

Brownstone Residential Market Analysis

Sherwood, Oregon

To Support:
Comprehensive Plan Amendment
Zoning Map Amendment

Submitted August 30, 2013

Applicant:
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I. INTRODUCTION

GENERAL INFORMATION

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Tax Lot Information:	Map	Tax Lot
	2S1 30 CD	13400

Location: City of Sherwood, Oregon
Generally bounded Meinecke Parkway to the south,
the terminus of SW Cedar Brook Way to the
northeast and just west of Highway 99.

Current Zoning District: General Commercial (GC)

Project Site Area: +/- 5.77 acres

SUMMARY OF PROPOSAL

Cardno was retained by the Brownstone Real Estate Group (“Brownstone”) to evaluate market need to rezone a 5.7 acre parcel from General Commercial (GC) to High Density Residential (HDR). The rezone to HDR would enable the development of up to 66 attached residential units ranging in size from 1,200 to 1,600 square feet with up to 18 additional single-family residential units ranging in size from 1,400 to 1,900 square feet.

This analysis will assess the unmet need for this residential product type in Sherwood, Oregon, as well as findings to show how the proposed action helps to satisfy that demand and unmet need in the larger market context.

This memorandum summarizes these trends and our preliminary conclusions regarding potential at the subject site.

II. EXECUTIVE SUMMARY

Analysis in this report documents demand and supply conditions related to single-family residential development in the City of Sherwood over a twenty-year land use planning horizon, from 2013 to 2033. Market findings expressed in this document are crucial for answering several key questions integral to the Brownstone Real Estate Development Group's application for a zone change for the subject property from GC to HDR and a Comprehensive Plan Amendment from Commercial to High Density Residential. These key questions include:

1. Is the existing supply of land sufficient to provide attainable residential ownership for both attached and detached housing within the City of Sherwood?

The option for both attached and detached housing is usually found within the higher density residential zones within a jurisdiction. According to Metro zoning and land use GIS data, the City of Sherwood had 121.75 acres currently dedicated to high-density residential (HDR) use. This total represents approximately 6% of the overall land supply of 1,964 acres, not excluding non-developable or constrained lands. Of the 121.75 acres, there are only 96,318 SF or 2.2 acres currently vacant within the HDR zone to meet future demand for high-density residential development.

2. Is there market demand to dictate additional acreage needed for high-density residential development in the City of Sherwood?

Analysis focused on both detached and attached ownership housing supply shows that the current inventory for detached housing is approximately 1.5 months of supply, while detached is showing only 1-month of available supply. With analysis based on attainable home ownership in the \$150,000 to \$400,000 price range, the twenty-year planning horizon will see over 670 new households within the City of Sherwood seeking attainable housing. That total is broken down into 210 new households in the \$35,000 to \$49,999 income range, 225 new households in the \$50,000 to \$74,999 income range and 242 new households in the \$75,000 to \$99,999 income range. Those income levels would qualify the buyer to purchase a house in the \$145,000 to \$415,000 price range.

3. Can the subject property better serve demand for high-density residential development with HDR versus GC zoning?

GC zoning precludes high-density residential development within the zone, while the HDR designation is provided to meet the high-density residential needs of the City of Sherwood. Therefore, the subject property would better serve demand for high-density residential development with an HDR zoning designation.

Transportation & Access

Situated along Meineke Road just off Highway 99W, the site is ideally situated for easy access to the 99W corridor, downtown Sherwood and the nearby schools, commercial retail centers, and community parks as shown within the area amenities map in Figure 2.

Subject Locational Features

Figure 2 provides an aerial map of the subject property in the context of the broader Sherwood, Oregon area and its important economic and community features. The subject site is situated along Meineke Road just off Highway 99W, which is highly proximate and convenient to the Highway 99W corridor, the Langer Drive Commercial District, a Target, Albertsons, Home Depot and the Sherwood City Center. There are numerous schools and community parks within the area. Major employers within the City of Sherwood include the school district and the Allied System Company.

Immediately surrounding features include higher-density residential development to the immediate east that effectively limits visibility, traffic noise, and direct access to the site from Highway 99W. To the west and north, the site is bounded by Cedar Creek and requisite natural resource buffer area that prohibits development. This in turn provides some park-like setting, some view shed, and a measure of privacy for development that would occur on the subject site immediately adjacent.

All of the above should be considered amenities for residential development specifically. In turn, restricted access from key directions to the site because of the natural resource area would indicate obstacles to commercial use and its dependence upon visibility and access. Across Cedar Creek, land is fully developed as single-family residential uses. The resource area should be viewed as a buffer between potential higher-density residential uses on-site and lower-density residential development already in place on the west side.

Subject Site Conclusions

In short, it is concluded that the site is both appropriate and highly amenable to residential development:

- At nearly six acres, undeveloped, and flat, the site provides appropriate flexibility with regard to residential development feasibility, unit mix, and site plan to provide a variety of residential options.
- Locationally, proximate to Highway 99W but without direct visibility or access, the site affords adequate access by residences on the site to various public and commercial amenities in the Sherwood and greater regional area via Highway 99W.
- Effectively “buried” behind adjacent high-density residential development that limits visibility and access from Highway 99W, the site is well-suited as a residential location consistent with other surrounding residential development.
- The Cedar Creek natural area to the immediate west of the subject site should be considered an important natural amenity for residential development, providing park-like setting, privacy, and some view shed for potential resident households. This in turn has economic value as well as public value.

Alternatively, it is found that the site currently has significant disadvantages as a commercial development site:

- Although proximate to Highway 99W, the development of higher-density residential use between the site and Highway 99W “buries” the property, effectively limiting its visibility and access, generally the two most important features of a commercial development site.
- Surrounded by residential development and a natural resource area, traffic, noise, and other disamenity issues from the standpoint of existing, nearby residents, the site would further realize lower economic and community value as commercial development instead of residential development.
- The Cedar Creek natural area immediately to the west restricts access from a key direction and residential area upon which commercial development success would depend.
- Commercial development on-site would not realize economic and community value from the Cedar Creek natural area, but rather would be treated as a development site constraint.

FIGURE 2: AERIAL VIEW OF SUBJECT SITE & AREA AMENITIES

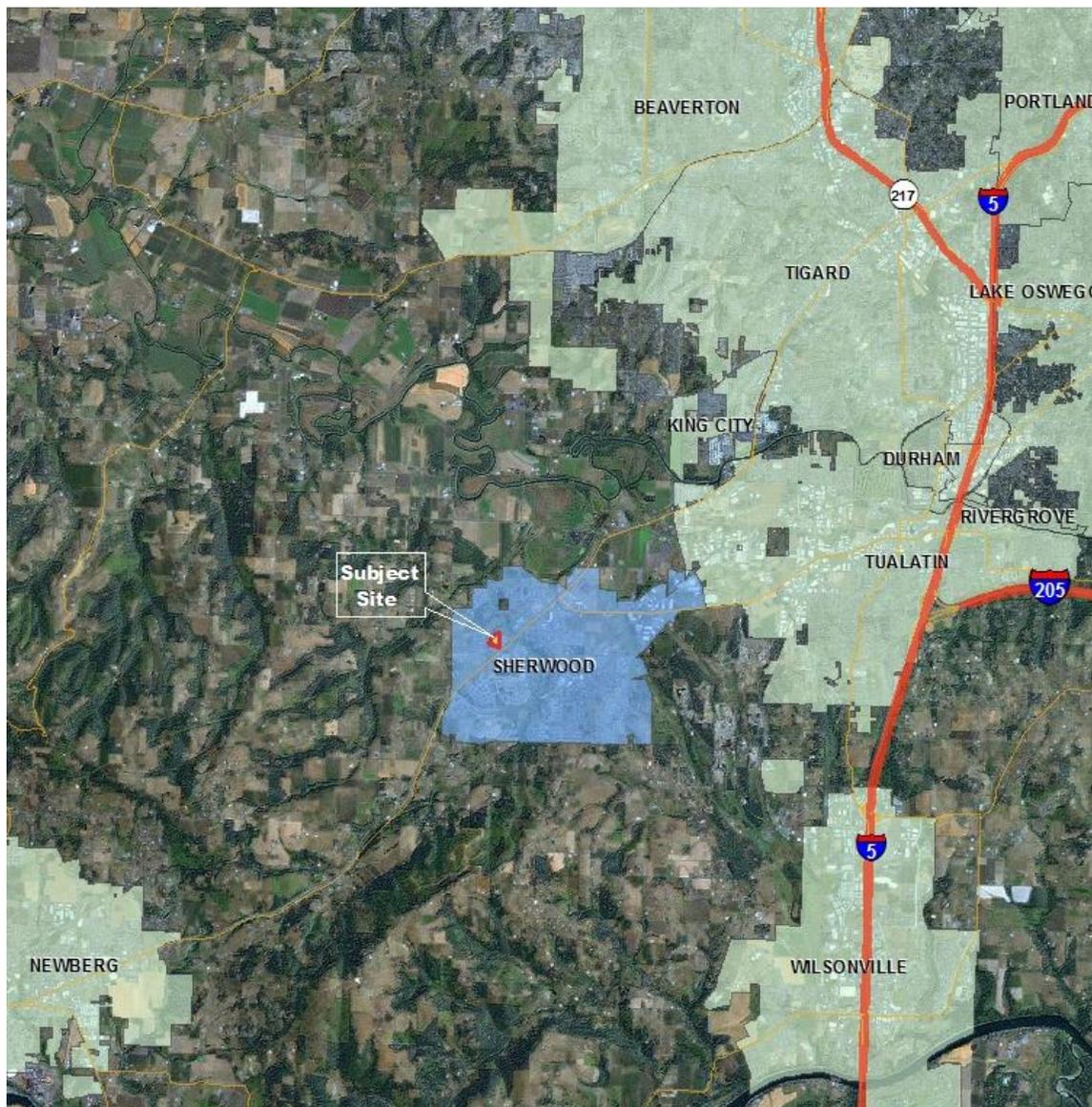


IV. PRIMARY MARKET AREA

The Primary Market Area (PMA) for the subject site in this analysis is defined as the City of Sherwood. Sherwood represents the geographic area from which the subject development will likely draw the majority of its demand due to the local need for high-density attainable housing based on demographics, income levels, and younger families seeking affordable housing alternatives.

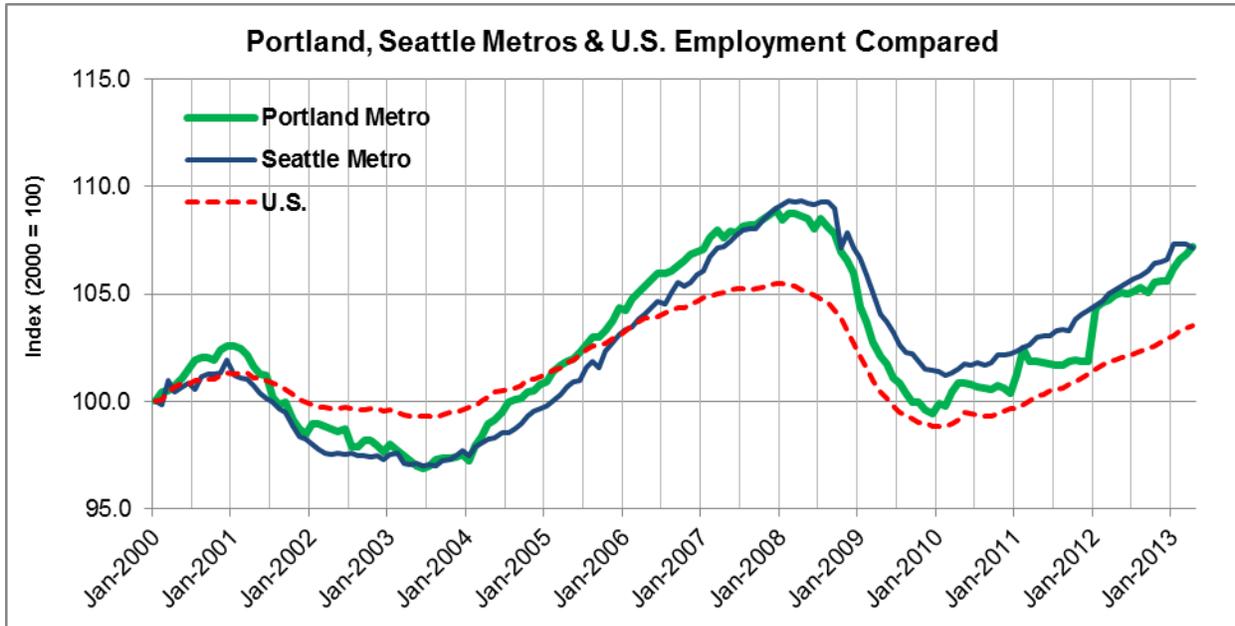
The resulting Primary Market Area designation is shown in FIGURE 3.

FIGURE 3: MAP OF SHERWOOD PRIMARY MARKET AREA



V. ECONOMIC OVERVIEW

Portland Metro Catching Up to Seattle



The Pacific Northwest economy continued its trend of exceeding the nation in terms of job growth through the First Quarter of 2013 and since the benchmark year of 2000. The Portland metro area again caught up with the Seattle metro area in terms of total percentage expansion since 2000. Although Seattle suburban growth has skyrocketed over the past decade and more, downtown Seattle employment has fluctuated significantly since the dot-com crash and the demise of Washington Mutual.

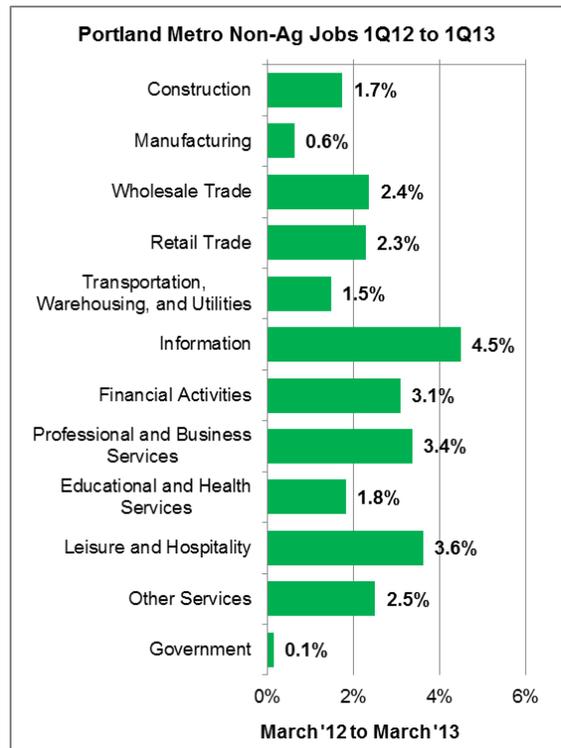
First Quarter details for the Portland economy include:

- The Portland metro added 20,500 jobs from March 2012 through March 2013. The expansion translates into a 2.0% annualized rate of growth.
- The metro area economy has not yet returned to its pre-Great Recession peak employment level at 1.04 million jobs in December of 2007.
- Current total jobs in the Portland metro area stand at 1.03 million.
- The Portland area continues to have significantly greater seasonal fluctuation to job gains due to stronger ties to agricultural industries, as well as major construction projects in Washington County.

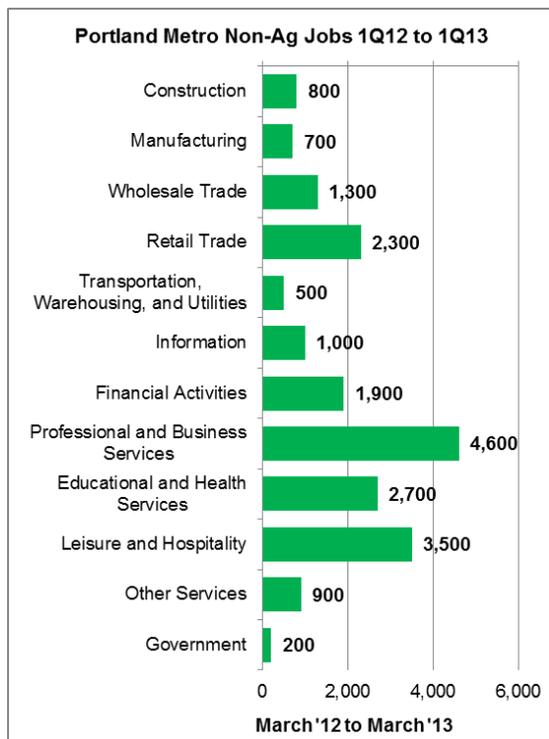
Fastest Portland Job Growth Among Office/Business Park Growth Sectors

Portland metro area industry sector growth over the past year was most brisk in Information (4.5%), Leisure & Hospitality (3.6%), and Professional & Business Services (3.4%). The uptick in expansion in those three sectors indicates returning strength to office and business park demand drivers moving forward.

Sectors more indicative of industrial growth had less-pronounced expansion between March of 2012 and March of 2013 in the Portland metro area. Wholesale Trade led with 2.4% job growth, followed by Construction (1.7%) and Transportation, Warehousing, and Utilities (1.5%). Manufacturing expanded by a muted 0.6% job growth during the period.



Most New Jobs in Portland Metro Among Office/Business Park Growth Sectors

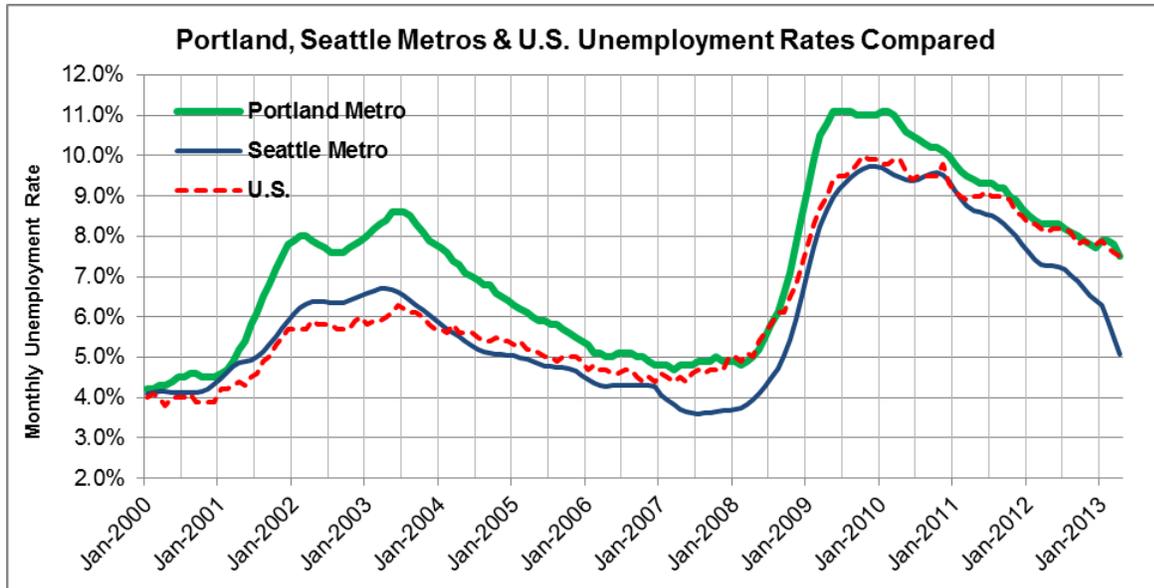


In terms of total jobs added over the last twelve months, Portland metro was led by Professional & Business Services at 4,600 new positions between March of 2012 and 2013. Although Information enjoyed the highest growth rate during the period, the sector added 1,000 jobs to a smaller industry sector base.

Portland metro area Construction, Manufacturing, Wholesale Trade, and Transportation, Warehousing, and Utilities combined for 3,300 new jobs between March of 2012 and 2013. Retail and Leisure & Hospitality combined for 5,800 jobs.

Portland Metro Unemployment Returns to National Average

Accelerating recovery in the Portland metro economy translated into a steady decline in the regional unemployment rate between March of 2012 and March of 2013. The jobless rate in the region now stands at 7.8% with the national rate at 7.6%.



At its worst, the Portland metro area unemployment rate reached a peak of 11.1% for most of the months between May of 2009 and March of 2010. The regional jobless rate is now back to the same level as the pre-Great Recession economy in 2004.

As both the Portland and greater Pacific Northwest economies return to more robust recovery, unemployment rates may see soft recovery as long-discouraged workers, not included in the unemployment rate calculations, step back into the job market as confidence in the economy builds.

VIII. PROPOSED PRODUCT & DEMOGRAPHICS DEFINED

New Household Residential Demand

Cardno conducted an analysis of likely expected household demographics growth projected a 20-year planning period through 2033. Detailed results are expressed in TABLE 1, which provides estimates of residential product demand due to new population growth in Sherwood, Oregon. Estimates are provided for both the total household growth in the Sherwood market, as well as income qualifying households for for-sale housing product across the planning period.

Findings can be summarized as follows:

- The Sherwood PMA is anticipated to grow by 2,100 new households over the planning period.
- The single largest-growing cohort in Sherwood is expected to be households with an income range of between \$75,000 and \$99,999.
- Households within the \$75,000 to \$99,999 income are expected to comprise the largest number of households seeking homeownership, followed by households that earn between \$50,000 and \$74,999 annually. Combined, both cohorts represent need for 447 for-sale residential units to accommodate anticipated population growth.

Household Income Range	New Households		Tenure Split		Net Increase	
	Total	%	Owner	Renter	Owner	Renter
Less than \$15,000	80	4.0%	25.9%	74.1%	60	20
\$15,000 - \$24,999	104	5.0%	27.9%	72.1%	37	67
\$25,000 - \$34,999	72	3.4%	30.1%	69.9%	128	-56
\$35,000 - \$49,999	196	9.3%	33.2%	66.8%	210	-14
\$50,000 - \$74,999	356	17.0%	37.3%	62.7%	225	131
\$75,000 - \$99,999	380	18.1%	42.7%	57.3%	242	138
\$100,000 - \$124,999	376	17.9%	51.7%	48.3%	83	293
\$125,000 - \$149,999	192	9.1%	64.3%	35.7%	56	136
\$150,000 - \$199,999	164	7.8%	72.0%	28.0%	75	89
\$200,000 or more	180	8.6%	78.7%	21.3%	353	-173
Total/Weighted Avg.	2,100	100.0%	70.0%	30.0%	1,469	631

All Ownership Housing Income Range	New Households	Qualified Payment 1/		% of Qualified Payment	Qualified Home Price 2/	
		Low	High		Minimum	Maximum
Less than \$15,000	60	\$0 - \$250		100.0%	\$0	\$58,000
\$15,000 - \$24,999	37	\$250 - \$375		100.0%	\$58,200	\$87,000
\$25,000 - \$34,999	128	\$375 - \$625		100.0%	\$87,300	\$146,000
\$35,000 - \$49,999	210	\$625 - \$875		100.0%	\$145,500	\$204,000
\$50,000 - \$74,999	225	\$875 - \$1,250		100.0%	\$203,700	\$291,000
\$75,000 - \$99,999	242	\$1,250 - \$1,875		95.0%	\$276,500	\$415,000
\$100,000 - \$124,999	83	\$1,875 - \$2,500		95.0%	\$414,800	\$553,000
\$125,000 - \$149,999	56	\$2,500 - \$3,750		90.0%	\$523,900	\$786,000
\$150,000 - \$199,999	75	\$3,750 - \$6,250		80.0%	\$698,600	\$1,164,000
\$200,000 or more	353	\$6,250 - \$12,500		70.0%	\$1,018,700	\$2,037,000
Total/Weighted Avg.	1,469			90.3%		

1/ Assumes 30% of gross income towards payment.

2/ Based on the following financing assumptions:

Interest Rate	5.00%
Mortgage Term	30
% of Income	30.00%
% Financed	80.00%

Based on review by Cardno, housing economics in Sherwood for the foreseeable future indicates that the price thresholds for detached, single-family housing product versus attached, townhouse-style ownership housing is summarized as the following:

- Detached Single-Family Housing: \$250,000 and higher.
- Attached Ownership/Townhouse Housing: \$190,000 to \$300,000

Cost of residential land in Sherwood, current housing prices in Sherwood, and prevailing terms of construction and ownership financing all indicate the above. Accordingly, TABLE 1 also highlights the demand for ownership housing in Sherwood, Oregon across the planning period based on the above housing economics factors, as well as development types proposed for the property will a zoning designation of HDR.

That is, proposed residential development on-site and economically feasible on land zoned HDR would generally be priced from \$195,000 to \$230,000 for attached, townhouse product and detached, single-family development would be priced generally from \$250,000 to \$350,000. Accordingly, demand for housing at these price points in Sherwood across the planning period is highlighted in blue, an in total estimated to exceed 670 units.

IX. SHERWOOD LAND SUPPLY AND DEMAND RECONCILIATION

An Analysis of Citywide High-Density Residential & Vacant Land Available

Based on Metro GIS mapping for the City of Sherwood, the existing acreage within the city limits dedicated to high-density residential use accounts for only 7% of the overall capacity. Of that 7%, there is only 2.2 acres still vacant with some level of development potential.

With 367 new households projected by 2018, there is a definite deficit of available high-density residential land.