

# LELAND CONSULTING GROUP

SUPPLEMENTAL PACKET  
FOR JUN. 25 2013  
(DATE OF MEETING)



## Memorandum

Date June 2013

To Mr. Darren Wyss, City of Tigard

From Chris Zahas, Leland Consulting Group  
April Chastain, Leland Consulting Group

Subject River Terrace Commercial Market Analysis Update

Project 5415 Tigard River Terrace

This memo is an update to the findings provided in the 2 June 2008 technical report prepared by Leland Consulting Group as part of the West Bull Mountain Concept Plan that evaluated the viability of commercial uses and recommended a development program for inclusion in the Concept Plan. This update is appropriate given the changes to the economy since the Plan was originally produced, and revises the 2008 technical memorandum as follows:

- Present recent demographic and real estate market data;
- Assess the impacts of the South Cooper Mountain planning area; and
- Update the recommended development program, both in terms of total size and mix of uses.

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Figure 1 shows the location of the commercial area of the conceptual plan for Area 64, which is the topic of discussion for this memo.

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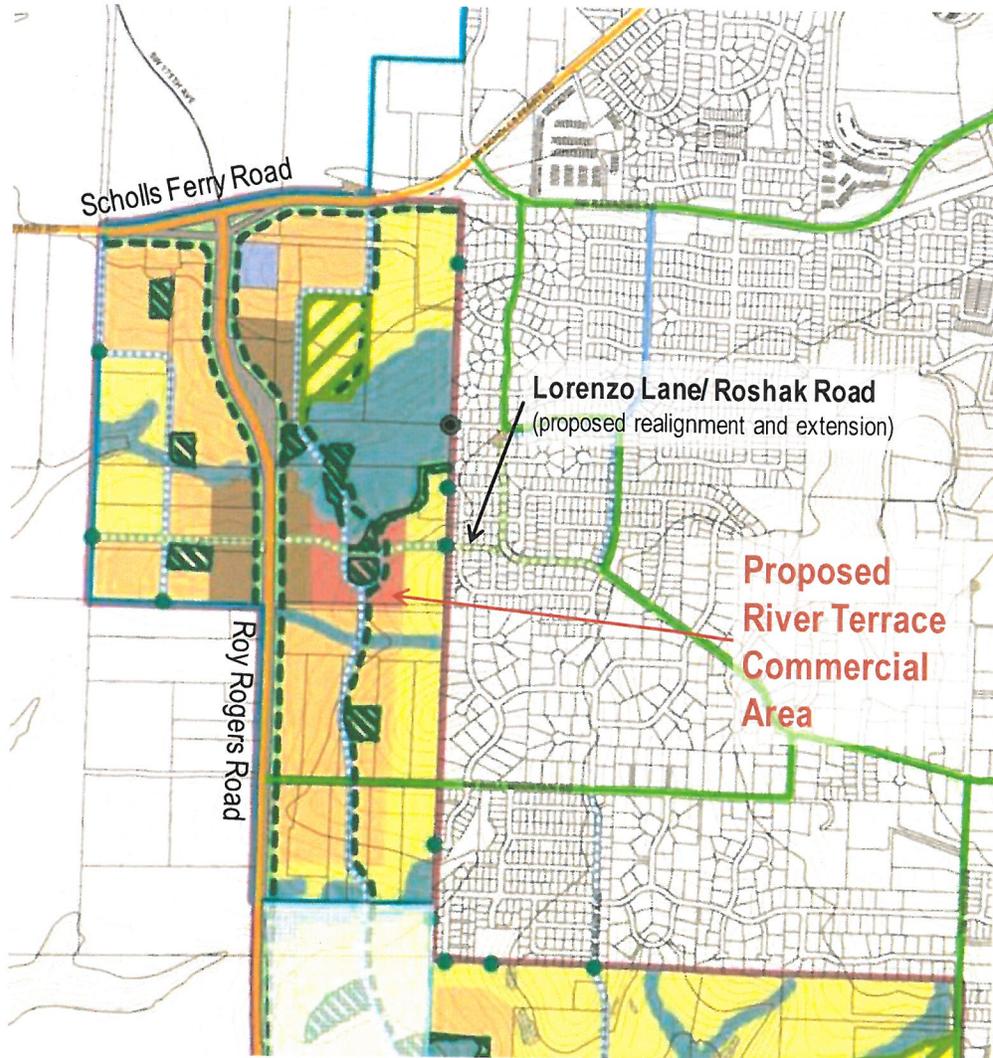
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Figure 1. West Bull Mountain Concept Plan—Commercial Location



Source: West Bull Mountain Concept Plan Report, Washington County, 2010.

## DEMOGRAPHICS AND COMMERCIAL DEMAND

### LOCAL DEMOGRAPHICS

While much of the demand for the proposed commercial center will come from new development in the study area that has not yet been built, a demographic summary of the surrounding area is useful in characterizing the market area, assuming that new development will share similar demographics to surrounding neighborhoods. The current population within a 10-minute drive time from the northern border of Area 64, the intersection of Roy Rogers Road and Scholls Ferry Road, holds a population that is more affluent than the metro region, the City of Tigard, or the City of Beaverton, with an estimated median household income above \$62,000 in 2012. Household sizes in this area are also

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larger than the region as a whole or either of the two cities. Higher incomes and larger household sizes indicate, in general, higher retail buying power per household.

**Table 1. Demographic Conditions, 2012 estimate.**

	10 min Drive Roy Rogers & Scholls Ferry	Tigard	Beaverton	Portland MSA
2012 Total Population	158,886	48,791	91,524	2,270,258
2012 Average Household Size	2.58	2.49	2.39	2.52
Median Household Income	\$62,752	\$61,301	\$55,061	\$54,279

Source: ESRI Business Analyst, Leland Consulting Group

## RETAIL MARKET CONDITIONS

The 2008 technical memo reported that two commercial centers were planned or underway, the Village on Scholls Ferry and Progress Ridge Town Square, both of which have since been completed. These two centers are closest in proximity to the proposed commercial area in Area 64 and would provide the most competition for the new site. Figure 2 shows the location of existing retail in purple. Both centers are mostly occupied, although some space is available for lease at both centers, indicating that the market has not yet fully absorbed the new space.

According to the First Quarter 2013 Retail Report by brokers Norris Beggs & Simpson, retail trends in the metro region are positive with vacancy rates for retail space currently at 6.5 percent. At 5.78 percent, the Southwest submarket had a lower overall vacancy rate than the region, but also saw negative absorption of 34,000 square feet of space, meaning more space became vacant than was filled (either through the leasing of vacant space or new construction).<sup>1</sup>

Figure 2 shows the location of nearby shopping centers:

- Murray Scholls Town Center is a 203,000 square foot retail center completed in 2000 and located on the north side of Scholls Ferry Road west of Murray Boulevard. It is anchored by a Walgreen's drug store and includes a wide range of retailers and restaurants as well as a Beaverton library branch, a Kaiser medical clinic, and a 24-Hour Fitness. It has approximately 12,000 square feet of office space and 1,700 square feet of retail space available.
- Murrayhill Marketplace consists of 150,000 total square feet with approximately 27,000 square feet of in-line tenant space available, resulting in an occupancy rate of 82 percent. It is anchored by a 41,000 square foot Safeway.<sup>2</sup>
- Progress Ridge Town Square, completed in 2011, is part of a 350,000 square foot entertainment and neighborhood shopping center complex, which extends to the south side of Barrows Road to include the 65,000 square foot Big Al's Entertainment Center.<sup>3</sup> It is located at the old Beaverton quarry site on Barrows Road, less than one mile from the northern edge of the study area. The Town Square is a mixed-use center including a total of 214,000 square foot of retail and office uses, including three two-story multi-use buildings as well as single-story retail. It is anchored by a 41,000 square foot New

<sup>1</sup> Retail Report Portland Metro Area, First Quarter 2013, Norris Beggs & Simpson

<sup>2</sup> <http://www.regencycenters.com/goals/demopdf/goals/brpdf/retail-space/or/beaverton/murrayhill-marketplace#.UbdnmtiwXOA>

<sup>3</sup> <http://reig.listinglab.com/ProgressRidgeTownSquare/>

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Seasons grocery store and features a 51,000 square foot Cinetopia movie theater with 12 screens and 1,400 seats. It includes additional specialty retail and office space occupied by Posh Baby, Ace Hardware, Piccolo Mondo Toys, several restaurants, Umpqua Bank, Northwest Urgent Care, and Banfield Pet Hospital, among others. It currently has nearly 30,000 square feet available for rent, according to information currently advertised on Gramor's website, for a total occupancy of 86 percent.<sup>4</sup>

- The Village on Scholls Ferry is the closest in proximity to a commercial center that would be built in Area 63. It is a small shopping center roughly 31,000 square feet of retail and space in three separate buildings, with no large anchor tenant. Tenants include a restaurant, nail salon, State Farm Insurance agent, Biscuits Cafe, Sunset Cycles, and Therapeutic associates. It appears to have 6,000 square feet available through Commercial Realty Advisors, for a total occupancy of 81 percent.<sup>5</sup>

In summary, within a short drive of the study area, there are several shopping centers that provide a very diverse range of retail and services. There are still significant vacancies in several of these centers, providing room for absorption before any new retail construction is warranted.

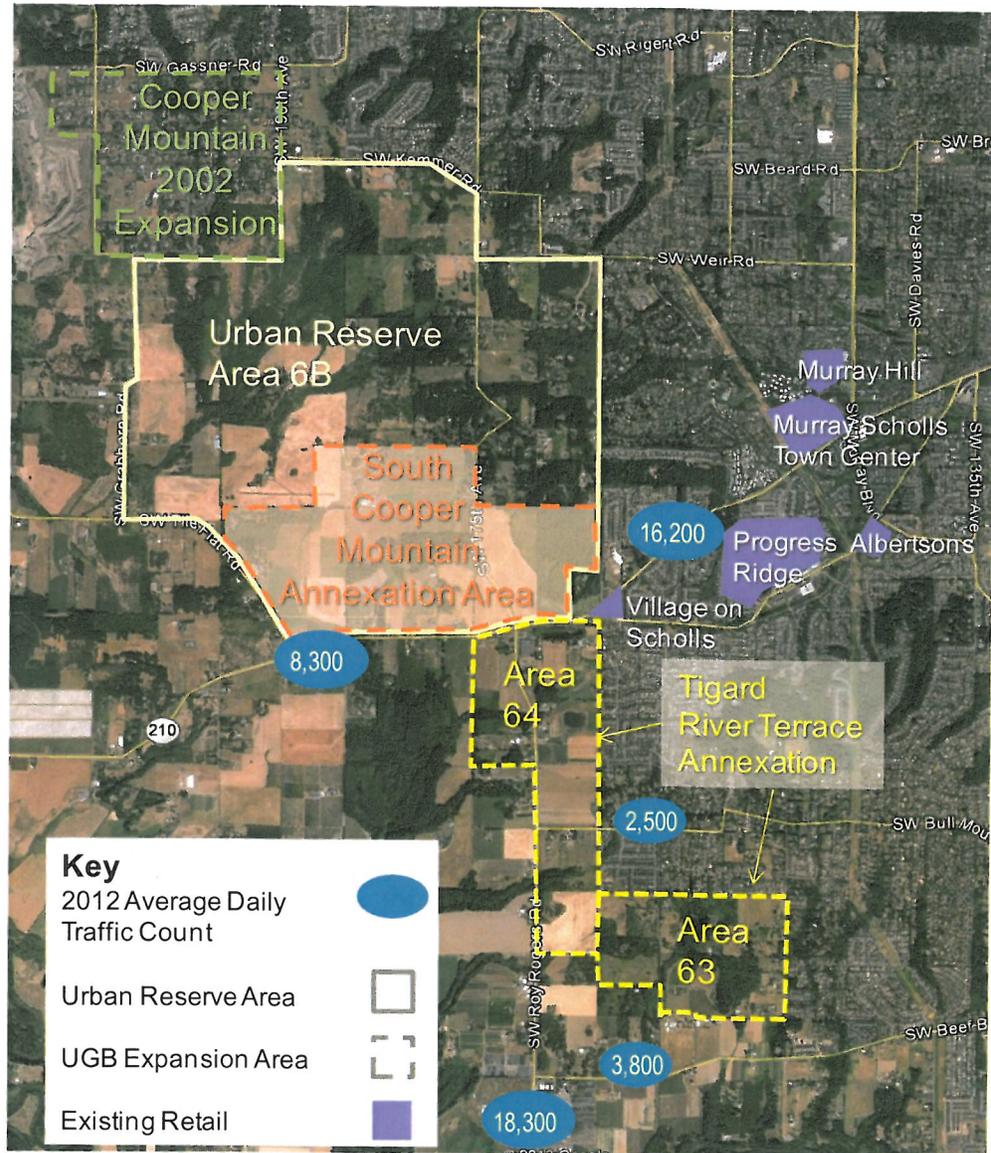
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<sup>4</sup> <http://gramor.com/development/progress-ridge-townsquare/>

<sup>5</sup> <http://www.cra-nw.com/image/flyers/Village%20on%20Scholls%20Ferry.pdf>



Figure 2. Area Map



Source: GoogleEarth, Leland Consulting Group

## IMPACT OF SOUTH COOPER MOUNTAIN

South Cooper Mountain was part of an urban reserve area known as Area 6B, that was brought into the UGB in 2011 and then annexed by the City of Beaverton in 2012. Although the remainder of Area 6B will not be developable until it has been brought into the UGB at some point in the future, Beaverton is responsible for planning both areas simultaneously, which is currently underway. The total area is meant to accommodate a housing projection shortfall for the City of Beaverton, not to provide large areas for employment or commercial services, although some neighborhood serving retail is part of the plan now being

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developed. A market study and existing conditions report from May 2013 noted the following findings:<sup>6</sup>

- A preliminary estimate for the South Cooper Mountain concept plan area shows that the area could have between 4,000 and 6,000 households. The market study concluded that the area could support between 47,000 and 142,000 square feet of new retail space, which would primarily be driven by demand from new residents, not from others outside of the area. Indeed, a guiding principle of the planning effort is that any retail would complement existing retail along Scholls Ferry Road, not compete with it. The report recommends planning for a 100,000 square foot commercial center, based upon estimated household expenditures of the projected new households in South Cooper Mountain, for convenience-based shopping such as food, drug stores, flower shops, and personal services. At an FAR of 0.35, this would require approximately 6.5 acres.
- The study recommends that the plans take into account the planning underway for River Terrace. "Commercial development in both River Terrace and the SCMAA should be coordinated to ensure both areas are successful."

## REVISED DEVELOPMENT PROGRAM

The recommended development program for the commercial center at River Terrace takes into account several factors:

- *The potential market demand of future residents at River Terrace and the reasonable share of their retail spending that could be captured at the center:* As described in the 2008 memo, it is assumed that the commercial center will serve a portion of the convenience shopping needs of residents, but that most retail spending will occur outside the neighborhood. The River Terrace center will not be able to compete with the array of offerings and national tenants present at Progress Ridge or Murray Hills and Murray Scholls, and will have to rely on its convenience for its main draw. This market analysis update assumes the same six percent capture of local resident retail spending as was used in the 2008 report.
- *The potential market demand of existing residents in surrounding neighborhoods that might patronize a commercial center at River Terrace:* The only existing neighborhoods that might patronize a center at River Terrace are located to the east of River Terrace, which places them closer to existing centers on Scholls Ferry Road and Barrows Road. While these neighborhoods would contribute some market potential to River Terrace, especially if road connections are made, the contribution will be small and is not factored into this analysis.
- *The potential market demand from future residents at South Cooper Mountain and the reasonable share of their retail spending that could be captured at the center:* As noted above, South Cooper Mountain will have its own, and larger, commercial center as part of its development to serve the convenience shopping needs of residents. Therefore, particularly as traffic congestion at Roy Rogers Road and Schools Ferry Road increases over time, this analysis assumes no additional market demand at River Terrace arising from new residents at South Cooper Mountain.
- *The potential impact and character of future commercial centers in South Cooper Mountain and elsewhere and the likelihood that they would serve as competition to River Terrace:* As described above, South Cooper Mountain will have its own

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<sup>6</sup> South Cooper Mountain Concept Plan - Market Study Memorandum, ECONorthwest, 29 May 2013.

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commercial center, which is proposed to be larger than River Terrace's, and would presumably provide a wider range of services. In this light, it could serve as competition and draw some market demand away from a center at River Terrace. On the other hand, traffic congestion will limit people's desire to drive north to South Cooper Mountain (let alone walk) for convenience trips, helping to keep locally-generated demand within River Terrace. While difficult to quantify, this market analysis assumes that these impacts offset each other and that a River Terrace commercial center will primarily sustain itself on River Terrace residents. Further, the larger size of a center at South Cooper Mountain means that it will likely be grocery-anchored, which makes it more of a competitor to other grocery-anchored centers in the area, not smaller convenience centers like the proposed one at River Terrace.

- *The strength of the proposed location for retail viability:* Since the proposed center is not located directly on Roy Rogers Road, it is unlikely to draw large amounts of drive-by traffic from that thoroughfare. This further strengthens the assumption in this analysis that most of the retail center's demand will be drawn from local residents in River Terrace.

The development program is also based on a set of assumptions about the physical location and complementary amenities that must be in place in order to enhance the opportunity for economic success. Those assumptions are as follows:

- *Civic component.* The viability of a commercial center at River Terrace will be greatly enhanced by the presence of a civic component, which could include a library, community center, police station, or some other combination of facilities. The value of the civic component is that, depending on the use, it will provide a reason for residents to visit the center on a more frequent basis and it will provide an authentic heart to the community more than a purely retail center can provide.
- *Public open space.* An important element of the civic component is a public plaza or open space that can be the location for concerts, farmers markets, and other types of community events. This open space would ideally incorporate or be connected to Roshak Pond.
- *Street Connectivity and Traffic Flow.* The concept plan addresses the need for better connectivity through the area. One of those east-west connections would be the Lorenzo Lane and Roshak Road realignment and extension. As shown in Figure 1, this road alignment would create access to the proposed commercial site from residents to the east. It would be a primary route to access Roy Rogers Road, the main route to employment centers in Hillsboro and beyond. This street connectivity and the drive-by traffic and visibility that it would produce will be crucial to the success of the retail land uses, especially since the site is not directly located on Roy Rogers Road.

As shown in Table 2, the commercial center at River Terrace could support up to 19,000 square feet of retail space based on an average retail space per capita, the assumed capture rate for the center, and the projected population at River Terrace.<sup>7</sup> This indicates a higher supportable retail size due to a slightly different methodology for calculating retail space per capita.

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<sup>7</sup> Average retail spending per capita is based on a 2007 CoStar analysis of Portland-region retail inventory and population estimates and is not likely to have changed significantly in recent years.

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**Table 2. Supportable Retail Space**

Square Feet of Retail per Capita	Projected Population	Total Square Foot of Supportable Retail	Capture Rate for a Commercial Center in the Study Area	Center's Supportable Retail Square Footage
27.95	11,600	324,000	6%	19,000

Source: CoStar, Leland Consulting Group.

In addition to the retail space, a commercial center at River Terrace should have some small offices and service uses that would not be captured in the retail market analysis. A critical mass of activity is required for a center to be successful and anything less than 25,000 square feet runs the risk of being too small to generate enough activity to be viable. Therefore, at least 6,000 square feet of offices and other service uses should be included in the center. In addition to this space would be any buildings used for civic uses such as a library or community center. When accounting for a public plaza, parking, roads and sidewalks, and space for civic uses, the original assumption of five acres is still considered appropriate.

Table 3 below shows the types of uses that might be likely to locate in a neighborhood center at River Terrace. Additional uses include yoga studios, doctor or dentist offices, and a myriad of other convenience type retail and services. The final product will depend on the developer and the market opportunities that arise when it is built.

**Table 3. Sample Development Program—Village Commercial Center**

Land Use	Average Size (SF)	Land Use	Average Size (SF)
<b>Retail</b>		<b>Services/Office</b>	
Mail/Packaging Store	1,400	Daycare	3,000
Coffee Shop	1,500	Real Estate Office	1,300
Dry Cleaner	1,400	Law Office	1,500
Hair Salon	1,200	Accountant Office	1,200
Specialty Grocer	10,000		

Source: Leland Consulting Group.

## CONCLUSION

This update to the market analysis for a commercial center at River Terrace indicates that a mixed retail/commercial center of approximately 25,000 square feet will be supportable in the future provided that the planned civic uses and transportation connections are built. Given the site's location at the edge of the urban area, the market demand for the retail will be almost entirely generated by residents within River Terrace itself. As such, the timing of the retail development will be after a substantial amount of surrounding residential development has already taken place, making the commercial components among the last land uses to be built at River Terrace.