

Silicon Forest Industrial Land Need Assessment: Key Findings Summary

May 2, 2014

Silicon Forest High Tech Mfrg: An Oregon & Regional Economic Driver

- Despite the weak job recovery, U.S. Department of Commerce data indicate **Portland Metro Region Gross Domestic Product grew by a remarkable 5.7% annually since 2009 and averaged 5.2% growth annually since 2001. That growth is due almost solely to Manufacturing, anchored by Electronic Components Manufacture: 45% of regional GDP is from Durable Goods manufacture, compared to the national average of 17%.**
- U.S. Department of Commerce data indicate that **in 2012, the Portland-Vancouver-Hillsboro region ranked 8th in the nation for Electronic Component exports. However, adjusted for inflation, the region is falling behind relative to other metro areas across the country.** The Portland metro area ranked 6th among all U.S. metro areas in 2008 and as high as 5th in 2010. The region's ranking dropped to 8th in 2011, where it has stayed.

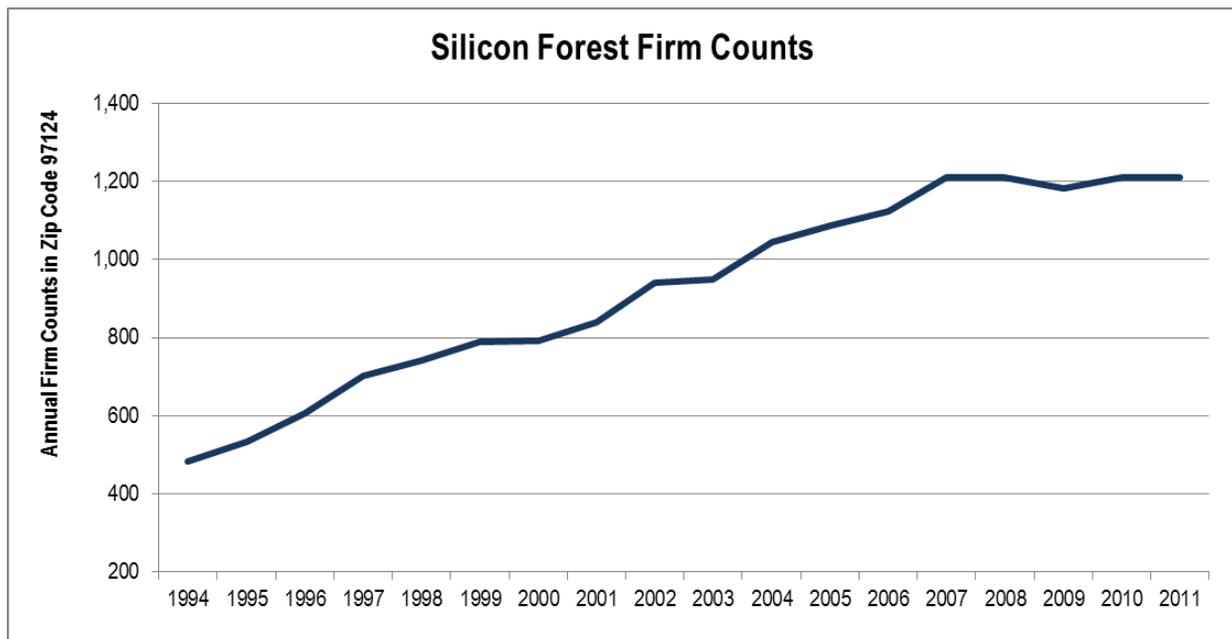
Table 1-1 Top 15 U.S. Metro Area Exporters of Electronic Components (2009 \$Millions)

MSA	2008	2009	2010	2011	2012	2012 Rank	Annual Δ '08-'12
Los Angeles; CA	\$11,746	\$11,965	\$17,730	\$20,504	\$20,532	1st	15.0%
San Jose; CA	\$20,081	\$15,923	\$17,972	\$18,317	\$18,435	2nd	-2.1%
Miami; FL	\$8,921	\$8,402	\$9,009	\$9,858	\$10,126	3rd	3.2%
Boston; MA-NH	\$7,930	\$6,931	\$7,857	\$7,582	\$7,332	4th	-1.9%
Dallas; TX	\$7,851	\$6,784	\$7,640	\$7,190	\$6,825	5th	-3.4%
New York-NY-NJ-PA	\$7,671	\$6,684	\$7,510	\$7,092	\$6,786	6th	-3.0%
Houston; TX	\$6,867	\$5,959	\$6,634	\$6,413	\$6,398	7th	-1.8%
Portland: OR-WA	\$6,795	\$4,890	\$6,493	\$6,009	\$5,961	8th	-3.2%
Austin; TX	\$5,777	\$4,288	\$5,034	\$5,694	\$5,646	9th	-0.6%
San Francisco; CA	\$5,717	\$4,175	\$4,886	\$5,236	\$5,183	10th	-2.4%
Chicago; IL-IN-WI	\$5,158	\$4,022	\$4,617	\$4,917	\$4,875	11th	-1.4%
El Paso; TX	\$4,909	\$3,418	\$4,085	\$3,777	\$3,604	12th	-7.4%
Phoenix; AZ	\$3,512	\$2,783	\$3,020	\$3,251	\$3,544	13th	0.2%
Seattle; WA	\$2,679	\$2,488	\$2,985	\$3,122	\$3,118	14th	3.9%
Minneapolis; MN-WI	<u>\$2,619</u>	<u>\$2,472</u>	<u>\$2,852</u>	<u>\$3,043</u>	<u>\$3,062</u>	15th	4.0%
Top 15 Metro Area Electronic Component Export	\$108,233	\$91,182	\$108,324	\$112,006	\$111,428		0.7%

SOURCE: U.S. Department of Commerce International Trade Administration and Cardno, Inc.

- From 2005 to 2011, the Silicon Forest added jobs, payroll, and grew average wages, even though the worst of the Great Recession. The number of Silicon Forest businesses also grew, but not after 2007, indicating stagnancy and the effects of diminished industrial land inventory and site choices for continued business count growth, indicating increasingly scarce or limited opportunities for new large and smaller firms to locate in the Silicon Forest.
- Ten (10) major economic development announcements and project starts occurred in the Silicon Forest between 2009, the year of the last metro area Urban Growth Report and UGB industrial land needs study, and 2014.
- Since 2008, and despite the Great Recession, the Silicon Forest has effectively added 3.35 million square feet of industrial, business parks, and flex space development to its total inventory. Ronler Acres D1X facility accounts for roughly two-thirds of the total. In all, new development comprises 30 new industrial buildings on an estimated, combined 200.7 acres of Silicon Forest industrial land.
- A review of Silicon Forest employment and business count data from 1994 to 2011 indicates significant growth over 17 years, but beginning in 2007, total business count growth has flat-lined with one fewer business in the Silicon Forest in 2011 than in 2007.

Figure 3-3 Long-Term Silicon Forest Firm County Trend, 1994-2001

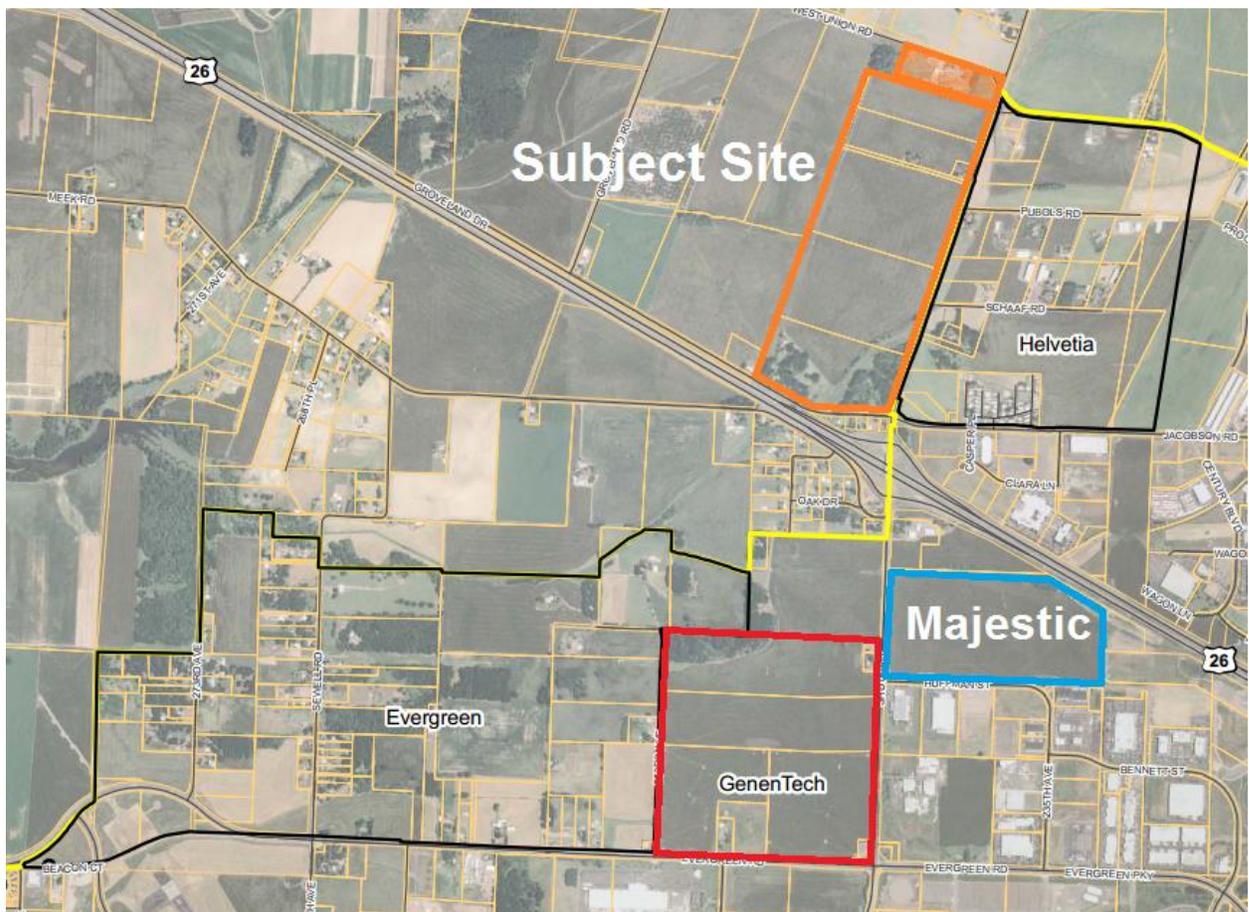


SOURCE: U.S. Census Bureau Zip Code Business Patterns (Censtats Database)

Silicon Forest Tech Sector – Poised to Growth but Actually Landlocked!

- **At the Silicon Forest there’s been an unintended but clear disconnect between land added to the UGB for established and emerging types of high tech industrial uses, and land there that is suitable for such uses and can easily be made development-ready.** Nearly 1,000 acres of land were added to the UGB at the Silicon Forest since 2002: the Helvetia Industrial Area, the Evergreen Industrial Area, the “Shute Road Site,” and the North Hillsboro Industrial Area. Of that, only the “Shute Road Site” – uniquely rectangular, 100 acres, direct arterial access, and few owners for easy site assembly – has seen successful economic development: the Genentech facility.

Figure 6-5 Subject Site and Key Silicon Forest Land Inventory Site Comparison



SOURCE: Evergreen Industrial Area Concept Plan (2007) & Cardno, Inc.

- **There’s a severe shortage in the Silicon Forest of such sites that can easily and cost-efficiently become “development-ready” or “shovel-ready” – site attributes essential to making the Silicon Forest nationally and globally competitive for all types of high tech companies:**

- There are still **no sizeable, shovel-ready sites in the Helvetia Industrial Area or the Evergreen Industrial Area.**
- A 2009 City of Hillsboro EOA identified **only one truly shovel-ready site of any size in the Silicon Forest, the 73-acre "Nike Site"** on Brookwood Parkway south of Highway 26.
- The recent **330-acre North Hillsboro Industrial Area UGB expansion site was studied** in detail by the Value of Jobs Coalition, **which concluded that this site is not feasible for industrial development for over 15 years**, far from anything approaching "shovel-ready." A **similar analysis of Evergreen Industrial Area acreage made similar conclusions.**

Silicon Forest Competitiveness: Falling Way Behind Other US Regions

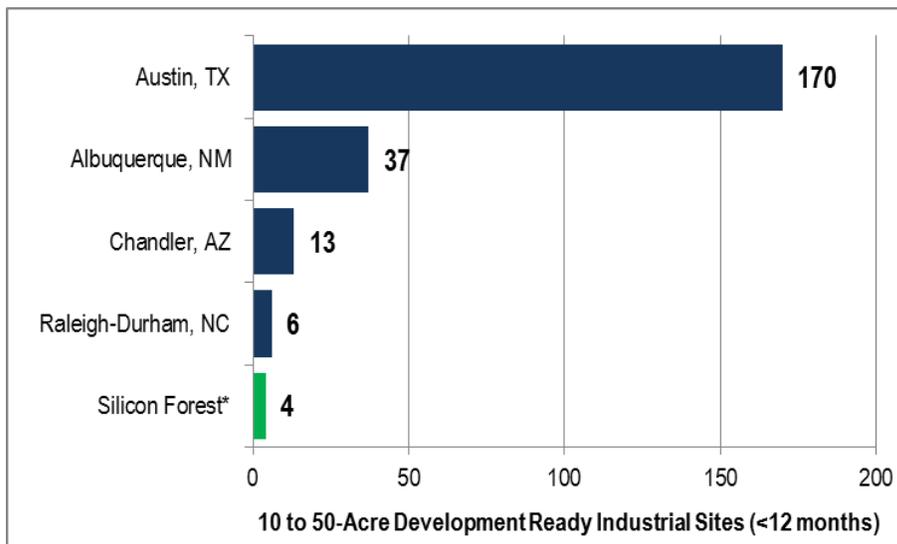
- Since 2009, market changes have induced national competitors of the Silicon Forest to develop new business recruitment strategies after the recession: **There's been a clear strategic and market shift in focus on moderately-sized land sites (10 to 50 acres) for high-tech manufacturing and related industry clusters in competitive markets including Austin, Texas, Albuquerque, and Chandler, Arizona.** Due to gradual takedowns of available smaller sites from 2001-2013 cited above, **the Silicon Forest again is noncompetitive with these markets for moderately-sized (10 to 50 acres) shovel-ready sites.** All competitive markets surveyed confirmed this reality.
- Austin, Albuquerque, and Chandler, Arizona each currently market 170, 37, and 13 shovel-ready sites within 12 months, respectively. Raleigh-Durham, North Carolina offers 6 such sites.



Figure 4-1 130 Commerce Center, Pflugerville, TX Industrial Park

Source: Austin Chamber of Commerce, website, (<http://www.austinchamber.com/do-business/data-research/real-estate/Replace%20Flies/130%20Commerce%20Center.pdf>), accessed October 28, 2013.

Figure 4-2 Moderate-Sized (10-50 Acres) Development-Ready Industrial Site Competitiveness



*Assumes currently-marketed Majestic Hillsboro Business Park master plan (Figure 2-6)
 SOURCE: Various telephone interviews with market economic development agencies, Colliers International, and Cardno, Inc.

- At present, The Silicon Forest only offers four sites 10 to 50 acres in size that are development-ready within twelve months. All are at one larger site, the currently master-planned Majestic Hillsboro Business Park on Brookwood Parkway, formerly the “Nike Site.”

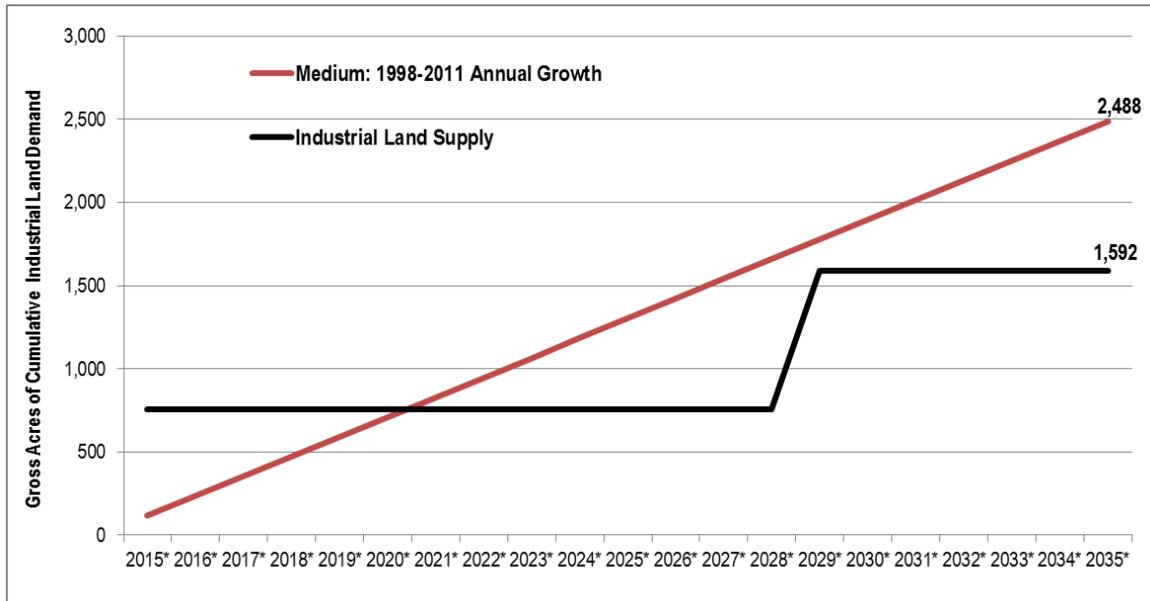
What the Silicon Forest Needs - RIGHT NOW!!

- **Silicon Forest is currently undersupplied with suitable, development-ready high tech industrial land for the 2015-2035 planning period. The Silicon Forest industrial area needs anywhere from 295 acres in addition to current inventory to meet even the Low Growth scenario needs. To meet High Growth scenario needs, the Silicon Forest industrial area will require 2,954 acres in addition to current inventory to meet demand through 2035.**

2015 - 2035 Land Demand Reconciliation - Five Land Demand Forecasts & Gross Acreage Need														
Vacant Acres Reconciliation (Total)								Planning Horizon Inventory & Reconciliation						
Industrial Site Category	Demand Projections - Gross Acreage							Vacant Supply (Acres)	Balance - Gross Acreage (Shortage)					
	Cardno 2014: Silicon Forest				Previous Forecasts				Cardno 2014: Silicon Forest			Previous Forecasts		
	Typical Acreage	2007-2011	1998-2011	1994-2001	Metro UGR Outer	City of Hillsboro EOA	City of Hillsboro EOA		2007-2011	1998-2011	1994-2001	Metro UGR Outer	City of Hillsboro EOA	City of Hillsboro EOA
		Growth (Low)	Growth (Medium)	Growth (High)					Growth (Low)	Growth (Medium)	Growth (High)			
Cluster Anchor	> 100.0	379	622	822	124	1,146	615	649	270	(109)	(487)	525	(884)	34
Anchor or Large Park	50.0 - 100.0	303	498	658	99	393	211	262	(41)	(344)	(647)	163	(215)	51
Large User or Mid Park	25.0 - 50.0	303	498	658	99	524	281	178	(125)	(428)	(731)	79	(410)	(103)
Medium User or Smaller Park	10.0 - 25.0	227	373	493	74	458	246	114	(113)	(341)	(568)	40	(281)	(132)
Expanding User	5.0 - 10.0	76	124	164	25	196	105	177	101	26	(50)	152	16	72
Small Businesses	1.0 - 5.0	227	373	493	74	557	298	212	(15)	(243)	(470)	138	(557)	(86)
Totals/Acreage Shortage Risk		1,515	2,488	3,289	495	3,274	1,756	1,592	(295)	(1,464)	(2,953)	-	(2,347)	(321)

- **Four categories of industrial site demand by size will be inadequately supplied no matter the growth scenario: Sites sized at 50-100 acres, 25-50 acres, 10 to 25 acres, and 1-5 acres. Under all but the Low Growth scenario, the Silicon Forest industrial area will be insufficiently supplied with sites over 100 acres in size through 2035.**
- Available industrial land inventory in the Silicon Forest industrial area is estimated to completely run out by 2019 or 2020 under the High Growth and Medium Growth scenarios, respectively. Even if the Silicon Forest grows more modestly - as it did through the Great Recession, its industrial land supply will absolutely run out by 2025, largely because the North Hillsboro Industrial Area and the Evergreen Industrial Area are infeasible for industrial development-readiness for 14 to 15 years. This renders the effective Silicon Forest industrial land inventory at 752 acres until approximately 2029.

Figure 7-1 Silicon Forest Industrial Land Supply & Demand Comparison: “Medium” Growth



SOURCE: Cardno, Inc.

Solutions??

Adjust the Metro UGB Law:

- Since 2003, the Oregon Business Plan has specifically recognized and prioritized the High-Tech/Electronic Component cluster, greatly concentrated in the Washington County/Silicon Forest area, as vital to statewide economic development goals for employment and income gains. (This makes sustaining the economic health/vitality of this industry cluster within the Silicon Forest a matter of statewide significance and interest/concern.)

Add 295 “Development-Ready” UGB Acres to the Silicon Forest

The Silicon Forest UGB land supply expansion management is solely a Metro responsibility, the performance of which directly and pervasively affecting the Region’s economic and employment health, strength and growth. Thus, addressing and accommodating the short-term and long-term land needs of the Silicon Forest high tech industrial cluster are matters of Region-wide significance, interest and concern as contemplated by Chap. II, Sections 4 and 5(b) of the Metro Charter and ORS 268.020(5) and 268.310(6) over which Metro has an affirmative duty-of-care arising from these mandates.)

