

**August 21, 2012**

Project #: 20641

**TO: Glen Bolen**  
**FROM: The ECONorthwest Team (Abe, Lorelei, Jonathan)**  
**SUBJECT: DRAFT BARBUR BLVD: EVALUATION OF MARKET OPPORTUNITIES AND FOCUS AREAS**

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ECONorthwest (ECO) is teamed with Fregonese Associates on a project to plan for redevelopment and prepare for a potential high capacity transit (HCT) route along the Barbur Boulevard corridor. As part of this project, ECO was asked to evaluate the market for redevelopment of various uses in the corridor in general, and in several “focus areas” (or areas likely to experience a concentration of re-investment in Barbur). Specifically, ECO was asked to:

- Describe current market conditions along Barbur for various uses (residential, office, and retail) relative to the region
- Describe any market variation by segment, and identify the implications of that variation for redevelopment
- Identify ways in which public investments, in particular investments in high capacity transit, could catalyze new development in the area

This memorandum provides the results of that evaluation.

## **1 SUMMARY OF KEY FINDINGS**

- Overall, the corridor is typical of historic highway corridors in the region. Its development pattern and infrastructure is auto-oriented, with restricted left-turn access, large parking lots fronting the street, and a difficult pedestrian environment. Traffic volumes range from 27,000 ADT at SW 35<sup>th</sup> to 23,000 west of the Terwilliger intersection. The corridor also has topographic elements (e.g., abutting steep hillsides, natural areas, etc.) that preclude development along its length and instead help direct it to nodal development or “focus areas”.
- The demographic profile of the Barbur corridor is not vastly different from the City of Portland or the Portland metropolitan area, but there are some key differences. People living within the Barbur corridor tend to have higher incomes

and are more likely to have bachelors' or graduate degrees. The corridor is less racially or ethnically diverse than the City of Portland and more closely resembles the composition of the metropolitan area. Generally, the real estate market for office, residential, and retail space along the Barbur corridor is not as strong as for the Portland metropolitan area – particularly when looking at average rent per square foot. This can be somewhat misleading, however, because higher rents can be found within some of the focus areas closer to downtown Portland (such as Hamilton and Kelly) as well as in pockets of the corridor closer to newer retail developments or amenities.

- Market opportunities vary along the corridor and are strongest at the north end - closer to downtown Portland. The northern most focus areas, Hamilton and Kelly, are also located in close proximity to Oregon Health Sciences University (OHSU), Portland State University (PSU), and National College of Natural Medicine (NCNM) - large institutions that can help support additional nearby retail and housing. The historic character of parts of the area and proximity to major high-rise developments in the South Waterfront District add to its attractiveness as a vibrant, close-in place to live.
- High Capacity Transit (HCT) has the potential to catalyze redevelopment and build on existing efforts to create more walkable, safe, and inviting areas along Barbur. Heavy traffic, coupled with auto-centric development patterns has limited the transformative power of newer development along the corridor. HCT could influence denser development along the corridor by reducing the need for (and associated cost of) structured parking that is typically required to support denser housing in areas without strong mass transit. Reducing the amount of required parking opens more opportunities for additional units and/or retail as part of new developments.

## **2 MARKET CONDITIONS IN CORRIDOR**

### **2.1 OVERVIEW OF THE AREA**

Barbur Boulevard is a segment of Highway 99W (controlled by the Oregon Department of Transportation), which runs southwest from Portland through Tigard, the Willamette Valley, and Junction City, before continuing through Southern Oregon. The Barbur Boulevard corridor, in Southwest Portland, includes an area beginning at the south edge of Portland's Central City, continuing alongside (and sometimes crossing) Interstate 5 until reaching the Tigard city limits. The Barbur Concept Plan identified four distinct sections comprising the corridor:

Lair Hill – Central City to Hamilton Street

The Woods – Hamilton Street to Terwilliger Boulevard

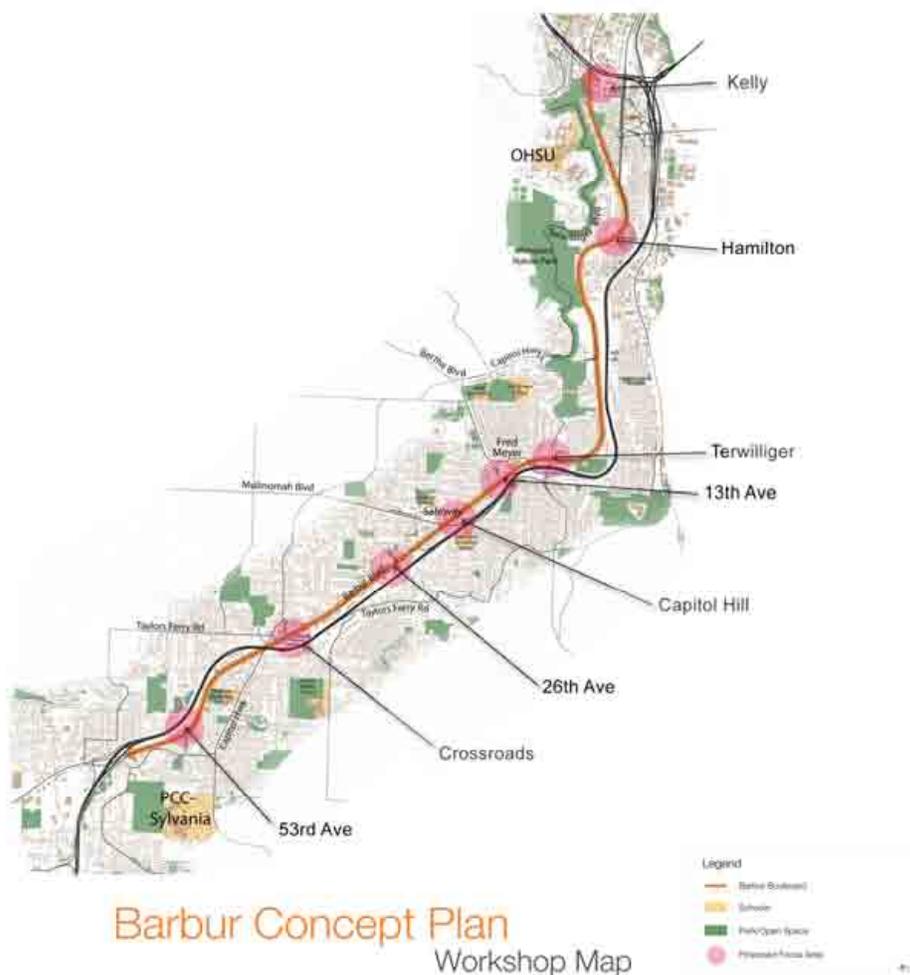
Historic Highway – Terwilliger Boulevard to Capitol Highway

## Far Southwest – Capitol Highway to Tigard city limits

Within each of these segments, the team identified *focus areas* with characteristics desirable for supporting redevelopment and sustaining high capacity transit. These characteristics may include development readiness, proximity to existing amenities or expanding markets, availability of vacant or underdeveloped land. Some of the focus areas also face challenges that can include parcel ownerships and size, terms of current leases, access, and parking.

Figure 1 below shows the location of the six focus areas and potential redevelopment sites:

**Figure 1. Barbur Concept Plan with focus areas, 2012**



Source: Fregonese and Associates, 2012

## 2.2 ZONING AND EXISTING DEVELOPMENT PATTERNS

Zoning along most of Barbur Boulevard and particularly at the focus areas is a combination of mixed-use residential, multi-family, single family and commercial that

could allow for a relatively wide range of uses. Within each corridor segment, predominant zoning types vary somewhat, but around the focus areas, it remains relatively consistent. On the ground, however, the development patterns and existing uses along Barbur are predominantly single-story strip commercial. Table 1 summarizes zoning and existing buildings and businesses on the focus area sites.

While larger businesses like Fred Meyer and Safeway exist along the corridor, the majority of businesses are smaller and locally owned. Examples are Digicraft, a digital photographic services business that rents darkrooms for film processing; Barbur Boulevard Veterinary Clinic; and Caro Amico, an Italian café. Many of the structures and a number of uses date back to when Barbur served as the primary north – south route through Oregon. Larger institutions such as Portland Community College and Oregon Health Sciences University are situated several blocks off of Barbur at the south and north end respectively, but do contribute to traffic and business development along the corridor.

Development patterns are generally auto-oriented. Businesses rely substantially on surface parking and most buildings are separated from the street with parking lots. Pedestrian amenities (sidewalks, signaled crossings, etc.) are available but uninviting. Some segments of Barbur have bike lanes.

**Table 1. Zoning summary, Barbur Corridor focus areas, 2012**

Focus Area	Zoning Codes	Zoning Descriptions	On Site
Kelly Avenue	<b>CX-MUR10</b> , <b>CS-MUR9</b> , CO2-MUR8, EG1-IL,, R1-MFR7	Commercial mixed-use; high density residential; Light Industrial; Residential high density mixed-use	Walsh Construction Building, Marquam Building, Single and multi-family housing, National College of Natural Medicine parking lots
Hamilton Street	<b>CS-MUR9</b> , CN2-MUR4, R2-MFR5	Commercial mixed-use; high and medium density residential; Residential medium density mixed- use	Swan Mart, Cook Paging, Lou Stafford Insurance, Tabernacle Adventist Church, Confederate Tribes of the Grande Ronde, multi-family housing
Terwilliger Boulevard	<b>CG-MUR9</b>	Commercial mixed-use; high density residential;	A-Boy Electric & Plumbing, U.S. Bank, Kaddy Carwash, Barbur Shops on Barbur Blvd development Starbucks, Baja Fresh, Pizza Hut, FedEx Office, Verizon, Faye Hudson Hair Salon
13th Avenue	<b>CG-MUR9</b>	Commercial mixed-use; high density residential;	Fred Meyer, Chase Bank, Burger King, Goodwill Donation Center, Wells Fargo Bank, Law office, Molecular MD, multi-family housing
Capitol Hill	<b>CG-MUR9</b> , R1-MFR7	Commercial mixed-use; high density residential;	Safeway, Barbur Rentals, Golden Touch Restaurant, Tobacco Town
26th Avenue	<b>CG-MUR9</b>	Commercial mixed-use; high density residential;	Budget Lodge, Spring Tree Place Apartments, Jiffy Lube, 7-Eleven
Crossroads	<b>CG-MUR9</b> , CO2-MUR8, R1-MFR7	Commercial mixed-use; high density residential; Residential high density mixed-use	Park & Ride, Crestwood Court Apartments, Advance Foot Clinic, Pacific Veterinary Hospital, Master Wrench
53rd Avenue	<b>IR-MUR7</b> , R2-MFR5, CO2-MUR8	Institutional high density mixed use residential; Residential medium density mixed-use; Commercial mixed-use high density	Portland Community College Campus and parking lots

Source: RLIS, April 2012, and ECONorthwest

Notes: Zoning codes in bold indicate predominant code

### 2.3 REAL ESTATE MARKET BY USE

This section details the current real estate market (supply and demand) for the allowed uses (office, residential mixed use and multi-family, and retail) along Barbur. Table 2 summarizes rent per square foot for the allowed uses along Barbur relative to the Portland metropolitan Area.

**Table 2. Barbur real estate market relative to the Portland metropolitan area**

	Rent per Square Foot		
	Office	Residential	Retail
Barbur Corridor	\$15.91	\$1.09	\$2.16
Portland Metro Area	\$20.96	\$1.27	\$5.98

Source: Spring 2012 MMHA Apartment Report, Kidder Mathews 1st Quarter 2012, Real Estate Market Review, Portland, Vancouver and Surrounding Areas. Cushman Wakefield, Market Beat Office Snapshot, Portland, Oregon, Q1 2012. <sup>1</sup> The CoStar Retail Report, Portland Retail Market, Q1 2012, pages 1, 11.

### 2.3.1 Office

Vacancies in office space for the Portland metropolitan area have been declining since Q3 2010, 11.9% to 10.4%. Net absorption was 130,689 square feet for the first quarter of 2012. This is very encouraging after months of negative absorption in 2009 and 2010. The first of quarter of 2012 saw 11 buildings delivered to the area – the most in a single quarter since 2Q 2009. Occupancy is particularly high in the Pearl District and is causing some spillover into downtown – specifically for Class B, C, and historic buildings.<sup>1</sup> This spillover could have positive implications for closer-in properties within the Barbur Corridor.

Office space on Barbur is primarily Class B and C. New office development would also likely be limited to Class B. The overall weighted average price per square foot for all classes (A, B, and C) on Barbur is \$15.91, compared to \$20.96 for the metropolitan area<sup>2</sup>. Rents for close-in Class B space in areas like John's Landing, range from \$18 - \$30, but include a 15% premium for river views and nearby amenities.<sup>3</sup> Building new Class B space in the corridor would cost more and rents would be somewhat higher. Adding structured parking of any type will increase costs, but would be necessary for any developments of this type.

### 2.3.2 Residential

Rents for multi-family units vary between segments along the corridor within a range – lows of approximately \$.74 per square foot in Far Southwest to highs of \$1.56 per square foot in Lair Hill. The average rent per square foot within the corridor is approximately \$1.09 – above the average for Southwest Portland, but below the averages for other areas of the City. Table 3 is a summary of average rents per square foot for multi-family housing in six areas of the City.

<sup>1</sup> Kidder Mathews, Real Estate Market Review, Portland Office, 1st Quarter 2012.

<sup>2</sup> Cushman Wakefield, Market Beat Office Snapshot, Portland, Oregon, Q1 2012.

<sup>3</sup> Cushman Wakefield, Matt Johnson, August 2012.

**Table 3. Average rent per square foot for multi-family housing, Portland, Oregon, Q1 2012**

Area	Average rent per square foot
Downtown Portland	\$1,666.66
NW Portland	\$1,444.44
Inner-Central SE	\$1,214.29
Inner-Central NE	\$1,133.33
N Portland/St. Johns	\$1,176.47
<b>SW Portland (includes Barbur Corridor)</b>	<b>\$1,099.99</b>

Source: Spring 2012 MMHA Apartment Report, Kidder Mathews 1st Quarter 2012, Real Estate Market Review, Portland, Vancouver and Surrounding Areas.

Generally, rents increase within the corridor the closer the area is to downtown. Average monthly rents in Lair Hill, the segment closest to downtown, are the highest in the corridor. Table 4 compares rents in the corridor segments with the corridor as a whole and the City of Portland.

**Table 4. Multi-family rents, Barbur corridor segments and select geographies, Q3 2011**

Area	1-Bedroom	2-Bedroom
Lair Hill	\$1,175	\$1,323
The Woods	\$1,138	\$1,213
Historic Highway	\$1,125	\$1,120
Far Southwest	\$1,200	\$1,155
<b>Barbur Corridor</b>	<b>\$1,148</b>	<b>\$1,198</b>
Portland Metro Area	\$1,206	\$1,143

Source: Barbur Boulevard Corridor Market Analysis, City of Portland, Bureau of Planning and Sustainability; Craigslist, Apartments.com, Rent.com, RentBits.com. Apartment Report, Kidder Mathews 3<sup>rd</sup> Quarter 2011, Portland Apartment Real Estate Market Review, Portland, Vancouver and Surrounding Areas.

The Portland region's apartment rental market is expected to remain tight. Vacancy rates in the Portland/Vancouver area range from 1.4% to 5.3%, and rents have risen 11% since Fall 2011.<sup>4</sup> A recent survey of rents within the corridor suggests that prices have risen somewhat, specifically for 1-bedroom units but at a more modest 6%.<sup>5</sup> The affordability of the Barbur corridor as well as its proximity and access to the Central City should support higher density development.

### 2.3.3 Retail

Across the Portland metropolitan region retail vacancies have slowly risen and fallen over the last two years. Retail absorption for the Portland metropolitan area has been

<sup>4</sup> Kidder Mathews, Real Estate Market Review, Portland Apartment, 1<sup>st</sup> Quarter 2012.

<sup>5</sup> ECONorthwest, Craigslist, Apartments.com, Rent.com, RentBits.com, portlandforrent.com, rentjungle.com, mynewplace.com, apartmentratings.com, August 2012

negative for the first two quarters of 2012 and has not seen significant positive gains since the end of 2010.<sup>6</sup> As consumers continue to worry about the overall health of the economy it is reasonable to expect them to spend less, curtailing retail growth.

For the Portland metropolitan area, asking prices have fallen in Q1 to \$15.98 per square foot (from \$16.07 in the previous quarter).<sup>7</sup> For Q1 2012, the Barbur Blvd/Capitol Hwy had quoted rates of \$12.16 per square foot.<sup>8</sup>

### **Retail leakage**

Retail leakage refers to the amount of money spent by residents on goods and services outside of a surrounding area. The area can be defined to drill down into how far residents must travel to purchase particular goods and services. The degree of retail leakage can be an indicator of the potential of an area to support new retail development. Figure 2 shows retail leakage for an area within the corridor with a drive time radius of 5 minutes. The Barbur corridor is underserved by most retail groups, with the exception of home furnishings, beer/wine/liquor stores, office supplies, and full service restaurants.

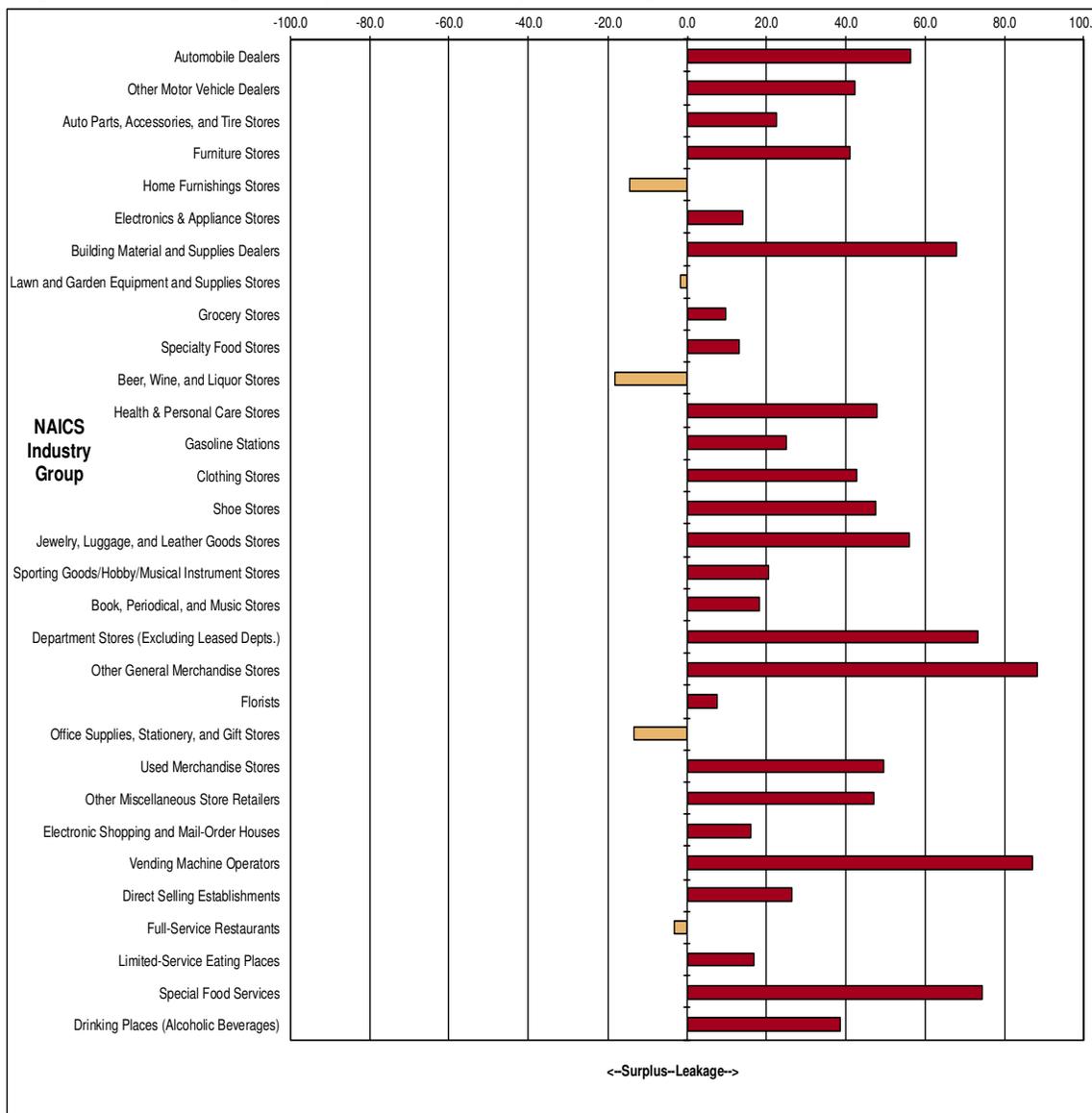
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<sup>6</sup> Norris, Beggs, and Simpson, Retail Report , Portland Metro Area, Second Quarter 2012.

<sup>7</sup> The CoStar Retail Report, Portland Retail Market, Q1 2012, pages 1, 11.

<sup>8</sup> The CoStar Retail Report, Portland Retail Market, Q1 2012, pages 1, 11.

**Figure 2. Leakage/Surplus Factor by Industry Group, Barbur Corridor, 2011**



Source: ESRI and Infogroup, 2012

Notes: 7914 SW Barbur Blvd, Portland, Oregon, 97219; Drive time: 5 minutes

## 2.4 DEMOGRAPHIC CHARACTERISTICS

This section provides context for the market analysis of specific land uses in the Barbur corridor. We describe population, income and wages, and employment trends for four segments of Barbur, as described in the 1999 Barbur Streetscape Plan and the 2011 Barbur Existing Conditions report (Figure 3). These are:

- Lair Hill – Central City to Hamilton
- The Woods – Hamilton to Terwilliger

- Historic Highway – Terwilliger to Capitol Highway south
- Far Southwest – Capitol Highway to Tigard city limits.

**Figure 3. Barbur segments**



Source: Fregonese and Associates

As Table 5 shows, Barbur residents have higher median household income and per capita income than the averages for the City of Portland and the Portland metropolitan area. At the segment level, per capita income is highest in the northern segments and lowest in the Historic Highway segment (Table 6). In 2010, Lair Hill had highest per capita income of the segments, although its median household income was the lowest due to its small average household size. The Woods, with a similar per capita income and a larger average household size than Lair Hill, had a 2010 median household income of \$73,656 – well above city (\$54,352) and regional (\$61,823) averages. Of the

segments, only the Far Southwest had an average household size greater than the City of Portland average.

Tables 5 and 6 also describe age characteristics for Barbur and its segments. As a whole, the Barbur corridor has fewer children than the city or the region (17% under age 18 compared with 23% and 27% respectively). Statistics for each segment show that Lair Hill and The Woods have very low percentages of children relative to other areas. In 2010, just 8% of Lair Hill residents and 13% of The Woods residents were under 18 years old. The number of Barbur residents who are over 65 (11% in 2010) is comparable to City and regional averages (Portland: 12%, metropolitan area: 11%). Historic Highway had the lowest percentage of residents over 65 (9%) while Lair Hill had the highest (13%).

The Barbur Study area has grown marginally more ethnically diverse since 2000, with a slight increase in the percent of non-white residents. As of 2010, Barbur remains less ethnically diverse than the City or region. Although the percent of Hispanic/Latino residents has been increasing at the state, region, and city levels, Barbur has not seen a similar increase – between 2000 and 2010 the percent Hispanic/Latino remained steady at 5%. Of the Barbur segments, the Far Southwest is the most ethnically diverse, with 7% Hispanic/Latino, 7% African American, 7% two or more races, and 6% Asian or Pacific Islander.

**Table 5. Demographic profile, Barbur Study Area, Portland, Portland metropolitan area, 2000 and 2010**

	Barbur Study Area		Portland		Portland MSA	
	2000	2010	2000	2010	2000	2010
Population	24,144	27,019	529,121	583,776	1,927,881	2,226,009
Households	11,491	13,021	223,737	248,546	745,531	867,794
Average HH Size	2.1	2.1	2.3	2.29	2.54	2.56
Median HH Income	\$67,114	\$65,453	\$50,841	\$54,352	\$59,563	\$61,823
Per Capita Income	\$33,802	\$41,204	\$28,672	\$29,282	\$29,496	\$29,095
Age Characteristics						
% Under 18	19%	17%	24%	23%	28%	27%
% Over 65	10%	11%	12%	12%	10%	11%
Race/Ethnicity						
% White	87%	86%	78%	76%	85%	81%
% African-American	2%	3%	7%	6%	3%	3%
% American Indian or Alaska Native	1%	1%	1%	1%	1%	1%
% Asian & Pacific Islander	4%	5%	7%	8%	5%	6%
% Other	5%	6%	8%	9%	7%	9%
% Hispanic	5%	5%	7%	9%	7%	11%

Source: Census 2000, 2010; ESRI Business Analyst, 2012

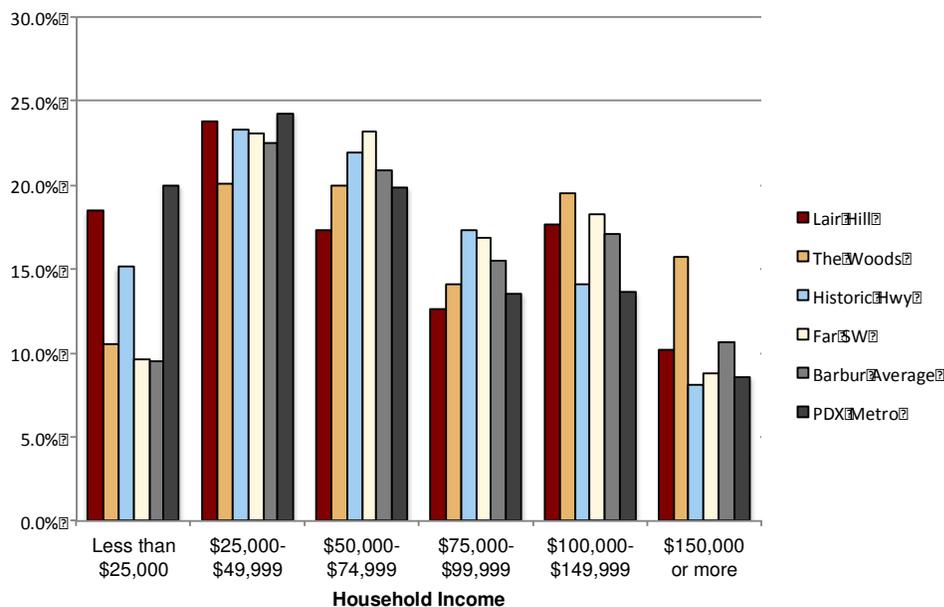
**Table 6. Demographic profile, Barbur Concept Plan segments, 2000 and 2010**

	Lair Hill		Historic Highway		The Woods		Far Southwest	
	2000	2010	2000	2010	2000	2010	2000	2010
Population	3,093	4,694	8,767	9,210	6,058	6,543	6,226	6,572
Households	1,771	2,700	4,004	4,287	3,122	3,240	2,594	2,794
Average HH Size	1.73	1.74	2.18	2.14	1.94	2.02	2.40	2.35
Median HH Income	\$47,075	\$58,635	\$50,524	\$61,920	\$57,301	\$73,656	\$55,629	\$67,975
Per Capita Income	\$44,621	\$50,864	\$29,597	\$35,009	\$38,377	\$48,731	\$29,752	\$36,328
Age Characteristics								
% Under 18	9%	8%	20%	17%	13%	13%	22%	21%
% Over 65	12%	13%	9%	9%	12%	12%	8%	10%
Race/Ethnicity								
% White	88%	84%	87%	87%	91%	90%	84%	80%
% African-American	2%	2%	2%	2%	1%	1%	3%	7%
% American Indian or Alaska Native	1%	1%	1%	1%	0%	1%	1%	1%
% Asian and Pacific Islander	6%	9%	5%	4%	4%	4%	4%	6%
% Other & two or more races	4%	5%	6%	6%	4%	4%	8%	7%
% Hispanic	4%	4%	4%	5%	3%	4%	6%	7%

Source: Census 2000, 2010; ESRI Business Analyst, 2012

Figure 4 shows the distribution of household income in the Barbur segments and the Portland metropolitan area. Relative to the Portland metropolitan area average, the Barbur study area has a higher proportion of residents in the higher income brackets and a far lower proportion of the population in the lower income brackets. Of the segments, The Woods has the largest proportion of households earning \$150,000 or more (16%), which is nearly double the proportion for the region as a whole (9%). Lair Hill has the greatest percentage of households making under \$25,000 a year (18.5%).

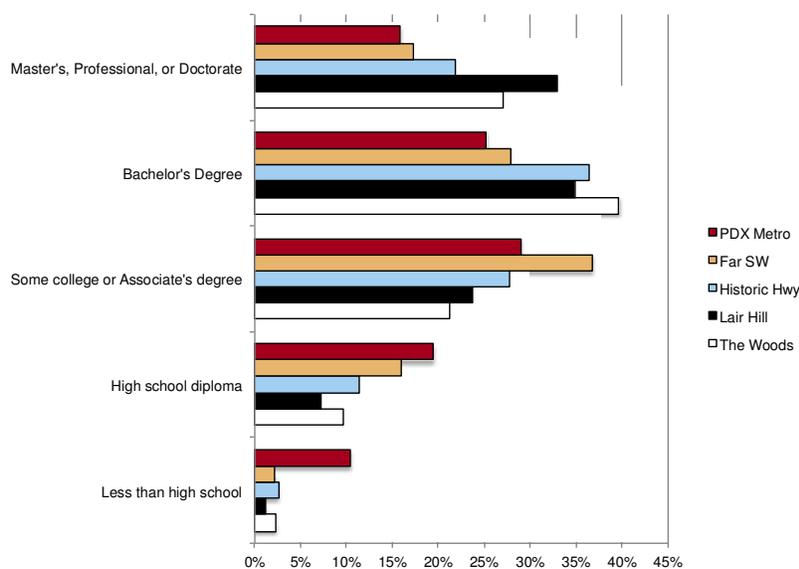
**Figure 4. Household Income, Barbur segments 2012, Portland metropolitan area, 2010**



Source: U.S. Census 2000, ACS 2006-2010; 2010 Estimates ESRI Business Analyst, 2012

Educational attainment varies widely within the Barbur segments, but in general residents of Barbur are better educated than the regional average (Figure 5). Lair Hill and The Woods have very high levels of educational attainment relative to the region as a whole. Lair Hill and The Woods have a much larger share of residents with a bachelor's degree or higher (68% and 67% respectively) compared with the regional average (41%). Of the four sub-regions, the residents Far Southwest have the lowest levels of educational attainment (45% bachelor's or above; 18% high school or below) but still outperform the regional averages.

**Figure 5. Educational attainment, Barbur segments, 2012, Portland metropolitan area, 2010**



Source: U.S. Census 2000, ACS 2006-2010; 2010 Estimates ESRI Business Analyst, 2012

## 2.5 REGIONAL TRENDS AFFECTING BARBUR

- The number of households in the City is expected to increase by approximately 44% to 57% from 2005 to 2035, translating to an annual rate of 3,500 to 4,500 units per year<sup>9</sup>. The Medium Growth Scenario forecasts household growth of approximately 303% over 30 years in the close-in Central Business District.
- The outlook is positive for office space demand for the City<sup>10</sup>, but the locations zoned for this use in the Barbur area are limited.

<sup>9</sup> Metroscope "The Portland Plan, Household Demand and Supply Projections. Pg. 4. <http://www.portlandonline.com/portlandplan/index.cfm?a=283476&c=51427>

<sup>10</sup> Source: CB Richard Ellis

- Senior citizen housing is in demand.<sup>11</sup> The oldest baby boomers turned 65 in 2011. 57.8 million boomers are expected to be living in 2030. As residents of nearby single-family residential areas age, they're more likely to want to stay in housing located within neighborhoods that are familiar and where friends and family still reside.
- Anticipated growth of colleges and universities at either end of the Barbur corridor could spur demand: OHSU, PSU, NCNM and PCC-Sylvania campus. Physical campuses are expanding and student bodies as well as faculty and staff are growing.<sup>12</sup>
- Continuing draw of South Waterfront as dense center for jobs, education/research and housing all in close proximity to Barbur.

## 2.6 EXISTING CONDITIONS IMPLICATIONS

Overall, Barbur's competitive advantages include a strong location close to a vibrant downtown within a growing region. However, Barbur competes in a regional market for all of the uses for which it is zoned. Other corridors that are also close-in and share Barbur's locational advantages (Interstate, NE Broadway, NE Sandy, and parts of NE Glisan) have amenities in place and are already attracting the kind of infill that may be possible for Barbur, and have areas of successful redevelopment that are attracting the businesses that then attract a customer base and being to create an identity and sense of place for an area. Barbur's limited amenity and existing auto-oriented development patterns limit the ability of the corridor to compete with stronger real estate markets in the region.

### Opportunities supporting redevelopment in the area:

- Retail leakage in many categories suggests the possibility of additional retail development that serves a local market.
- Relatively strong demographics suggest the potential additional retail as well as for higher achievable rents.
- Location and regional access is strong: quick access to I-5 North and South, as well as to employment centers in downtown.

### Constraining redevelopment in the area:

- Auto and multi-modal access constraints to individual development parcels. By car: limited left turn access, high traffic speeds, and infrequent intersection spacing

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<sup>11</sup>Source: ULI, Emerging Trends in Real Estate

<sup>12</sup> Source: Daily Journal of Commerce

make many sites unattractive for retail. For pedestrians and bicycles: high traffic speeds, wide lanes, infrequent intersection spacing, and lack of an attractive building / sidewalk interface limit the appeal of many parcels for boutique retail and coffee shop / café development.

- Freeway/auto-oriented parcels create a dominant urban form that undermines demand for more urban forms of retail, office, and residential.
- Residential development along Barbur is also challenged by high traffic speeds and the current mix of uses, which is dominated by strip commercial. This leads to a housing stock that supports lower rents along Barbur (though some of the surrounding housing stock supports relatively high prices relative to the region).
- Physical constraints (steep slopes in some areas, wide streets that create challenges for multi-modal transportation, limited crossings to Interstate 5).

Overall, while the area has strong fundamentals and redevelopment on quieter streets adjacent to Barbur is supportable and achieving good prices, many sites along Barbur itself are significantly constrained for redevelopment purposes.

The overall implication: investment in redevelopment outcomes should be targeted in focus areas or nodes that provide the greatest opportunity to access side-street development and create an identifiable place.

### **3 FOCUS AREA EVALUATION**

Given the transportation function that the corridor must continue to play, it is not likely that the full length of the corridor can redevelop as a vibrant, mixed-use community in any reasonable planning horizon. However, with targeted investments that include high capacity transit stops and various form of redevelopment assistance, the area's market fundamentals could be positioned for greater success. Fregonese Associates, together with City staff and stakeholders, identified "focus areas" as small areas in the corridor where investments in high capacity transit stops would be most likely catalyze redevelopment on adjacent private property, and to create transit-oriented development, in some cases through public private partnerships, with a vibrant mix of uses that could include residential, retail, and / or office. ECO did not conduct interviews with property owners or other stakeholders prior to evaluating the focus areas.

### *Kelly Avenue*<sup>13</sup>

The Kelly Avenue area, at the north end of the Barbur Boulevard Corridor and just south of downtown Portland, is a transition area between the high-rise uses in downtown and the lower-density commercial and residential uses that typify Barbur and other historic transportation corridors in the region. The area has many locational advantages. It is near several of the region's most important transportation destinations, key employers, and institutional players such as PSU, OHSU, the National College of Natural Medicine, and the South Waterfront.

Constraints in the area include a broad mix of existing uses - housing, office, employment, and adjacent historic single-family uses. Additionally, steep slopes preclude or vastly increase new construction costs, while confusing and inadequate multi-modal transportation systems reduce access.

### *Hamilton*

The Hamilton focus area contains several potential redevelopment sites. These sites are occupied by the Swan Mart convenience store, Cook Paging, Lou Stafford Insurance, Tabernacle Adventist Church parking lot, and the Confederated Tribes of the Grand Ronde, in addition to multi family housing. In some cases these uses could be re-incorporated into more substantial mixed-use buildings while in one, the church's parking lot, there may be opportunity for new development that better serves the area as well as the church.

The area's close proximity to downtown, the South Waterfront, Johns Landing, and OHSU, make it a desirable place to live for people working in or near the City Center, as well as a strategic location for expanding the rail transit. Market demand for housing and retail in the Hamilton focus area is likely the highest in the corridor and there is existing density in residential development. The area is constrained by numerous small parcels that would require costly and time-consuming assembly, and the existing buildings/uses on most sites.

Hamilton's comparative and competitive advantages make it well-suited for a variety of development prototypes, including:

- **Mid-rise office.** Offices exist in the area already and offer a close-in location, transit connections, and potential views (if they can achieve mid rise).
- **Multi-family residential.** Hamilton's proximity to downtown, existing amenities - including retail and restaurants make it an attractive location. Mid-rise condos and apartments already exist. The area has a couple of larger sites in single ownership, but other parcels need assembly.

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<sup>13</sup> Market Opportunities in the Kelly Avenue focus area are discussed in greater detail in a separate memo by ECONorthwest.

- **Mixed-use residential.** Nearly the same rationale as for multi-family residential, but retail leakage in the area is significant and ground floor retail could serve area residents and help draw more people to the area.
- **Senior housing.** Denser senior housing is most attractive in close-in, core area neighborhoods or in neighborhoods where people have grown up and lived for longer time periods. The large site available (e.g., Adventist church parking lot) is one opportunity in this area that meets these characteristics. The area's proximity to OHSU is attractive to seniors who may require regular medical care.

### *Terwilliger*

The Terwilliger focus area includes a number of sites on three corners of the intersection of SW Barbur Boulevard and SW Terwilliger Boulevard. The northwest corner sites are occupied by A-Boy Electric & Plumbing, and U.S. Bank. The northeast corner site is occupied by Kaady Carwash. A newer development, the *Barbur Shops on Barbur Boulevard* has tenants including Starbucks, Baja Fresh, Pizza Hut, FedEx Office, Verizon, and Faye Judson Hair Salon.

The existing newer retail development makes the area more attractive, and presents an opportunity to build on its success and achieve higher rents for additional new development. The area is close to a major grocery store (Fred Meyer) and near the 13<sup>th</sup> Avenue focus area allowing for an opportunity to create a critical mass of transit oriented development. Incorporating the northeast corner site might be difficult because of the particularly heavy traffic at the Barbur/Terwilliger intersection.

The Terwilliger focus area is best suited to accommodate the following development prototypes:

- **Multi-family residential.** Close-in location; existing amenities nearby such as retail (e.g. Fred Meyer, and businesses such as banks that could be incorporated within new mixed use buildings), some larger sites that appear to be in one ownership, narrow interior streets that are more pedestrian friendly, and the potential for parcel assembly to create larger sites would help attract this use. Fixed rail transit enhances viability.
- **Mixed-use residential.** Close-in location; existing amenities nearby such as retail (e.g., Fred Meyer), some larger sites that appear to be in one ownership, and the potential for parcel assembly to create larger sites; fixed rail transit enhances viability.

### *13<sup>th</sup> Avenue*

The 13<sup>th</sup> Avenue focus area includes many sites clustered around Custer Drive and 13<sup>th</sup> Avenue, and Terwilliger Boulevard and Barbur Boulevard. The sites around Custer and 13<sup>th</sup> contain many commercial businesses including a Fred Meyer grocery store,

Chase Bank, Burger King, Goodwill Donation Center, Wells Fargo Bank, law office, Molecular MD. An adjacent site has four apartment buildings. The sites near Terwilliger and Barbur contain A-Boy Electric & Plumbing and U.S. Bank. The area also includes a newer development

Potential acreage is larger than in other areas creating flexibility and allowing for more transformative development. HCT could assist in fostering denser more mixed use development and reducing the burden of some of the likely structured parking associated with this type of development (particularly for housing). A number of the sites are on side streets, limiting exposure to traffic noise on Barbur. The area is close to the popular Hillside neighborhood and Lewis & Clark College.

- **Multi-family residential & mixed-use residential.** Fairly close-in location. Near to existing amenities such as retail (e.g, Fred Meyer). Some sites that appear to be in one ownership, as well as potential for parcel assembly to create larger sites. Enhancing transit service via rail would enhance this uses potential.
- **Senior housing.** Near neighborhoods where folks have lived a long while. Easy access to retail (Fred Meyer). Larger sites can be assembled for senior and other uses.
- **Mid-rise office.** Some office already exists in the area. With more amenities such as added retail and infrastructure improvements in addition to fixed rail transit potential should increase for greater office interest and density.

### *Capitol Hill*

The Capitol Hill focus area is centered around the intersection of Capitol Hill Road and 19<sup>th</sup> Avenue. The three sites identified for possible redevelopment are currently occupied by Barbur Boulevard Rentals (tool and equipment rental), the Golden Touch Restaurant, and Tobacco Town. At each site the building coverage is relatively small compared to size of the parcels.

Close proximity to Multnomah Village, moderate residential density in the area, and the planned tear down and rebuild of a multi-story Safeway support redevelopment within the focus area. Factors constraining redevelopment in the area include the barrier created by Interstate 5 (separating residential from commercial), the existing uses on targeted sites, and the lack of bike and pedestrian infrastructure. Need to ensure sensitive relocation for some of the very viable businesses in this area. In some areas it may be possible to incorporate existing businesses into new mixed-use development. Barbur Boulevard Rentals, one of the largest redevelopment sites in the area, would not be one of those, as they need lots of open space.

- **Multi-family residential & mixed-use residential.** While this focus area is further out from the Central City, it has proximity to the Multnomah Village area, in

addition to the enhanced retail that an expanded Safeway will likely help stimulate. Larger scale site assembly in this focus area may take longer than others, which suggests new redevelopment projects may initially be at lower densities than those in closer in focus areas.

- **Senior housing.** Near neighborhoods where folks have lived a long while. Easy access to retail (Safeway). If larger sites can be assembled for senior housing it could be a good fit.

### *26<sup>th</sup> Avenue/Way*

The 26<sup>th</sup> Avenue focus area includes two large sites that could be redeveloped to enhance the Barbur corridor. On the site located south of 26<sup>th</sup> Way is a newer? single-story office building that covers about a third of the lot. Tenants of the building include Southwest Corporate Credit Union, and Sumner College. The site north of 26<sup>th</sup> Way contains several business and buildings with much smaller footprints including the Budget Lodge, Spring Tree Place apartments, Jiffy Lube, and 7-Eleven.

The Headwaters redevelopment project on SW 30<sup>th</sup> Avenue and Marigold Avenue resulted in a number of workforce apartments. These well-designed and readily absorbed units suggest that there's a market for similar product type at key focus areas along Barbur. The 26<sup>th</sup> Avenue sites are nearby and could enhance previous redevelopment in the area. ODOT owns two sites on the east side of Barbur that would be excluded from redevelopment.

- **Multi-family residential.** There's potential to capitalize on the success of the Headwaters project. Without public financial assistance, new projects may not be able to reflect the quality of the Headwaters' units. Increasing access to fixed rail transit could reduce parking burdens (number, type and cost of spaces) for residential development.
- **Mixed-use residential.** Existing commercial parcels, one larger and the others considerably smaller, could be redeveloped over time, into mixed-use residential where ground floor activity includes retail as well as neighborhood services. Fixed rail transit would assist in reducing the parking burden.

### *The Crossroads*

The Crossroads focus area is anchored by the Barbur Transit Center site. The Transit Center site, as well as sites across Barbur Boulevard, have strategic redevelopment potential. The Transit Center site is a park-and-ride location with 368 spaces. The sites across Barbur include the Crestwood Court Apartments, Advanced Foot Clinic, Pacific Veterinary Hospital, and Master Wrench.

The area is less than a mile from the PCC Sylvania Campus, near Tigard, and easy access to Interstate 5. Constraints include low density in the area and a more remote

location than most of the other focus areas. The Transit site is approximately 5 acres and could be redeveloped, particularly if HCT unfolds along Barbur. It is the single largest site along Barbur and while challenged by freeway noise among other hurdles, does offer potential for a mix of infill uses. Very little additional land is available on roads adjacent to Barbur without considerable site assembly, which reduces the flexibility and transformative potential of redevelopment.

- **Multi-family residential.** Assuming that the transit center functions can be relocated, the site is large enough to accommodate a variety of uses if designed and laid out effectively. Multi-family residential could be one of those, although it would likely be at somewhat lower rent levels given challenges such as freeway noise.
- **Mixed-use residential.** The five-acre transit site may enable more horizontal mixed-use development with mid-rise residential adjacent to lower rise retail, rather than stacking the two - which increases costs. Site layout will be critical not only to redevelopment success of this site but to any potential catalytic impact site redevelopment might have on surrounding land.
- **Senior housing.** Site size could accommodate some senior housing in the mix. More access to mass transit could make the site more desirable for seniors.

### *53<sup>rd</sup> Avenue*

The 53<sup>rd</sup> Avenue focus area is centered around the PCC Sylvania Campus in the Far Southwest neighborhood.

The Sylvania Campus has a growing student body, which may increase demand for housing and amenities in the area. The parking lots may have long-term redevelopment potential in the future or as an interim park-and-ride should the Crossroad focus area redevelop. The area is located about a mile from Barbur, making it less desirable for redevelopment in terms of creating a transit corridor. PCC Sylvania is a commuter-oriented campus and, as such, has large areas devoted to parking. PCC has demonstrated on other campuses that it can accommodate a greater mix of uses to support the surrounding area. Capitol Highway is nearby, but has few redevelopment opportunities necessary to support light rail. Increasing the range and intensity of uses on campus, however, could merit a shuttle to a new light rail line along Barbur as well as bringing multiple benefits to the campus and surrounding area.

- **Multi-family residential & mixed-use residential.** PCC may choose to have private developers construct multi-family housing or mixed-use residential development on some of its vast surface parking lots. These units could be targeted to students but open to others who are not enrolled depending on market demand. The housing developments could be on ground-leased land, which gives

PCC flexibility as well as long-term control over what happens to the land it currently owns.

- **Senior housing.** Adding senior housing to the mix of uses that PCC might accommodate could be desirable for multiple parties. PCC could again ground lease space for these units for additional campus revenue. Seniors would benefit from access to course offerings and in some cases part-time employment as faculty or staff. Many four-year colleges and universities are currently offering senior housing close to or on campus as a means to provide living options to alumni that have strong ties to campus in one way or another. PCC may opt to offer some of the units to senior or retired faculty members as part of a benefit package.
- **Mid-rise office.** PCC could ground lease land for mid-rise office development to private and non-profit sector development entities. It could build in provisions about development standard and quality maintenance of the buildings, as well as a revisionary right to ownership by PCC after a period of time (usually at least 30 years). This could become a means to bring added revenue to the campus, increase utilization of the land as well as mass transit, and provide PCC with future campus buildings at low costs.

## 4 OPPORTUNITIES

Any re-visioning of Barbur must take into account Barbur's ongoing function as a high-capacity urban arterial corridor. Barbur Boulevard is a segment of 99W and has been designated by the Oregon Department of Transportation (ODOT) as a District Highway. Because it runs parallel to I-5, Barbur serves an additional "spillway" role when the interstate is congested. The ability to use urban design treatments that also serve a traffic calming function, such as pedestrian bump-out, lane reductions, and adding signalized intersections, is limited given this reality. However, targeted investments in the focus areas can help turn them into unique, identifiable places while preserving Barbur's transportation function.

The least expensive options for making focus areas more appealing center around streetscape improvements. Possible investments include the addition of street trees and furniture, way-finding signage, and other low-cost improvements. While simple, these streetscaping efforts can nonetheless help identify the focus areas as unique places that deserve the attention of pass-through traffic. However, it is unlikely that this kind of improvement could result in a wholesale improvement of the focus areas.

High capacity transit—either in the form of light rail or bus rapid transit (BRT)—has been discussed as an option for encouraging development along Barbur. Barbur Boulevard is part of the 'Southwest Corridor' that connects the Portland City Center to Tigard and Sherwood, which has been identified by Metro as a near-term regional

priority corridor<sup>14</sup>. In 2009, Nelson/Nygaard Consulting Associates analyzed alternative high-capacity transit options for the corridor and recommended light rail as the primary mode. They found that: “Bus Rapid Transit could be viable in this corridor, but a fully segregated BRT line would likely bear very similar capital costs including significant structures for the running way that would be necessary due to at grade right-of-way constraints. Light rail is also likely to present better options for operations in the Downtown Portland.”<sup>15</sup> A full transit alternatives analysis for the Southwest Corridor is currently underway.

Light rail has been shown to spur development and raise property values<sup>16</sup>. In Portland, the positive impact of MAX on nearby property values has been documented<sup>17</sup>. The ability of bus rapid transit (BRT) to stimulate transit-oriented development has been the matter of much recent research. Bus rapid transit lines in Ottawa, Pittsburg, and Boston (among other cities in Latin America and Asia) have been empirically linked with higher property values and increased development<sup>18</sup>. Factors that have been linked to a higher degree of TOD include: 1) branding that depicts BRT as new, modern, and distinct from buses; 2) “full-fledged” BRT with investment in infrastructure that conveys permanence (separated lanes, built-up stations); and 3) coordination with land-use and community planning.

Regardless of the specific improvements that are chosen, there are a number of common steps that should be taken.

1. Clarify a strategic plan for HCT for the area so that residents, businesses, the development community, and public entities have an understanding of what’s likely to unfold. At this point, they can begin to exercise their interests and options.
2. If enhanced transit is realistic, identify which alternative transit type and a projected timeframe. Support the strategy by identifying realistic funding. This will help the development community and businesses position themselves accordingly. Savvy developers who have experience with TOD may start assembling parcels. Existing

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<sup>14</sup> High Capacity Transit System Plan. 2009. Oregon Metro.  
<http://www.oregonmetro.gov/index.cfm/go/by.web/id/26680>

<sup>15</sup> Metro High Capacity Transit System Detailed Evaluation. Nelson/Nygaard Consulting Associates. 2009. p 134.  
<http://rim.oregonmetro.gov/webdrawer/rec/196123/view/Planning%20and%20Development%20-%20Corridor%20Plan~1%20Reports%20-%20Metro%20High%20Capacity%20Transit%20System%20Detailed%20Evaluation%20-%20April%202009.PDF>

<sup>16</sup> Transit Oriented Development in the United States: Experiences, Challenges, and Prospects. Transit Cooperative Research Program. 2004. [http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp\\_rpt\\_102.pdf](http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rpt_102.pdf).

<sup>17</sup> Chen, H., A Rufolo, and K.J. Dueker. Measuring the Impact of Light Rail Systems on Single Family Home Values: A Hedonic Approach with GIS Application. 1997. Discussion Paper 97-3. Center for Urban Studies, Portland State University. Al-Mosaind, M.A., Kenneth J. Dueker, and James G. Strathman. 1993. Light Rail Transit Stations and Property Values. Transportation Research Record, No. 1400.

<sup>18</sup> Deng, T. and Nelson, J.D. Recent Developments in Bus Rapid Transit: A Review of the Literature. Transport Reviews. 2011.

businesses may choose to expand (if they feel they can capitalize on the presence of transit) or leave the area (if they see transit as an inhibitor to their business operations).

3. Pick a place to start. The market analysis finds that the strongest near term opportunities are in the northern part of the corridor.
4. Identify public tools that will be available to stimulate the kinds of redevelopment desired, and coordinate with property owners and developers that express interest to stimulate early development.
5. Identify strategic partners in private and public sectors to initiate early projects. These could be public-private infrastructure projects, such as a cap over I-405 with investment by private developer who'd build up retail along the new cap, facilitating PSU's move across the 405, or smaller scale infill projects, most likely in the northern portion of the corridor.

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