St. Helens Waterfront

Market Overview

APRIL 2015

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Acknowledgments

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ECONorthwest prepared this report for the City of St. Helens. It received substantial assistance from Maul Foster & Alongi. Other firms, agencies, and staff contributed to other research that this report relied on.

That assistance notwithstanding, ECONorthwest is responsible for the content of this report. Staff at ECONorthwest prepared this report based on their general knowledge of market conditions in the Portland region and on information derived from government agencies, private statistical services, the reports of others, interviews of individuals, or other sources believed to be reliable.

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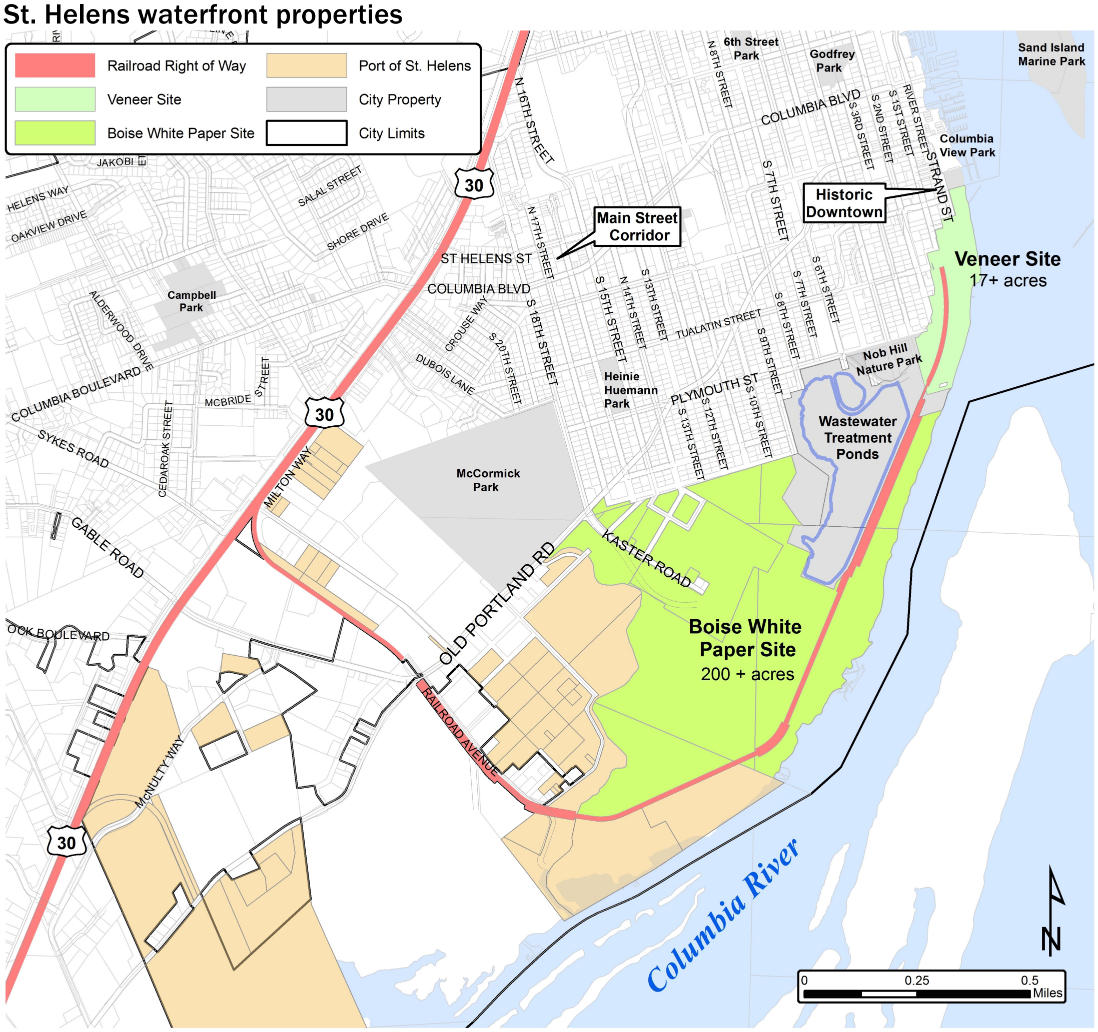
Introduction

ECONorthwest and Maul Foster & Alongi (MFA) are completing a process to help frame goals and objectives for two waterfront sites near its downtown in preparation for a master planning effort starting in Summer 2015. This memorandum provides market-based input into that process with an update to ECONorthwest's 2013 market analysis, and recommendations on next steps for the City to consider as it sets the stage for future site development.

St. Helens is about 30 miles northwest of Portland and is connected via State Highway 30. The two sites addressed in this analysis are shown in the figure below. The Boise Veneer site lies on the eastern edge of the town, at the confluence of the Columbia River with the Multnomah Channel. The Veneer site's location gives it excellent access to and views of the Columbia River. The Boise White Paper site is a 200-acre industrial site, developed with some industrial uses but with additional available land to expand job-generating uses. Together, the two sites provide opportunities for job creation, new residential development, and continuous public waterfront access.

St. Helens waterfront properties



Demographics and real estate trends

ECONorthwest completed a market analysis for the Veneer site in February 2013; this section provides updated information about major demographic trends for the study area and comparison geographies. These trends affect demand for different uses in St. Helens. Most of the findings from the previous analysis still stand.

Unless otherwise noted, this section uses Census American Community Survey (ACS) 5-year estimates (2009-2013) for the Portland Road Corridor and ACS 1-year estimates (2013) for other geographies.

Population

About 26% of the County's population lives in St. Helens.

POPULATION, 2013
Source: Census Bureau, ACS 2009-2013.

St. Helens	Columbia Co.	Oregon
12,985	49,333	3,868,721

The City's population has grown faster than the County and the State.

AVERAGE POPULATION GROWTH PER YEAR, 2000-2010
Source: Portland State University, Population Research Center

St. Helens	Columbia Co.	Oregon
2.55%	1.26%	1.14%

Columbia County is expected to grow at about the same rate as the State.
The County will capture about 13,000 new residents by 2035.

FORECASTED AVERAGE ANNUAL GROWTH RATE, 2015-2035
Source: Office of Economic Analysis Oregon

St. Helens	Columbia Co.	Oregon
Not available	2.25% (12,810 people)	2.24% (993,600 people)

Demographic trends

St. Helens has more people under the age of 40 than Columbia County or the State.

POPULATION YOUNGER THAN 40 YEARS, 2013
Source: Census Bureau, ACS 2009-2013.

St. Helens	Columbia Co.	Oregon
59% (7,761 people)	47% (23,267 people)	53% (2 million people)

St. Helens has larger household sizes than the County or the State.

HOUSEHOLD SIZE, 2013
Source: Census Bureau, ACS 2009-2013

2.70	2.57	2.49
St. Helens	Columbia Co.	Oregon

Like Columbia County, St. Helens has lower number of Hispanic residents than the State.

PERCENT HISPANIC OR LATINO, 2013
Source: Census Bureau, ACS 2009-2013

6.5%	4.3%	11.9%
St. Helens	Columbia Co.	Oregon

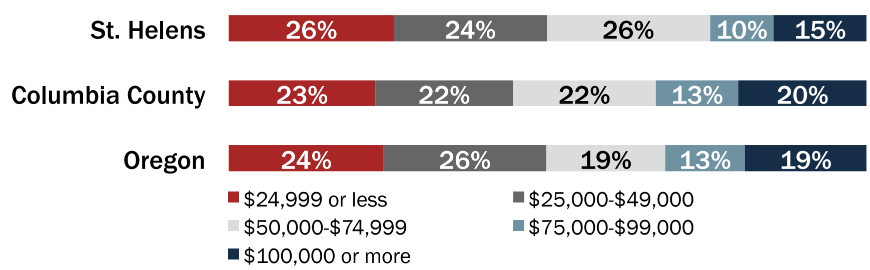
Education levels are lower in St. Helens.

PERCENT OF RESIDENTS 25 YEARS AND OVER WITH A BACHELOR'S DEGREE OR HIGHER, BY GEOGRAPHY, 2013
Source: Census Bureau, ACS 2009-2013

16.9%	18.0%	30.1%
St. Helens	Columbia Co.	Oregon

Incomes are lower. There are fewer high-income households in St. Helens than Columbia County or the State.

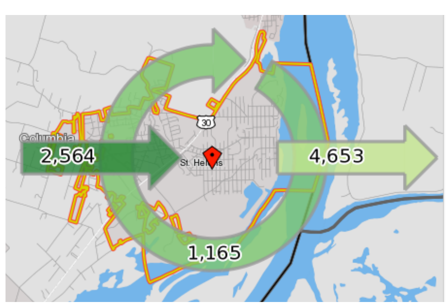
HOUSEHOLD INCOME, 2013
Source: Census Bureau, ACS 2009-2013



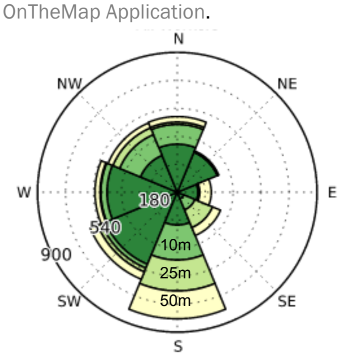
Employment

About 2,600 people commute into St. Helens each day. At the same time, about 4,700 (80%) of employed residents in St. Helens commute outside of the City for work. Almost a quarter of residents commute more than 25 miles.

COMMUTE PATTERNS
Source: U.S. Census Bureau. 2013. OnTheMap Application. http://onthemap.ces.census.gov



JOB COUNTS BY DISTANCE/DIRECTION, 2011
Source: U.S. Census Bureau. 2013. OnTheMap Application.

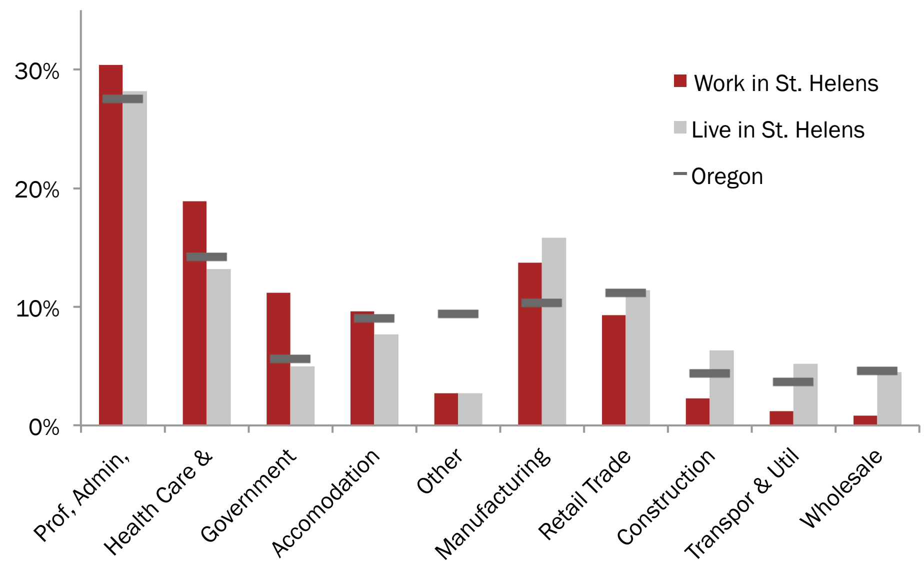


59%	17%	11%	13%
Less than 10 miles	10 to 24 miles.	25 to 50 miles	50+ miles

There is a slight mismatch between the jobs available in St. Helens and where residents work. Compared to residents, a larger share of the people who commute to work in St. Helens are employed in professional services, healthcare, government, and accommodations and food. At the same time, a larger share of the City's employed residents work in manufacturing, retail trade, and construction.

PERCENT OF TOTAL EMPLOYMENT BY SECTOR, ST. HELENS, 2013

Source: U.S. Census Bureau. 2013. OnTheMap Application.



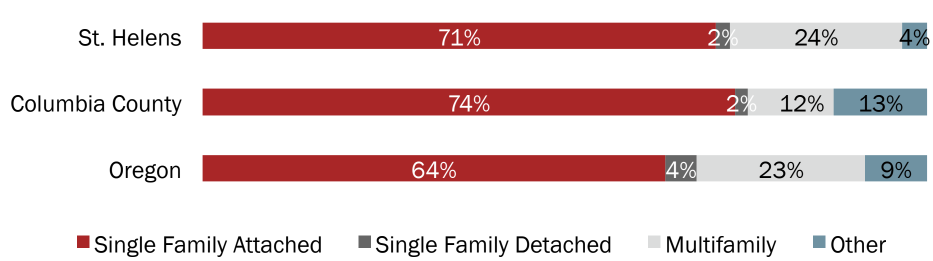
Residential uses

St. Helens and Columbia County have a less diverse mix of unit types than the statewide average

Multifamily units comprise about 24% of the City's housing stock.

MIX OF EXISTING HOUSING TYPES, 2009-2013

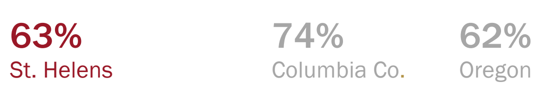
Source: U.S. Census



St. Helens has a similar homeownership rate to the State.

PERCENT OF HOMES THAT ARE OWNER-OCCUPIED, 2013

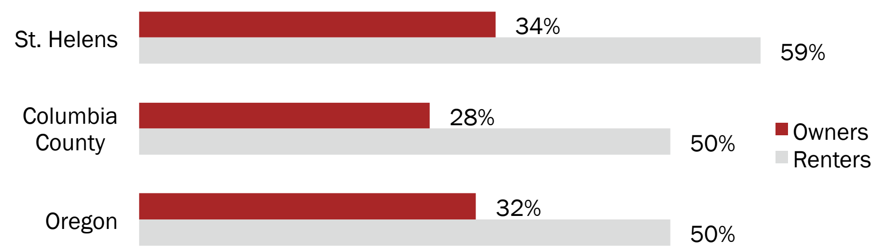
Source: U.S. Census



St. Helens households are more cost-burdened than Columbia County or the State.

PERCENT OF OWNERS AND RENTERS PAYING MORE THAN 30% OF THEIR INCOME IN HOUSING COSTS, 2013

Source: U.S. Census



Multifamily properties in St. Helens have lower asking rents and vacancy rates than Columbia County or the Portland MSA.

MULTIFAMILY INDICATORS, 1ST QUARTER OF 2015

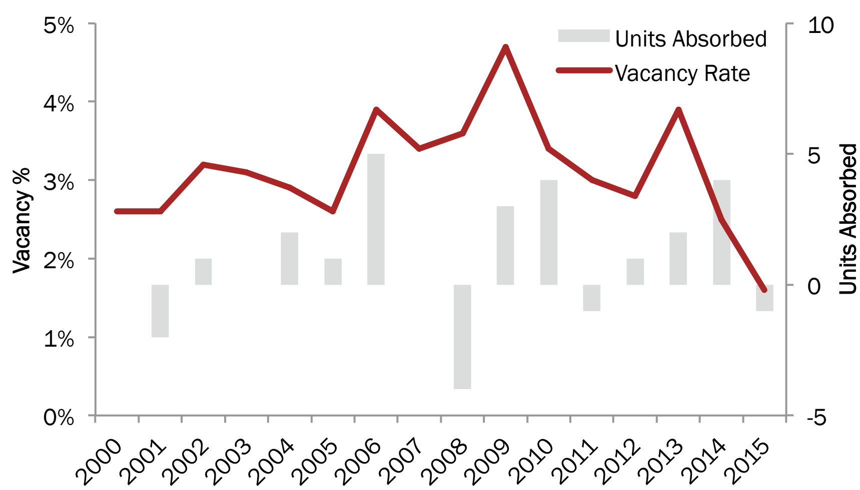
Source: Costar

	St. Helens	Columbia County	Portland MSA
Existing units	443	669	231,051
Vacancy rate	1.5%	2.0%	2.8%
Under Construction	0	0	7,020
Asking Rents			
Studio Asking Rent	$594	$623	$888
1 Bed Asking Rent	$661	$633	$939
2 Bed Asking Rent	$704	$719	$1,057
3+ Bed Asking Rent	$698	$780	$1,245

Apartment vacancy rates in St. Helens decreased to 2% in the first quarter of 2015. However, there have been few units absorbed, even given lower vacancy rates.

MULTIFAMILY ABSORPTION AND AVERAGE ASKING RENT IN ST. HELENS MARKET, 2000-2015

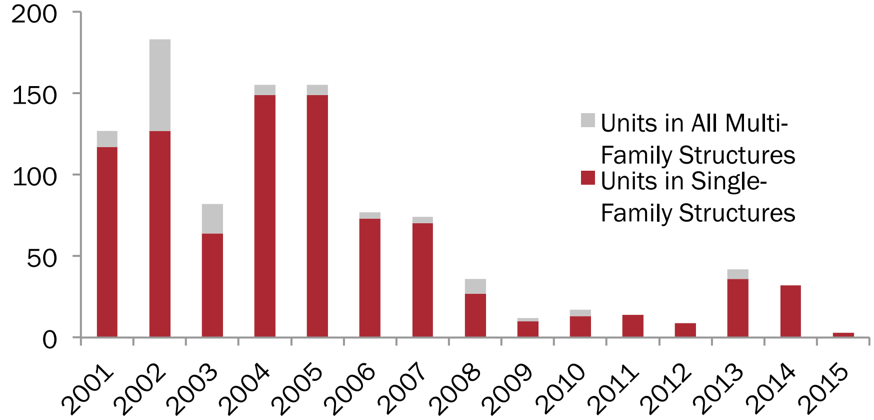
Source: Costar



Housing development in St. Helens has slowed since the early 2000s, when over 100 units were built per year.

SINGLE FAMILY AND MULTI-FAMILY HOUSING PERMITS, ST. HELENS, 1980 TO 2011

Source: HUD State of the Cities Data Systems.



Commercial uses

St. Helens has lower rents for both office and retail than Columbia County or the Portland MSA.

COMMERCIAL INDICATORS, FEBRUARY 2015

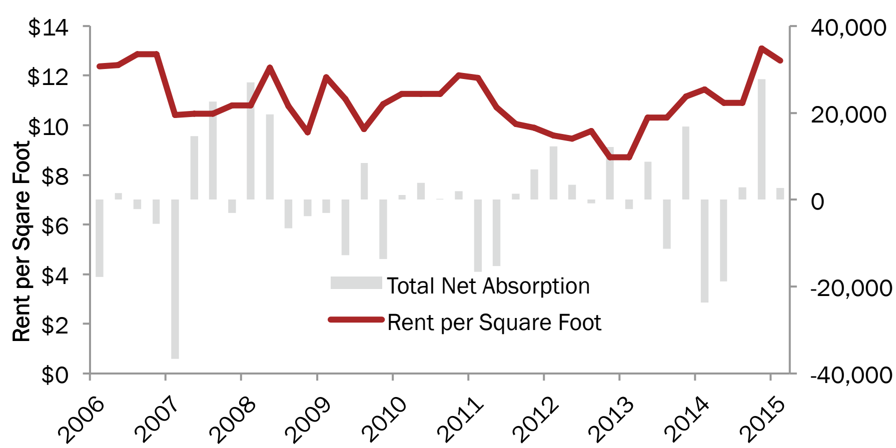
Source: CoStar

	St. Helens	Columbi a County	Portland MSA
Office Projects	23	50	5,621
Existing SF	214,155	312,290	97,855,346
Vacant SF	19,071	26,771	8,255,527
Asking Rents	$12.93	$13.31	$21.16
Retail	61	135	10,845
Existing SF	557,914	1,177,426	117,201,744
Vacant SF	16,740	66,559	5,501,788
Asking Rents	$7.56	$12.60	$16.86

Since 2013, average office rents in the Columbia County have increased slightly to $13.31 per square foot. Vacancies have decreased to around 8%, which is comparable to the Portland MSA.

ABSORPTION AND AVERAGE ASKING RENT IN COLUMBIA COUNTY OFFICE MARKET, 2006-2015

Source: CoStar



Industrial uses

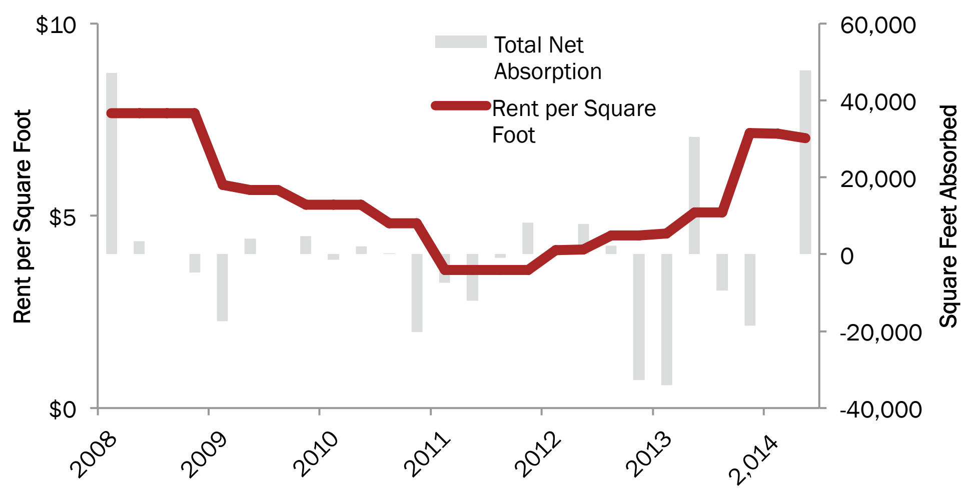
Average rents for industrial uses in St. Helens are close to Portland MSA averages, with lower vacancies.

INDUSTRIAL INDICATORS, FEBRUARY 2015
Source: CoStar

	St. Helens	Columbia County	Portland MSA
Existing SF	415,199	1,343,055	192,299,790
Vacant SF	17,500	51,500	9,355,499
Vacant %	4.2%	3.8%	4.9%
Asking Rent	$6.00	$7.28	$5.60

Since 2008, average industrial rents in Columbia County have fluctuated between $4 and $8 PSF.

ABSORPTION AND AVERAGE RENT PER SQARE FOOT IN COLUMBIA COUNTY INDUSTRIAL MARKET, 2008-2015
Source: CoStar



Implications

Based on the updated data and findings, ECONorthwest found the following implications for each type of development.

Veneer site

As with the 2013 market analysis, these updated data continue to suggest that the Veneer site should primarily develop with residential and supportive retail or employment uses. The site's proximity to downtown St. Helens and opportunities for waterfront views and access provide its best competitive advantage. The site's advantages suggest that master plans should help the site to compete with other larger riverfront sites available around the region and the Pacific Northwest, rather than with other developable land currently available for development in St. Helens.

More specific market findings follow:

- **Demographic and real estate trends remain challenging for new residential and commercial development**, if site development draws from the current market in St. Helens. Incomes and rents are generally low and not supportive of new, urban style construction. St. Helens continues to be an affordable place to live, when compared with other communities in the Portland MSA. Despite low vacancy rates, there have been very few new multi-family units constructed in the past 10 years. While there is not a deep pool of households that can afford homes priced over $200,000, there may be unmet demand at lower price points.
- **New housing will need to capture higher-income residents who desire the amenities provided at the site: river access and a small town, neighborhood feeling.** New housing development may be able to attract residents from outside of St. Helens, and perhaps move at price points that are not currently supported by the local market, but are still lower than comparable properties in Portland or Vancouver. These residents would want to pay a premium for waterfront access, views, and proximity to a revitalizing downtown. It is likely that more households would like property with direct dock access. As discussed in the 2013 market analysis, there is a small development of townhouses with private dock access at the corner of South River and St. Helens Street. The development was built in the late 1990s and the units sold well. Local realtors estimated the units to be valued at roughly $180,000 to $200,000 per unit (in 2013). The key element of that development's success was its proximity *and* access to the Columbia River.
- **"Vacation" housing and seasonal retail.** Attracting a higher-income demographic to St. Helens to take advantage of its waterfront amenities may have drawbacks. Some of these households will purchase these units as a second home, which would decrease demand for local retail options in the off-season and leave housing vacant for portions of the year. A tenant mix that can weather seasonal shifts in revenue will be the most successful on

this site. The best opportunity for retail in the community will be to focus on the goods and services that require a physical presence.

- **Retail uses should complement and expand upon downtown businesses**. The historic downtown would benefit from improved access to the riverfront and additional moorage. At the same time, the small number of households in St. Helens and relatively low disposable incomes make it difficult for retailers to earn enough from the local market. Households in St. Helens purchase many goods and services outside of St. Helens, yet retail within the community struggles. Large discount retailers can offer goods for much lower prices at regional facilities.
- **Large-scale office development is not a likely use for the site.** There would likely be some demand for new office space in downtown, in particular for live-work and smaller-scale offices. However, new office construction is not feasible, given achievable rents around $13-15 per foot.
- **Additional research into demand for a hotel is warranted.** With new attractions supporting St. Helens' downtown, there could be demand for a new hotel in the area. A hotel market analysis would help the City to understand factors that could influence demand on the site and what type of hotel could be most viable in the area.

In light of these findings, master planning for the Veneer site should position it to compete for specific target demographics that are likely to be attracted to the site's amenities: new residents, and visitors. The table below provides details.

TARGET MARKETS

	Veneer Site Residents	Visitors
Who are they?	Retirees with boats Commuters with incomes >$50K People who work remotely with incomes >$50K	Small non-motorized watercraft users Sail boaters/recreational boaters Road cyclists/mountain bikers Arts & crafts seekers, antique shoppers Wildlife watchers, birders[1]
Implications for Uses	Live-work uses High-end housing (townhomes, apartments, etc.) Retail minimal and seasonal Boat-oriented	Outdoor-oriented retail Boat-up restaurants Boutiques
Supportive Amenities	Moorage Boat ramp Gas Connections to downtown and improvements	Open space and visual access to river Connections to Willamette River trail Bike network Boat rental Kid-friendly activities/events
Programmatic considerations	Continued Main Street involvement Events	Leasing strategy to attract suitable mix Marketing for the area Wayfinding Events

[1] These market segments were identified in the 2007 report, "Sustainable Tourism: Tourism Plan for South Columbia County and the City of St. Helens."

The site may need to be developed in phases. Following are some initial considerations regarding phasing:

- Interim uses could help to attract visitors to the site even in advance of development occurring, and begin to brand and market the site to the target market niche. For example, organized birding tours, kayak and canoe trips shuttle between Scappoose Bay and the site, etc.
- Any businesses that create attractions and also emphasize the market niche would be helpful in early phases. Examples include rental facilities (sailboats, kiteboards, kayaks, etc.), fishing oriented businesses (bait shop with fuel dock, etc.), or restaurants or breweries with outdoor patio seating to take advantage of views.
- Initial development should occur closer to existing infrastructure and street grid, at the northern end of the site, to limit infrastructure costs and to build upon the existing activity at the existing waterfront park, government buildings, and downtown St. Helens.

White Paper site

Market indicators for industrial development are relatively positive. Vacancies are low, and rents have increased. The White Paper site, as a larger waterfront site zoned for industrial uses, is an important employment asset. Maintaining industrially zoned land is an important part of the city and regional economic development strategy.

- Flexible zoning is needed to best capture new opportunities. The area economy is currently transitioning from one or two major employers to many smaller-scale employers. The City can play a role in helping those businesses find suitable spaces.
- Improved transportation access to Highway 30 is critical to the success of the White Paper site in attracting new employment uses. The timing of those investments on the site should be a key discussion point in the next phase of implementation.
- The City should continue to lease its land to industrial uses on the White Paper site while tracking regional employment trends.
- The Master Plan should explore opportunities (and barriers) to continuous waterfront open space access that connects the Veneer Site to the White Paper site.

Master plan considerations

Questions for further study

The master plan process can help to address the following questions related to site elements, along with other typical master planning questions:

- How should transportation access from Highway 30 and downtown St. Helens be provided to ensure that the sites remain competitive to attract new development?
- For the Veneer site, where should local roads and utilities be located to create developable parcels and position the area to develop? How big should those parcels be to best attract new development? How should parcels be oriented to ensure visual and physical connectivity to the water?
- Are changes to the existing wastewater treatment center important to allowing development to occur? Could those changes result in the availability of additional developable land? Are those changes feasible?
- How should riverfront paths interface with potential employment uses on the White Paper site?
- How can development agreements with developers fund some portion of the needed infrastructure on the Veneer site?

Funding for infrastructure and open space

The City should be proactive in its conversations about funding sources for infrastructure and open space. It should evaluate a set of funding sources to fund infrastructure and attract development. Funding for open space and public access areas is likely to come primarily from a public source as opposed to private, development-derived funding, as the improvements will benefit all residents of St. Helens and provide a public amenity. These options should evaluate funding sources based on a set of common funding criteria: economic feasibility (revenue generation, administrative cost, and revenue stability), fairness, legality, and political acceptability. Tools that the City should explore include:

- **Local Financing – Development Driven** (i.e. urban renewal and tax increment finance, systems development charges, etc.)
- **Local Financing – Publicly Generated** (i.e. general fund, fees, etc.)
- **Tax Abatements and Credits**
- **Low Interest Loans, Subsidies, and Grants**
- **Other Incentives**