



SHERWOOD WEST CONCEPT PLAN

AGENDA

Technical Advisory Committee Meeting #2

DATE: June 23, 2021
TIME: 2 – 4 PM
LOCATION: Virtual. For a ZOOM meeting audio link, please send an email to Erika Palmer, Planning Manager at palmere@sherwoodoregon.gov. The meeting will be recorded and posted to the City's YouTube page on June 24, 2021. City of Sherwood's YouTube Channel: <https://www.youtube.com/user/CityofSherwood>

Meeting Purpose

- Identify themes for project vision, goals, and evaluation criteria
- Learn about economic opportunities and strategies

Agenda

All items below are informational unless noted otherwise. Each will have a brief presentation, followed by Committee discussion. Please see the packet for meeting information.

2:00 PM	1. Welcome and Introductions <ul style="list-style-type: none"> • Approve meeting summary from TAC #1 	Erika Palmer, City of Sherwood Joe Dills, APG
2:10 PM	2. Public Engagement Plan <ul style="list-style-type: none"> • Highlights from the draft Public Engagement Plan • Committee discussion 	Kyra Haggart, APG
2:25 PM	3. Vision, Goals, and Evaluation Criteria <ul style="list-style-type: none"> • Background from 2016 Preliminary Plan • Committee visioning exercise (see memo in packet for vision prompt) 	Joe Dills, APG Kyra Haggart, APG
3:10 PM	4. Economic Opportunities and Strategies <ul style="list-style-type: none"> • Presentation on economic opportunities and challenges, and strategies for economic development and job creation • Committee discussion 	Sam Brookham, Leland Consulting Group
3:55 PM	5. Public Comment	Erika Palmer
4:00 PM	6. Next Steps and Adjourn	Joe Dills

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Note: Pursuant to House Bill 4212 (2020), public comments for this meeting must be submitted in writing to the Sherwood Planning Department, Attn: Erika Palmer, Planning Manager 22560 SW Pine Street, Sherwood, OR 97140 or emailed to Planning@Sherwoodoregon.gov. To be included in the record for this meeting, the written comment must clearly state that it is intended as a citizen comment for this meeting. It also must be received at least 24 hours in advance of the scheduled meeting time.



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MEETING MINUTES

Technical Advisory Committee (TAC)

DATE: May 13, 2021

TIME: 2:00 PM to 4:00 PM

LOCATION: Virtual Online, YouTube Link: <https://www.youtube.com/watch?v=SiAfAp1tOzo&t=116s>

TAC Members Present: Bob Galati, Craig Sheldon, Kristen Switzer, Chris Faulkner, Jeff Groth, Jessica Pelz, Glen Bolen, Tom Moony, Ryan Mackinster, Gabriela Flask, Mike Weston, Matt Craigie, Rebecca Small, Erika Palmer, Julia Hajduk, Joy Chang, Bruce Coleman

Consultants and Sherwood Staff Present: Kyra Haggart, Angelo Planning Group, Joe Dills, Angelo Planning Group, Sam Brookham, Lealand Consulting, Carl Spring, DKS Associates

Agenda Item

1. Welcome and Introductions

Members of the TAC introduced themselves

2. Project Overview

Planning Manager, Erika Palmer, presented a project overview with some facts about Sherwood West and the 2016 Preliminary Concept Plan background information -- total area: 1,291 acres; properties: 126; property owners: 110; and average property size: 9.8 acres. Key themes from the 2016 Plan were: access to nature and trails, identifying schools and athletic facilities, and creating walkable 20-minute neighborhoods, including neighborhood-serving retail. Joe Dills, Angelo Planning Group, walked through the project timeline. It is anticipated that there will be seven TAC meetings over the next year, and the plan will be adopted in the summer of 2022.

3. Housing Policy Implications

Planning Manager Palmer presented an overview of 'Housing' in Sherwood and implications for Sherwood West. From the City's adopted Housing Needs Analysis, we know the following: Housing stock in Sherwood is predominantly single-family detached; the population is aging; the community attracts younger people and more households with children; Sherwood is becoming more ethnically diverse, and housing sales prices are higher in Sherwood than the regional averages. Sherwood is forecasted to add 1,728 new households between 2019 and 2039, and there is a deficit of land for housing. There is a limited supply of land for moderate- and higher-density multifamily housing. Planning Manager Palmer discussed the draft housing goals and policies and discussed Oregon House Bill 2001, Housing Choices. The City is developing draft code language that would include additional housing types within Sherwood (plexes, cottage clusters). In addition, the City is developing draft residential design standards for all

housing types. It is anticipated that the residential design standards for all housing types will be adopted this year, 2021, and next year the City will adopt new housing types to implement the House Bill. Planning Manager Palmer discussed that House Bill 2001 considers Sherwood West a master-planned community, and because of this, Sherwood West needs to accommodate for infrastructure for 20 units per acre, but the housing densities in Sherwood West can be planned lower.

4. Development Trends

Sam Brookham, Lealand Consulting Group presented development trends. City Councilor, Doug Scott stated that the Council is focused on creating a better jobs to housing balance within the community that will improve the city's tax base and budget. Sherwood residents enjoy the amenities that the City provides but in order to keep providing these services as costs rise, the city's tax base needs to be better balanced. Councilor Scott stated that it is interesting to see in the packet that new growth areas are primarily focusing on housing – there is an opportunity to capture a mix of housing and employment uses. Mr. Brookham presented information from the City's Economic Opportunities Analysis (EOA). The EOA focuses on 20-year land needs. There is regional demand for large industrial sites; there is limited supply in Sherwood and regionally. Nearby residential growth will drive demand for amenities, services, and jobs. Sherwood is reliant on new annexation areas (Tonquin Employment Area) to meet industrial land needs. There is a deficit of commercial land and a surplus of industrial land (likely overstated given the potential TEA investment). In the TEA area -- 46 acres are under construction and 72 acres have some level of development interest. Opportunities in Sherwood West include, large sites for employment uses with regional demand; wine-related development (retail, hospitality); tech sector employment; strong demand for all residential types and residential growth will drive demand for retail services. Next steps to on economic development trends include stakeholder interviews with developers, brokers, economic development agency partners, and industry experts (hotel, wine, etc.).

5. Transportation

Carl Springer, DKS Associates presented an overview of transportation issues and projects in the Sherwood West area. Land uses that influence transportation are: residential and employment areas, the addition of the new Sherwood High School, and regional growth patterns in the area. Roy Rogers Road is being updated. This project includes expanding to this road to a 5-lane arterial from Chicken Creek to Borchers Road. This is a fast-growing regional travel corridor and this project is anticipated to be completed by Spring 2024. Tualatin-Sherwood Road will also be expanded to Teton Road in Tualatin. Brookman Road will become the new southern edge of Sherwood with annexation of the Brookman Addition area. Brookman is slated to be constructed as a 3-lane arterial but the right-of-way for 5-lane section is being preserved. Chapman Road at the intersection of Highway 99W and Brookman Road leads to Sherwood West. Elwert Road is a key north/south collector in this area. Other transportation barriers and opportunities in this area to think about include: Highway 99W is major barrier for walking and bicycling; a possible grade-separated structure for walking and bicycling for connection; terrain and natural features are opportunity for trails and multi-use pathways; there is limited transit services today but there should be a focus on getting "transit-ready"; and lastly considerations of last mile solutions to add access and connectivity options should be reviewed the future.

6. Next Steps

Meeting #2 – Wednesday, June 23

- Vision, goals, criteria
- Public engagement plan
- Economic opportunities

Meeting #3 – Wednesday, August 4

- Preliminary plan concept options & assumptions



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PUBLIC ENGAGEMENT PLAN

DRAFT | May 14, 2021

Prepared by:

Angelo Planning Group
City of Sherwood

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Project Overview

The purpose of this project is to prepare a concept plan for the 1,291-acre Sherwood West area by updating the Sherwood West Preliminary Concept Plan. The Preliminary Plan was approved by the Sherwood City Council in 2016. It was developed as a long-range planning tool to help guide future community discussions and decisions about the City’s long-term growth. However, there have been significant changes in Sherwood and surrounding areas since the Preliminary Concept Plan’s local approval: the Sherwood School District constructed a new 350,000 square foot high school on 73 acres inside the Sherwood West area; Washington County completed its Urban Reserve Transportation Study (URTS), which provides detailed transportation impact information to help with future planning in urban reserve areas; and the City is nearing completion on a major update to its Comprehensive Plan, which has not been updated since 1990. In addition, the State of Oregon adopted House Bill 2001 in 2019, which allows for the development of middle housing types within areas zoned single-family residential. This Concept Plan project will take another look at the Sherwood West area to address new land use and growth patterns, new transportation plans, new State rules related to housing, and new opportunities for employment and economic growth. The outcome of this “re-look” will be a Sherwood West Concept Plan that is compliant with Metro Title 11, Planning for New Urban Areas.

Goals and Outcomes

Outreach will be an integral part of this project, both for specific details of the Concept Plan and as part of the community's broader ongoing conversation about housing, employment, transportation, and cost of services. Community members who live and/or seek future annexation and development opportunities in the Sherwood West area will be most affected by the project’s outcomes. Other key stakeholders are expected to include area neighbors, local business owners, property owners, students at the new Sherwood High School, and community members from historically-underserved populations. **The City of Sherwood is committed to an inclusive and transparent planning process. Community engagement is crucial to guide the development of a representative, sustainable plan.** The goals of the public engagement process for this project are to:

- Communicate complete, accurate, understandable, and timely information to the greater Sherwood community throughout the course of the project.

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- Help participants in the process understand the benefits and challenges of planning issues and alternatives for Sherwood West.
- Actively seek input from individuals, businesses, and organizations who are most likely to be impacted by the outcomes of the planning process.
- Intentionally engage culturally-diverse community members and those whose voices have been historically under-represented in previous planning processes.
- Provide meaningful opportunities for all community members to provide input into the plan, and clearly demonstrate how that input has influenced the process.

The outcome of this public engagement process will be a Concept Plan that reflects the community's vision and desires for the Sherwood West area, balance the diverse interests of project stakeholders, and is feels true to Sherwood.

A NOTE ABOUT THE COVID-19 PANDEMIC

Due to the ongoing COVID-19 pandemic, the majority of public engagement activities are expected to occur virtually. The project team will continue to monitor the situation and will resume in-person events and meetings if and when it becomes safe to do so. We hope to see you in person soon!

Key Messages

The City will be the key point of contact for all communications with the public regarding this project. The City will also be the lead for notifications, emailing lists, media contact, and event logistics. The following key messages summarize the **what, where, why, when, who, and how** of the project, and constitute the basic talking points when communicating with the public about the planning process.

- **What:** The City of Sherwood is taking a second look at Sherwood West to prepare a Concept Plan for the area. The Concept Plan will address new land use and growth patterns, new transportation plans, new State rules related to housing, and new opportunities for employment and economic growth in Sherwood. This plan is not starting from scratch; it will build from the Sherwood West Preliminary Concept Plan, which was adopted in 2016.
- **Where:** Sherwood West is a 1,291-acre area located west of the existing city limits and outside the Urban Growth Boundary (UGB). It is bound by SW Lebeau Road to the north and SW Chapman Road to the south. Sherwood West is a designated Metro urban reserve (Urban Reserve Area 5b) and is the largest of Sherwood's three future growth areas.
- **Why:** Sherwood has seen significant changes since the adoption of the Preliminary Concept Plan in 2016, both on-the-ground and in the regulatory and planning context. In 2018 the Sherwood School District annexed a portion of the Sherwood West area into city limits and constructed a new 350,000 square foot high school, which was completed in 2020 and is expected to open to students in 2021. The State of Oregon adopted new housing rules (House Bill 2001) in 2019, which allow for the development of middle housing types within areas zoned single-family residential. In 2020

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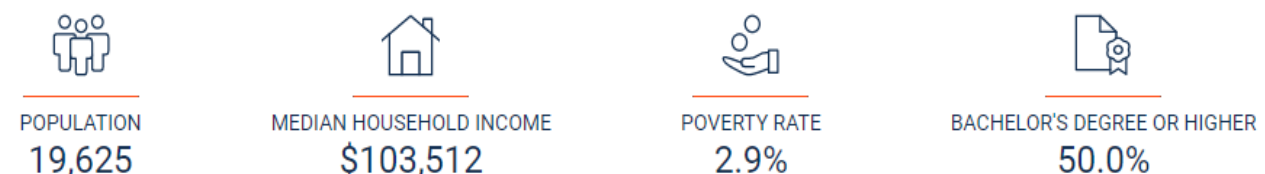
Washington County completed its Urban Reserve Transportation Study (URTS), which provides detailed transportation impact information to help with future planning in urban reserve areas such as Sherwood West. In addition, the City is nearing completion of a three-year planning and visioning process to update its citywide Comprehensive Plan, with adoption of the new plan expected to occur in summer 2021.

- **When:** This project will kick-off in May 2021 and will take approximately 15 months to complete.
- **Who:** The Concept Plan project team includes staff from Sherwood's Community Development Department, supported by a team of consultants led by Angelo Planning Group that includes Walker Macy (urban design), Leland Consulting Group (economics), and DKS Associates (transportation). The process will be guided by input from two advisory committees. The Community Advisory Committee (CAC) is made up of community members who live or own property within the City and Sherwood West, and representatives from the City's Parks Board, Planning Commission, City Council, Police Advisory Board, and the Sherwood School District. The Technical Advisory Committee (TAC) will be comprised of public service provider representatives: City Public Works, Engineering, Community Services, the Police department, Clean Water Services, Oregon Department of Transportation, and regional economic and housing development professionals.
- **How:** As this project gets underway, the Sherwood community will see articles in local community newsletters; city social media posts to Facebook, Twitter, Nextdoor; public meeting notices online and flyers; 'pop-up' engagement at local community events (consistent with COVID-19 protocols); online surveys; engagement with Sherwood High School students and families; and Frequently Asked Questions sheets. In addition to these opportunities, feedback is always welcome via email at any point in the process.

If you would like to submit a comment or question to the project team, or you are interested in subscribing to the Sherwood West Re-look Email Interested Parties list, please send an email to: palmere@SherwoodOregon.gov

Sherwood Demographics

The following demographic profile is a snapshot of Sherwood today.



Source: 2019 American Community Survey 5-Year Estimates

According to estimates from the American Community Survey (ACS), the population of Sherwood in 2019 was 19,625. Around 89 percent of Sherwood residents identify as White, and nearly six percent identify as Hispanic or Latinx. Over five percent of residents identify as Asian (alone or with some other race), almost two percent identify as American Indian or Alaskan Native (alone or with some other race), one percent identify as Black or African American (alone or with some other race), and less than one

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percent identify as Native Hawaiian and Pacific Islander (alone or with some other race).¹ ACS data also indicates that nearly 90 percent of Sherwood residents speak English at home, and nearly four percent speak Spanish at home.

In addition to these demographics, recent trends identified in the City's 2019 Housing Needs Analysis indicate that:

- **Sherwood's population is growing.** Sherwood grew by 6,600 people between 2000 and 2013, at a rate of nearly 3.5% per year—well above the regional average.
- **Sherwood's population is aging.** People aged 45 years and older were the fastest-growing age group in Sherwood between 2000 and 2010.
- **Sherwood is attracting younger people and more households with children.** Nearly 50% of Sherwood households have children, which is significantly higher than in Washington County or the Portland region generally.
- **Sherwood's population is becoming more ethnically diverse.** Sherwood's percentage of people who identify as Hispanic or Latinx grew from 4.7% in 2000 to about 6% in 2019.

Communications and Outreach Tools

The City is committed to equitably engaging the public on this project and is employing multiple types of communication and outreach tools in order to engage the full range of Sherwood community members. The following table includes informational tools and activities that will be used throughout the project to inform a broader public audience and solicit input related to needs and possible planning concepts. Where possible, project materials developed as part of these tools and activities should be made available in both English and Spanish.

Tool/Activity	Description	Audience	Timing
Community Advisory Committee (CAC)	The CAC will be made up of community members who live or own property within the City and Sherwood West, and representatives from the City's Parks Board, Planning Commission, City Council, Police Advisory Board, and the Sherwood School District. The City Council will appoint CAC members through an open application process. CAC meetings will be open to the public, and each meeting will include dedicated time for non-CAC members to provide input.	General Public	May 2021 through May 2022 (7 meetings total)
Technical Advisory Committee (TAC)	The Technical Advisory Committee (TAC) will be composed of public service provider representatives: City Public Works, Engineering, Community Services, the Police department, Clean	Agency Partners & Service Providers	May 2021 through May 2022

¹ 2019 American Community Survey 5-Year Estimates

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Tool/Activity	Description	Audience	Timing
	Water Services, Oregon Department of Transportation, regional economic and housing development professionals will also provide input into this work. City staff will lead the recruitment of TAC members.		(7 meetings total)
Community Open Houses and Surveys	Two community open houses will be held at key points in the planning process. These community-wide events are intended to engage the greater Sherwood community and provide opportunities for a diverse range of community members to review and comment on issues, alternative approaches, and draft recommendations. They are expected to include a combination of live events (either online or in-person, depending on the status of the COVID-19 pandemic) and will also include an online survey component that will remain open for several weeks to gather additional feedback from community members who were unable to attend the live event. Community members will be notified about upcoming open house events through the use of social media posts, emails, postcards, newsletter advertisements, and website banners.	General Public	Fall 2021 and early Spring 2022
Stakeholder Interviews	As part of the project team's research on economic opportunities and potential challenges, Leland Consulting Group will conduct five interviews with local and regional economic development officials to explore how technology, health care, office, hospitality including farm to table concepts, retail, and other employment uses might evolve in Sherwood West.	Economic Development Officials	June 2021
Project Website	A project website hosted by the City's will be used as the main repository of project information, including draft and final deliverables, upcoming meeting announcements, and contact information for project staff. The website will be updated frequently over the course of the project to keep interested parties up to date on current information and opportunities to be involved. https://www.sherwoodoregon.gov/planning/page/sherwood-west-preliminary-concept-plan-re-look	General Public	Ongoing
Interested Parties Email List	The City will maintain a database that includes email addresses for interested parties and important	General Public	Ongoing

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Tool/Activity	Description	Audience	Timing
	stakeholder groups in the project area. The database will be updated as the project progresses and will track individuals and groups who express interest in the project. The database will be used for notification of upcoming engagement opportunities and communicating project progress, draft deliverables, and key milestones.		
Local Newsletter	Articles with project information will be included as part of the City's e-newsletter and will be shared with past and current subscribers to share information, increase project awareness, and provide additional avenues for community input.	General Public	Ongoing
Social Media	The City's social media accounts will be used to share information, increase project awareness, and provide avenues for community input.	General Public	Ongoing
Pop-Up Events	The City anticipates conducting several pop-up engagement events at planned local events such as farmers markets, fairs, or festivals. Specific dates or events have not yet been identified. Any engagement that occurs as part of these events will be conducted in accordance with current COVID-19 social distancing protocols.	General Public	Ongoing, beginning in summer 2021
Property Owner Mailings	To ensure that all property owners and residents in the Sherwood West area are aware of the project and process, the team will send postcards and/or pamphlets with project information via mail at key points in the process, including at the outset of the project, prior to community-wide events, and prior to the final CAC/TAC meeting.	Area Property Owners and Residents	Ongoing
Project Snapshots/FAQs	The project team will prepare public-friendly summaries of project progress, findings, alternatives, and conclusions at key points in the process. These "snapshots" are intended to capture and distill project information and in a fun and easily-digestible way for consumption by the greater Sherwood community.	General Public	Ongoing
Printed Materials	The project team will develop eye-catching graphic posters, postcards, flyers, and/or brochures with project information to display at local businesses, community centers, parks, grocery stores, and other locations frequented by community members. These materials will include links to the project	General Public	Ongoing

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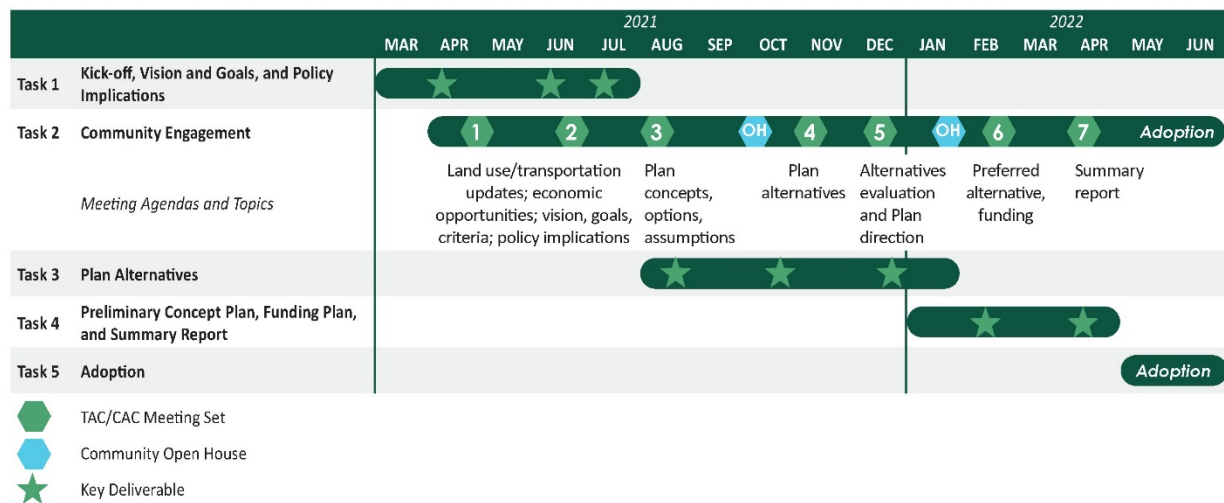
Tool/Activity	Description	Audience	Timing
	website, information about upcoming opportunities to engage, updates on project milestones, and contact information for project staff.		

Project Schedule

The following schedule outlines the tasks and key deliverables, as well as preliminary timing for TAC/CAC meetings and community open houses. This schedule is preliminary and subject to change; it may be updated over the course of the project.

PROJECT SCHEDULE

Last Update: 3/15/2021





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VISION, GOALS, & EVALUATION CRITERIA

TO: Sherwood West Community Advisory Committee and Technical Advisory Committee
 FROM: Project Team
 DATE: June 16, 2021

Introduction

The following vision statement, goals, and evaluation criteria were developed as part of the 2016 Sherwood West Preliminary Concept Plan based on guidance from the community and the Preliminary Plan's advisory committees. The vision statement articulates the community's desired future for the Sherwood West area, while the goals and corresponding evaluation criteria were used to evaluate the Preliminary Plan's alternatives and ultimately select the preferred alternative.

This Sherwood West Concept Plan Re-Look project will take another look at these statements to answer the following questions: Do the 2016 vision statement, goals, and evaluation criteria still feel true to Sherwood West? What, if any, elements need to be added or updated to reflect new information or conditions? What, if any, elements are no longer on-target and should be revised or removed?

At the second meeting of the Sherwood West Community Advisory Committee and Technical Advisory Committee we will be asking you to participate in a visioning exercise to help us answer these questions. The prompt for the vision exercise will be:

*Imagine you had to leave Sherwood to go live on a South Sea Island.
 You return in 20 years, and the Sherwood West Concept Plan has been
 successfully implemented. You really like what you see. What do you see?*

Following this brainstorming, the team will use the feedback to update the vision, goals, and criteria. The draft updates will be reviewed by the committees at their meeting, then shared with the community.

2016 Vision Statement, Goals, and Evaluation Criteria

2016 VISION STATEMENT

Sherwood West complements the City's form and small town character through an integrated and continued pattern of the community's most valued neighborhoods. Through a range of well-designed housing options and protected natural areas, Sherwood West is a great place for families. It helps satisfy the City's need for well-planned growth and other community needs. Designed as a complete community, development is orderly, attractive and protects views. The area is well administered and development contributes to the fiscal health of Sherwood.

2016 GOALS AND EVALUATION CRITERIA

GOAL	EVALUATION CRITERIA
Growth is well-planned	<ul style="list-style-type: none"> • Neighborhoods are phased adjacent to existing development • Well phased extension of services • Connectivity
Design includes complete community attributes	<ul style="list-style-type: none"> • Incorporates nature • Neighborhood retail
Development respects and recognizes Sherwood pattern, heritage and small town feel	<ul style="list-style-type: none"> • Walkable • Integrates with existing Sherwood • View corridors, natural features retained
Concepts promote health	<ul style="list-style-type: none"> • Easy to walk, bike and access other recreational activities
Development protects and provides access to nature	<ul style="list-style-type: none"> • View corridor, other assets protected • Walking trails along heritage resources
Implementation is pragmatic	<ul style="list-style-type: none"> • Options minimize cost of infrastructure • Balance of benefits and burdens of development

Sherwood West Concept Plan

Economic Opportunities and Challenges

Date June 15, 2021
To Joe Dills, Kyra Haggart
 Angelo Planning Group
From Sam Brookham, Chris Zahas
 Leland Consulting Group

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Executive summary

Stakeholder Interview Takeaways

- **Employment Land.** There is a limited supply of high-quality buildable employment land in the region and increasing demand, particularly for large sites. Stakeholders believe that demand is strong enough to absorb whatever amount of land the City sets aside for employment in Sherwood West.
- **Development types.** Developers are mostly building multitenant flex space (as part of larger industrial or business parks), warehouses, and distribution facilities (both speculative and build-to-suit). The transportation network is considered prohibitive for the latter two in Sherwood West. Opportunities for build-to-suit single-user buildings may also arise sporadically.
- **Limited Infrastructure Funding Availability.** While this concept plan is expected to address some of the challenges associated with infrastructure phasing and funding in Sherwood West, developers want to see a clear plan for infrastructure improvements before committing to a site.
- **Land needs** range from 40 to 50 acres per “center” or “park” allowing for buildings averaging 50,000 square feet on five to six acres, although a larger-than-average business park or campus-style development may require more than 100 acres. Total demand is likely sufficiently strong to support a number of these developments, creating a healthier jobs/housing/fiscal balance for Sherwood. Sherwood should target two to three areas of Sherwood West with the largest and flattest (less than 3.0 percent slopes) contiguous tracts of land for these developments. Possible locations for this appear limited to the northern section of Sherwood West, particularly in the area bounded by Elwert Road, Roy Rogers Road, Scholls Sherwood Road, and Conzelmann Road, along Highway 99W and potentially near Haide Road and Kruger Road. Most of the inland areas along the western half of Sherwood West are unlikely to be suitable for mixed employment (industrial, flex, office) given the topographical and access constraints.
- **The wine industry** is an important part of the local and regional economy which may dovetail with industrial, retail, and hospitality uses, but it is unlikely to solely support the growth of any of these land use sectors. A diversified economy and additional employment are necessary.

- **Land aggregation** is critical because of the number of different property owners in Sherwood West.
- Developers want **transparency and certainty** for land, zoning, and infrastructure. This is now considered more important than a shorter development timeline.
- **Office prospects** are questionable, and the market may not return to normal for many years. Campus-style development may be possible but there are few local examples and the market is unproven.
- **Zoning flexibility** is critical. It is not recommended the City dictates uses, but simply provides limitations on undesirable uses.

Opportunities for Sherwood West

- **Industrial.** The industrial market is hot and unlikely to cool within the next 10 years. Sherwood is beginning to see interest from existing tech companies in Hillsboro and elsewhere. As the west and southwest parts of the metro region develop, the gap between Sherwood and existing tech and other industry clusters will likely decrease, creating a critical mass of employment with access along the Roy Rogers corridor.
- **Target tenants** are wide-ranging, including service providers, contractors, tech companies, logistics, light manufacturers, designers, healthcare users, etc. Other users in the City's target industry list—including advanced manufacturing, life sciences, R&D, software/media design, professional and business services, food products, outdoor wear design, etc.—are also appropriate.
- **Tech Clusters.** Sherwood is centrally located between existing tech clusters in Wilsonville and the Sunset Corridor. These clusters have historically dominated the tech-oriented employment landscape, but these markets are now understood to be softening, with developers looking for opportunities elsewhere in the Portland metro. The Sherwood area is beginning to draw existing businesses from Hillsboro, as well as serving as an attractive location for new businesses to the metro region.
- **Hotels**—particularly mid-range, independent, and boutique hotels—are in demand. However, Sherwood cannot expect to support new hotel development based entirely on its proximity to wine country as other cities to the south are better positioned for an immersive wine country experience. Instead, new hotels in Sherwood will likely be feasible as a follow-on use once employment growth occurs, and the market is proven.
- Similarly, new **retail development** will come in a later phase after residential and employment growth.
- **Office space** is likely to be part of mixed-use developments, commercial centers, or larger employment centers. Target tenants include tech, medical, and service-oriented office space with some "hub and spoke" or satellite office.
- **Retail.** New growth will drive demand for new space, but the growth of ecommerce and declining retail footprints may dampen the impact. Sherwood should focus on convenience-based retail, such as grocery and health and personal care, as well as neighborhood-serving retail, such as foodservice and drinking places, either as neighborhood-centers or main street corridor approach that diversifies the retail mix and supports the growth independent retailers and restaurateurs.
- **Healthcare.** Because major healthcare facilities depend on large nearby population bases and visibility and access along highways and major transportation corridors, such a facility may be unlikely in the next 10 or 20 years. Attracting such a user would require time, effort, and deliberate planning and policy on the part of the City. Smaller-scale healthcare facilities are likely to be part of centers or larger developments.

Strategies/Recommendations

- **Be Flexible.** Maintain as much flexibility (zoning, land, tools, approach) as possible in planning for employment growth as market cycles and trends over the next 20 years are unclear. This means maintaining large, contiguous sites but not mandating large-lot sites.

- **Plan for Mixed Employment.** Most of the opportunities for long-term job creation will likely require a mixed employment approach—namely industrial, flex, and office. Mixed Employment in centers/parks of 20-100 acres is the strongest market.
- **Plan for Multitenant Space** that can be scaled up or down and is highly divisible (e.g., to 2,500 square feet) allows for business expansion and the flexibility to accommodate various sized flex, office, commercial, or light industrial users.
- **Compile a Toolkit** of incentives and tools that can be packaged together to encourage desired development types.
- **Be Both Proactive and Patient.** Depending on the market cycle and the opportunities at any given time, certain land uses will develop faster than others. This will require a phased development approach in Sherwood West. Industrial and residential uses are likely to dominate in the near term, followed by retail, hospitality, office, and healthcare.
- **Ensure that Buildable Shovel-ready Land is Available for Employment.** The land must be zoned for employment development. The zoning and building codes should require an appropriate level of development quality, but not make unrealistic requirements, for example, around low parking ratios, mixed-use, etc. For certain sites, the City may want to use the State's "Certified Shovel Ready" process to document that environmental, archeological, title, wetland, and topographical issues do not preclude development. Flat sites with slopes of less than 3.0 percent are limited and should be reserved for mixed employment and industrial users.
- **Invest in Talent and Quality of Place.** The underpinnings of traded sector office site selection are simple: Locate where the talent is. Therefore, cities must attract talented people, by providing high-quality cities and neighborhoods where people want to live. The Sherwood West Concept Plan, which integrates residential, employment, and commercial development with parks and open spaces, is an important step; building out the plan is another.
- **Increase Accessibility and Visibility** via the regional transportation network. Large employers have historically needed to bring large numbers of employees to their campuses, and this requires robust auto, transit, bicycle, and pedestrian transportation infrastructure.
- **Consider Land Acquisitions.** Site ownership can put the City in a strong position to recruit employers; it can also be expensive, risky, and politically contentious. If the City is considering land acquisitions, LCG recommends that the City work with a broker with experience executing deals that have resulted in employment land and building development in Washington County, in order to clearly understand costs and benefits.
- **Target 99W and North Sherwood West** for transportation-dependent uses and larger-scale employment development, respectively. There is little frontage on 99W so it should be retained for certain users. Similarly, the largest tract of flat land (100+ acres) in Sherwood West is located to the north. Other areas may be feasible, but developers of industrial and, to a slightly lesser extent, office projects typically require regularly-shaped tracts of flat land with slopes of less than 3.0 percent. A campus-style development may be able to accommodate a greater variety of topographical conditions. Further analysis of the topographical and other physical conditions is necessary to determine the extent of these opportunities.

Introduction

This Economic Opportunities and Challenges memo provides an evaluation of Sherwood West's assets and constraints; summarizes input from interviews with developers, stakeholder, and leading economists; and provides insights on the economic future of Sherwood West as a part of a growing Sherwood. It is intended to highlight opportunities for economic development strategies and non-residential land uses that could produce jobs and tax base as part of the overall mix of land uses in Sherwood West over the next 20 years and beyond. It also explores creative options for long-term job creation that reflect Sherwood West's location at the urban edge and that optimize its ability to evolve as the region matures and economic changes occur.

In preparing the memo, Leland Consulting Group (LCG) conducted interviews with key stakeholders to explore how technology, health care, office, hospitality, retail, and other employment uses might evolve in Sherwood West's unique location. These stakeholders included local and regional industrial, office, mixed-use, retail, and hotel developers, brokers, and specific industry representatives (such as the wine industry). The anecdotal takeaways from these interviews are intermixed within the narrative of this memorandum.

Sherwood should not attempt to compete against other employment centers that may have better locational attributes such as proximity to I-5 or existing clusters of technology employment. Accordingly, we have identified opportunities that play to Sherwood West's unique attributes. These opportunities build upon the area's proximity to the wine country, long-term changes to office dynamics as a result of COVID-19, evolving changes to the retail landscape, and other factors.

The memo includes a shortlist of employment land uses that could realistically be supported in Sherwood West, with projections for development over time.

Constraints and Challenges

Based on key takeaways from feedback received during the stakeholder interviews, most of the opportunities for long-term job creation in Sherwood West will likely require a mixed employment approach—namely industrial, flex, and office. This approach is consistent with both recent development in the Tonquin Employment Area and other examples of peripheral employment development clusters in the region. Of these mixed employment uses, industrial development, which typically includes warehousing, logistics, distribution, and manufacturing, has the narrowest framework of site selection criteria. While demand-related factors are generally expected to largely overcome potential challenges related to site conditions, it is important to highlight these selection criteria as the industrial market may not remain as strong as it currently is over the next 20 years.

Site selection criteria for industrial development typically includes:

- **Access to major transportation routes.** Industrial users typically need access to major transportation routes so that products can be quickly and easily delivered and shipped, and to maximize the employment catchment area. The closest industrial development in the past 20 years has been in Tualatin and Sherwood along I-5 and Highway 99W—both major freight and transportation routes.
- **Separation from residential uses.** Due to the propensity of industrial users to generate noise, pollution, and vehicular traffic, development is not typically located next to residential uses. This sometimes also applies to other uses that attract pedestrian activity, such as main street retail and hospitality.
- **Low-cost land.** Of all land use types, industrial fetches the lowest rents and sale prices. Comparatively, high-density residential and commercial uses fetch the highest rents and sale prices. Typically, the cost of land reflects these trends.
- **Large, uniform sites.** Industrial development is low-density (typically one or two stories) and requires plentiful space for circulation, storage, and parking, particularly for freight operators.

- **Flat sites.** Due to the cost of grading, combined with the low value of industrial development, industrial users require sites with less than 3.0 percent slopes.

With these selection criteria in mind, there are several major constraints or barriers to commercial and employment-focused development in Sherwood West and the immediate surrounding area. We have highlighted these below.

- **Location.** Sherwood West is located in the southwestern corner of the Portland Metro region and lacks easy access to the I-5 corridor. In the near term, this edge location creates a one-sided market area, limiting the employment catchment area. Further, the travel time to or from Portland International Airport¹ is double the average tract in the Portland metro. As we will discuss in the following pages, strong regional demand and a limited supply of employment lands mitigate these challenges in the near term, and long-term residential and job growth is expected to soften these impacts as time goes on.
- **Regional Competition.** As noted in the previous Development Trends and Implications memo, the southwest Portland metro region will see significant growth over the next 20 years, primarily because of the development of Sherwood West and several other nearby UGB expansion areas—including Tigard River Terrace, King City West, and Beaverton Cooper Mountain—as well as local annexation areas like Brookman and Tonquin. Most of these future growth areas are expected to include some level of commercial (and to a lesser extent, employment) space that will compete with new development in Sherwood West. Closer cities within the Portland metropolitan region also have existing industry and business clusters that will continue to grow in the coming years. However, these central-area opportunities are expected to be fully built out or have limited land availability (particularly for larger sites), pushing the focus of substantial new developments to outer locations like Sherwood West.
- **Local Competition.** More locally, there are existing and emerging clusters of development within Sherwood that may be seen by developers and businesses as more attractive for new development. Locally serving retailers, such as restaurateurs, may prefer the established location and charm of Old Town. A hotel developer may have similar sentiments. For larger-scale retail, which is facing an uncertain future due to shifting consumer behaviors and the rise of ecommerce, Sherwood West's southeastern boundary fronting Highway 99W may be a favorable location because of access and visibility, as might the Roy Rogers corridor after its planned expansion. The Tonquin Employment Area (TEA) and the surrounding areas in Tualatin are currently seen as better locations for industrial and office development but vacant land is quickly being developed, which is likely to push the focus further west to places like Sherwood West.
- **Multiple Property Owners.** With 126 properties and 110 property owners, there are few locations that would not require land aggregation and assemblage for a larger (20+ acre) development. Developers tend to prefer large sites with single ownership in order to avoid the significant delays and hurdles associated with assembling enough land from multiple parcels. Further, property owners are rarely on the same page regarding long-term plans and it is difficult to predict if, when, and why private property owners will sell or develop their land. The City may implement a strategic program for property acquisition to meet economic objectives, either in partnership with other public agencies, by soliciting a qualified broker, or by other means.
- **Limited Infrastructure Funding Availability.** While this concept plan is expected to address some of the challenges associated with infrastructure phasing and funding in Sherwood West, developers want to see a clear plan for infrastructure improvements before committing to a site. Infrastructure needs often include enhanced water delivery systems (particularly for tech), enhanced electricity (e.g., green energy), and high speed internet.

¹ Access to other closer municipal airports, such as Hillsboro, also play a role in economic opportunities for Sherwood West, albeit to a lesser extent than Portland Airport. Corporate executives and prospectors often utilize these other airports with private or corporate planes.

- **Topography.** Substantial employment-oriented development, such as a business park, campus, or large-scale industrial or office space, typically requires relatively flat land with slopes under five percent (under three is preferable for industrial). Locations with these topographical conditions are limited in Sherwood West. Sloped sites require grading, which can be prohibitively expensive for developers, particularly if the soil conditions are challenging.²
- **Lack of existing rooftops.** While new residential growth is expected over the next 10+ years, the lower density of households and jobs within a five-mile radius of Sherwood West currently limits demand for new retail space and also limits the employment catchment area for new businesses. The density of rooftops in a given location is a critical site selection criterion for new developments. During the recent round of interviews, one stakeholder shared an example where a developer chose to develop in Salem rather than Woodburn due to this issue. With this being said, the lead time for new development to occur will likely align with this growth, which necessitates proactive planning for new development. Further, Sherwood benefits from its proximity to the Portland metro and is the heart of the triangle formed by Hillsboro, Beaverton, and Wilsonville, with existing undeveloped “gaps” in this area expected to fill in over the next 20 years, increasing the total number of jobs and people.
- **Uncertain/softened Office Market.** The COVID-19 pandemic created much uncertainty regarding the future of office uses. The suburban office market has fared relatively better than the Portland Central Business District (CBD), likely because of the suburb’s propensity for “essential” or neighborhood-serving offices like medical, banks, finance and insurance, etc. rather than industries that typically cluster in downtown settings (e.g., professional services).
- **Land Use Application and Permitting.** Some stakeholders interviewed considered Sherwood’s application process to be arduous relative to other cities, particularly for industrial development. Suggestions to improve and streamline this process include pushing elements of the initial application to later in the process and being clear about timeframes for various types of permits.

Opportunities

Industrial

The industrial market is considered the hottest of all land use sectors. Ecommerce has surged during the course of the pandemic, with online shopping now considered a norm and capturing more than one-quarter of the total retail market. Further, for every one percent of new retail sales, ecommerce creates demand for 38 million square feet of new warehouse space, and is expected to continue to increase. Other trends benefitting industrial prospects in Sherwood West include the increasing popularity of satellite facilities, which appears to be aligned with residents’ desire to work close to their homes. Several other key opportunities related to industrial development in Sherwood West are highlighted below.

Strong Demand. Stakeholders consistently pointed out the increasing difficulties in finding sites in the Portland area, especially large, contiguous, developable sites. As high-quality industrial sites become increasingly scarce in the Portland region, rental rates for industrial space have surged.

Land Needs. In terms of the rate of development, the Tonquin Employment Area (TEA) is considered a relatively accurate depiction of what could be seen in Sherwood West. While Sherwood West is less likely to see as many users that are highly dependent on major transportation routes, the pace of development in the TEA is indicative of the

² Basalt is common in soils throughout the Portland area; Sherwood may experience similar challenges, although that bedrock around Sherwood West is understood to be relatively deep, making grading less of a challenge than in some other parts of the region.

strength of the market, and this is unlikely to subside for at least 10 years. In fact, some developers would not consider a 100-acre designation “long-term planning” and several stakeholders suggested that the 108-acre area in the north of Sherwood West is considered a “drop in the bucket” that would be accounted for within two weeks if it were development-ready today. Additionally, institutional developers are generally purchasing 40- to 50-acre sites in order to phase development over time, with the main focus on five to six-acre developments with around 50,000 square feet of multitenant, mixed employment space. There is also new investment nearby in the Tonquin Employment Area (TEA) for larger buildings (upwards of 200,000 square feet), albeit to a lesser extent than the aforementioned product type, that can be either single user or multitenant. The larger the development, however, the greater the need for flat, unencumbered sites that become increasingly challenging to find.

The City of Sherwood could, therefore, plan for substantial industrial-focused employment growth over the next 20 years. Development types include mixed-use employment with a focus on tech, manufacturing, and warehousing. Despite the regional need for large lot industrial, the City should avoid mandating large lot industrial and instead maintain as much contiguous developable land as possible in order to accommodate phasing. While providing an estimate for the total amount that could be designated for employment lands or the specific product types that should be planned for is challenging, we recommend a flexible approach that can accommodate a range of development programs and types. Larger sites may be developed in full or subdivided by a developer.

Residential Growth. Nearby residential growth will benefit industrial prospects—mainly for smaller multitenant spaces—as people continue to value shorter commutes and quality spaces.

Competition. One of Sherwood’s primary competitors for new industrial-focused employment land development is Wilsonville. The Coffee Creek area is considered a comparable location to Sherwood West. However, Wilsonville’s sites are also considered challenging to develop because there are few sites in excess of 10 acres and there is limited city-provided infrastructure (water, sewer, roads); stakeholders agree that larger sites are needed to achieve an adequate return on investment, especially if infrastructure investments are expected from the developer. Wilsonville is also seen as challenging to work with due to overly restrictive zoning and a challenging permitting process. Of note, the City of Wilsonville has formed an urban renewal district as part of its strategy to support development in the Coffee Creek area.

Low Vacancies. Of the almost 10 million square feet of speculative construction in the metro region that have been delivered over the past 5 years, less than 10 percent is available and the market should be able to absorb most of the 2.1 million speculative square feet being delivered in 2020-2021. Vacancy is expected to increase to 6-8 percent within the next five years as a result of the development pipeline, bringing about more stability to the market. There are roughly four million square feet still in the pipeline, over half of which is planned to be owner-user or build-to-suit properties.

Wine-related Impacts. Outside investment is increasing in Oregon’s wine industry and the Willamette Valley is quickly becoming a hotbed of new activity as investors see profit-making opportunities associated with the lower cost of land (relative to France and California) and grape production, as well as recognizing the need to diversify locations in the face of climate change. The recent acquisition of Ponzi (a Sherwood area business) by the French company Bollinger is one of the first foreign acquisitions in Oregon, but it is expected as the start of an emerging trend rather than an exception. Impacts of the wine industry on hospitality and commercial prospects are explored in later pages.

Developers see opportunities in storage, distribution (including bottling), production, and warehousing. While the former is a low-density employment type, the others pay higher wages and employ a significant number of people. Wine-focused manufacturing also aligns with existing trends in the southwest metro region which has seen food processing become a major employment sector. While industrial stakeholders see opportunities in production, wine industry experts consider it a nonstarter, with the majority of production facilities likely to remain in the immediate vicinity of the growth area. Storage and distribution may benefit from proximity to Highway 99W, but, again, developers

see areas that are more centrally located in wine country—such as McMinnville along Highway 18—as better potential locations in the short-term.

T-S Corporate Park. Cities are increasingly using zoning codes to influence development. For the T-S Corporate Park, the developers knew the zoning before it was annexed, and the plans were reactive to that zoning. The developers looked at the Koch Corporate Park to the east as a comparable example for what they could expect. Despite topographical, soil, and wetland constraints, the project is rapidly proceeding with multitenant space geared to manufacturing, food, and tech (such as bioscience).

Target Industries

During the stakeholder interviews, participants (including those throughout all stages of the development process, from high-level prospecting to tenant recruitment) generally agreed with Sherwood’s target industries. These industries include:

- High Technology/Computers & Electronics
- Light Manufacturing/Advanced Manufacturing³
- Cleantech
- Life Sciences/Biosciences
- Research and Development (R&D)
- Software/Media Design
- Professional/Business Services
- Food Products
- Outdoor/Athletic Wear Design
- Healthcare

Other industries mentioned during the interviews included logistics and engineering. Many of the target industries above are highly water-intensive. One major competitive advantage in Oregon’s favor is the availability of water. Some of Oregon’s competition, including New Mexico and Arizona, are facing significant challenges due to current and expected future droughts.

These industries are primarily traded sector and provide, on average, higher-paying jobs and may be part of a campus-style development or as individual site developments (most likely multitenant mixed employment buildings). It is understood that these development types are seeing increasing levels of interest from various stakeholders. A larger campus or business/tech park will require larger tract of land in excess of 20 acres and perhaps as much as 100 or more acres.

Possible locations for this appear limited to the northern section of Sherwood West, particularly in the area bounded by Elwert Road, Roy Rogers Road, Scholls Sherwood Road, and Conzelmann Road. Other locations may be appropriate as long as land is free of development impediments, such as steep slopes and wetlands. A high-level topographical analysis of the area shows potential locations for other employment areas along Highway 99W and perhaps centrally around Haide Road and Kruger Road. Most of the inland areas along the western half of Sherwood West are unlikely to be suitable for mixed employment (industrial, flex, office) given the topographical and access constraints.

Locational Considerations

Highway Access. Approximately 0.8 miles of Sherwood West’s southeastern boundary fronts onto Highway 99W (between Kruger Road and Chapman Road). This access is considered critical for industrial users that require quick and easy access to the transportation network. This location is considered the only place that warehousing and distribution users may locate. The middle section of this stretch of Sherwood West contains topography that is likely prohibitive for new development that requires flat land (especially industrial), and the northern section is made up of multiple property owners and several irregularly-shaped and smaller parcels, creating challenges for land assembly and development. Generally, high-density employment is not considered likely due to the impacts on the transportation network and

³ One stakeholder specifically mentioned interest in aerospace components manufacturing.

probable congestion, although this could be somewhat mitigated with robust residential growth that reduces commute times.

Tech Clusters. Sherwood is centrally located between existing tech clusters in Wilsonville and the Sunset Corridor. These clusters have historically dominated the tech-oriented employment landscape, but the market is now believed to be softening, with developers looking for opportunities elsewhere in the Portland metro where there is access to new talent clusters, new homes (especially for executives), and large tracts of land available to develop (particularly lower-cost land). LCG's stakeholder interviews suggest that the Sherwood area is beginning to draw existing businesses from Hillsboro, as well as serving as an attractive location for new businesses in the metro region.

Access to Talent. Talent is critical to location decisions for employers and is the single most important factor driving urban economic success is the educational attainment of a city's population.⁴ Economic development partners and employers talk about "Talent" in terms of (1) the size of the skilled labor force in the market area, (2) the size or percentage of the population with a college degree, and (3) industry composition.

Approximately 17,000 new households are planned between the three UGB expansion areas along the Roy Rogers corridor (Sherwood West, Tigard River Terrace, and King City West—all within a five-mile radius), potentially adding more than 50,000 people to the area in the next 10 to 20 years. This growth will increase the interest of developers of all land uses in and around the Sherwood area. The importance of Sherwood High School should not be understated here as a local driver of talent creation. The school district is considered a major draw to the area for residents and executives, and programs and partnerships with industry groups or businesses will likely continue to increase opportunities for localized economic development.

Infrastructure

Infrastructure is considered one of—if not the most—important elements for employment-focused development in Sherwood West. Developers desire certainty around roads and utilities, and now consider it a simple "build it and they will come" approach.

Funding Plan. Metro, the regional planning agency, also considers infrastructure essential and recommends that the City develop a clear infrastructure funding and phasing plan as part of the Sherwood West Concept Plan. If the City can prove a certain return on investment, this plan can help justify the additional investment, financing, and funding from an economic development perspective. This does not necessarily equal an expectation of the City to build all infrastructure, but developers are increasingly doing risk assessments relative to delivery, so a clear plan for getting the shovel in the ground is important—more important than being promised a quicker overall timeline.

Shovel-ready Sites. Having shovel-ready sites available is likely to offset any of the area's potential disadvantages, to a certain extent. However, we recognize that there is a risk involved in speculative infrastructure investment, especially if the requirements for new development differ from user to user. The tech industry, for example, is understood to be asking for enhanced water delivery systems, enhanced electricity (e.g., green energy), and high-speed internet. In this case, Sherwood's municipally-owned broadband is a major advantage. It is recommended that the City of Sherwood develop a defined implementation plan with readily available funding.

Office

Office prospects are questionable, and the market may not return to normal for many years. Campus-style development may be possible but there are few local examples, and the market is unproven.

⁴ <https://cityobservatory.org/talent-and-prosperity/>

Based on LCG's experience and other sources, employers base their decisions on where to locate office space based on the following primary criteria:

- **Attracting and retaining talent.** This is the most often cited requirement for location decisions. Businesses want to be in locations where they can draw on a large pool of highly-educated, innovative, creative, and motivated individuals. While the population size and educational attainment near Sherwood West are reasonably strong, other competitive areas still have a talent advantage, as shown in the table in the Locational Considerations section.
- **Development Clusters.** Being located in proximity to customers, collaborators, suppliers, and even competitors is critical to the success of office developments. Hence the clustering of Athletic and Outdoor businesses in the Portland metro region, and in proximity to Nike.
- **Accessibility and visibility.** Employers' workforce, customers, suppliers, and others must be able to easily get to and from the office space. Visibility is important since an attractive office space can act as a marketing tool for the company's brand.
- **Quality of place.** Since talent is the most important consideration, and highly skilled people are attracted to places with a high quality of life, quality of place is important to employers.
- **Real estate costs.** After labor costs, real estate costs like rent and other fees increase the costs of operation. Higher costs often mean tighter budgets and slower growth trajectories.
- **Regulation and tax structure.**⁵ Depending on a business' perspective, it may consider the regulatory or fiscal environment as supportive or contrary to its operations. Regulations can include environmental requirements, zoning, and other elements that may restrict certain uses, development types, or businesses. Taxes, such as property and income tax, can also impact a business' ability to attract workers, but taxes play a lesser role than others mentioned here.

Regional Overview

While office prospects remain murky, it is expected to return to full strength within the next five years as economic conditions improve. The Portland CBD accounts for the vast majority of the metro's office inventory, which is unlikely to change despite trends that support a greater dispersion of the office inventory.

Total vacancy in Downtown Portland has been increasing each quarter since 2019 to its current vacancy of 16 to 18 percent and is expected to continue to increase as pipeline development comes online and if leases expire and are not renewed. A vacancy rate near or upwards of 20 percent is considered a major problem from which it is challenging to recover. Almost one million square feet of new, mostly unleased, office product was delivered to the market in 2020, and another 500,000 square feet is still in the pipeline.

After many years of office space consolidation, office users may start to value more space (spurred on by health concerns brought on by the COVID-19 pandemic), although any impacts from space expansions are likely to be dampened by the increasing normalization of the work-from-home environment.

Suburban Office

The suburban office market has generally maintained a steadier course with a vacancy rate currently around 10 percent, albeit with a substantially smaller inventory. The suburbs can provide employment opportunities closer to people's homes and often levy fewer taxes that can be seen as attractive for residents.

⁵ Based on LCG experience and *Seven reasons why location is important* <https://www.us.jll.com/en/views/seven-reasons-location-important>

Most office developments that are part of larger planned centers as single, isolated buildings typically struggle to penetrate the market. An example of this is the nearby Pacific Financial Center in Tualatin. Despite a location on Highway 99W, the building has struggled to attract tenants and is only recently achieving a vacancy of 75 percent since its construction in 2008, with asking rents of \$28 full-service advertised for currently available space. Pacific Financial Center is an ode to an outdated development model and demonstrates the need to cohesively plan for a critical mass of employment and commercial activity.

For the purpose of long-term planning of Sherwood West, the City can assume that office space will be a relatively minor part of the development program, either as mixed-employment, campus, and/or mixed-use developments. The most likely development type is surface parked projects no more than 20,000 square feet, with some smaller office space as part of mixed-use developments. Target tenants include tech, medical, and service-oriented office space with some “hub and spoke” or satellite office. With tech, it is most important for there to be a critical mass.

As with industrial, a flexible approach that accommodates these and other development types—as desired by council—is recommended. While office prospects remain dictated by the availability of flat land, it is typically a higher value development type that commands higher prices and rents than industrial, and it can therefore get built in areas with slightly more challenging site conditions (sometimes with slopes between five and 10 percent).

Office as Part of Mixed-Use Developments

Several trends in consumer behavior provide additional cause for optimism for commercial and employment uses in Sherwood West.

Remote Working Opportunities. One of the trends from the COVID-19 pandemic that is likely to continue is the rise of flexible employment and remote work. As many as 20 to 30 percent of office workers plan on not returning to the office full time. With the projected growth of anywhere from 20,000 to 30,000 new residents aged between 25 and 64 over the next 20 years within five miles of Sherwood West (above an existing baseline of 36,400), this growth may result in as many as 20,000 people working remotely. This may provide opportunities for smaller office suites (less than 1,000 square feet) and coworking spaces that could be part of a mixed-use environment.

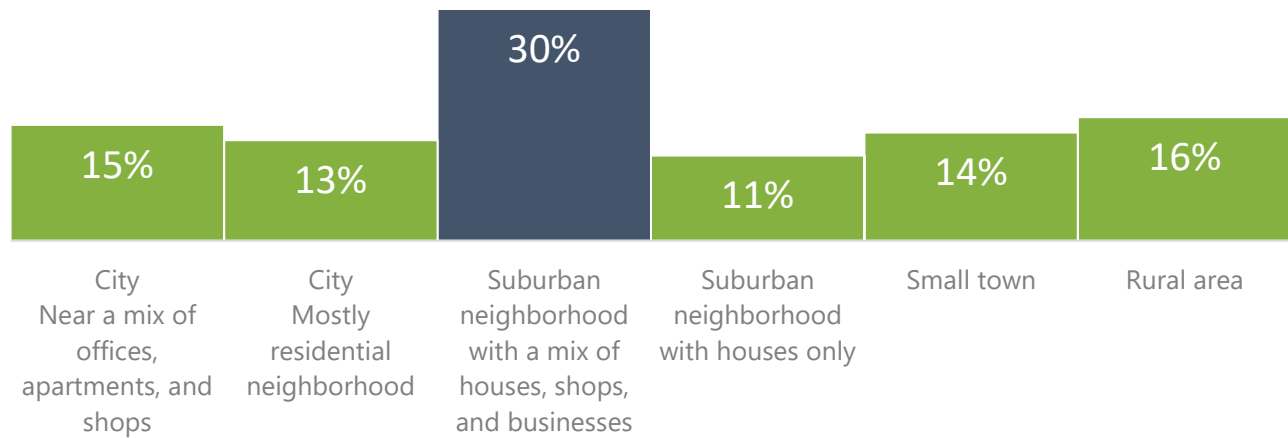
20-minute Neighborhood. One notable shift in consumer behavior is the growing demand for the **20-minute neighborhood**—the concept where one can take care of everything within a 20-minute walk. These areas have walkable access to a mix of employment and commercial services, including amenities, multimodal access, adequate sidewalks, and good street connectivity.

While it is challenging for most areas in suburban or edge locations to attract a critical mass of commercial amenities and services and employment opportunities to achieve the 20-minute neighborhood, there has long been a growing demand for suburban neighborhoods that include these elements, as shown below. Sherwood West can capitalize on these shifting preferences.

Orenco Station is a good example of this: the Hillsboro suburb is a grocery-anchored mixed-use center with retail and office uses surrounded by a variety of housing types, including single-family homes, townhouses, and apartments. Another good example is the City of Lake Oswego, which has succeeded in creating an amenity-rich environment for its office workers, resulting in an attractive, mixed-use location that drives rent premiums and supports higher density development.

These areas are attractive to younger knowledge workers who might be interested in some type of incubation space for new company creation. The new high school will help the potential growth of knowledge-related employment by anchoring and nurturing community bonds.

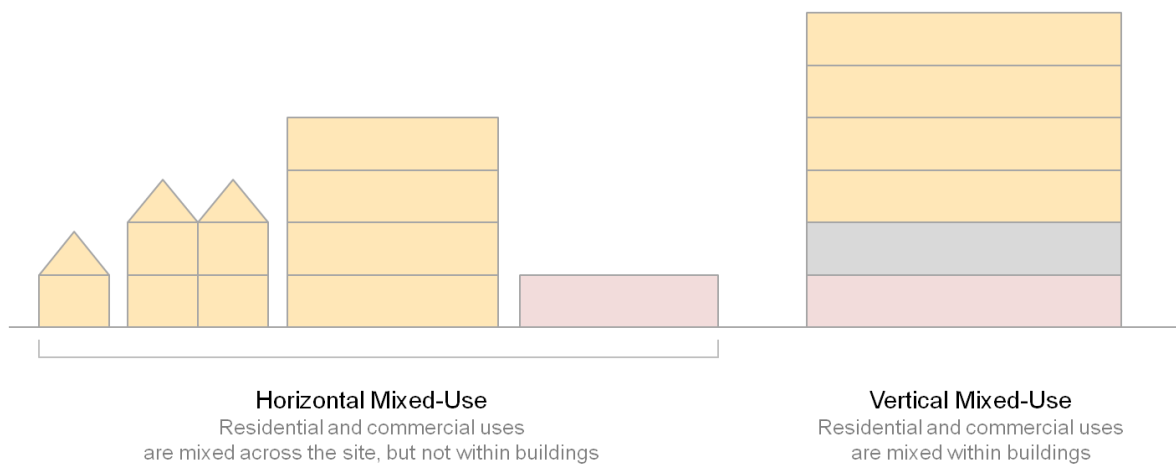
"Where Would You Most Like to Live" Survey Results



Mixed-use development has historically been limited to downtown environments, only occurring in some suburbs in hotter markets. However, it is now expected that mixed-use has a future in the suburbs, especially if it can be developed horizontally (versus vertically) and accommodated on larger sites to mitigate the higher cost of construction associated with typical vertical mixed-use development. Horizontal mixed-use typically occurs organically and, in turn, creates the market conditions to support more density.

Sherwood should pursue horizontal, rather than vertical, mixed-use development, at least in the near term. The major differences include parking (surface versus structured), construction type (wood versus concrete podium), the use of elevators, additional circulation and interior spaces, fire and safety elements, and the level of fees associated with the development.

Vertical mixed use also requires much higher rents, primarily because of the more expensive construction costs. These rents do not exist in the Sherwood area today. As such, pursuing the latter without allowing for the former may delay new development in Sherwood West.



Hospitality

New hotel development has been clustered in downtown Portland and Hillsboro, with a few isolated projects elsewhere along major arterials. There has been relatively limited hotel development in the southwest metro region, except for Sherwood's new Hampton Inn.

Some of the key inputs to hotel developers' site selection decisions are the amount of nearby employment (which drives business travel), convention center space, major tourist destinations/quality of place, and visibility from major highways/transportation corridors. There is also "background demand" that is linked to the size of the surrounding population. Hotel development, to an even greater degree than commercial development, tends to be a "following use." In other words, hospitality follows other types of development, particularly office space. Office space is a significant generator of hotel demand and makes it easier to justify the market and attract developers.

Sherwood West is likely to have competitive advantages in terms of major employment clusters, tourism draws, and transportation corridors compared to other locations. LCG considers the probability of attracting a new hotel in the area as high, particularly for a mid-range hotel. However, the City should not expect lodging development to be completed early in the lifespan of Sherwood West.

Challenges. Specific challenges related to the hotel industry for Sherwood West are listed below.

- Lack of major office employers and two of the major employers include healthcare and the school district, which doesn't reflect an adequately diversified employment base to drive hotel demand.
- Existing land availability in the heart of wine country for wine-oriented hotels in other cities such as Dundee means that Sherwood is unlikely to be competitive based on the wine industry alone.
- Hotels are generally "follow-on" investments because they are expensive to build; developers, therefore, need a proven demand before committing to development.
- Hotels require adequate "activation energy"; there is currently a lack of restaurants and other amenities in and around Sherwood West.
- Lack of local comparable examples; hotel developers need to prove that hotels can get to 70 percent occupancy in order to confidently develop. However, if the Hampton Inn negatively performs, it is not necessarily an indication of prospects as branded hotels can be a negative for certain audiences.

Opportunities. Most of these challenges can be addressed by focusing on employment growth and a greater array of commercial amenities and services. The pandemic has also increased consumer's desires for "drive-to" areas, so cities like Sherwood that are less isolated may become more resilient to future market disruptions.

Feedback from the stakeholder interviews indicated a range of hotel options for Sherwood, including mid-range and upper-range or boutique hotels. The Allison Inn and Spa in Newberg was discussed as a luxury option (\$500+ a night) but is not expected to be currently feasible in Sherwood until a critical mass of high-wage employment occurs to complement Sherwood's presence as a gateway to Wine Country. An upper range or boutique option (\$300-400 a night) such as McMinnville's Atticus Hotel faces similar challenges in the near term and may be best suited to Old Town Sherwood over the longer term. The recently completed 73-room Hampton Inn in Sherwood is considered a budget-friendly option (less than \$150 a night).

Primary demand is for at least one mid-range hotel in the \$150 to \$250 a night range that fills an existing gap in the market.

Location. The most likely location for a hotel would be near a mix of uses or town center feature, or near open spaces. It is possible that lodging could be located along one of the arterials and look to build on travel to and from the wine country to the southwest, but there are most likely superior wine country lodging locations. In fact, a location on 99W would help with visibility, but the need for visible, highway-adjacent locations is declining as consumers increasingly use technology to seek lodging options and book ahead of time. A more physically attractive location will maximize Sherwood West's unique assets such as its views and open spaces. Proximity to future employment is also recommended to target business travelers and a broad spectrum of customers that may desire a different product from branded I-5 corridor hotels.

Wine tourism. While Sherwood is well positioned between the Portland metro and wine country, the City should not base its future on the wine industry. Other cities that are more centrally located in Wine Country are likely to continue expanding and experience the bulk of tourism activity, particularly for out-of-state visitors (even though Sherwood's location as a gateway to wine country is a major advantage). Local support is also strong, and new residential growth coupled with an increase in inter and intra-state tourism (particularly from TX, NY, FL, etc.) will drive demand for new facilities (e.g., satellite tasting rooms).

An Oregon Winery Visitor Profile Study Report for 2019 by Travel Oregon profiles visitors to the State's wine regions. In the Sherwood region, the average visitor is a 51-year-old woman earning \$113,000 per year. These visitors average \$600 in spending over the course of two days and stay an average of 1.5 nights. Compared to the Napa region, the lack of available lodging and other services and amenities is apparent, with Napa visitors staying an average of two nights with greater expenditures.

This data is consistent with information garnered during stakeholder interviews, which indicated potential opportunities for high-end and boutique hotels and white tablecloth restaurants in Sherwood. These uses would help elevate Sherwood's position as a high-end tourism destination for domestic and international visitors.

Retail/Commercial

As described previously, the retail real estate sector continues to struggle as a result of the ongoing pandemic and the growth of ecommerce. There is now significantly less new retail development being built per new resident than ever before. Big box retail prospects are also the lowest they have ever been among the development community. With that said, Sherwood's retail market is considered vibrant and healthy.

Sherwood's retail inventory is largely traditional brick-and-mortar, i.e., surface parked commercial centers or standalone buildings along transportation routes. The three types of centers include:

- **Community centers.** Often referred to as a strip mall, community centers range from 125,000 square feet to 400,000 square feet. These properties usually have a grocery store and can also have a discounter and large specialty shops mixed with convenience retailers, such as drugstores.
- **Neighborhood Centers.** A smaller version of community centers. These are typically referred to as grocery-anchored properties, along with other convenience retailers. They run up to 125,000 square feet.
- **Convenience Centers.** These are very small properties that are less than 30,000 square feet and filled with, well, convenience-based retailers, such as dry cleaners, nail salons, drug stores, and other types of shops where customers are looking for a quick purchase or service.

Spending Gap Analysis. A retail gap or leakage analysis helps identify strengths and opportunities in the retail market. Supply is determined by estimating the sales by retail establishments in the region to all consumers, regardless of where they live; sales to businesses are excluded. Demand is determined by estimating the expected amount spent by consumers that live in the region at all retail establishments, regardless of their location. The difference between supply (retail potential) and demand (retail sales) represents the retail gap. If the demand is greater than supply, a leakage occurs. Retail leakage refers to the amount of money that residents are spending on retail goods and services at stores located outside the community. If supply is greater than demand, a surplus occurs and indicates that retailers are selling more than is demanded within the region. This information is critical to economic developers and regional planners because it can be used to recruit appropriate retailers to the community. It is also useful to retailers already located in a community because it can guide on tapping new markets with expanded or improved product offerings.

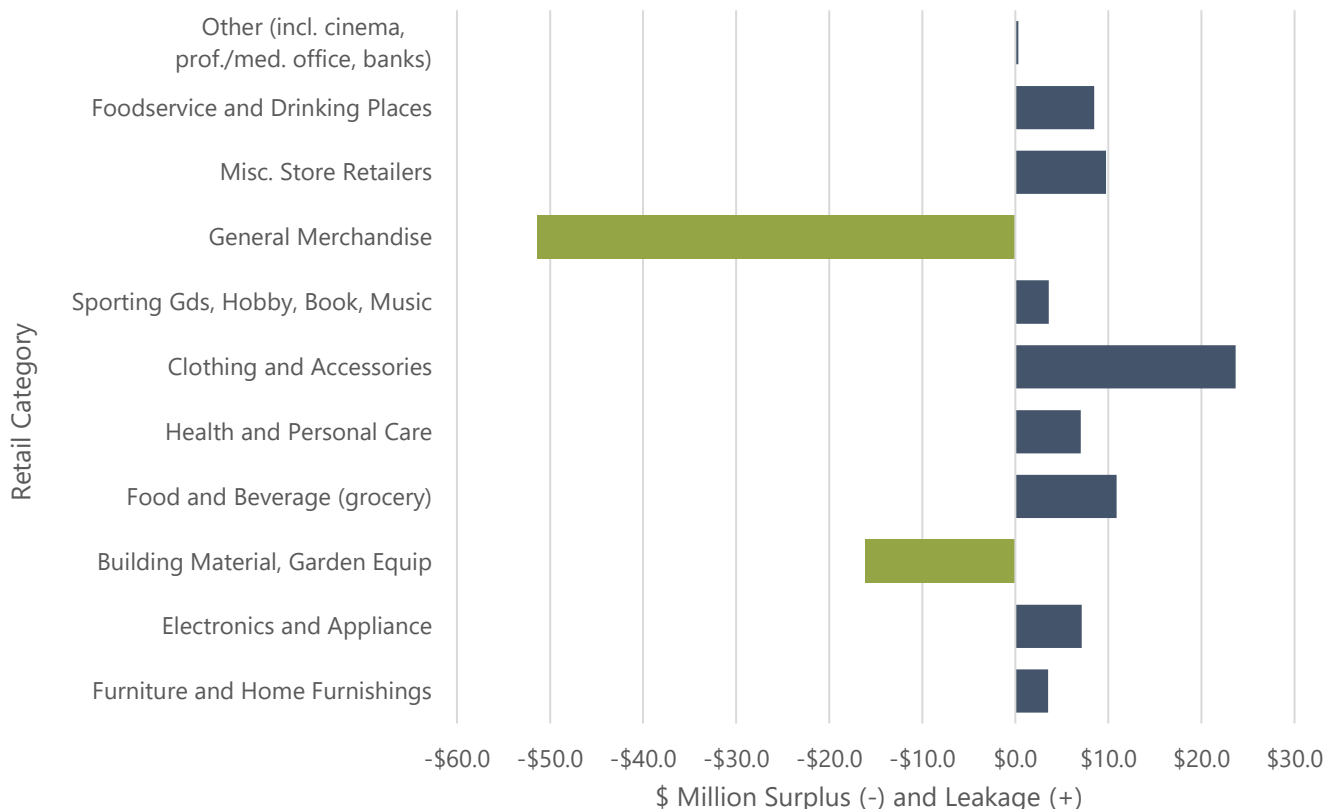
As the following chart shows, there is leakage in most retail categories. However, total retail demand is estimated at \$402 million and total retail sales at \$395 million, meaning there is little difference in total. Further, a huge surplus for General Merchandise (such as Target, Walmart, etc.) may account for much of the leakage in specific retail categories

like Clothing and Accessories and Miscellaneous Store Retailers. Also likely is that the Sherwood area, as the gateway to the Portland metro, is capturing spending from smaller cities in the Willamette Valley that do not have as many retail offerings. As Sherwood increases its retail offerings and the commercial landscape becomes increasingly vibrant and diverse, the retail gravity will likely draw from an increasingly large trade area to the south. If planned properly, a cluster of unique, destination-style retail offerings would likely capitalize on these opportunities.

Looking ahead, residential and employment growth will certainly drive demand for additional retail space, but the growth of ecommerce and declining retail footprints may dampen the impact. Traditional “big box” retail is also unlikely as the market is relatively saturated with this product type. Instead, Sherwood should expect to focus on convenience-based retail, such as grocery and health and personal care, as well as neighborhood-serving retail, such as foodservice and drinking places. These categories are also less prone to market disrupters. Enough leakage exists in these categories to immediately support at least one moderately-sized cluster of stores.

There is a growing desire for placemaking, entertainment, and culinary experiences. According to stakeholders, Sherwood is missing specialty markets and independent, farm to fork, and white tablecloth restaurants. Restaurants are important placemaking elements that support business retention and expansion and other economic objectives. There is a belief that opportunities exist to market Sherwood West to certain restaurateurs that may want to relocate from the central city. Similarly, individual wine-related tasting rooms or a regional wine bar may be able to capitalize on the burgeoning wine industry. While Old Town is the more likely environment for these uses, existing available spaces are limited; a nodal development cluster or main street development in Sherwood West may attract developers and tenants that recognize the market opportunity for these uses.

Current Spending Surplus (-) and Leakage(+) by Retail Category, Primary Trade Area (10-minute drive time)



Source: ESRI, LCG

Healthcare

Today's healthcare facilities are dispersed throughout the region and have spread out to serve the needs of the metro's growing population. Key healthcare demand drivers are the size of the population in the market area and the size of key populations such as seniors. Small- and medium-size healthcare facilities (particularly clinics, primary care offices, and dental offices) can easily fit into smaller commercial centers. Major healthcare facilities (e.g., hospitals and large medical office buildings) tend to locate along highways and major transportation corridors. Healthcare is an industry that has the potential to drive demand for other commercial uses and amenities, including retail, office, lodging, and, to a lesser extent, light industrial and manufacturing.

One of the hottest trends shaping healthcare real estate is the shift to delivering medical care in outpatient settings. Ultimately, this trend is being driven by three factors: an emphasis on driving down costs, the rise of the healthcare consumer, and an aging population.

This is consistent with the findings from LCG's interview with a major healthcare provider. Key findings are as follow.

- Site criteria for new healthcare facilities include drive times, ease of access, visibility, proximity to other services, and distance from competitors. A location along 99W appears the only adequate location that fits this criteria.
- With the shift to outpatient facilities, healthcare providers are unlikely to build additional in-patient facilities in Sherwood.
- Providers consider a 10-minute drive time the market area for primary care and 20-minute drive time the market area for specialty services. Existing facilities in Newberg and Beaverton are within a 20-minute drive time of Sherwood and may not compete for additional specialty services in the near future. Demand for primary care services, however, is likely to increase as the population and number of jobs increases in the immediate Sherwood area.
- Providers are increasingly partnering with developers to build facilities as part of larger mixed-use and wellness-oriented projects.
- Smaller clinics sized around 1,500 square feet may be part of mixed-use developments or in retail settings.

Sherwood West may benefit in the future from several emerging trends, including a growing acceptance and use of telehealth (driven by the COVID-19 pandemic), technological advances, and a growing desire for more convenient and accessible outpatient services. These trends are more likely to lend themselves to smaller healthcare facilities.

LCG's assessment is that it is likely that some small- or medium-size healthcare facilities will locate within one or more of the Sherwood West commercial areas. Assisted living facilities can be located within residential parts of Sherwood West.

Because major healthcare facilities depend on large nearby population bases, higher visibility, and access to highways and major transportation corridors, as well as the shift away from inpatient facilities, such a facility is unlikely to develop in Sherwood West, at least in the next 20 years. Attracting such a user would require time, effort, and deliberate planning and policy on the part of the City.

Strategies for Employment Growth

LCG recommends the following approaches and strategies for employment attraction:

- *Be Flexible.* Maintain as much flexibility (zoning, land, tools, approach) as possible in planning for employment growth as market cycles and trends over the next 20 years are unclear. This means maintaining large, contiguous sites but not mandating large-lot sites.
- *Plan for Mixed Employment.* Most of the opportunities for long-term job creation will likely require a mixed employment approach—namely industrial, flex, and office. Mixed Employment in centers/parks of 20-100 acres is the strongest market.

- *Plan for Multitenant Space* that can be scaled up or down and is highly divisible (e.g., to 2,500 square feet) allows for business expansion and the flexibility to accommodate various sized flex, office, commercial, or light industrial users.
- *Compile a Toolkit* of incentives and tools that can be packaged together to encourage desired development types.
- *Be both proactive and patient.* The City will need to be both *proactive*—in maintaining relationships with major employers, brokers, economic development professionals at different levels of government, and others in the employment development community and understanding their needs—and also *patient*. This means a recognition that the City will probably forgo the opportunity to see the land developed sooner with residential.
- *Ensure that buildable shovel-ready land is available for employment.* The land must be zoned for employment development. The zoning and building codes should require an appropriate level of development quality, but not make unrealistic requirements, for example, around low parking ratios, mixed-use, etc. For certain sites, the City may want to use the State’s “Certified Shovel Ready” process to document that environmental, archeological, title, wetland, and topographical issues do not preclude development.
- *Invest in talent and quality of place.* The underpinnings of traded sector office site selection are simple: Locate where the talent is. Therefore, cities must attract talented people, by providing high-quality cities and neighborhoods where people want to live. The Sherwood West Concept Plan, which integrates residential, employment, and commercial development with parks and open spaces, is an important step; building out the plan is another. More broadly, the City should work to ensure that its workforce is well educated and trained to fill jobs within the City and regional industry clusters. It should also focus on supporting the development of a diverse array of suitable housing types, promoting placemaking as a core economic development strategy that prioritizes amenities, services, connection to Old Town, and open space. Doing so will likely draw a greater connection between Sherwood’s existing high quality of life and well-skilled/educated workforce to encourage talent retention/tech business incubation and grow the community tech “ecosystem” etc. in Sherwood West.
- *Increase accessibility and visibility via the regional transportation network.* Large employers have historically needed to bring large numbers of employees to their campuses, and this requires robust auto, transit, bicycle, and pedestrian transportation infrastructure. In the near term, most employees are most likely to commute to work in cars they own; over the long term, automated vehicles, ride-sharing, and non-auto modes may increase. In any case, this will require the City to work closely with other cities, Washington County, and Metro.
- *Consider land acquisitions.* Site ownership can put the City in a strong position to recruit employers; it can also be expensive, risky, and politically contentious. If the City is considering land acquisitions, LCG recommends that the City work with a broker with experience executing deals that have resulted in employment land and building development in Washington County, in order to clearly understand costs and benefits.

Tools

The market is currently favorable for new employment-oriented development, yet tools and incentives may be necessary if the City desires a certain type of use the market doesn’t support or it wishes to accelerate the timing of new development. The City may achieve this using an array of tools, including:

- Enterprise zones
- Zoning
- Incentive programs (tax abatements, development assistance)
- Fee waivers
- Marketing⁶, developer outreach/solicitation

⁶ An element of marketing may be necessary. The City’s municipally-owned broadband service is a unique differentiator in the region and should be promoted.

- Public-private partnerships
- Strategic public partnerships (e.g., with GPI)
- Local improvement districts
- Urban renewal areas

Phasing

Developers are already interested in Sherwood West, particularly developers of industrial and mixed-employment uses. Despite the 20-year planning horizon of this Concept Plan, the timeline for bringing land into the UGB is potentially much quicker. The next legislative ask is 2024 and it is recommended the City move quickly to ensure development can occur within the next 10 years.

Industrial development has historically been about cost and infrastructure; now, it is about speed to market and feasibility. Most major industrial developers are likely operating within a five to 10-year timeline. It is also important to note that infrastructure provisions—or at least a clear implementation plan—available land to develop (without development encumbrances or multiple property owners), and adequate zoning are all critical elements for attracting employment-focused development.

Zoning

Zoning is one of the most critical pieces to get right. Flexibility is critical and the balance should be just prescriptive enough without dictating the uses in order to encourage desired development types while accommodating future growth and emerging trends like robotics and changing delivery systems. Restrictions should be limited to uses that have very low employment densities, such as storage. The zoning in the Tonquin Employment Area is considered a good example of employment-focused zoning.

Parking and environmental standards are two of the more challenging elements of the development code. It is important to keep these standards up to date with industry best practices and user needs and not have overly cumbersome standards.