



City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council
THROUGH: Sherilyn Lombos, City Manager
FROM: Jonathan Taylor, Economic Development Manager
DATE: 02/14/2022

SUBJECT:
2021 Economic Snapshot and Prosperity Planning

EXECUTIVE SUMMARY:

A presentation of the Economic Snap Shot and future prosperity planning for the City by the Economic Development Division. The Economic Snap Shot (attached) and staff report, provide a detailed picture of Tualatin's local economy at the year end of 2021. The data for the industry cluster update is from the Oregon Employment Department for the year 2020 (latest available). Staff will also provide current and planned work plans for future economic development work in the Leveton, Basalt Creek, and Core Areas.

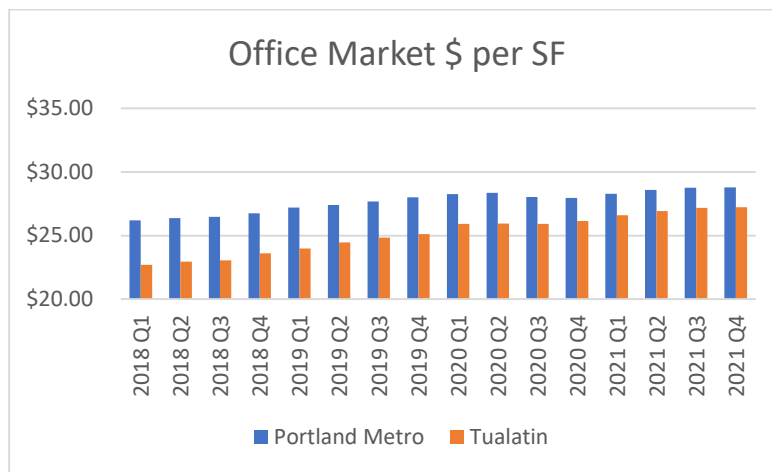
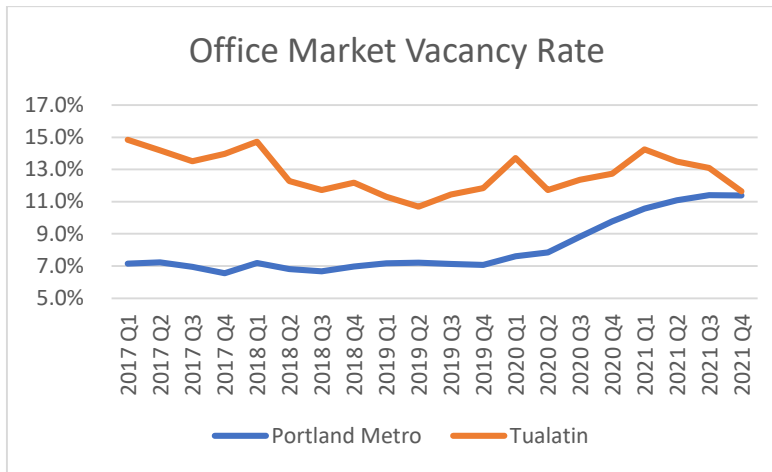
Economic Snap Shot

Office Market

Tualatin's office market contains 1.3 million square foot of office space. The vacancy rate has remained essentially unchanged over the past year, at 11.7%. Rents have increased by 4.1% over the past 12 months compared to the 3.8% market average over the last decade.

There are no supply-side pressures on vacancy or rent in the near term, as nothing is under construction. This continues a prolonged hiatus of new development in our market. It has been more than five years since an office project was delivered.

Total Asset Value: \$339 million
Q4 2021 Vacancy Rate: 11.7%
Market Rent/SF: \$27.44
Total Inventory: 1,331,249



Industrial Market

Tualatin’s industrial market traditionally is a light industrial manufacturing submarket that has become one of the major industrial nodes within the Portland Metro Region. Inventory has ballooned by 18.8% over the last decade, with approximately 1.9 million SF delivered. Currently, there is approximately 330,000 SF of industrial product underway, set to expand existing inventory by 2.7%.

The Myslony Industrial Park will deliver two modern logistics buildings by mid-2022. California-based Phelan Development is overseeing the project. The 73,000-SF 11501 SW Amu St. delivered in 2020, is fully preleased, but with approximately 18,000 SF available for sublease. Speculative deliveries elevated submarket vacancies throughout much of 2019, aided by the completion of the 227,000-SF Majestic Tualatin Business Center, later leased by Amazon. Additionally, the 160,000-SF Tualatin Distribution Center delivered vacant in November 2018 and fully leased within six months, with MSI occupying 86,000 SF in Q1 2019 and Gensco moving into 73,000 SF in Q4 2019.

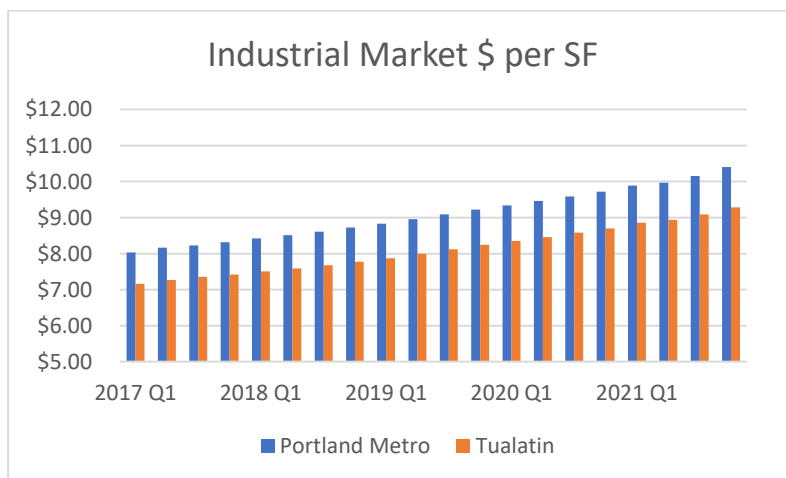
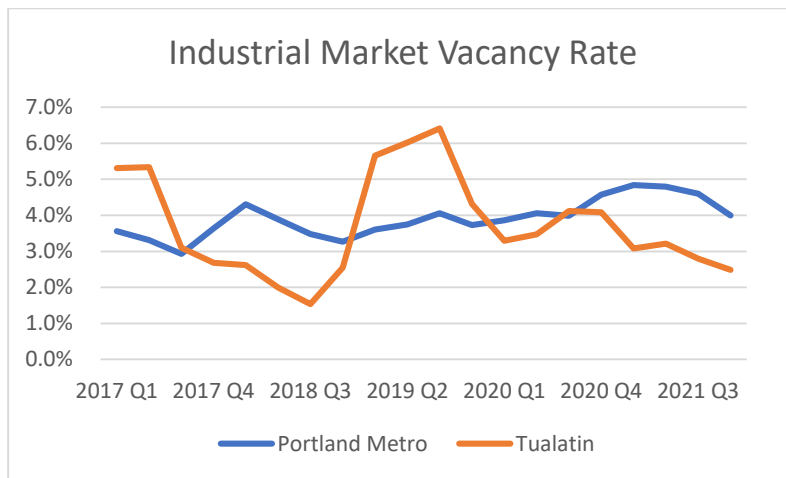
Throughout the past decade, Tualatin's vacancy rate has periodically exceeded the metro average due to the submarket's relatively busy development schedule. However, heavy leasing in recent quarters — driven by affordable rental rates and Tualatin's strategic location — has led to compressed vacancies of 1.5%. The larger metro rate currently equates to 5.0%. Trailing 12-month net absorption equates to 290,000 SF, versus the three-year average of 170,000 SF. In 21Q4,

animal-health tech company Covetrus leased 40,000 SF of warehouse space at the Tualatin Corporate Center for use as a distribution center.

Increasing demand for space has subsequently pushed rents higher. Year-over-year rent growth turned in gains of 6.7%, comparable with metro gains over the same period. Submarket rents of \$9.30/SF are still a discount from the metro average of \$10.40/SF.

High traffic flow and increased activity resulting from a larger industrial presence prompted local government officials to expand and improve infrastructure. One such project was the southern expansion of SW 124th Avenue and Basalt Creek Parkway, which connects Grahams Ferry Road to SW Tualatin-Sherwood Road, the main east/west arterial in the city, on the north. The route also gives larger trucks an alternative option to get to Interstate 5's exit 286 at the northern end of Wilsonville.

Total Asset Value: \$2.1 billion
 Q4 2021 Vacancy Rate: 2.5%
 Market Rent/SF: \$9.29
 Total Inventory: 12,209,079



Retail Market Summary

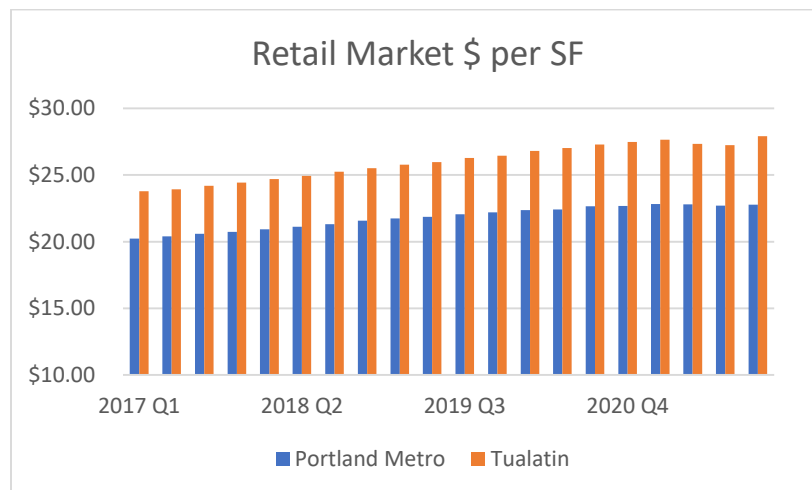
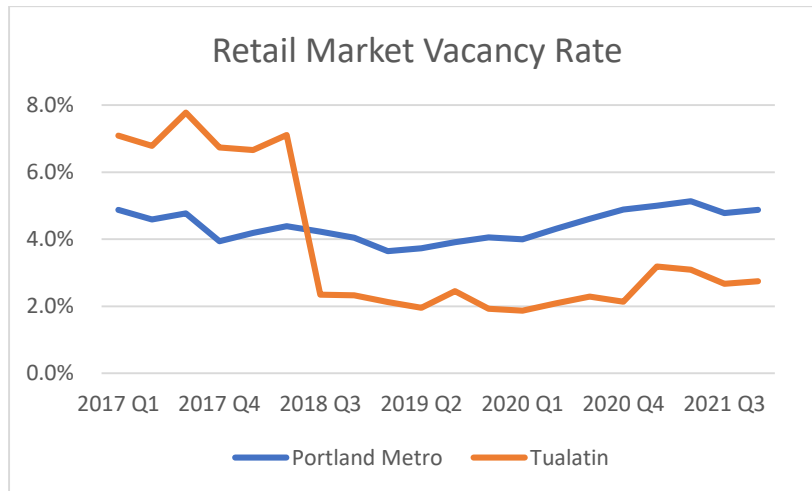
At the end of Q4 2021, vacancies for retail properties in Tualatin were under the five year average of 3.8%. Our vacancy rate comes in below the region's average, while retail rents have hardly budged over the past year. No new development has occurred in Tualatin since 2018, and no plans are currently underway.

Total Asset Value: \$305 million

Q4 2021 Vacancy Rate: 2.7%

Market Rent/SF: \$27.90

Total Inventory: 1,344,092



Business and Workforce Landscape

Business Overview

The City of Tualatin processed a total of 148 new business licenses in 2021 with a total of 985 jobs created as a result. The top employers of those new businesses are in the clusters of corporate and financial services and restaurant and retail.

Tualatin's ten largest employers represent 20% of the total workforce. The current top 10 employers are:

Lam Research Corporation	(Software and Technology Cluster)
Legacy Meridan Hospital	(Health and Wellness Cluster)
United Parcel Service	(Transportation and Logistics Cluster)
CES Group	(Advanced Manufacturing Cluster)
Campbell Soup Supply	(Advanced Manufacturing Cluster)
Pacific Motion	(Advanced Manufacturing Cluster)
Tac Pro	(Software and Technology Cluster)
<i>Allstar Labor and Staffing*</i>	
Ichor Systems	(Software and Technology Cluster)
<i>Fred Meyer*</i>	

**Not in industry clusters*

2021 Business Survey

The Economic Development Division conducted a brief survey of all small businesses that received funding from the Economic Stabilization Programs in 2020. The survey was conducted in December and was sent to over 120 businesses, representing nearly 10% of businesses employing workers. The survey results indicated:

- 93% of those businesses are still in operation.
- 63% of those businesses reported revenue has increased or remained stable since 2019.
- 89% are still impacted by COVID-19.
- 68% have a positive economic outlook.

Workforce Overview

As of 2020, there were a total of 30,491 employees working for a total of 1,681 registered businesses in Tualatin. This represents a 3% increase from 2016. 94% of those workers commute into Tualatin, a 1% increase since 2016. The top three locations of commuters' residences include:

- Portland 14.1%
- Tigard 5.7%
- Beaverton 5.2%

Roughly 11,000 of Tualatin residents commute out of our community. Top three locations where Tualatin residents commute to work:

- Portland 26.2%
- Tigard 12.6%
- Beaverton 6.5%

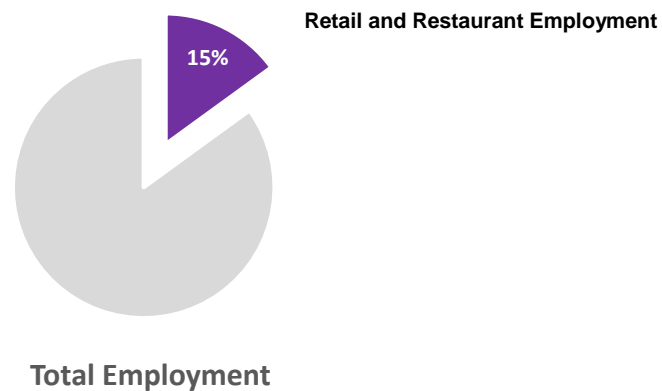
The average yearly salary for a Tualatin worker is \$66,233 – a 24% increase since 2016¹. For reference, the estimated living wage for a worker in Washington County to “live comfortably” as a single person is \$39,228.

Tualatin Industry Cluster Update

In 2018, the City of Tualatin completed an industry cluster. The analysis used established cluster definitions developed by the U.S. Cluster Mapping Project by the Economic Development Administration and Harvard University. The U.S. Cluster Mapping Project separates clusters into local and traded industries. A local industry cluster produces goods or services that meet the needs of the people within the region; while traded industry cluster’s products or services are primarily exported out of the region.

For more information regarding the industry cluster report, [click here](#).

The retail and restaurant cluster is a local traded cluster, therefore was not analyzed in the cluster analysis. However, due to the COVID-19 Pandemic, we ran a few numbers to compare where we have been to where we were at the end of 2020 – the year of the biggest impact on this industry.



Top Five Largest Employers (Restaurant)

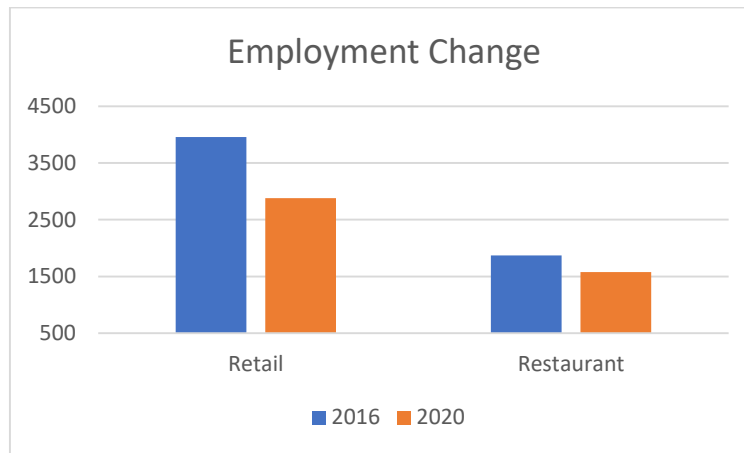
1. PF Changs
2. Jimmy Johns
3. G-Man
4. Dutch Brothers
5. Cracker Barrel

Top Five Largest Employers (Retail)

1. Fred Meyer
2. Whole Foods
3. Cabelas
4. New Seasons
5. Safeway

¹ State of Oregon Employment Department, QCEW 2020

Employment Change



The retail sector saw a 27% decrease in number of individuals employed between 2016 and 2020 (3,958 to 2,883), while the restaurant sector saw a 16% decrease (1,872 to 1,579.) While employment shrank in each sector, wages saw tremendous growth. Retail sectors' annual salary wage increased 37% between 2016 vs 2020 (\$26,852 to \$36,698) while restaurant sectors' annual salary increased 23% (\$18,996 to \$23,418).

Investment Areas

The City has three identified employment areas that are defined by a unifying marker of transportation and/or zoning – 124th Corridor, Central Industrial, and I-5 Corridor. Each year the City tracks large scale investment projects over \$250,000 in each of these areas that are either completed, under construction, or planned. Completed denotes that the project was completed in the specific year; under construction is current projects actively in process; and planned are applications submitted to the City during the year in review. The following data is from applications on file with the City of Tualatin from January 1, 2021 – December 31, 2021.

The City of Tualatin (total):

Completed: \$180,358,344 (1,247 Projects)
Under Construction: \$79,771,973 (537 projects)
Planned: \$54,009,151 (97 projects)

124th Corridor

Completed: \$114,011,403
Under Construction: \$ 1,613,000
Planned: \$36,000,000

Central Industrial

Completed: \$16,509,352
Under Construction: \$9,453,138
Planned: \$11,867,901

I-5 Corridor

Completed: \$9,651,817
Under Construction: \$54,041,071
Planned: \$3,015,000

Prosperity Planning – The Core Opportunity and Reinvestment Area (CORA)

Why

An effort to securely position our community for long-term economic prosperity post pandemic.

Brief Overview

In 2018, City Council expressed interest in the redevelopment of the northern portion of the City including the Town Commons. In addition, the City was preparing for the potential construction of a terminus for the proposed South West Corridor light rail project.

Over the next three years, Council held a number of small group briefings, Council work sessions, and public input during various planning projects and determined eight key priorities for the proposed area: small business assistance, community identity, housing, transportation, blight remediation, developer assistance, climate change, and land acquisition.

The Need

As our community continues to grow, development constraints present challenges for long-term prosperity for the area. The availability of land and transportation infrastructure is limited. In addition, the modernization and transition of our economic landscape will present opportunities and challenges for land use long term.

The Purpose

To plan for long-term economic prosperity for the area utilizing a variety of funding tools to meet the needs in alignment with the community vision.

Timeline

2018-2021

Extensive work has been completed through various planning and economic development sessions. Work began with Tualatin 2040, a 20 year land supply analysis for economic and housing opportunities. Various other long-term planning efforts included the Parks and Recreation Master Plan, the Industry Cluster Analysis, and Tualatin Moving Forward.

2022

January – February

City staff is currently working on establishing the final boundary to propose to City Council for consideration. Financial impacts on the City, and various taxing districts, will be analyzed with the proposed boundary.

January – July

Led by City Council, staff will propose area projects and bucket list concerns and opportunities for long-term prosperity. Multiple advisory groups will be established and consulted.

August – December

The City will confer with all regional partners in the preparation for the final adoption of this plan. The plan will be presented to the Tualatin Development Commission, the Tualatin Planning Commission, and the Tualatin City Council – with a scheduled public hearing. Anticipated adoption date is December 2022.

Next Steps

Tonight, City Staff will answer any questions about the broad project overview and solicit any feedback on direction or areas of concern. On February 24, City Council will have their first work

session to approve the eight-priority definitions, top five areas for reinvestment, and key opportunities for exploration.

ATTACHMENTS:

- Tualatin's Economy PowerPoint
- 2019 Annual Report Document