

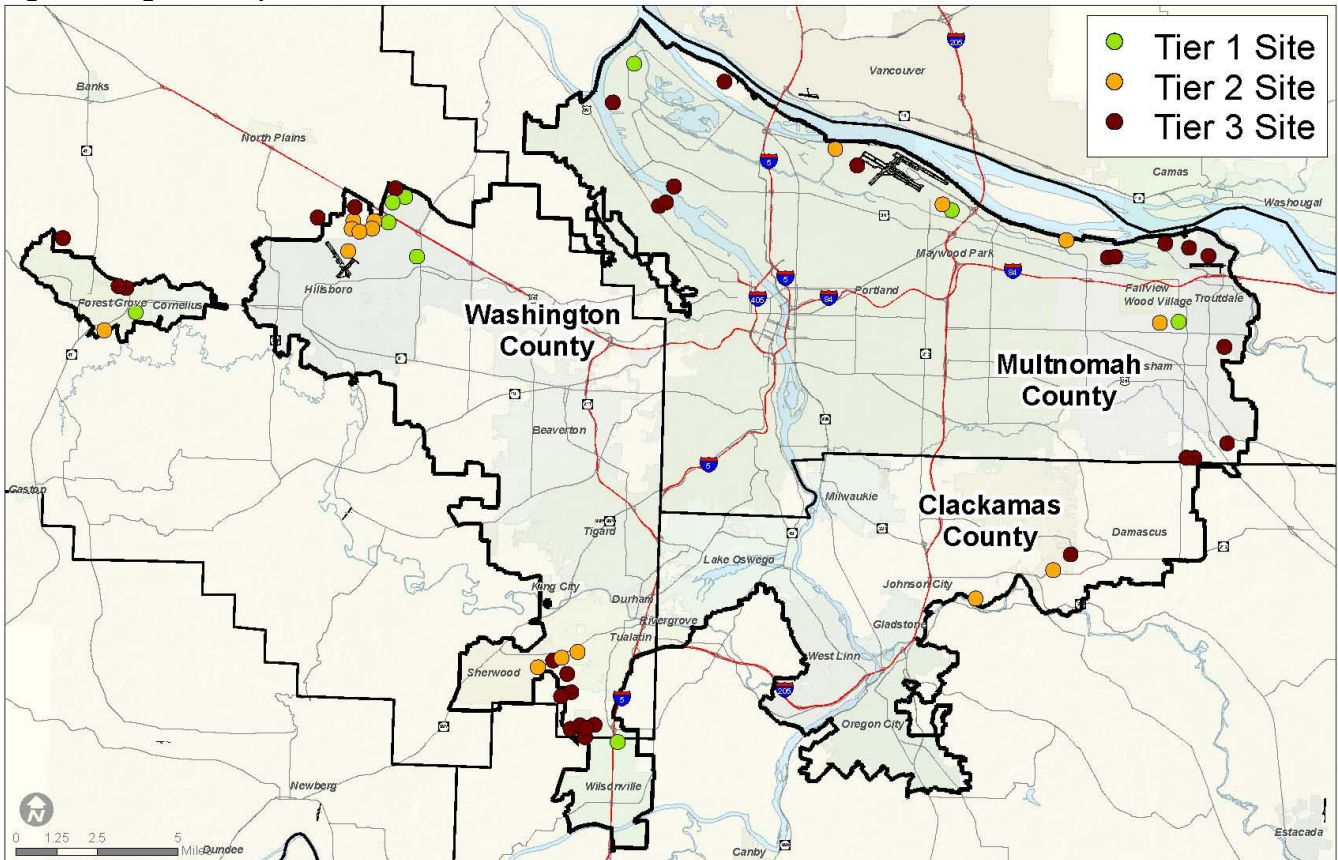
II. PHASE 1 FINDINGS

A. TIER 1, 2, AND 3 SITE RESULTS

The Phase 1 inventory was completed in October 2011. The findings in this report are based on the best available information as of that date. Since this inventory is meant to be market based, it is acknowledged that the inventory of industrial sites in the Portland region will change with certain regularity. Factors affecting this change will include better information; new properties coming on the market; properties in the inventory coming off the market due to transactions; a change in tier status based on investment or other actions; and other issues. Due to this inventory fluctuation, one of the recommendations in this report is that the industrial site inventory be regularly updated.

Based on the Phase 1 methodology described above, Group Mackenzie identified an inventory of 56 large lot industrial sites in the Metro UGB and selected urban reserves (Figure 3). Of these 56 sites in the inventory, nine sites (16%), are Tier 1; 16 sites (29%) are Tier 2; and 31 site (55%), are Tier 3 potential sites. The reference to “potential” is due to the fact that many of the Tier 3 sites have significant barriers to market readiness. The complete inventory of sites, detailing all of the data prepared for each, their location in the region, and their tiers can be found in Volume 2 and Volume 3, Appendix A.

Figure 3: Regional Map of Tier 1, 2, and 3 Sites



Source: Group Mackenzie

1. Tier 1 Sites

The analysis found that there are only nine sites in the UGB that are both 25 net acres or larger that can be developed within 180 days (Figure 4). Washington County has five of these sites, followed by three in Multnomah County, and one in Clackamas County (Figure 5). The number of very large sites is even more limited. The majority of the sites are in the 25-49 acre range. There is only one 50-acre and one 100-acre site in Tier 1.

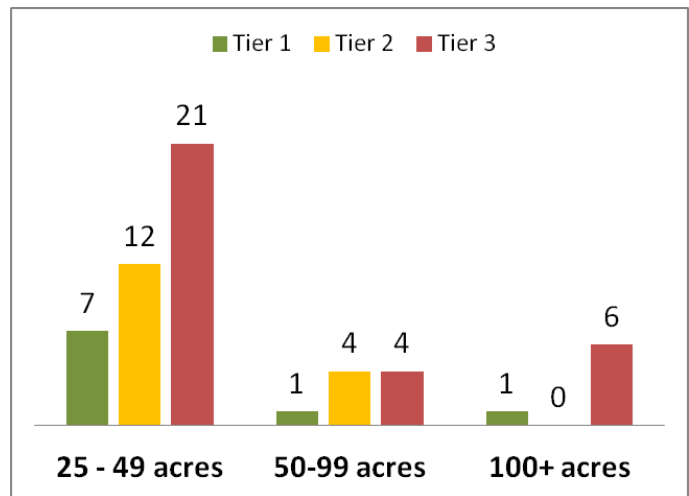
Beyond development-ready availability there are a handful of economic factors that drive the suitability of industrial sites for immediate development. A closer look at the nine Tier 1 sites (Table 6) reveals that the number of sites attractive to a broad range of potential traded-sector cluster companies is even smaller. Of the nine sites, two are for lease only, which is typically less desirable to potential users, who anticipating significant capital investments prefer to own rather than lease. Another Tier 1 site is an irregular shape and would require an unusual development footprint, possibly increasing costs and precluding market accepted building design. One last factor is price.

One Tier 1 site is currently for sale at a price that is much higher than industrial development could support. It is unclear if or when, the current owner will align the asking price with current industrial market pricing.

Over 90% of the sites in the Phase 1 inventory are in either Multnomah or Washington County. It is important to note that the inventory is only for areas within the Portland metropolitan UGB or designated urban reserves areas. As a result industrial sites located in rural Washington County and Clackamas County, such as Banks, Canby, Sandy, Molalla, and Estacada are not included in this inventory.

Table 7 details the Tier 1 sites.

Figure 4: Distribution of Sites by Acreage



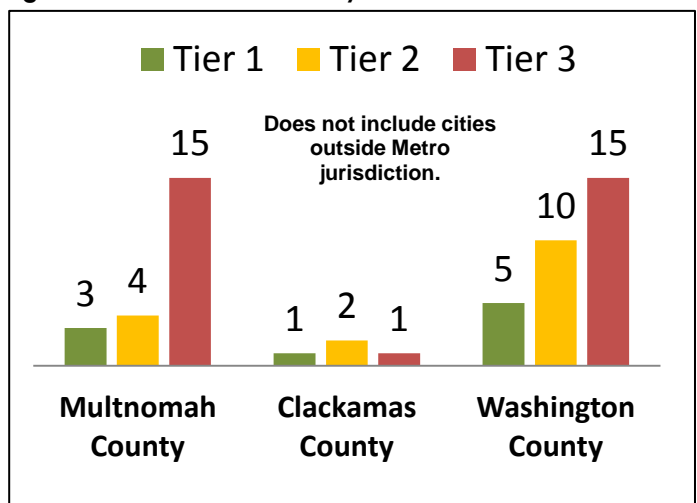
Source: Group Mackenzie

Table 6: Tier 1 Sites that Meet Development Criteria

TIER 1 SITES	9
Lease Only	-2
Irregular Shape	-1
Above Market Price	-1
TOTAL TIER 1 SITES	5

Source: Group Mackenzie

Figure 5: Distribution of Sites by Location



Source: Group Mackenzie

Table 7: Tier 1 Site Summary

Site ID	Owner/Site	Location	County	Gross Acres	Net Developable Acreage	Number of Tax lots	Number of Owners	Currently for Sale/Lease	Willing to Transact
1	PORT OF PORTLAND (RIVERGATE)	PORTLAND	Multnomah	51.25	43.15	5	1	L	
11	PORT OF PORTLAND (PIC EAST)	PORTLAND	Multnomah	43.50	41.18	2	1	L	
21	PORTLAND OF PORTLAND (LSI EAST)	GRESHAM	Multnomah	115.98	115.01	6	1		YES
32	ELIGSEN RALPH & SHIRLEY	WILSONVILLE	Clackamas	32.34	32.34	1	1	S	
44	INTEL CORPORATION	HILLSBORO	Washington	31.39	31.39	3	1	S	
46	DEV. SERVICES OF AMERICA (WESTMARK SITE)	HILLSBORO	Washington	30.02	30.02	1	1	S	
48	WAFFORD DEWAYNE (BAKER/BINDEWALD SITE)	HILLSBORO	Washington	50.78	46.94	1	1	S	
49	NIKE FOUNDATION	HILLSBORO	Washington	73.88	59.86	1	1	S	
57	MERIX CORPORATION	FOREST GROVE	Washington	34.25	33.42	1	1	S	

Source: Group Mackenzie

2. Tier 2 and 3 Sites

The analysis found 16 Tier 2 sites (seven to 30 months from development ready) and 31 potential Tier 3 sites (more than 30 months to development ready) within the Metro UGB and selected urban reserves. The bulk of these sites are in Washington or Multnomah County. The number of larger sites in Tier 2 and Tier 3 is also very constrained. Tier 2 has no 100-plus acre sites, and only four 50-plus acre sites. Tier 3 has only four potential 50-plus acre and six potential 100-plus acre sites.

The few large sites in Tier 2 and 3 face significant challenges to becoming ready, including the need to complete brownfield clean up, build infrastructure (such as roads and sewer), mitigate wetlands, and assemble parcels currently under multiple separate ownerships. Many of these sites have multiple development constraints that limit their marketability. The Phase 1 inventory did not get into detail on individual sites and specific constraints, but Table 8 provides a list of the types of issues that constrain site development. Thirty-one of the Tier 2 and 3 sites face multiple challenges.

Table 8: Tier 2 and 3 Potential Development Constraints

CONSTRAINT *	SITES WITH CONSTRAINT
Brownfield/Cleanup	8
Natural Resources	13
Infrastructure	19
Transportation	18
Land Assembly	14
State/Local Action ¹	20
Not Willing to Transact	18

*Sites may have multiple constraints

Source: Group Mackenzie

Generally the constraints to readiness for Tier 2 sites are less extensive than Tier 3 sites, requiring less time and lower costs than the majority of the Tier 3 sites. A complete analysis of all Tier 2 sites would detail their challenges to market readiness, but it is safe to say that Tier 2 sites present the best opportunity to focus resources to bring them to market the quickest. Table 9 details the Tier 2 sites.

Table 9: Tier 2 Site Summary

Site ID	Owner/Site	Location	County	Gross Acres	Net Developable Acreage	Number of Taxlots	Number of Owners	Currently for Sale/Lease	Willing to Transact
9	PORT OF PORTLAND (NE MARINE DR & 33rd AVE)	PORTLAND	Multnomah	66.74	62.70	1	1	L	
13	ICDC LLC	PORTLAND	Multnomah	28.11	26.52	3	1	L	
22	PORT OF PORTLAND (LSI WEST)	GRESHAM	Multnomah	87.69	68.60	3	1		YES
29	CLACKAMAS COUNTY DEVELOPMENT	CLACKAMAS	Clackamas	61.93	40.00	11	1	S/L	
38	BILES FAMILY LLC	SHERWOOD	Washington	39.60	30.89	1	1	S	
40	PACIFIC REALTY ASSOCIATES LP	TUALATIN	Washington	26.80	26.80	1	1	S/L	
50	KEITH BERGER/HERBERT MOORE/BOYLES TRUST	HILLSBORO	Washington	72.40	66.14	5	3	S	
52	BERGER PROPERTIES/ HERBERT MOORE	HILLSBORO	Washington	52.00	48.10	2	2	S	
54	5305 NW 253RD AVENUE LLC	HILLSBORO	Washington	38.49	28.59	1	1		N/A
55	SPOKANE HUMANE SOCIETY	HILLSBORO	Washington	45.49	45.49	1	1		YES
56	EAST EVERGREEN SITE	HILLSBORO	Washington	71.11	71.11	9	7	S	YES
62	ROCK CREEK SITE	HAPPY VALLEY	Clackamas	40.83	34.18	5	2	S	YES
63	WOODBURN INDUSTRIAL CAPITAL	FOREST GROVE	Washington	25.10	25.10	1	1	S/L	
66	ITEL, KENNETH	TUALATIN	Washington	46.25	44.67	2	1		YES
67	PORT OF PORTLAND (PIC WEST)	PORTLAND	Multnomah	69.45	58.96	5	1	L	YES
68	PORT OF PORTLAND (HILLSBORO AIRPORT)	HILLSBORO	Washington	39.22	34.15	1	1	L	YES

Source: Group Mackenzie

3. Tier 3 Sites

Tier 3 sites come with the caveat of “potential” attached to them. While all but three of the Tier 3 sites are in inside the Urban Growth Boundary (subsequent to the completion of the Phase 1 inventory, Metro added property into the UGB in October 2011. The Metro UGB decision is considered a “final land use decision” unless set aside by LCDC or the Court), this category of sites has multiple and significant constraints that will need to be addressed to get them to market readiness.

Ten of the potential Tier 3 sites would require aggregation of parcels in separate ownership. Ownership ranges from two owners up to 17 owners for the potential Coffee Creek site in Wilsonville. Half of the Tier 3 sites have either seven or eight ownerships. The more owners involved the more complex and lengthy the development process.

Twenty of the sites in Tiers 2 and 3 will require some kind of local, regional, or state action such as concept planning, annexation, or UGB expansion to become development ready. Tier 3 examples with this issue include three potential sites that are outside the current UGB and West Hayden Island, which is engaged in a lengthy planning process with an uncertain outcome; if approved for development this site will require many years of planning and infrastructure investment to bring to market.

Another issue affecting Tier 3 sites is brownfield contamination. Four of the 6 Tier 3 sites in the City of Portland have brownfield issues, and three of these have added risk and uncertainty due to their location adjacent to the Willamette River Superfund designation.

Providing a market perspective was a major objective of this analysis. Market readiness requires first and foremost, a willingness to sell by the property owner or enter into a transaction. However, simply a lack of willingness to transact at this point in time or a lack of information of a willingness to transact was not a reason to exclude a potential site in the inventory. Of the 31 potential Tier 3 sites, 21 of them either lack a willingness to transact or the information was unable to be determined as part of this study. Slightly over 30% of the Tier 3 sites (10 sites) are currently or could be available to the market. Table 10 provides a complete list of the Tier 3 sites.

Table 10: Tier 3 Site Summary

Site ID	Owner/Site	Location	County	Gross Acres	Net Developable Acreage	Number of Taxlots	Number of Owners	Currently for Sale/Lease	Willing to Transact
2	TIME OIL CO	PORTLAND	Multnomah	43.50	25.00	2		S	
4	ESCO CORP	PORTLAND	Multnomah	37.62	33.33	6	3		NO
5	ATOFINA CHEMICALS INC	PORTLAND	Multnomah	59.76	46.76	6			NO
6	MC CORMICK & BAXTER CREOSOTING	PORTLAND	Multnomah	42.39	33.39	1			NO
7	PORT OF PORTLAND (WEST HAYDEN ISLAND)	PORTLAND	Multnomah	472.00	404.00	2			YES
10	PORT OF PORTLAND (SW QUAD)	PORTLAND	Multnomah	212.56	206.47	5			YES
15	BT PROPERTY LLC (UPS)	GRESHAM	Multnomah	51.45	49.45	4			NO
16	CEREGHINO MICHAEL	GRESHAM	Multnomah	41.63	25.00	5			NO
17	PORT OF PORTLAND TRIP - PHASE 3	FAIRVIEW	Multnomah	34.14	30.00	1		S	

Site ID	Owner/Site	Location	County	Gross Acres	Net Developable Acreage	Number of Taxlots	Number of Owners	Currently for Sale/Lease	Willing to Transact
18	PORT OF PORTLAND TRIP - PHASE 2	TROUTDALE	Multnomah	42.25	30.18	2		S	
19	PORT OF PORTLAND TRIP - PHASE 2	TROUTDALE	Multnomah	81.10	80.34	1		S	
23	MT HOOD COMMUNITY COLLEGE	TROUTDALE	Multnomah	38.40	37.40	3			NO
24	JOHNSON E JEAN	GRESHAM	Multnomah	37.17	33.82	1			YES
25	JONAK LESTER JR	GRESHAM	Multnomah	34.22	27.07	1			N/A
26	DANNAR CHARLES	GRESHAM	Multnomah	27.93	27.93	1			N/A
28	SIRI JAMES F & MOLLIE	HAPPY VALLEY	Clackamas	26.40	25.26	2			NO
33	COFFEE CREEK INDUSTRIAL AREA Site 1	WILSONVILLE	Washington	85.23	80.34	21	17		NO
34	VAN'S INVESTMENT LTD	WILSONVILLE	Washington	52.79	25.50	1			N/A
35	TONQUIN INDUSTRIAL AREA	TUALATIN	Washington	49.70	40.30	8	7		YES
36	TIGARD SAND & GRAVEL SITE	TUALATIN	Washington	296.88	128.10	15	3		NO
37	ORR FAMILY FARM LLC	SHERWOOD	Washington	96.26	42.84	1			NO
47	CRANFORD JULIAN & SHARON	HILLSBORO	Washington	28.51	27.29	1			NO
59	COFFEE CREEK INDUSTRIAL AREA Site 2	WILSONVILLE	Washington	46.37	46.27	12	8		NO
60	COFFEE CREEK INDUSTRIAL AREA Site 3	WILSONVILLE	Washington	29.65	27.05	10	7		NO
61	COFFEE CREEK INDUSTRIAL AREA Site 4	WILSONVILLE	Washington	48.56	48.56	12	8		NO
64	WOODFOLD-MARCO MFG INC. (East Oak Street)	FOREST GROVE	Washington	25.46	25.46	2	2		NO
65	WOODFOLD-MARCO MFG INC. (West Oak Street)	FOREST GROVE	Washington	53.93	53.91	5			NO
100	HOLZMEYER RICHARD HENRY ET AL	FOREST GROVE	Washington	111.37	100.12	1			N/A
101	VANROSE FARMS and VANDERZANDEN	HILLSBORO	Washington	270.5	224.83	2	2		YES
104	HILLSBORO URBAN RESERVES (Aggregate)	HILLSBORO	Washington	320	309.40	9	8		YES
109	MORSE BROS INC	TUALATIN	Washington	85.31	61.73	7			NO

Source: Group Mackenzie

4. State Traded Sector Industry Profiles

The region's economic development strategies are focused on growing the investment by traded-sector cluster firms. Business Oregon has identified the characteristic minimum parcel size and other site requirements for most cluster recruitment targets. Most of these cluster industry recruitments require net developable sites of at least 25 acres with a number of clusters, such as globally scaled high tech, requiring much larger sites. Volume 3, Appendix E contains the list and citing criteria of firms in each of the targeted clusters that match the Portland metropolitan areas locational advantages. The specific industry clusters included in this analysis were:

- a. Clean tech manufacturing
- b. High tech manufacturing campus
- c. General manufacturing
- d. Heavy manufacturing + marine
- e. Warehouse and distribution

In an effort to reconcile the site inventory in this study with the state's and region's target industry focus, the PMT, in consultation with brokers, identified the potential industry end users for each site in the Phase 1 inventory using the state's industry profiles. This was not meant to be a designation of the only types of firms that could locate on each of the sites, but rather a merging of the locational attributes of each of the sites with the site selection needs of target cluster firms.

The complete inventory of sites, detailing all of the data prepared for each, their location in the region, and their tiers can be found in Volume 2 and Volume 3, Appendix A.

B. ADDITIONAL SITES

This study began with over 4,000 industrial parcels in Metro's 2009 Buildable Land Inventory. The analysis resulted in an inventory of those parcels, which either on their own or combined with other parcels, resulted in sites that have 25 or greater acres of net developable land. There are several dozen industrially designed sites that did not "make the cut" in the Phase 1 inventory. These sites fall into 3 categories:

1. The parcel/site is greater than 25 gross acres, but when constraints (environmental or restrictive zoning/overlay) are taken into consideration, the net developable acreage falls below 25 acres.
2. The parcel/site is owned by a company that has future development plans and the site is therefore not currently on the market for a prospective user (land banked).
3. The parcel/site has a current use and/or existing building on site, making it not vacant, but there is potential for redevelopment.

Although these sites do not appear in the Phase 1 inventory of this report, they are still an important portion of the region's industrial land supply.

1. Sites with Less Than 25 Net Developable Acres

There are 16 parcels and/or aggregated sites that do not have 25 net developable acres. However, these sites are still part of the region's potential inventory of industrial land as they may be developable for smaller users. These sites are identified in Table 11 but are not included in the Phase 1 inventory because they did not meet the criteria of this study.