order to mitigate this risk and successfully attract new private development, *Oregon City and its public partners must continue to pursue effective public-private partnerships* in order to deliver public amenities at the site and provide a more stable environment for private investment.

**Opportunities.** The site is adjacent to Oregon City's downtown and to Willamette Falls, and offers spectacular views of the landmark feature. Specific market opportunities to consider for the project site include:

- Demonstrated support of public agency partners in planning for development of the site and removing key challenges and barriers to future development activity
- Unique setting that, with proper utilization, can be used to drive interest and demand for new development and provide a broad, regional pull
- Potential to capitalize on the Willamette Falls and associated cultural history (Native Americans, Oregon Trail, early Oregon History, etc.) to drive tourism interest and spending at the site and in downtown Oregon City
- Location adjacent to downtown Oregon City, with the potential to capitalize on recent public and private investment in downtown and along the Willamette riverfront
- Close proximity to regional highways and major population centers, including Portland
- Existing industrial buildings hold potential for adaptive re-use, and could create a uniquely historic community

**Challenges.** Future development efforts on the site will encounter challenges associated with the existing structures on the site as well as other regulations and development restrictions. These challenges likely will increase the costs of development (relative to development on a greenfield or urban infill on clean, vacant parcels), and could restrict the options for future use. Specific challenges include:

- Site constraints, including inadequate infrastructure, site preparation issues, potential contamination issues, floodplain restrictions, and building demolition or reuse options, all of which may drive up development costs and limit overall development potential for the site.
- Limited transportation access, which will restrict total development capacity of the site.
- Current gap between existing rents and values in the Oregon City area and development costs for higher density urban office, flex-office, and residential uses on the site.

- Lack of direct market comparables for higher density (higher cost) development in Oregon City, which means that projects on the site will likely be seen as pioneering, with a higher risk profile.
- Given the challenging market environment and high development and land preparation costs at the site, it is highly unlikely that significant public parks and infrastructure will be financed solely by the private sector. Oregon City and its partners will need to assemble realistic funding tools to help deliver the public elements of the project such as open space along the river and falls, public parking, and transportation and utility infrastructure.
- Historical data show that residential development efforts in the Oregon City area have focused on single-family housing. The challenges identified in this memo suggest that single-family developments in the study site likely would be prohibitively expensive and would not meet the Project Partners' stated goals of creating a vibrant, pedestrian oriented district. Furthermore, the home prices in the area and per capita income suggest that demand for development may have to come from a broader geography.

Preliminarily, the analysis suggests that the development types most likely to successfully maximize the site's amenity value to attract regional demand are mid-rise, mixed used (residential and retail, with some office or flex space potentially also included), supported with open space and river access.

Given the likely development costs on the site, development types that result in lower overall value (such as turn-key industrial, office or industrial park, or an entirely open space development program) would not be successful without very significant public sector support.

A cost-effective approach to developing the site likely will rely on several factors, including:

- Pooling demand from across the Portland metro region
- Identifying and implementing higher-density development options that fit with the existing business district
- Aligning regulatory restrictions, partnerships, and unique demand sources to take full advantage of natural and historical features at the study site while maximizing revenues and minimizing costs
- Understanding the relationship between public investment in infrastructure, parks, and public access and how this investment can help leverage significant private interest and investment
- Definition of the gap between current market rents and values and actual development costs for higher density urban development on the site. Ideas for addressing these gaps will be part of later iterations of the planning process
- Identifying the likely market segment to be attracted to any residential development: people with well-paying jobs who are employed in the southern Portland region, have home-based jobs, or are entrepreneurs who can locate their work in any community; retirees who want low-maintenance lifestyle; people who want to live in a more urban environment within walking distance of most amenities. For attracting this

market segment, there are relatively few competing products in the southern Portland region

- Identifying a location for adequate parking facilities to support the development uses
- A clearer understanding of the costs and viability of adaptive reuse of some of the structures, relative to the benefit of maintaining them

# 1 Description of Study Site

---

Figure 1 shows a map of the study site. The 22-acre Blue Heron property is located directly adjacent to Willamette Falls, between Oregon City and West Linn. The site has view potential unparalleled anywhere in the region, but needs significant investment in remediation / demolition of existing structures and the provision of infrastructure to support redevelopment.

Figure 1. Map of study site



Map Source: Willamette Falls Legacy Project, 2013

**Historical use and existing facilities.** Historically, the site has been used as tribal grounds and for industrial purposes including a flour mill, sawmill, and brick production. Since 1908, the site has been used as a paper mill. Currently, the site has 57 vacant buildings covering over 600,000 square feet of vacant industrial space. All equipment, utilities, and non-building structures with salvage value are currently being removed from the site. The remaining structures require major renovation work to ensure stable and usable conditions for future use. Many of the existing buildings would be difficult to use, even for industrial purposes, without improving entries, emergency exits, general circulation, restroom facilities, heating and cooling systems, power supply distribution, and fire protection.

**Current zoning.** Currently, the site is zoned for industrial use (G-I General Industrial – OCMC 17.36). The General Industrial District is designated to allow uses related to manufacturing, processing, production, storage, fabrication, and distribution of goods or similar as defined by the community development director. The current zoning is under evaluation in the larger project; changes to it are likely.

**Overlay information.** Aside from current zoning, there are a number of additional regulatory issues that may affect future development efforts:

- The City's greenway regulations (Willamette Greenway OCMC 17.48) place the study site in the *compatibility area*, which requires a Planning Commission review of the development application/master plan process.
- The Natural Resource Overlay District (OCMC 17.49) requires Type III Planning Commission Variance on any development within a 200-foot buffer from the ordinary high water line for land abutting the Willamette River.
- The Flood Management Overlay District (OCMC 17.42) either restricts development within the flood management area or requires all new construction or substantial upgrades within the 100-year flood plain to meet development and performance standards for the overlay district. Much of the southern half of the site falls within the flood management overlay district, which includes the inundation area for the 1996 flood.

**Additional issues.** There are a number of additional issues that may influence the costs and/or feasibility of future development efforts on the site:

- PGE owns the Willamette Falls Dam and holds easements upriver of the site.
- Since the site is adjacent to Willamette Falls, it provides critical habitat opportunities for migratory birds and refuge for migrating salmon and Pacific lamprey.
- Future development on the site would be required to adhere to stormwater regulations as outlined in Oregon City's MS4 permit.
- Willamette Falls is recognized as a sacred gathering place of high cultural significance by the Confederated Tribes of the Grand Ronde and Warm Springs, and Siletz, and the Confederated Tribes of the Umatilla Indian Reservation, and Yakima Indian Nation.
- Currently, there are no designated historic structures on the site; however, future owners may choose to designate some/all of the historical buildings in order to take

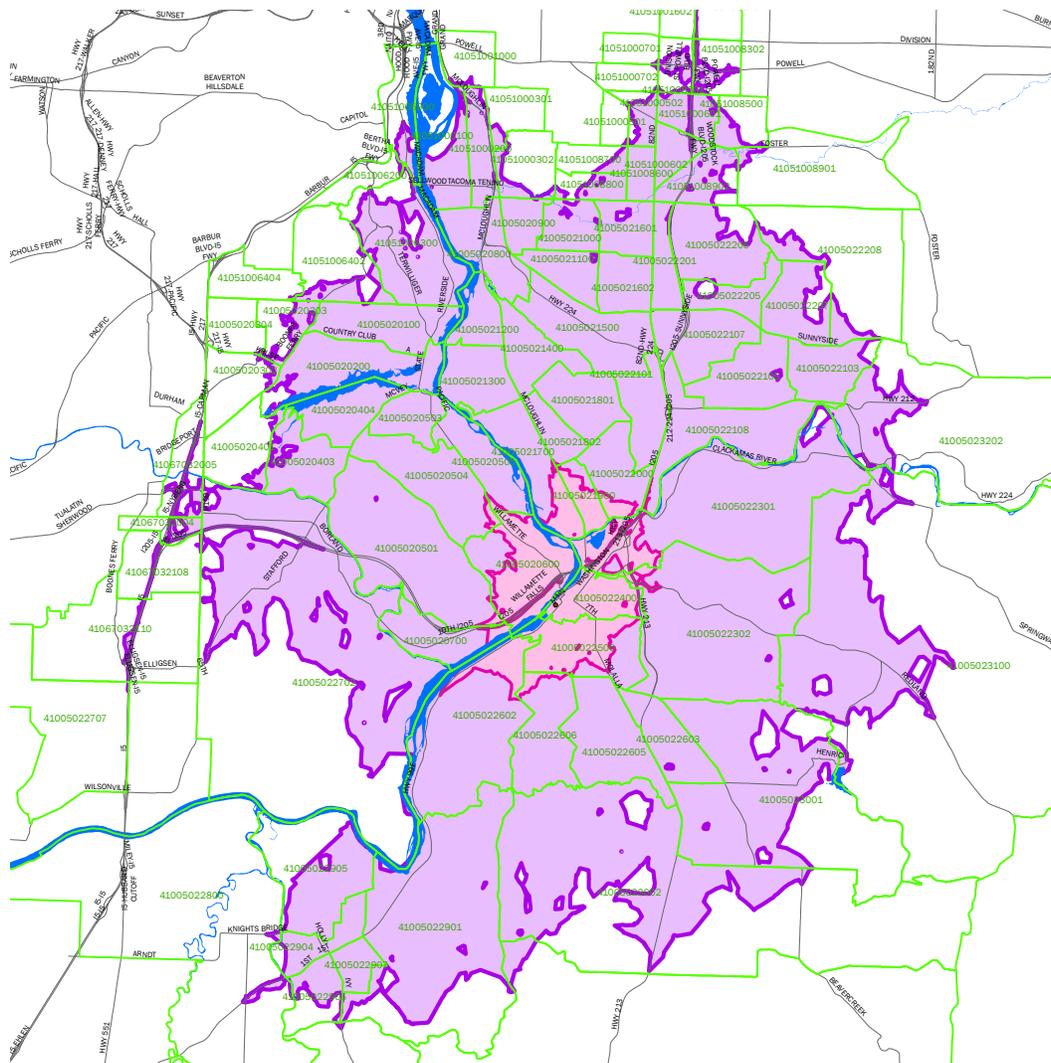
advantage of the 20% or 10% Federal Tax Credit Program and the State Special Assessment Program.

- Potential for the City to provide gap financing in the form of System Development Charge (SDC) credits, Tax Increment Financing (TIF), vertical housing tax credits, or other public financing programs.
- The Willamette Falls Heritage Area Coalition is currently applying for designation as a National Heritage Area.

**Study site and research boundaries.** For this analysis, we rely on data compiled from a number of different geographic areas, using the best available data / geographic combination for the needed analytic outcome. The study site, as described above, is a 22-acre industrial site, adjacent to Willamette Falls, between Oregon City and West Linn. The area outlined in red in Figure 2 shows the area within a 5-minute drive of the study site; the area outlined in purple shows the area within a 15-minute drive. We compiled data from all Census tracts intersecting with these two areas to describe local demographic, economic, and housing conditions.

In addition to data from the 5-minute area and the 15-minute area, we compiled data from Clackamas County, Multnomah County, and Washington County, as well as the Portland-Vancouver-Hillsboro OR-WA Metropolitan Statistical Area (MSA), Oregon City, and a number of adjacent cities. These data help demonstrate the supply of and demand for good and services associated with the study site from both a local and regional perspective.

Figure 2. Map of 5-minute and 15-minute areas



Source: ECONorthwest, 2013

## 2 Demographic, Economic, and Housing Conditions

The purpose of this section is to provide an overview of major demographic trends that will affect demand for the future use of the site.

### 2.1 Population Trends

The region and the area surrounding the site are projected to grow over the coming decades, and that growth will create demand for any new development on the site. Overall, Clackamas County's growth rates have mirrored those of the region as a whole, and it is not projected to grow at a faster rate than the counties that surround it. **This implies that there will be no extraordinary demand for the site's development based purely on population growth projections.** However, the site's attractions (in particular, the Willamette Falls and potentially the unique,

historical urban space created by rehabilitation of the site) could drive substantial additional demand for retail and / or residential uses. There are about 435,000 people (170,000 households) within a 15 minute drive of the site, and many more in the broader region; **the more successful the site’s uses are at attracting those households, the greater the demand for new development will be.**

The data to support this finding follow.

Table 1 summarizes the total population and the number of households in the 5-minute area, the 15-minute area, Oregon City, and Clackamas County, as compiled in the 2010 Decennial Census. Oregon City contains about 8% of Clackamas County’s total population and total number of households. The populations contained within the 5-minute area and the 15-minute area both exceed the population contained within Oregon City. From 2000–2010, Clackamas County’s total population increased by 11.1%; Oregon City’s population increased by 23.7%.

**Table 1. Total population and number of households**

	5-minute area	15-minute area	Oregon City	Clackamas County
Total Population	80,078	434,721	31,859	375,992
Total Number of Households	31,374	170,650	11,973	145,790

Source: U.S. Census Bureau. *2010 Decennial Census*. Tables: SF2 DP1.

Figure 3 shows historical population growth rates in Clackamas County, Washington County, and Multnomah County from 1981 to 2010, as well as projected population growth rates for the three counties through 2050. Growth rates are projected to stay positive through 2050.

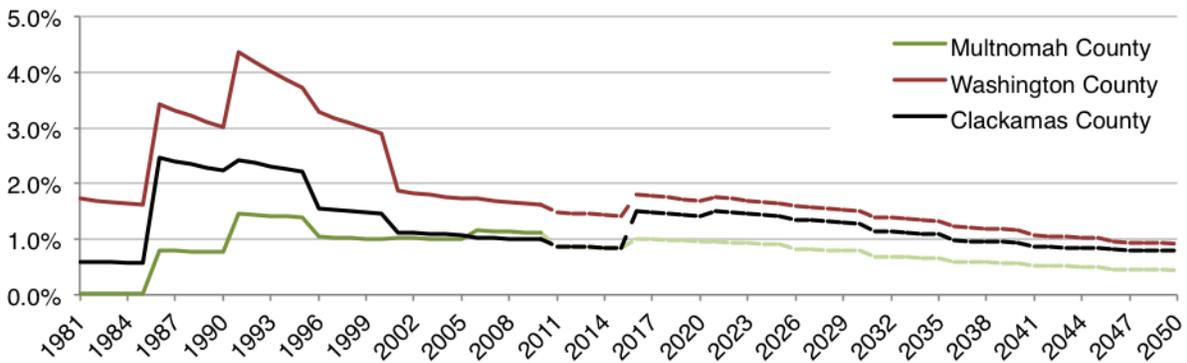
Clackamas County’s population growth rate is projected to stay within 0.5% and 1.5% per year. Average annual growth in Oregon City is projected to be 1.7% per year through 2025, 0.9% per year through 2035, and 0.6% per year through 2040.<sup>1</sup> Overall, these growth rates are consistent with projections from Metro, which projects a range of between about 1.4 and about 1.7% growth between now and 2030, and a growth range between 1.05% and 1.3% by 2060.<sup>2</sup>

---

<sup>1</sup> Metro. 2012. *Metro Gamma Forecast Distribution, Profiles by City and County*.

<sup>2</sup> Metro. 2009. *20 and 50 Year Population and Employment Range Forecast*.

**Figure 3. Historical and projected population growth rates (1981–2050)**



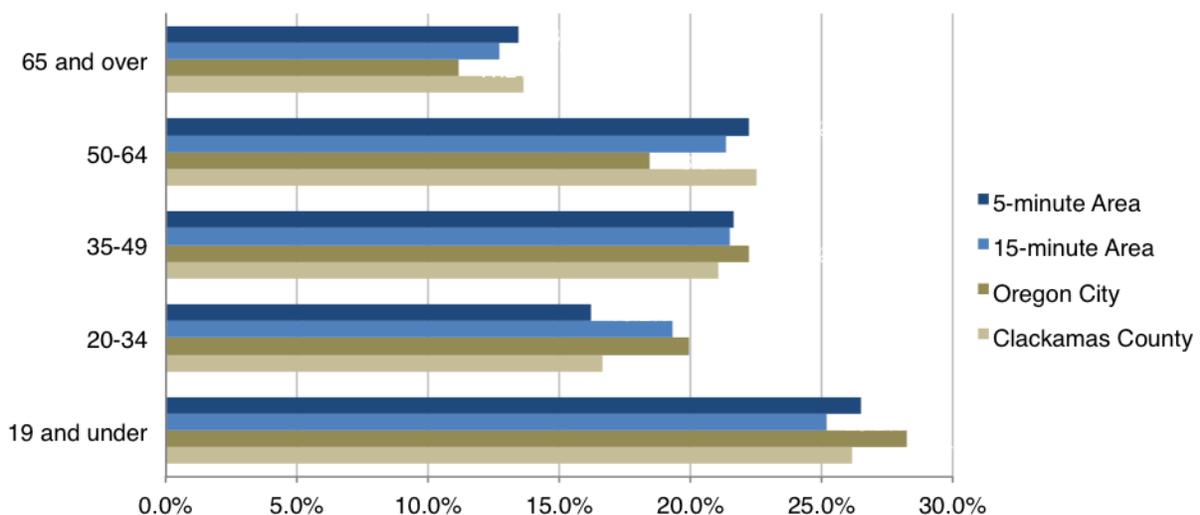
Source: Oregon Office of Economic Analysis. 2013. *Long-term Oregon State's County Population Forecast, 2010-2050*.

## 2.2 Age Distribution

Age distribution within the current and projected future population surrounding a site can provide insight into the type of development that might be demanded. **The area surrounding the site is experiencing the same demographic trends as the nation; its population is aging, and in the coming decades, a larger portion of its population will be over 65. Overall, however, Oregon City has a relatively younger population than the region that surrounds it. This combination of factors suggests that there will be demand for uses on the site that support families as well as retirees.** The data supporting this finding follow.

Figure 4 summarizes the age distribution of individuals in the 5-minute area, the 15-minute area, Oregon City, and Clackamas County in 2010. All four areas have similar age distributions, however Oregon City has a relatively younger population than the other three areas with about 70% of its population under the age of 50.

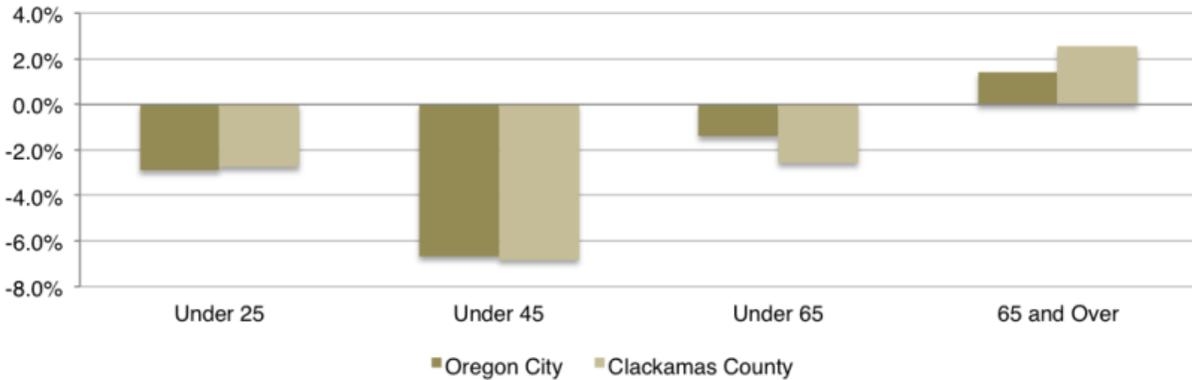
**Figure 4. Age distribution (2010)**



Source: U.S. Census Bureau. 2010 *Decennial Census*. Tables: SF2 DP1.

Figure 5 shows how the age distribution has changed in Oregon City and Clackamas County from 2000 to 2010. In 2000, 37.3% of Oregon City’s population was under 25 years of age. By 2010, only 34.4% of its population was under 25 years of age. The trends shown in the figure suggest that the population in Oregon City and Clackamas County is getting older. Of the four age groups shown in the figure, only the percentage of individuals aged 65 and over has grown in the two areas.

**Figure 5. Change in age distribution (2000 to 2010)**



Source: U.S. Census Bureau. 2010 Decennial Census. Tables: SF2 DP1.

## 2.3 Race and Ethnicity

The racial and ethnic composition of the area surrounding a site can provide insight into the types of uses that might be demanded. **The composition of the area surrounding the site is very similar to the regional composition, though it does have a slightly higher percentage of white residents in Oregon City and the area immediately surrounding the site. As a result, this analysis of racial and ethnic composition does not suggest any particular findings specific to this site’s re-use.**

Table 2 summarizes how residents in the 5-minute area, the 15-minute area, Oregon City, and Clackamas County identify themselves in terms of race and ethnicity. About 7% of individuals in the 5-minute area identify themselves as Hispanic or Latino; a smaller percentage than individuals in the other three areas. The 5-minute area also has the largest percentage of individuals identifying themselves as White (about 90%). The 15-minute area has relatively large percentages of individuals identifying themselves as Asian (about 7%).

**Table 2. Race and ethnicity (2010)**

	5-minute area	15-minute area	Oregon City	Clackamas County
Hispanic or Latino	6.8%	8.9%	7.7%	8.2%
White	90.5%	84.3%	91.1%	88.1%
Black or African American	1.3%	2.3%	1.4%	1.4%
American Indian and Alaska Native	1.8%	1.9%	1.9%	1.8%
Asian	3.4%	7.0%	4.8%	4.7%

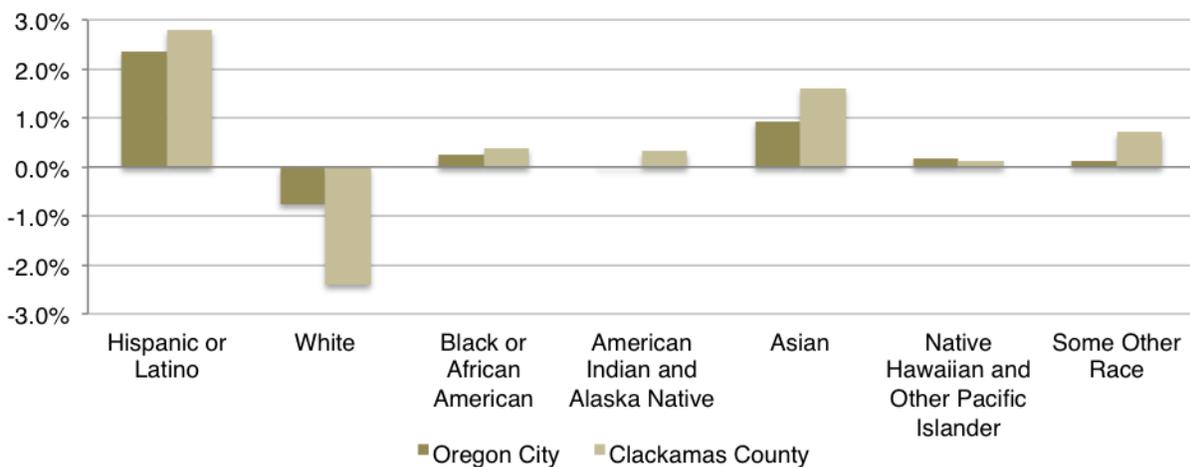
Native Hawaiian and Other Pacific Islander	0.5%	0.6%	0.5%	0.5%
Some Other Race	2.5%	4.0%	3.7%	3.5%

Source: U.S. Census Bureau. 2010 Decennial Census. Tables: SF1 P6, SF1 P7.

\* Percentage of Hispanic and Latino residents are separate from those indicating race. Percentages describing race indicate that particular race alone or in combination with one or more other race.

Figure 6 shows how race and ethnicity distribution have changed in Oregon City and Clackamas County from 2000 to 2010. In 2000, 5.0% of Oregon City’s residents identified themselves as Hispanic or Latino. By 2010, that percentage rose to 7.3%. All minority populations grew as a percentage of total population in the two areas from 2000–2010, with those identifying as Hispanic or Latino or Asian growing the most.

**Figure 6. Change in race and ethnicity distribution (2000 to 2010)**



Source: U.S. Census Bureau. 2000 and 2010 Decennial Census. Tables: SF1 P6, S1 P7.

## 2.4 Income and Unemployment

Income levels are very important variables in determining market feasibility for retail and residential uses, and employment levels are one consideration when evaluating demand for employment uses (office, industrial). **The findings on income and unemployment are mixed.** Overall, the area immediately surrounding the site (within a 5-minute drive) has relatively higher median and per capita income, and Oregon City has seen an increase in the number of people earning incomes in the higher income categories (even though its median incomes are lower than the County’s on average). This suggests the possibility for increased disposable income to support new retail as well as potential demand for mid- to higher-end residential units. At the same time, however, between 2007 and 2011, Oregon City has seen a smaller increase in incomes and a larger increase in unemployment than Clackamas County as a whole. A higher portion of the area immediately surrounding the site is unemployed. This might suggest that, in the future, the higher incomes surrounding the site will decrease; it might also suggest increased opportunities for employment uses that are located near to residential area.

**A mixed finding such as this means that there could be demand for a full range of uses supporting a full range of incomes (high-end housing as well as affordable housing; boutique retail as well as discount retail). Development on the site would benefit from identification of a niche market (or markets).** To the extent that higher-value products are necessary to drive project feasibility (which is very likely given development costs on a site as complex as this one, **the site may need to attract income-earners from a regional market,** competing with higher-value product throughout the region that is uncommon in the current Oregon City market.<sup>3</sup>

The data to support these findings follow.

Table 3 summarizes economic and employment information for the four areas as compiled by the U.S. Census Bureau’s 5-year Community Survey. Median household income and per capita income are similar in the 5-minute area, the 15-minute area, and Clackamas County. Incomes in Oregon City tend to be lower than incomes in the other three areas. Employment data are also similar across the four areas. Oregon City has slightly higher unemployment than the other three areas.

**Table 3. Labor force characteristics**

	5-minute area	15-minute area	Oregon City	Clackamas County
Median Household Income	\$63,440	\$61,410	\$57,618	\$62,007
Per Capita Income	\$30,167	\$29,376	\$25,905	\$32,382
% Over 16 in Labor Force	67.3%	67.0%	68.1%	66.4%
% Over 16 not in Labor Force	32.7%	33.0%	31.9%	33.6%
% In Labor Force Employed	90.8%	91.2%	88.3%	91.3%
% In Labor Force not Employed	9.2%	8.8%	11.6%	8.7%

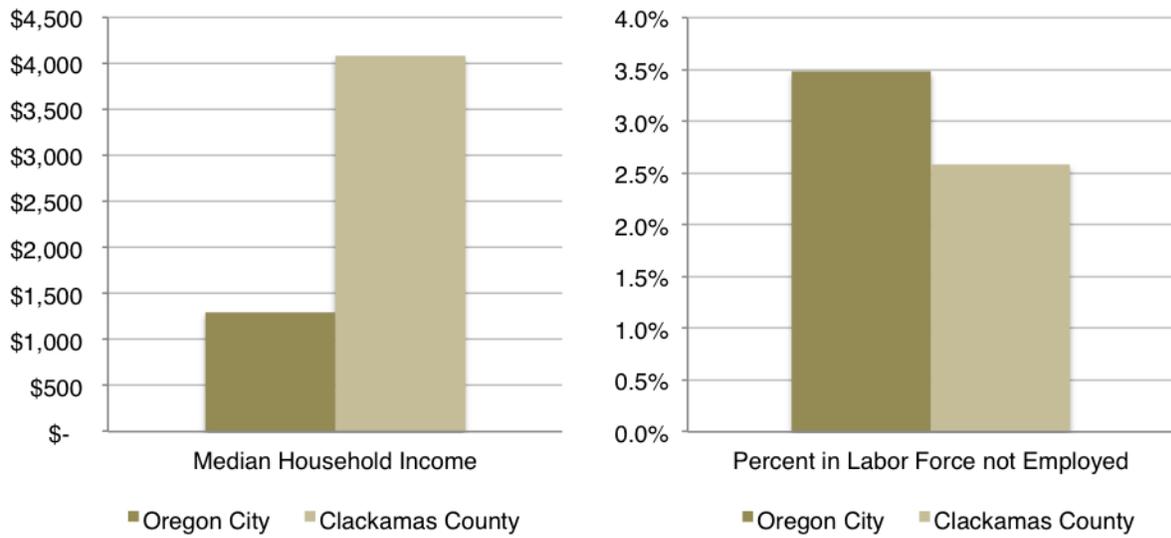
Source: U.S. Census Bureau. *2007-2011 American Community Survey 5-year Estimates*. Tables: DP03, B19013.

Figure 7 shows how median household income and unemployment have changed in Oregon City and Clackamas County from 2007 to 2011. From 2007 to 2011, median household income in Oregon City grew by only \$1,300 (in nominal terms) while in Clackamas County, it grew by over \$4,000. Over that same time period, unemployment in Oregon City went from 8.1% to 11.6%, a change of 3.5%, while unemployment in Clackamas County changed by only 2.5%.

---

<sup>3</sup> Note that a much more specific analysis than is necessary at this time would be required to identify demand at specific residential price points, to identify demand from specific market segments for various types of retail uses, and to determine the types of employment uses that are likely to fit on the site and with the skills and needs of surrounding areas.

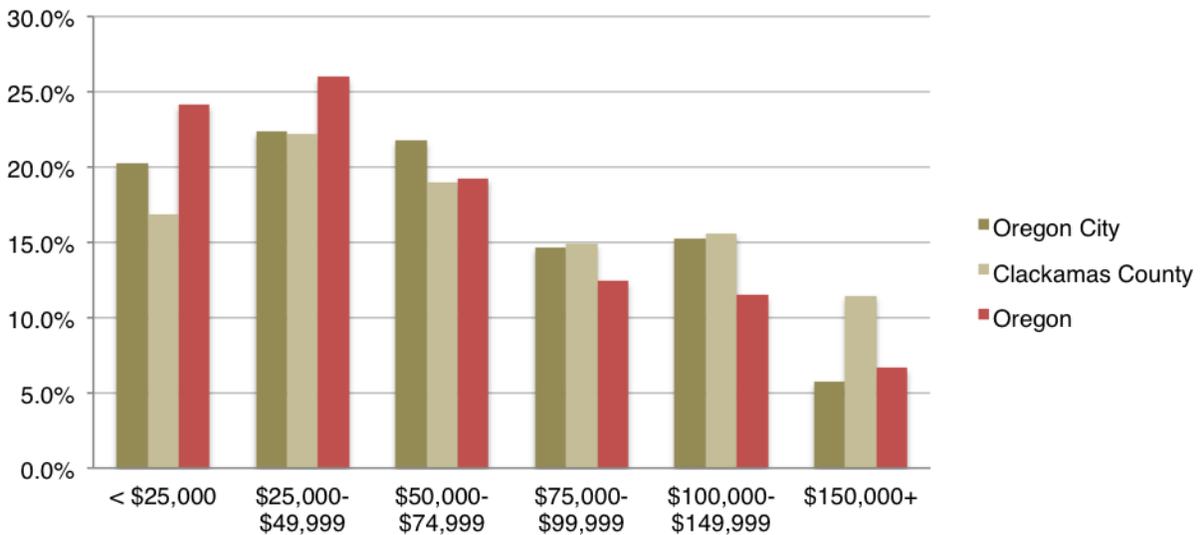
**Figure 7. Change in median household income and unemployment (2007 to 2011)**



Source: U.S. Census Bureau. 2005-2007 and 2007-2011 American Community Survey 5-year Estimates. Tables: DP03, B19013.

Figure 8 summarizes the distribution of households in terms of annual household income and benefits in 2011 for the State of Oregon, Clackamas County, and Oregon City. In general, households in Oregon City earn less than households in Clackamas County overall. Relative to the entire State of Oregon, however, households in Oregon City tend to earn more. Across the three areas, Oregon City's households show a strong presence in the middle-income categories from \$50,000–\$150,000 per year.

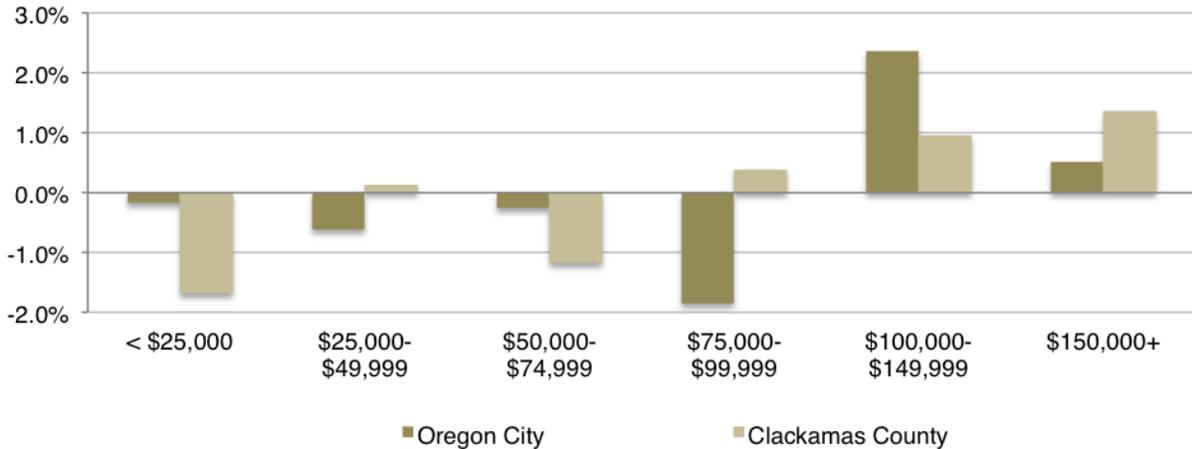
**Figure 8. Annual household income (2011)**



Source: U.S. Census Bureau. 2007-2011 American Community Survey 5-year Estimates. Tables: DP03.

Figure 9 shows how the distribution of household incomes has changed in Oregon City and Clackamas County from 2007 to 2011. From 2007 to 2011, the percentage of households earning less than \$75,000 per year decreased in both areas, while the percentage of households earning more than \$100,000 per year increased.

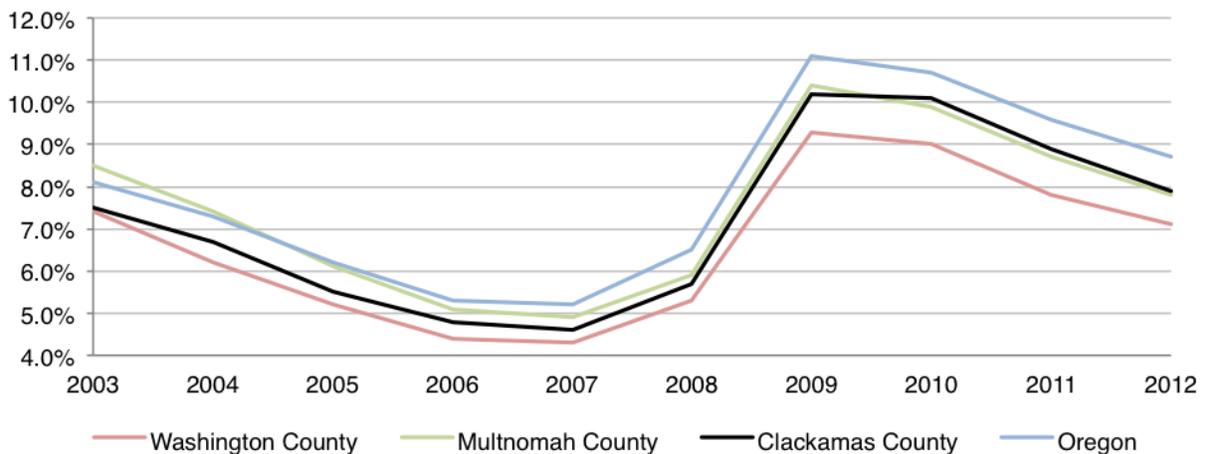
**Figure 9. Change in income distribution (2007–2011)**



Source: U.S. Census Bureau. 2005-2007 and 2007-2011 American Community Survey 5-year Estimates. Tables: DP03.

Figure 10 shows the average annual unemployment rate in Clackamas County, Multnomah County, Washington County, and across the entire State of Oregon from 2003 to 2012. All four areas show similar trends in unemployment rates over time with lows in 2007 and highs in 2009. The unemployment rate in Clackamas County is consistently below the state average, although it is consistently higher than the unemployment rate in neighboring Washington County.

**Figure 10. Unemployment rates (2003-2012)**



Source: U.S. Bureau of Labor Statistics. 2013. Local Area Unemployment Statistics.

## 2.5 Educational Attainment

Educational attainment is an important variable because it is tightly correlated with earning potential, and has been shown to be highly predictive of certain spending habits independent of income levels. **The areas immediately surrounding the site have more residents with bachelor’s degrees and graduate or professional degrees than Oregon City or Clackamas County. Given the mixed findings on income (described in section 3.4 above), these data provide additional positive indications for increasing income levels over time, and demand for higher-end retail and mid- to higher-end residential. Combined with higher unemployment levels (described above), it also suggests a ready work force for employment uses that demand an education work force, and the potential for entrepreneurial activity and start-ups.** Again, more work would be needed to determine what kinds of jobs would be most appropriate.

Table 4 summarizes the highest level of education attained by residents in the four areas (the summary is restricted to only residents at least 25 years old). All four areas have similar attainment statistics. Relative to the other three areas, a smaller percentage of Oregon City’s residents have Bachelor’s degrees or other graduate or professional degrees. Oregon City’s residents do, however, show higher rates of high school graduation, and 9.3% of them have Associate’s degrees.

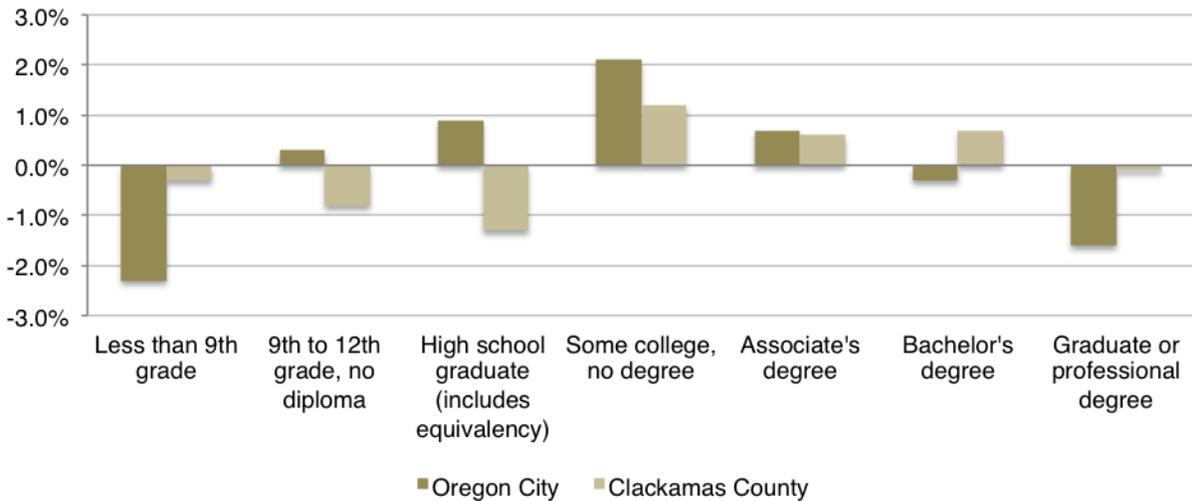
**Table 4. Educational attainment (individuals ages 25 and over)**

	5-minute area	15-minute area	Oregon City	Clackamas County
Less than 9th grade	1.5%	2.9%	1.7%	2.5%
9th to 12th grade, no diploma	5.4%	5.9%	7.8%	6.2%
High school graduate (includes equivalency)	22.6%	22.6%	27.3%	24.4%
Some college, no degree	29.8%	25.7%	32.7%	27.3%
Associate’s degree	7.4%	7.7%	9.3%	8.0%
Bachelor’s degree	21.8%	22.7%	15.1%	20.9%
Graduate or professional degree	11.5%	12.5%	6.0%	10.5%

Source: U.S. Census Bureau. *2007-2011 American Community Survey 5-year Estimates*. Table S1501.

Figure 11 shows how the distribution of educational attainment has changed in Oregon City and Clackamas County from 2007 to 2011. From 2007 to 2011, the percentage of individuals in Oregon City with some college experience and with Associate’s degrees increased, while the percentage of individuals with Bachelor’s degrees or other graduate or professional degrees decreased. The trend in Oregon City is quite different than the trend across Clackamas County. County-wide, the percentage of individuals with higher degrees has increased over the past several years.

**Figure 11. Change in educational attainment distribution (2007–2011)**



Source: U.S. Census Bureau. 2005-2007 and 2007-2011 American Community Survey 5-year Estimates. Tables: S1501.

### 3 Business Uses in the Surrounding Area

The purpose of this section is to inform conversations about economic development outcomes. Regardless of what uses it eventually contains, the development should support job generation outcomes and the County’s larger economic development strategy. In some ways, the information in this section is in a “holding pen” to support future conversations about uses on the site and how they might fit into a larger economic development strategy, rather than serving a specific analytic purpose to draw conclusions in this market analysis. However, the findings are also useful for market-based discussions about potential employment uses relative to regional and local employment trends. Overall, the following trends about business growth are evident:

- The employment mix surrounding the site does not differ significantly from the City or the County. The largest categories of employment are Manufacturing; Retail trade; and Education services, health care, and social assistance. By far, when measured as gross regional product, the service sector is the largest contributor to the County’s economy.
- The area has seen declining numbers of jobs in construction and maintenance occupations as well as production-based occupations. At the same time, it has seen an increase in sales and service jobs. This is consistent with national trends.
- When adjusted for inflation, average earnings per job in the County have held relatively steady for many decades.
- County and City Comprehensive Plan documents emphasize the need for government activities to support stable, high-paying jobs in specific traded sectors.

### 3.1 Major Industries by Employment and Output

Table 5 summarizes the types of industries that residents in the 5-minute area, the 15-minute area, Oregon City, and Clackamas County work in. The mix of industries is similar in both areas. The 5-minute area, 15-minute area, and Clackamas County all show similar distributions. Oregon City has larger percentages of its population working in construction, manufacturing, and retail trade than the other three areas.

**Table 5. Industry characteristics (2011)**

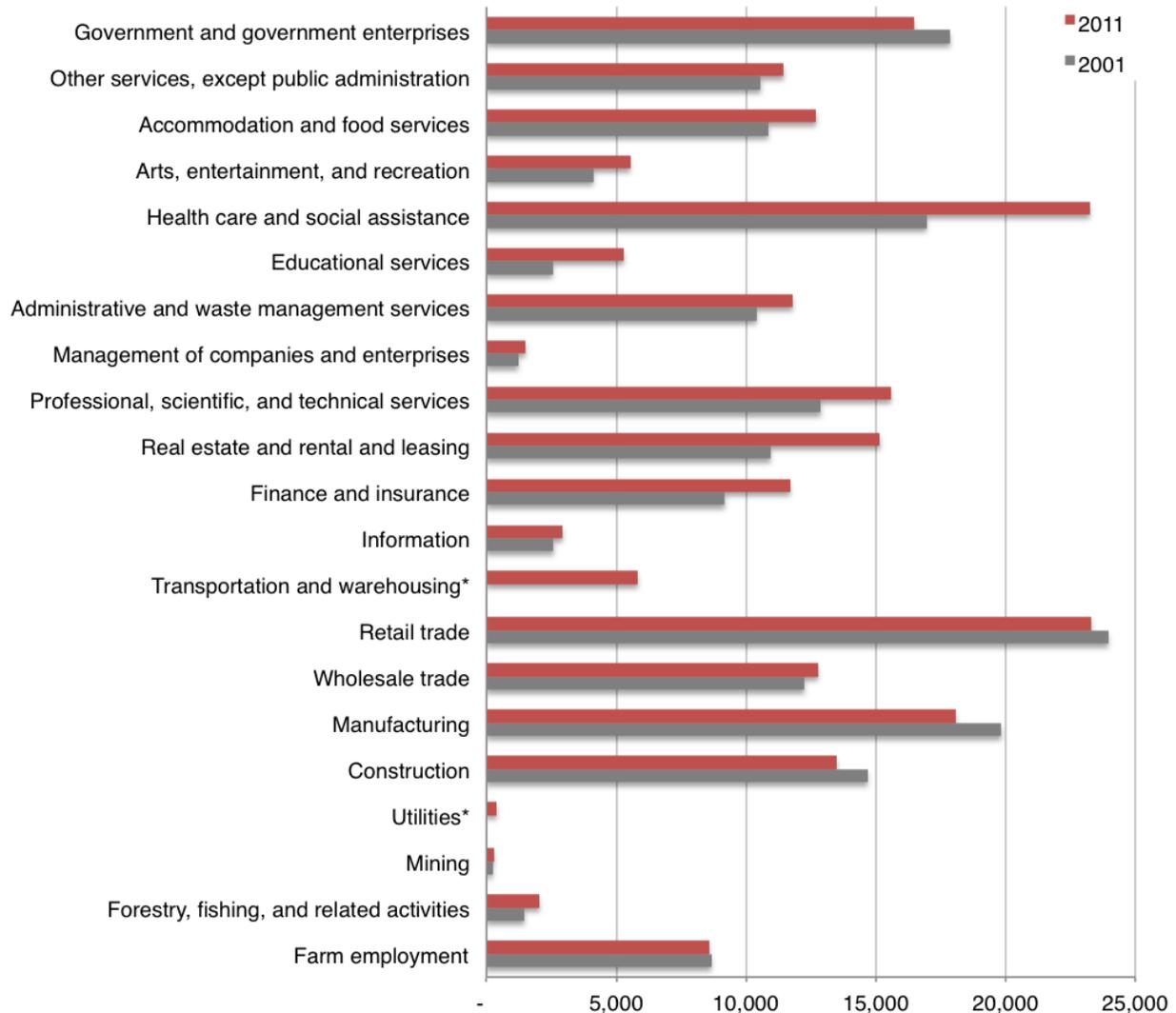
	5-minute area	15-minute area	Oregon City	Clackamas County
Agriculture, forestry, fishing and hunting, and mining	0.6%	0.9%	0.7%	1.6%
Construction	7.9%	6.8%	10.5%	8.5%
Manufacturing	11.7%	11.8%	12.5%	12.1%
Wholesale trade	4.0%	4.1%	3.1%	4.2%
Retail trade	12.8%	12.4%	14.3%	12.5%
Transportation and warehousing, and utilities	4.2%	4.7%	3.6%	4.7%
Information	1.6%	2.0%	2.5%	1.7%
Finance and insurance, and real estate and rental and leasing	9.2%	8.0%	8.6%	8.6%
Professional, scientific, and management, and administrative and waste management services	11.9%	12.0%	8.9%	11.1%
Educational services, and health care and social assistance	19.7%	20.9%	18.5%	19.0%
Arts, entertainment, and recreation, and accommodation and food services	6.3%	7.7%	6.2%	7.1%
Other services, except public administration	4.9%	5.1%	6.2%	4.9%
Public administration	5.2%	3.6%	4.5%	4.0%

Source: U.S. Census Bureau. 2007-2011 American Community Survey 5-year Estimates. Table DP03.

Figure 12 shows part-time and full-time employment in Clackamas County by industry type in 2001 and 2011. In 2001, there were a total of about 197,000 part- and full-time jobs in the County; by 2011, there were a total of about 218,000 jobs. Over the course of that decade, the total number of jobs in Clackamas County peaked at about 228,600 in 2008.

Nearly all industries grew, in terms of employment, from 2001 to 2011; some of the largest growth occurred in: health and social assistance, educational services, real estate and rental and leasing, and finance and insurance. Only five industries shrank, in terms of employment, from 2001 to 2011: government and government enterprises, retail trade, manufacturing, construction, and farm employment.

**Figure 12. Employment by industry, Clackamas County (2001 and 2011)**



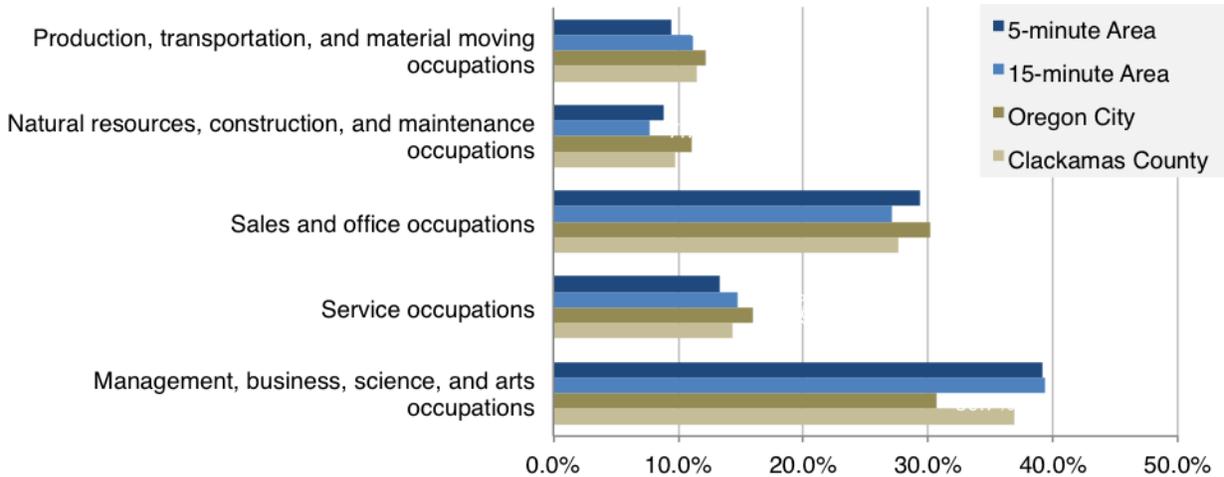
Source: U.S. Bureau of Economic Analysis. 2013. *CA25N Total Full-time and Part-time Employment by NAICS Industry*.

Notes: Data are not sufficient to quantify employment in transportation and warehousing, and utilities due to the small number of employers in the Clackamas County.

Figure 13 summarizes the types of occupations individuals in the 5-minute area, the 15-minute area, Oregon City, and Clackamas County hold. The mix of occupations is similar in all four areas. Relative to the other three areas, individuals in Oregon City are less likely to work in

management, businesses, science and arts occupations, however they are more likely to work in all other occupations.

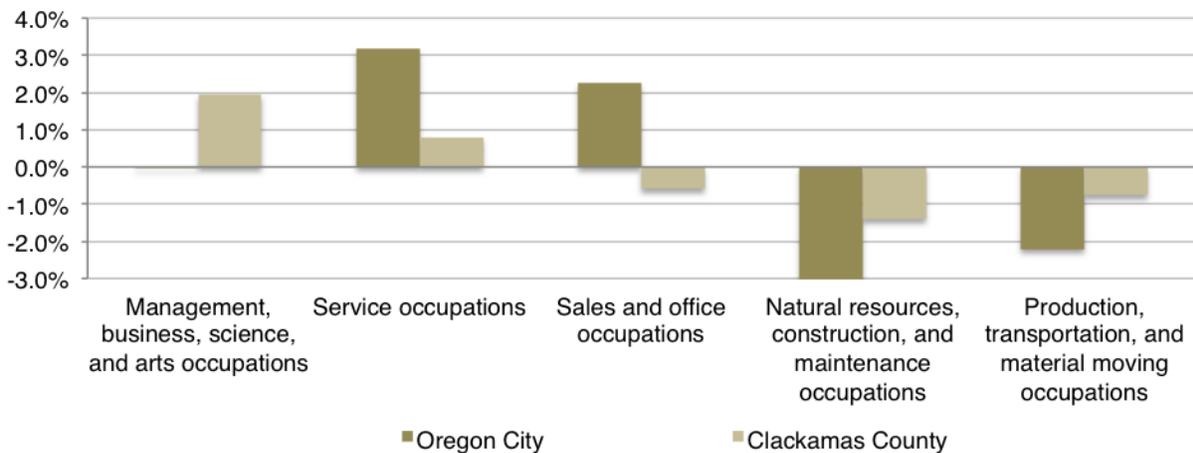
**Figure 13. Occupation characteristics**



Source: U.S. Census Bureau. 2007-2011 American Community Survey 5-year Estimates. Table DP03.

Figure 14 shows how the distribution of occupations has changed in Oregon City and Clackamas County from 2007 to 2011. From 2007 to 2011, Oregon City’s workforce has increasingly worked in service, sales, and office occupations, and has decreasingly worked in natural resource, construction, maintenance, and production occupations. Across the County, there has been a more subtle shift in occupations.

**Figure 14. Change in occupation distribution (2007–2011)**

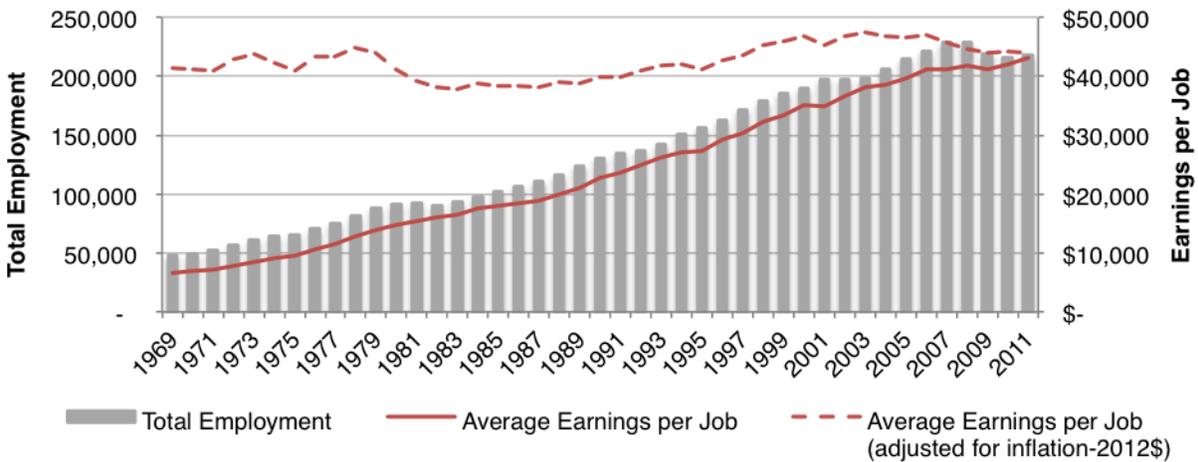


Source: U.S. Census Bureau. 2005-2007 and 2007-2011 American Community Survey 5-year Estimates. Tables: DP03.

Figure 15 shows total part- and full-time employment in Clackamas County from 1969–2011, as well as average earnings per job (in both nominal and inflation adjusted dollars). Total

employment increased at an average annual rate of 3.7%, although growth has slowed over the past several years, and the number of jobs declined from 2007–2010. While average earnings per job increased in nominal terms, it remained steady at about \$42,000 after incorporating inflation.

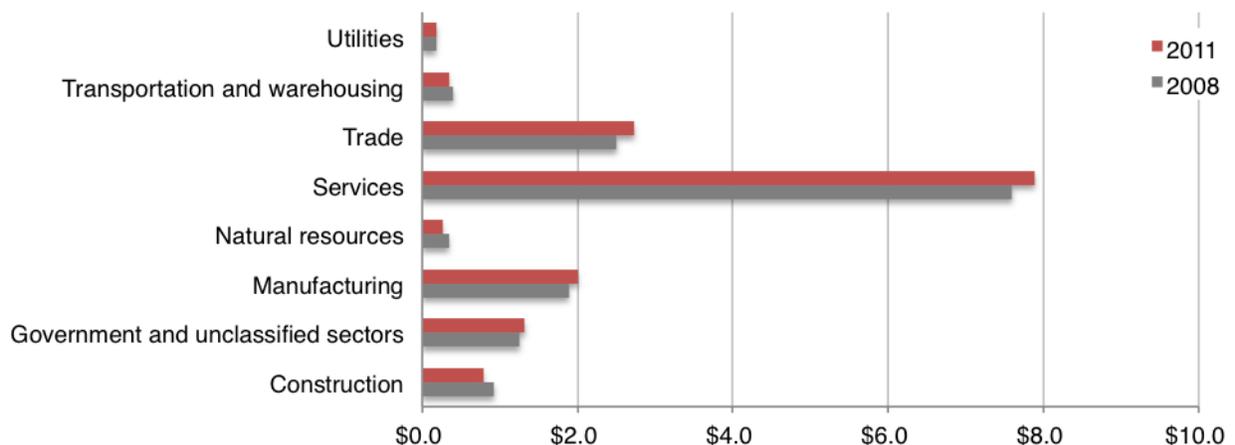
**Figure 15. Employment and average earnings, Clackamas County (1969-2011)**



Source: U.S. Bureau of Economic Analysis. 2013. *CA30 Regional Economic Profile*.

Figure 16 shows the gross regional product in Clackamas County in 2008 and 2011 (in billions of nominal dollars). The services industry accounts for over half of the gross regional product at nearly \$8.0 billion per year. Trade and manufacturing also account for large portions of the gross regional product with about \$3 billion and \$2 billion per year, respectively. All industries grew from 2008 to 2011 except transportation and warehousing, natural resources, and construction.

**Figure 16. Gross regional product, Clackamas County (billions of nominal dollars)**



Source: IMPLAN data. 2008 and 2011.

## 3.2 Target Industries

In 2004, Oregon City compiled a Comprehensive Plan<sup>4</sup> that identified goals for economic development, including:

- Attract high-quality commercial and industrial development that provides stable, high-paying jobs in safe and healthy work environments, that contributes to a broad and sufficient tax base, and that does not compromise the quality of the environment.
- Contribute to the health of the regional and state economy by supporting efforts to attract “traded sector industries” such as high technology and production of metals, machinery, and transportation equipment.

In 2001, Clackamas County compiled a Comprehensive Plan<sup>5</sup> that identified several target industries that it hopes to encourage:

- Metals and machinery manufacturing
- Instruments and electrical equipment manufacturing
- Wholesale trade, distribution centers, warehousing
- Business centers
- Destination retail
- Class “A” offices
- Destination restaurants
- Hotels/motels/conference facilities
- Tourism/destination attractions and accommodations
- Agriculture/horticulture and specialty crops

The County also has a specific program related to film and media production, and attracting new employment in that industry.

## 4 Development Market

---

The purpose of this section is to provide data that will be useful for later development feasibility analysis, and provide implications regarding the current strengths and weaknesses in the development market for some key uses. For this part of the analysis, we include data describing properties in Oregon City, Gladstone, and West Linn.

---

<sup>4</sup> Oregon City. 2004. *Oregon City Comprehensive Plan*. Retrieved on August 2, 2013 from <http://www.orcity.org/planning/comprehensive-plan>.

<sup>5</sup> Clackamas County. 2001. *Clackamas County Comprehensive Plan*. Retrieved on August 2, 2013 from <http://www.clackamas.us/planning/comprehensive.html>.

## 4.1 Residential Uses

The data in this section explore the type of housing that exists in the area, and how it is faring in the marketplace (achievable rents, unit type, and occupancy). **Between 2000 and 2010, Oregon City saw an increase in owner-occupied structures, and, with the exception of 2012, a heavy tilt toward single-family structures over that same time period. Values have mirrored regional growth trends (with an upward climb from recession-level prices currently underway); Oregon City’s average home value has consistently been at the upper end of prices for communities that surround it. Taken together, these trends suggest possible untapped demand for multi-family development, and further emphasize the need for the development to determine and exploit a niche market for new development.**

Table 7 summarizes housing conditions in the four areas. All four areas have similar occupancy rates (92%–95%). Oregon City has the highest percentage of renter-occupied housing across the four areas (36.3%). Across the County, only 30.7% of occupied housing units are renter-occupied.

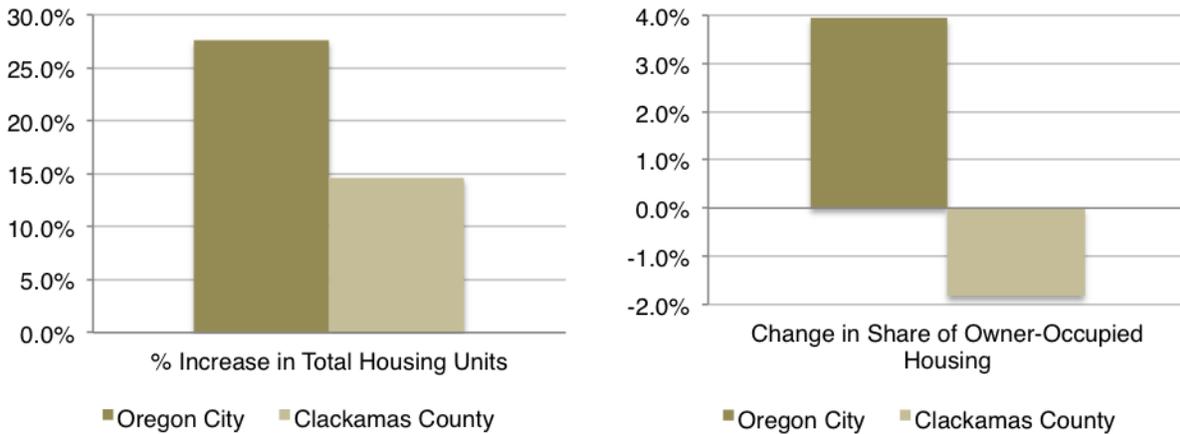
**Table 7. Housing characteristics (2010)**

Housing Characteristics	5-minute area	15-minute area	Oregon City	Clackamas County
Total Housing Units	33,162	181,435	12,900	156,945
Occupied Housing Units	31,374	170,650	11,973	145,790
Owner-Occupied Housing Units	68.6%	65.5%	63.7%	69.3%
Renter-Occupied Housing Units	31.4%	34.5%	36.3%	30.7%
Vacant Housing Units	1,788	10,785	927	11,155
Total Housing Units	33,162	181,435	12,900	156,945

Source: U.S. Census Bureau. *2010 Decennial Census*. Table DP5F1.

Figure 22 shows the increase in total housing in Oregon City and Clackamas County, as well as how the distribution of owner-occupied housing to renter-occupied housing have changed from 2000–2010. Clackamas County has added a total of nearly 20,000 housing units, while Oregon City has added 2,800. Since 2000, the City’s share of housing that is owner-occupied increased from 60% to 64%, while the County’s share of owner-occupied housing decreased.

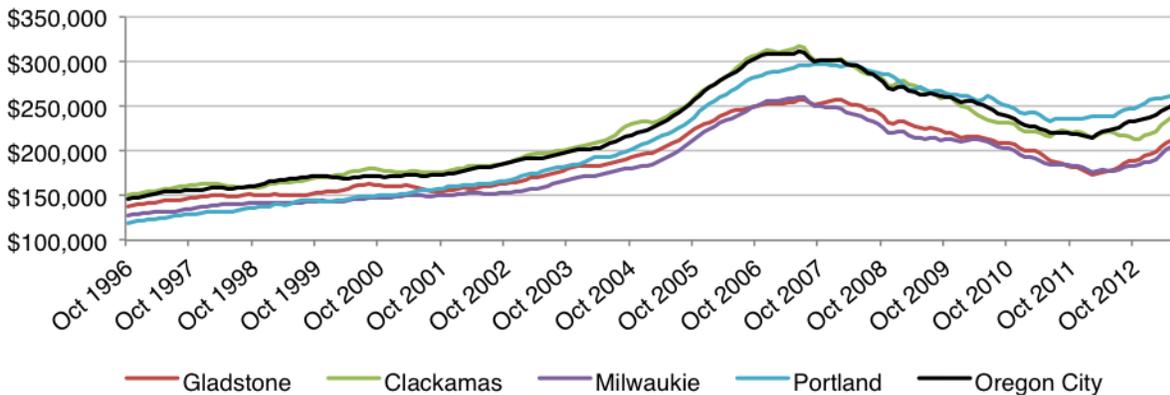
**Figure 17. Change in housing units and owner-occupied housing (2000–2010)**



Source: U.S. Census Bureau. *2000 and 2010 Decennial Census*. Tables: DPSF1.

Figure 21 shows Zillow’s home value index<sup>6</sup> for Oregon City and several neighboring cities, by month, from October 1996 to June 2013. All five cities show similar trends. Median home values increased in the late 1990s and early 2000s, and peaked in late 2006. After declining for several years, median home values have been on the rise for the past year. Oregon City’s median home value is on the high end relative to the other cities included in the figure.

**Figure 18. Zillow home value index for Oregon City and neighboring cities (1996–2013)**

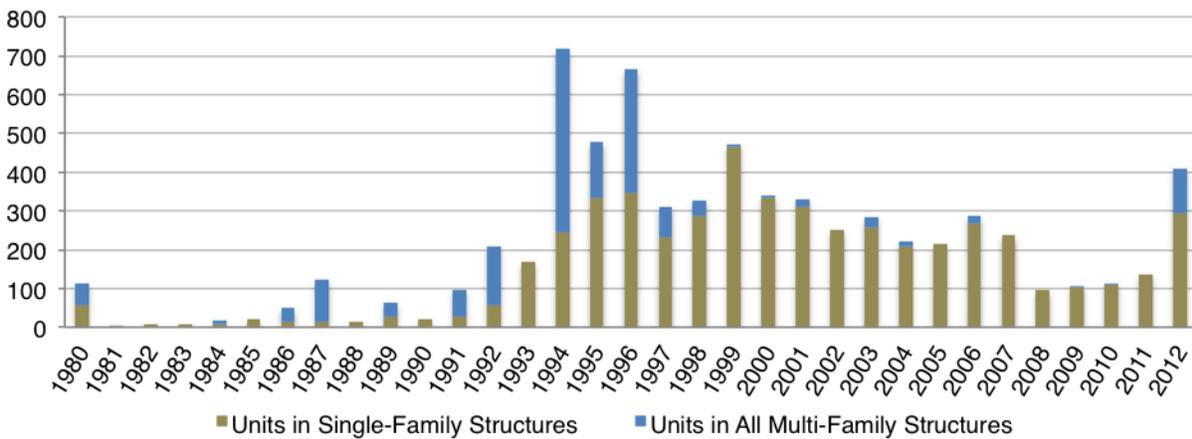


Source: Zillow.com. 2013. *Zillow Home Value Index*. Retrieved on July 24, 2013.

Figure 22 summarizes housing unit permit information for Oregon City from 1980–2012. The number of permits issued peaked in the mid-1990s. Permits for single-family homes peaked in 1999 at 465. Permits declined in the early 2000s, but increased again in 2012. Virtually all of the multi-family permits have been in structures with five or more units; only 113 permits have been for 2-, 3-, or 4-unit multi-family structures since 1980.

<sup>6</sup> The index represents the median Zestimate valuation for each city, each month. The Zestimate is Zillow’s estimate of each homes value.

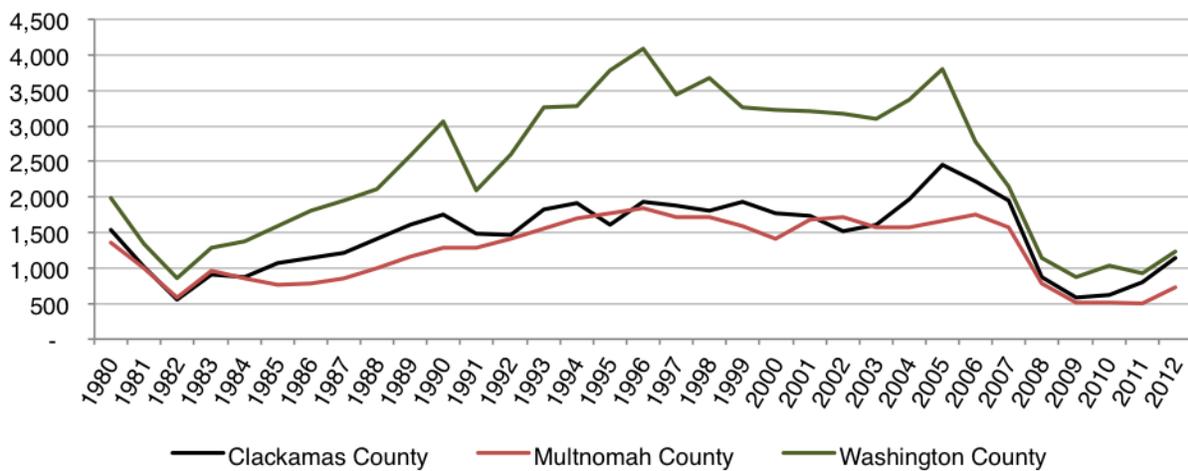
**Figure 19. Housing unit building permits for Oregon City (1980–2012)**



Source: SOCDs Building Permits Database. 2013. *Housing Unit Building Permits for Oregon City, OR*. Retrieved from: <http://socds.huduser.org/permits/>.

Figure 20 summarizes permit data for single-family structures in Clackamas County as well as Multnomah and Washington Counties. In general, all three counties have followed similar trends since 1980. While the number of permits in Clackamas County and Multnomah County are similar, the number of single-family permits in Washington County was much higher especially during the 1990s and early 2000s.

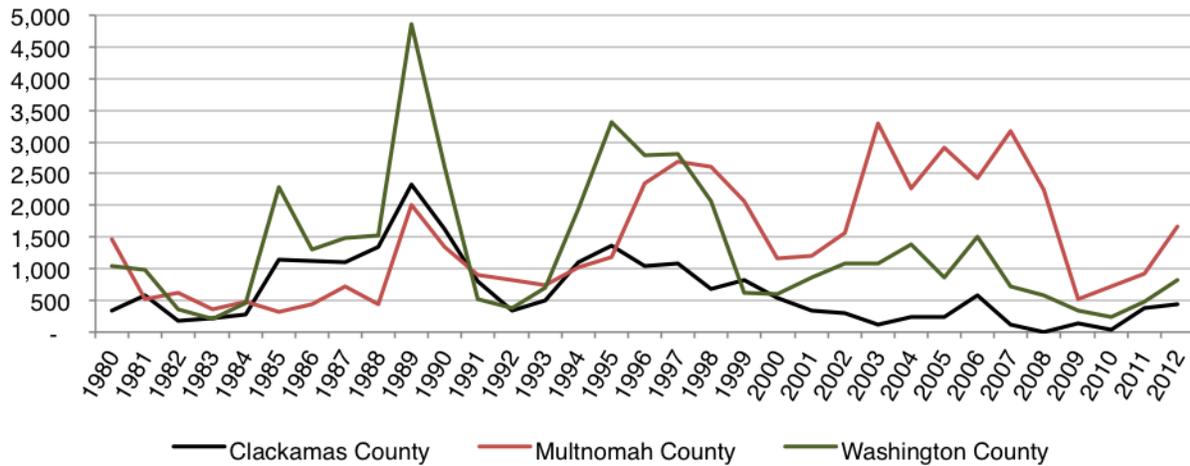
**Figure 20. Single-family housing unit building permits, by county (1980–2012)**



Source: SOCDs Building Permits Database. 2013. *Housing Unit Building Permits for Clackamas County, Multnomah County, and Washington County*. Retrieved from: <http://socds.huduser.org/permits/>.

Figure 21 summarizes permit data for units in multi-family structures in the three counties. In general, the number of permits in Clackamas County has been less than the number of permits in the other two counties. While Washington County led in the 1980s, the number of permits in Multnomah County has been in the lead since the late 1990s.

**Figure 21. Multi-family housing unit building permits, by county (1980–2012)**



Source: SOCDS Building Permits Database. 2013. *Housing Unit Building Permits for Clackamas County, Multnomah County, and Washington County*. Retrieved from: <http://socds.huduser.org/permits/>.

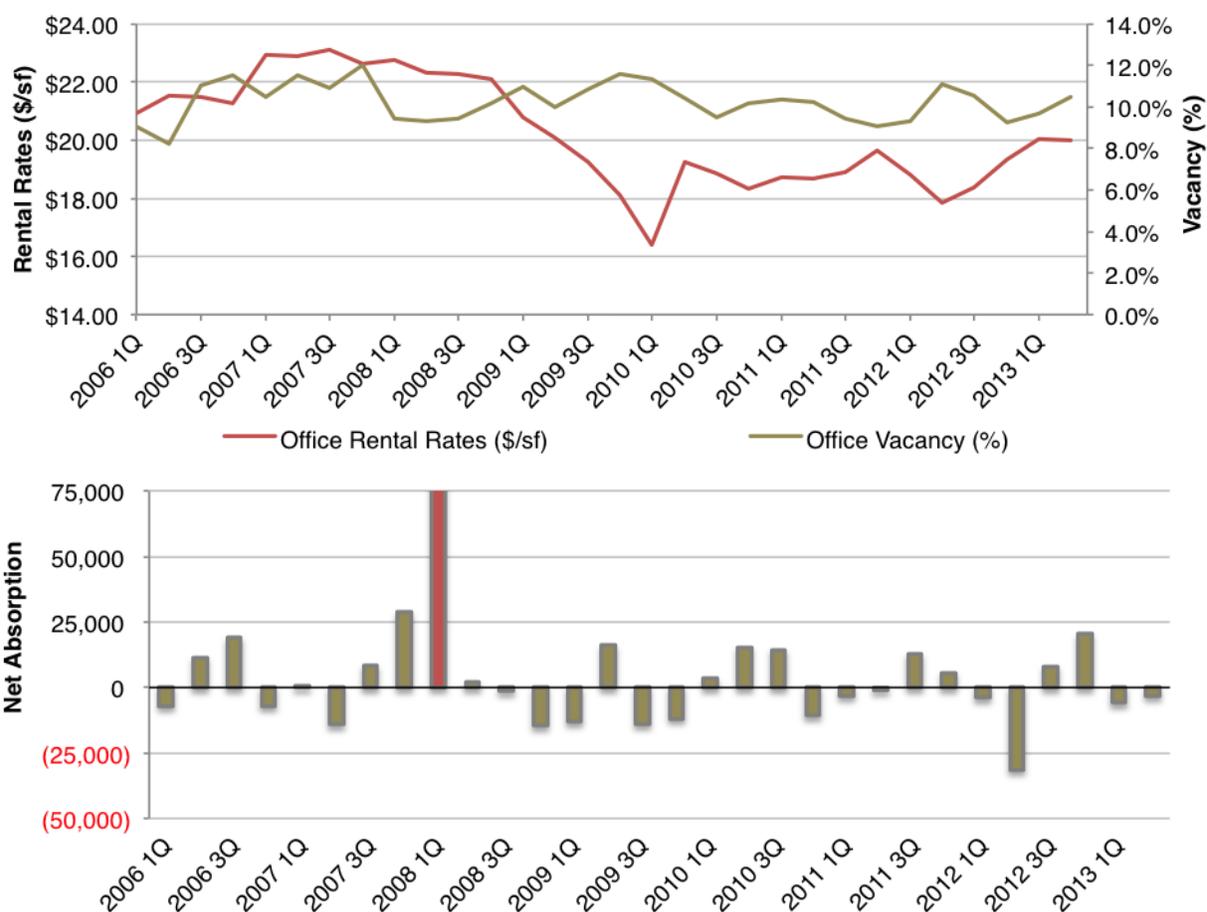
On a per square foot basis, current rents for nearby rental units range from less \$.90 per square foot to \$1.45 per square foot, with an average of \$1.04 per square foot for 1 bedroom units, and \$.92 per square foot for 2 and 3 bedroom units.<sup>7</sup> These units are not likely to serve as reasonable comparables to potential new development on the Willamette Falls site; most are older and generally lack amenities. However, the data do emphasize the lack of available new higher-end rental housing stock.

<sup>7</sup> REIS data, Q2 2013, 30 closest complexes with 40+ units.

## 4.2 Office Uses

Figure 22 shows quarterly rental rates, vacancy, and net absorption for office space in Oregon City, Milwaukie, and Gladstone. From 2006–2009 (before the recession), rental rates were between \$21 and \$23 per square foot. Rental rates dropped in early 2009. Since then, however, they inched toward pre-recession levels. Vacancy rates did not fluctuate as dramatically with the recession; they have fluctuated between 8% and 12%. Net absorption has, in general, been +/- 25,000 each quarter, with the notable exception of 2008 1Q, when net absorption was over 150,000.

Figure 22. Office rental rates, vacancy, and net absorption (2006–2013)



Source: CoStar data for Oregon City, Milwaukie, and Gladstone.

Notes: The red column in the net absorption figure represents the 2008 1Q, when net absorption was 150,638.

## 4.3 Retail Uses

Figure 23 shows quarterly rental rates, vacancy, and net absorption for retail space in Oregon City, Milwaukie, and Gladstone. From 2008–2010, rental rates for retail space declined from about \$23 to \$16 as the vacancy rate increased from about 4% to 8%. Since the beginning of 2011, rental rates have remained stable at about \$18, and vacancy rates have fluctuated between 5%

and 7%. Net absorption went from about -80,000 in 2006 4Q to about 75,000 in 2007 1Q. Since then, net absorption has, in general, remained at +/- 25,000.

**Figure 23. Retail rental rates, vacancy, and net absorption (2006–2013)**



Source: CoStar data for Oregon City, Milwaukie, and Gladstone.

#### 4.4 Industrial Uses

Figure 24 shows quarterly rental rates, vacancy, and net absorption for industrial space in Oregon City, Milwaukie, and Gladstone. The rental rate for industrial spaced dipped from about \$7 to \$4 in late 2009 and early 2010. Since then, however, the rental rate has steadily increased, and has returned to pre-recession levels. The vacancy rate dropped from about 13% in early 2006 to below 1% toward the end of 2007. Currently, the vacancy rate remains low at around 3%. Most years, net absorption is relatively small (+/- 10,000 or less). There have been six instances, however, since 2006 that net absorption has exceeded +/- 40,000. Most recently, net absorption was about 55,600 in 2012 2Q.

Figure 24. Industrial rental rates, vacancy, and net absorption (2006–2013)



Source: CoStar data for Oregon City, Milwaukie, and Gladstone.