

## **RESOLUTION NO. 2861**

### **A RESOLUTION OF THE WILSONVILLE CITY COUNCIL ACCEPTING THE METRO EMPLOYMENT LAND READINESS REPORT FOR THE COFFEE CREEK INDUSTRIAL AREA.**

WHEREAS, in 2018, the City of Wilsonville agreed to participate in the Employment Land Readiness Toolkit Project (“Project”) led by grant recipient Port of Portland and funded by a Metro Community Development grant; and

WHEREAS, the Employment Land Readiness Toolkit Project was designed to help find tools to move challenged industrial and commercial employment sites within the Metro urban growth boundary to development-readiness to accommodate projected population growth; and

WHEREAS, the City of Wilsonville contributed to this Project through a \$1,000 cash match and in-kind match of staff time and leadership on the Project steering committee; and

WHEREAS, Wilsonville’s Coffee Creek Industrial Area was selected for development of a detailed site readiness study with a set of customized development strategies.

NOW THEREFORE, BE IT RESOLVED BY THE WILSONVILLE CITY COUNCIL THAT:

1. The Wilsonville City Council hereby acknowledges the findings of the Metro Employment Land Readiness Toolkit Report for the Coffee Creek Industrial Area (“Findings”).
2. This action does not provide endorsement of or agreement to implement the Findings.

ADOPTED by the Wilsonville City Council at a regular meeting thereof this 16<sup>th</sup> day of November, 2020, and filed with the Wilsonville City Recorder this date.

  
DocuSigned by:  
Tim Knapp  
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Tim Knapp, Mayor

ATTEST:

DocuSigned by:  
  
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Kimberly Veliz, City Recorder

SUMMARY OF VOTES:

Mayor Knapp	Yes
Council President Akervall	Yes
Councilor Linville	Yes
Councilor Lehan	Yes
Councilor West	Yes

Exhibit:

- A. [Site Readiness Executive Summary Reports](#)
- B. [Wilsonville Customized Study](#)

# TASK 5:

## Employment Land Site Readiness Toolkit Executive Summary

 PORT OF PORTLAND

 Metro
  GREATER PORTLAND 20|20

Consultant team:



### EXECUTIVE SUMMARY

Several site readiness challenges have long hindered the development of key employment lands in the Portland metro region. Meanwhile, employment space and site needs have increased over the last decade as the region's economy has expanded and the population has increased. Solving these difficult issues is a key priority of leadership at the local, regional and state level.

The Employment Land Site Readiness Toolkit project was designed to help find tools to move challenged industrial and commercial employment sites within the Metro urban growth boundary to development-readiness to accommodate projected population growth. The project is a follow-up from the Regional Industrial Site Readiness Lands inventories completed in 2011, 2014 and 2017 that tiered industrial sites based on time to market and highlighted seven key site readiness challenges limiting market development of these sites.

The project was funded by a Metro 2040 Planning and Development Grant with matching funds from 19 regional partners (2 counties, 13 cities and 4 regional entities). The Port of Portland, Greater Portland Inc and Metro managed the project, working with a consultant team lead by Cascadia Partners.

This Employment Land Site Readiness Toolkit contains **four separate reports** that provide new ideas and important refinements to existing tools that, if implemented and funded, can give local leaders greater ability to ready employment lands for the development and job growth needed to support the economy of the Portland region. This set of reports also provides some preliminary considerations for how to incorporate issues of equity into both the approach and tools deployed to address employment land readiness. Equity has not traditionally been considered within the context of employment land policy and this report is intended to serve as an initial guide for how to meaningfully consider equity in such projects.

The **Task 1 Report** identifies national best practices and innovative tools for addressing key employment land readiness challenges and equitable development. The **Task 2 Report** details two new real estate and finance tools that could make a significant impact on site readiness. The **Task 3 Report** summarizes recommended modifications to existing economic development tools in Oregon. The **Task 4 Report** outlines site readiness roadmaps for three sites in the region and tests several of these tools to help demonstrate the impact of individual tools and the layering of tools needed to achieve financial feasibility for each of these sites. This set of Reports should serve as a resource for local practitioners as well as a source of potential legislative ideas for local and state leaders focused on improving employment site readiness.

#### **Key Site Readiness Challenges:**

- infrastructure
- natural resource mitigation
- brownfield remediation
- local entitlements
- land assembly
- gravel pit remediation
- redevelopment

# TASK 1 REPORT:

## National Best Practices Research

### OVERVIEW:

Many states and localities have encountered the seven key site readiness challenges that are the focus of this project and developed unique tools not currently or widely available in Oregon. The Task 1 Report provides a summary of 28 of these innovative tools. At least three tools were identified for each of the seven site development challenges. Each tool was ranked in terms of its relative effort and level of impact, and whether implementation action is needed at the local, regional, or state level. In addition, the Report includes three equitable impact assessment models that jurisdictions can use to apply an equity lens to employment land policies, programs and projects to help better understand community impacts and incorporate community benefits in design and decision-making.

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### KEY FINDINGS:

#### **Financing is a Fundamental Challenge**

Oregon has fewer and more limited sources of revenue for economic development than other states. The lack of available low-cost financing is a major challenge to several employment land readiness tools. There are potential financing tools that could provide large-scale, low-cost, long-term financing to projects to overcome major cost hurdles, such as off-site transportation improvements. These tools include new financing districts and enhanced redevelopment authorities. They would require state legislative action and a source of seed capital to be most effective.

#### **Opportunities Now**

About half of the tools identified can be deployed on a short timeline. These tools are focused on reducing regulatory and process barriers to capture market strength in places where the market is strong. However, these tools generally have a more narrow or limited impact than the financing tools because many of the region's employment sites face challenges beyond regulation and process.

#### **Integrate Equity into the Development Process**

Equity can and should be integrated into the planning, funding and development process. Any assessments or tools should provide a framework for considering equitable outcomes in development projects. Considering issues of equity early in the process of establishing employment land policy and prioritizing investments is important. Meaningful representation and empowerment of underrepresented groups within the decision-making itself is critical.

# TASK 2 REPORT:

## New Real Estate and Finance Tools

### OVERVIEW:

The Task 2 Report details two new tools that could help jurisdictions overcome some of the most intractable employment land site readiness challenges: assembling land with multiple owners and paying for new infrastructure costs. A **Horizontal Development Agreement (HDA)** is a vehicle for packaging multiple development incentives and community benefits into a legal contract that can entice multiple property owners to work together with a local jurisdiction on a common site development vision and timeline. A **Regional Employment Land Investment Fund (RELIF)** would enable public and private parties to pool resources and prioritize spending on site readiness and development. In addition to the potential benefits of pooled capital, the fund participants would also realize any gains associated with development projects, much like a traditional investment fund.

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### KEY FINDINGS:

#### **HDA: Timing is Important for Maximum Leverage**

When crafting a HDA, a jurisdiction's leverage is the greatest when it has incentives to offer. The earlier in the planning-annexation-zoning-funding process a city can step in to negotiate an HDA, the more potential incentives and leverage a city has to compel cooperation and other community benefits. The bundle of incentives a city can offer includes pre-development funding, annexation, zoning and other development entitlements, and infrastructure planning and construction. Access to city incentives can be predicated on all or a majority of property owners cooperating and participating in the agreement.

#### **RELIF: Diversified Investment Risk and Shared Upside**

RELIF is a pooled investment fund that mingles dollars from public and private partners. The principal benefits are similar to a traditional investment fund: diversification of project types and locations helps mitigate risk and even small investors can benefit from the upside on large projects. In addition, the pooling of funds and targeting of those funds on the region's most well-positioned properties and projects brings large, meaningful dollar amounts to these projects and positions the fund for maximum potential upside. The current model of individual jurisdictions working independently to finance site development limits access to financial resources and may delay site readiness particularly for larger sites and sites in communities with fewer resources.

# TASK 3 REPORT:

## Modifications to Existing Development Tools

### OVERVIEW:

While new tools offer innovative solutions to the land readiness challenge, modifications to existing economic development tools can be faster and less costly, especially because the legal framework, program staff and procedures are already in place. Task 3 explores changes to the following tools that could expand their effectiveness:

- Land bank authorities (LBAs)
- Advanced wetland mitigation planning
- Tax increment / urban renewal financing
- Local improvement districts (LID)
- Oregon cleanup funds
- System development charge (SDC) financing
- Conversion of gravel pits
- Regionally Significant Industrial Site Readiness program

These changes include: expanding the classification of properties that LBAs have authority over beyond brownfields, expanding the scope of power and capital sources for urban renewal, providing state revolving loan and grant funding to support several programs, removing barriers to LID formations, and explicitly allowing second position SDC loans.

The goal of these proposed changes is to unlock the economic potential of the region's employment lands, many of which have been stuck in the site readiness pipeline for years. If successful, the additional tax revenue and job growth from expanded employment land development should help compensate for increases in funding and staff resources required to make these changes. The proposed modifications to existing tools included in Task 3 require a mix of strategies. Some require state statutory and/or administrative changes; others require local administrative changes; some require a mix of statutory and regional/local administrative changes; and some require program funding.

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### KEY FINDINGS:

#### Existing Tools Limited

By themselves, existing tools are inadequate for providing a robust supply of regional employment land. To overcome some of the most significant challenges, such as off-site transportation and other infrastructure costs, and to yield the greatest regional impacts, state action is required to enhance implementation of existing economic development tools and secure needed funding.

# TASK 4 REPORT:

## Development Roadmaps

### OVERVIEW:

The Task 4 Report provides local practitioners with a development roadmap for three employment land sites in the region and an understanding of how specific tools could impact site readiness and financial feasibility of these sites. In addition, the report provides a framework for cities to explore how equity can be considered in employment land development. These assessments include: demographic data, equity and economic data, community assets and needs, key equity considerations and potential equity actions.

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### KEY FINDINGS:

#### **Not All Sites are Created Equal - Small Differences Have a Big Impact**

Each site has a different assumed use mix and small changes have the potential to yield big differences in the financial performance of the site. Several economic factors can have big impacts including: small changes in rent (especially for larger projects with large square footage), changing zoning to allow for greater buildable area, and a greater share of uses that are strong in today's market, such as logistics and warehousing.

#### **Big Tools Needed for Big Results**

Public infrastructure is the single most significant cost barrier facing employment lands in the region and access to capital is the single largest local government barrier to their being able to help solve this issue. Some tools are too small to make a difference. Even with the possibility of integrating more effective tools, individual tools are seldom able to achieve market feasibility alone. However, modeling what happens when several tools are layered together has demonstrated the potential for a stronger level of market feasibility.

#### **Large Sites Represent Major Equitable Development Opportunities**

All three roadmap site cities are in the early stages of identifying and incorporating equitable development outcomes in their city planning processes. Most cities have local organizations identified to support potential equity initiatives and some larger citywide affordable housing and economic development initiatives are underway, but equity has not been incorporated into their employment land site development policies and practices. The scale of site readiness projects associated with these roadmap sites represent major opportunities for the three cities to advance equity outcomes in the planning, development, and operations for these sites.

# CONCLUSIONS

## CHAMPIONING STATE ACTION THROUGH ADVOCACY

Many of the most effective strategies for unlocking employment lands require changes to existing tools or legislation to create new tools and funding sources. Making headway requires local and state level champions to identify legislative priorities for the short term and long term and sustain advocacy on an ongoing basis. Coalition building with stakeholders statewide will be critical to turning these ideas into reality.

## LOCAL ACTION ON EMPLOYMENT LANDS

Moving the region's employment lands to development-ready status requires the focus of local and regional interests. Many of these sites face significant site readiness challenges and will require creative approaches to bring them to market. Integrating equitable development outcomes in employment land planning and development is vital.

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### Recommendations for Local and State Action

1. Secure greater flexibility and funding for existing tools
2. Secure administrative and legislative support for a prioritized set of new tools
3. Develop a plan of action and next steps for 3 city roadmap sites
4. Explore ways to secure equitable development outcomes in employment land policies, programs and projects

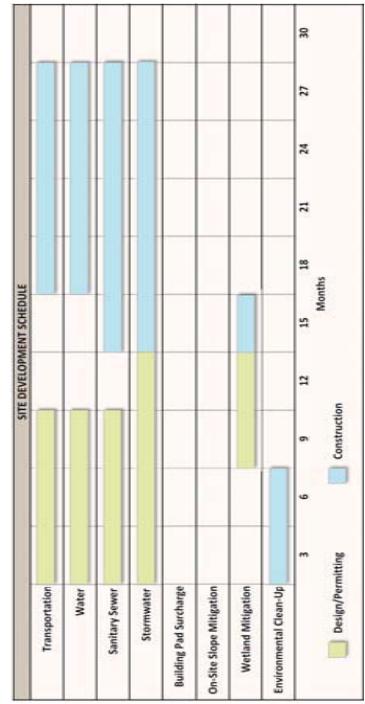
# COFFEE CREEK SITE (WILSONVILLE) - BASE DEVELOPMENT SCENARIO

## Development Concept



Combination business park and single user site; northern portion of site for 2-story office buildings; middle portion of site for multi or single tenant manufacturing/distribution uses; southern portion of site for single manufacturing user.

## Development Timeline



Total Development Timeline: 27 months

## Site Readiness Challenges

### On-site Issues

- Brownfield Cleanup
- Wetland Fill
- Floodplain Fill
- Slope Mitigation

### Off-site Issues

- Water
- Sewer
- Storm
- Transportation

### Land Use Issues

- Aggregation
- Annexation

## Development Programs Details

Buildings	Size (sq ft)	Use	Site Use	Size (sq ft)	%
Office 1	50,000	Office	Building Footprint	1,010,592	30%
Office 2	40,000	Office	Parking and Circulation	1,881,792	57%
Office 3	35,000	Office	Landscaping / Open Space	431,244	13%
Spec Building 1	72,800	General Manufacturing/Flex			
Spec Building 2	104,000	General Manufacturing/Flex			
Spec Building 3	145,600	General Manufacturing/Flex			
Spec Building 4	72,800	General Manufacturing/Flex			
Spec Building 5	104,000	General Manufacturing/Flex			
Spec Building 6	145,600	General Manufacturing/Flex			
Manufacturing	304,000	General Manufacturing/Flex			
<b>Total</b>	<b>1,073,800</b>				
			<b>Rent Assumptions</b>	<b>Office: \$28 / Sq Ft Industrial: \$12.50 / Sq Ft</b>	
				<b>Landscaping / Open Space, 13%</b>	
				<b>Parking and Circulation, 57%</b>	

## COFFEE CREEK SITE (WILSONVILLE) - BASE DEVELOPMENT SCENARIO (COSTS)

### **Development Costs**

<b>PRE-DEVELOPMENT COSTS</b>		
	<b>2020 Dollars</b>	<b>\$ / sq ft</b>
Land Acquisition	\$1,941,768	\$6.00
Land Carry	\$1,566,909	-
Other Fees	\$398,835	-

### **SITE READINESS COSTS**

*Site readiness costs represent all the costs prior to vertical construction of buildings*

<b>2020 Dollars</b>		
	<b>\$ / sq ft</b>	
Off-Site Sanitary Sewer	\$2,596,250	\$0.78
Off-Site Water	\$87,500	\$0.21
On-Site Storm Water	\$2,045,750	\$0.62
On-Site Transportation *	\$5,030,000	\$1.51
On-Site Wetland Mitigation	\$70,600	-
On-Site Slope Mitigation	\$0	-
On-Site Building Pad Surcharge	\$0	-
On-Site Floodplain	\$0	-
On-Site Environmental Cleanup	\$153,450	\$0.05
Total On-site and Off-site Costs	\$10,583,550	\$3.18
Time Costs	\$1,666,909	\$0.50
Soft Costs (includes SDCs)	\$2,116,710	\$0.64
Threshold Return	\$5,456,202	\$1.64
<b>Total Site Readiness Costs:</b>	<b>\$41,830,884</b>	<b>\$12.59</b>

### **VERTICAL CONSTRUCTION COSTS**

*Vertical construction costs represent costs associated with the construction of buildings*

<b>2020 Dollars</b>		
	<b>\$ / sq ft</b>	
Parking and Pavement Construction	\$10,105,919	\$3.04
Office Construction Costs	\$24,704,823	\$210.00
Industrial Construction Costs	\$110,752,896	\$124.03
Soft Costs (includes SDCs)	\$26,668,202	\$26.39
<b>Total All-In Costs:</b>	<b>\$246,172,132</b>	<b>\$243.59</b>

\*Off-site transportation costs have changed since this analysis

### **Land Readiness Viability Gap / Surplus**

	<b>2020 Dollars</b>	<b>\$ / sq ft</b>	
Finished Lot Sale Price	\$50,891,148	\$17.50	
Site Readiness Costs	\$41,830,884	\$12.59	
<b>Viability Gap</b>	<b>\$9,060,264</b>	<b>(Surplus)</b>	

### **Vertical Construction Viability Gap / Surplus**

	<b>Percentage</b>	
Threshold Return	15.0%	
Actual Return	6.7%	
<b>Financial Gap</b>	<b>\$62,290,842</b>	
% of Project Costs	29.1%	

## COFFEE CREEK SITE (WILSONVILLE) - BASE DEVELOPMENT SCENARIO (ECONOMIC IMPACTS)

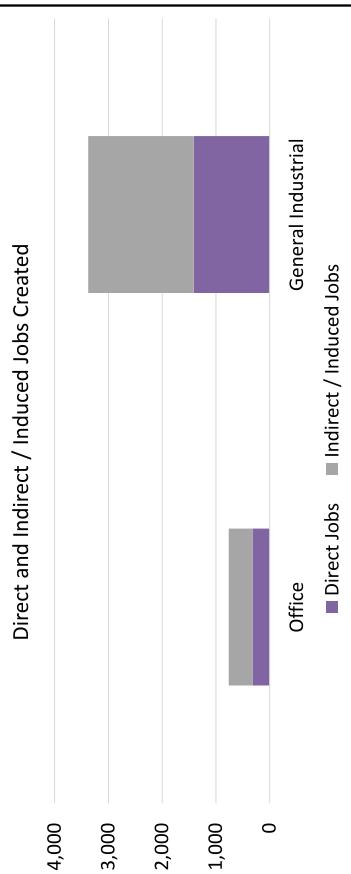
### Annual Employment Impact

#### **JOB AND INCOME CREATION**

Estimated job and income creation at full buildout

	Jobs	Jobs / Acre	Labor Income	Output
<b>Direct:</b>				
Office	319	4.2	\$36,185,305	\$264,112,962
General Industrial	1,414	18.5	\$160,218,881	\$1,169,421,765
				0
<b>Indirect / Induced:</b>				
Office	444	4.2	\$50,277,391	\$148,972,598
General Industrial	1,964	18.5	\$222,614,879	\$659,610,936
<b>Total</b>	<b>4,141</b>			

Direct and Indirect / Induced Jobs Created

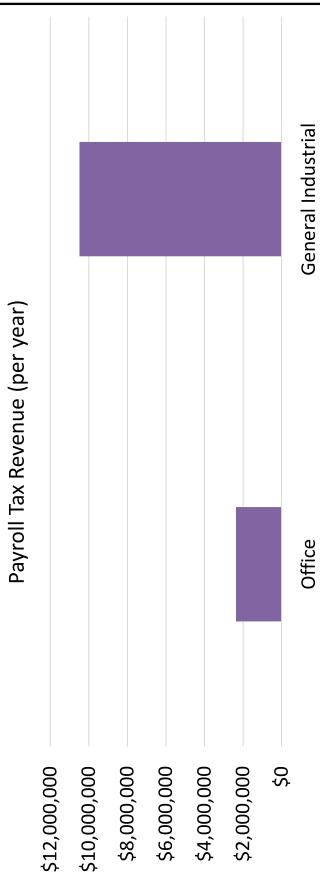


### Payroll Tax Revenue (per year)

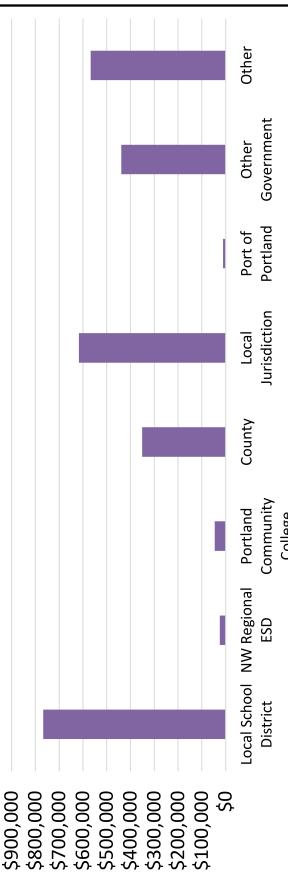
#### **ANNUAL PAYROLL TAX REVENUE**

Estimated annual payroll tax revenues based on direct jobs

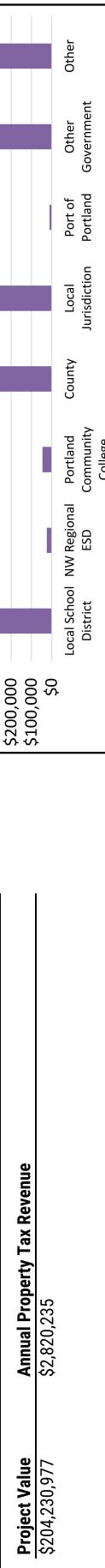
Employment Type	Payroll Tax Revenue (per year)
Office	\$2,369,233
General Industrial	\$10,490,331
<b>Total</b>	<b>\$12,859,564</b>



### Property Tax Impacts



### **Property Tax Impacts**



## COFFEE CREEK SITE (WILSONVILLE) - TOOL IMPACT

### TOOL DESCRIPTION

**Base Scenario:** the development scenario as proposed with no additional tools tested

**Increase Industrial Density:** assume a 20% increase in gross building area through modest reductions in landscaping and parking to accommodate for greater building area

**URA Site Readiness Cost Reimbursement:** reimburse costs associated with site readiness preparation; structured as property tax abatements scaled to site readiness cost figure reimbursed over ten years

**SDC Financing:** a public loan to cover system development costs associated with the project

**Reimbursement District:** public reimbursement in off-site infrastructure costs over 10 years

**Industrial Land Bank (Land Waiver):** a complete land cost waiver  
**Industrial Land Bank (Land Lease):** a land lease with more favorable terms compared to a private loan to offset land acquisition costs

**URA Tax Abatement for Vertical Improvements:** a 10-year tax abatement for the vertical improvements (building investments) associated with the project

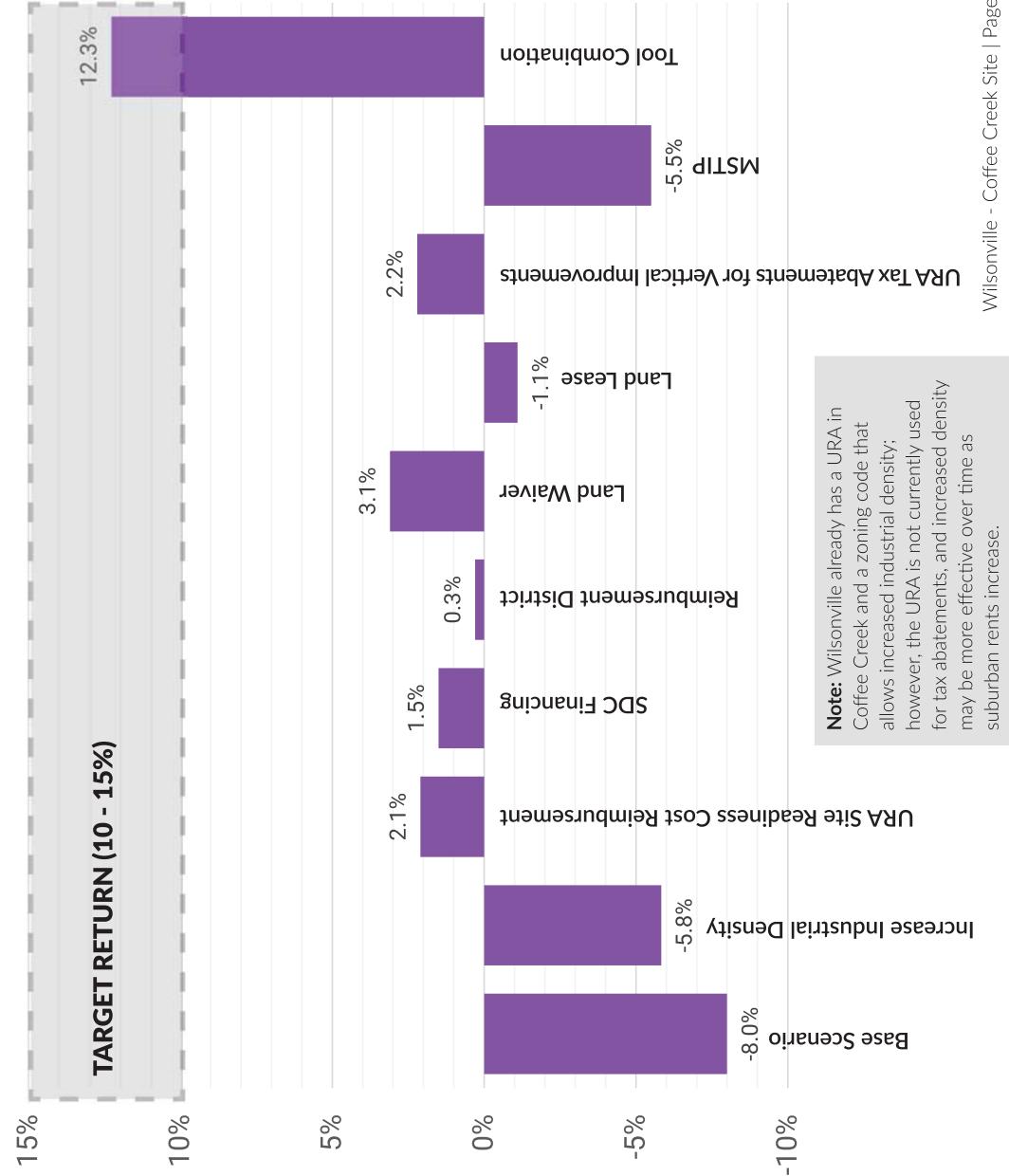
**Major Streets Transportation Improvement Program (MSTIP):** county funding to cover off-site transportation costs

**Tool Combination:** modeling the cumulative impacts of SDC Financing, URA Tax Abatements for Vertical Improvements, MSTIP, and Increased Industrial Density

**A Horizontal Development Agreement (HDA)** could be used to package or combine several tools in exchange for specific community benefits (see page 8).

Individual testing of tools is found in Task 4 Appendix B

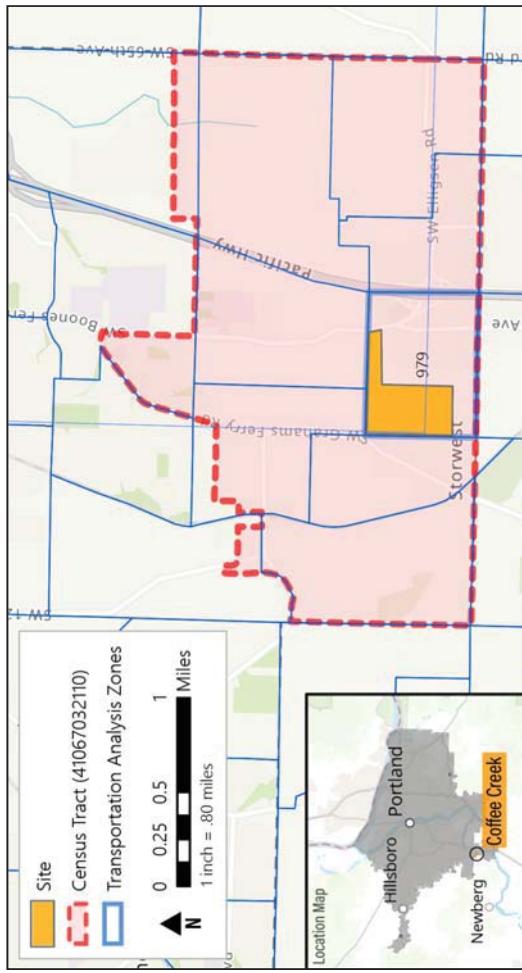
### Coffee Creek - Leveraged IRR



**Note:** Wilsonville already has a URA in Coffee Creek and a zoning code that allows increased industrial density; however, the URA is not currently used for tax abatements, and increased density may be more effective over time as suburban rents increase.

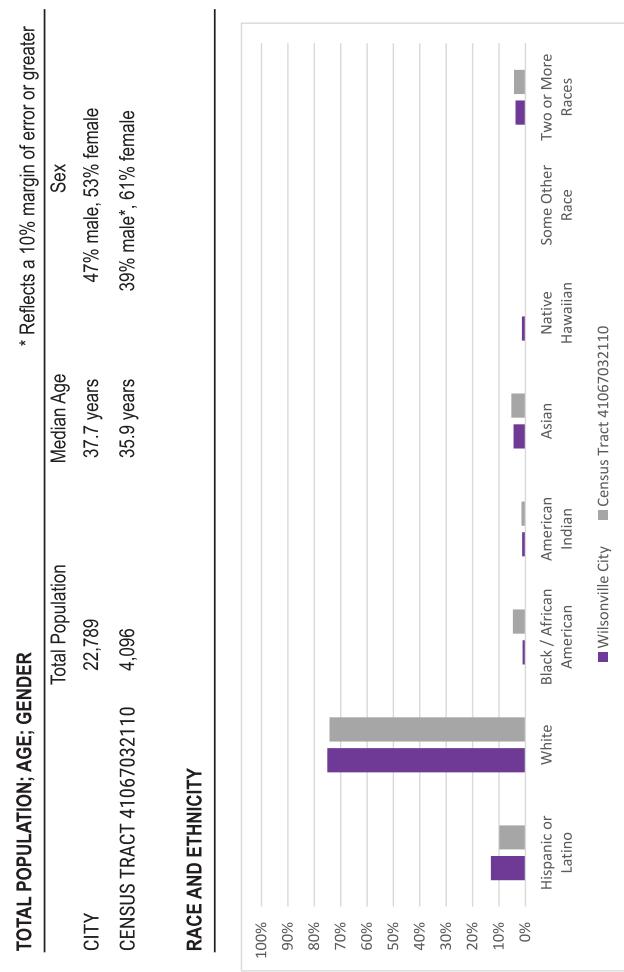
## COFFEE CREEK SITE (WILSONVILLE) - DEMOGRAPHIC SNAPSHOT

### Site & Surrounding Area Map



Metro coordinates its regional forecasts with local governments to distribute, or allocate, the regional forecasts to smaller geographic areas known as TAZ, or Transportation Analysis Zones. TAZs are generally smaller than Census tracts and more closely align with site boundaries.

### Demographic Indicators



MEDIAN INCOME		* Reflects a 10% margin of error or greater	
CITY	\$67,690	CENSUS TRACT 41067032110	\$84,490*
CENSUS TRACT 41067032110	95.6%	Wilsonville City	91.8%

### Key Takeaways

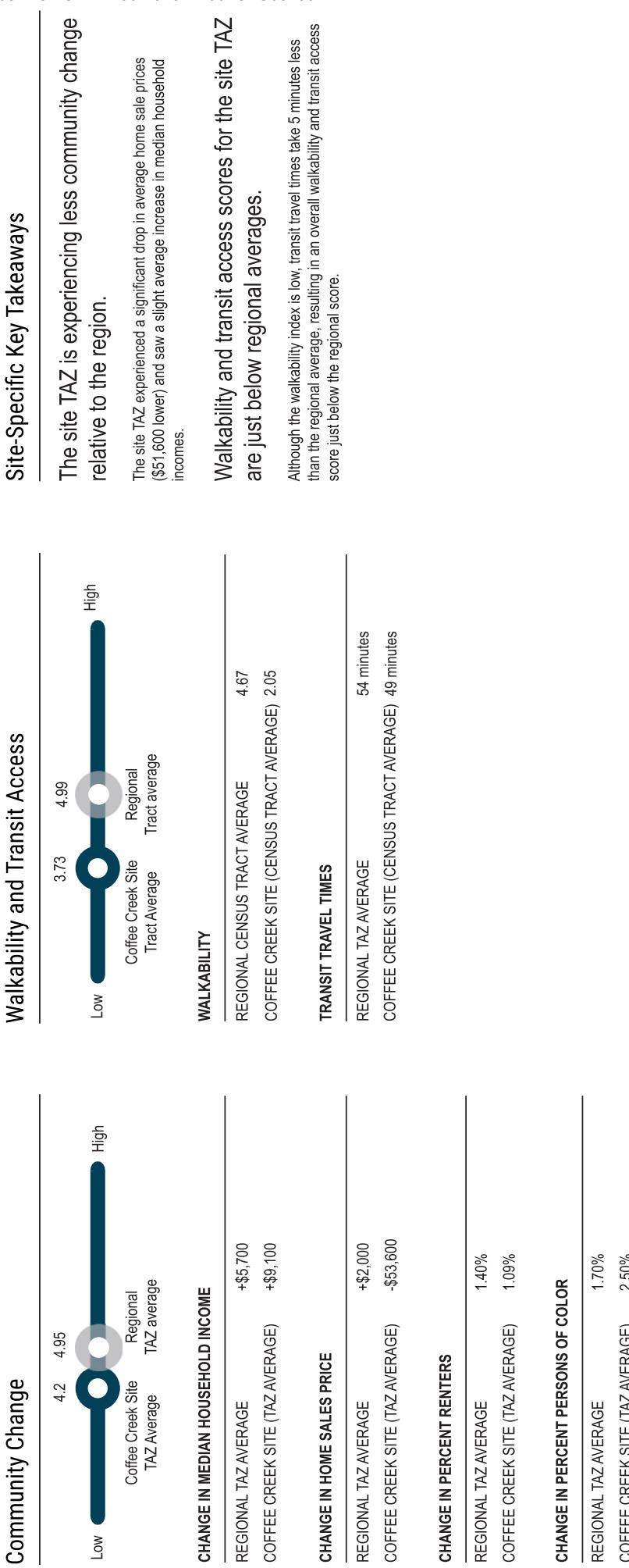
- The census tract has a similar racial and ethnic composition as Wilsonville, both with a population that is over 70% white.

The census tract has a significantly higher ratio of women.

The census tract has a higher median income than Wilsonville.

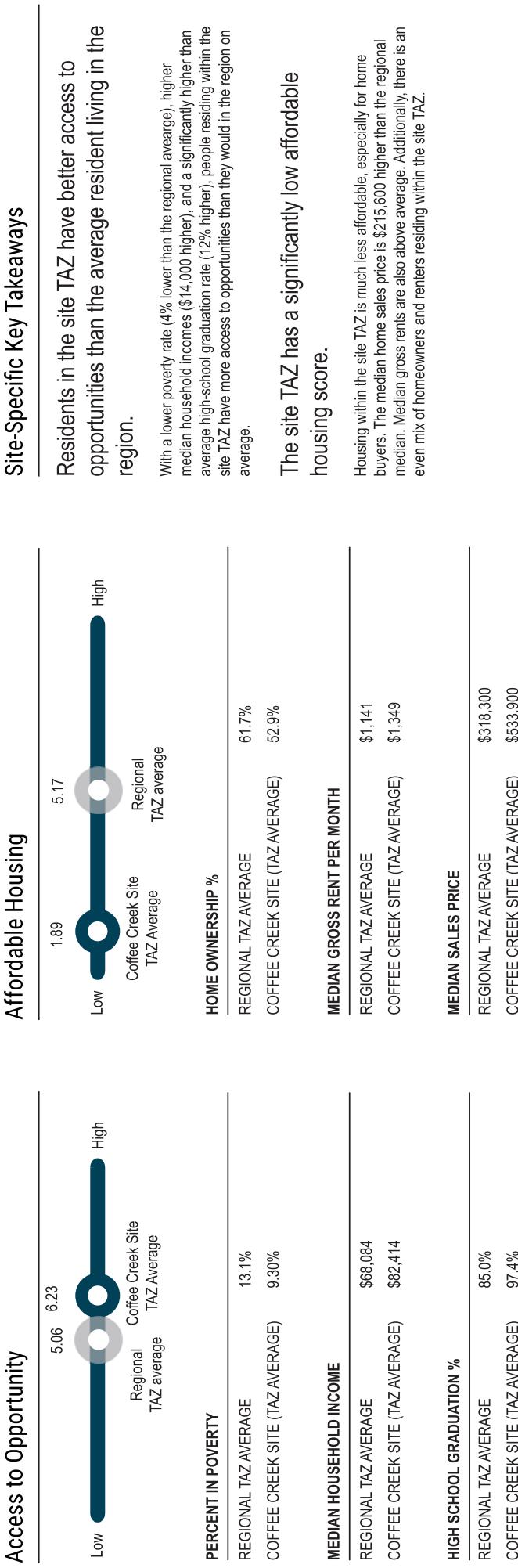
The census tract median income is at 125% of the city's median income.

**COFFEE CREEK SITE (WILSONVILLE) - EQUITY AND ECONOMIC SNAPSHOT**



The Economic Value Atlas and Equitable Development Index Tool are offered as a public service, integrating various government records into a region-wide mapping system. Metro assumes no legal responsibility for the compilation of multi-source government information displayed herein. Users of this information are cautioned to verify all information with Metro staff.

## COFFEE CREEK SITE (WILSONVILLE) - EQUITY AND ECONOMIC SNAPSHOT



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# COFFEE CREEK SITE (WILSONVILLE) - EQUITABLE DEVELOPMENT

## COMMUNITY ASSETS & NEEDS

### Site Considerations

- Site proximity to a correctional facility offers the potential to create an employment placement program.
- Coffee Creek has a new form-based code limiting overall building sizes that could allow smaller MWESB an opportunity to establish businesses.

### Economic Development

- Clackamas Community College provides customized training and staffing programs to help local employers with the tools and resources they need to grow and succeed. Training topics include leadership development, small business management, expansion/ downsizing/recovery, and technical on-the-job training.

### Local Organizations

- The city offers free local SMART transit service in town that connects to Salem/Portland bus and commuter rail. Transit rides typically are only 10 minutes to anywhere in town.

### Affordable Housing Initiatives

- The City Council approved an Equitable Housing Strategic Plan in June 2020, promoting below policy objectives to achieve more affordable housing in the region with:

- Greater availability of a diversity of housing types for a full range of price points to serve the community.
- Increased partnerships with nonprofit and for-profit housing developers.
- New and expanded homeownership options, especially for first-time buyers.
- Reduced risk of housing displacement.
- Targeted housing opportunities in areas with access to services and public transit.
- Maintenance and expansion of quality subsidized affordable housing stock.
- Implementation of all housing policies through a lens of social equity and inclusion.
- The city established an 84 residential units of low-income senior housing at Creekside Woods in Wilsonville.
- Villebois, a planned residential community, integrates 73 units of mental health housing into the community.
- The City Council passed the Mobile Home Closure Ordinance to preserve affordable housing and lessen the resulting losses for homeowners when a mobile home park is closed. The ordinance requires any owner of a manufactured home park to provide 180 days notice of a park closure, a plan for where the park tenants could move their homes and a payment towards moving expenses.

## KEY EQUITY CONSIDERATIONS

- Consider expanding the city's equity framework beyond housing by including access to jobs, opportunities for business entrepreneurship, workforce development and training.
- City Council has directed staff to look at best practices in establishing a committee on Equity and Inclusion to help inform city policy on a number of things, including master planning efforts, outreach/ community engagement, and leadership accountability.
- Walkability and transit access scores for the site area are well below the regional average.
- The area around the site is experiencing significantly higher housing prices; extra considerations are needed to provide affordable housing for future workers.

## POTENTIAL EQUITY ACTIONS

- Engagement + Empowerment (ability for diverse community groups to exercise power and benefit from development outcomes)**
- Consult the "Equity in the Context of Employment / Industrial Lands" of Task 4 for a general approach to community involvement and empowerment.
  - Start engagement with landowners to gauge willingness to sell property and / or to provide input for a potential Horizontal Development Agreement.
  - Identify community organizations that can help provide input for a Community Benefit Agreement; identify potential programming or end users of the site that community organizations can help champion.
- Workforce and Business Stability (access to finances, resources, and programming that help establish new employment uses)**
- Explore partnerships with Craft3 to help provide local entrepreneurs with opportunities to utilize future development project space.
  - Explore partnerships with Clackamas Community College, Oregon Tech, and the nearby correctional facility to allow for workforce and leadership training at the future development project.
- Access (geographic access and increased mobility options)**
- Consider opportunities to expand free transit to routes with large employment uses.