The Economics of Land Use

MEMORANDUM

To: Karla Antonini, City of Hillsboro

From: David Zehnder and Tom Martens

Subject: Hillsboro Grocery Feasibility Analysis Update; EPS 212084

Date: October 19, 2021

Introduction

The City of Hillsboro (City) retained Economic & Planning Systems, Inc. (EPS) to provide an update to the previously completed grocery retail market demand for Block 67 in Downtown Hillsboro (Project).

The primary goal of the study is to estimate market demand for grocery retail and the resulting square footage of grocery store space that can be supported in Downtown Hillsboro. This memorandum includes:

- Assessment of key demographic trends related to demand for grocery retail spending.
- A brief review of the competitive store context (covered extensively in the previous grocery retail study).
- Assessment of local retail real estate market indicators.
- Estimate of potential grocery retail spending that can be reasonably captured in Downtown Hillsboro.
- Translation of potential captured sales into supportable retail square footage.

Summary charts and figures are provided in the text of this memorandum; detailed tables are provided in the Appendix and referenced as needed.

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Overview

The previous EPS grocery retail study, completed in 2017, found that, while the site will benefit from the continued emergence of the surrounding neighborhood, current demand is largely driven by demand from neighborhoods north of Downtown that are underserved by grocery retail. The recommended store concept was a small-format grocery or specialty foods store of about 10,000 square feet or fewer, preferably part of a retail component within a larger mixed-use project for a variety of reasons, such as the City's vision for Downtown and the ability of the grocery retail and future proximate multifamily residential to mutually reinforce market position.

Summary of Findings

The current analysis has identified continued grocery and specialty food sales potential from households in the northern neighborhoods as a primary source of support for grocery retail in Downtown. Additional sources of current and near-term demand include recent Downtown residential development, anticipated Block 67 units, and Downtown office worker spending. The current analysis also incorporates potential retail support from the addition of optional food & beverage service that could be included as part of an overall food retail concept.

Projected retail support has been modeled for low and moderate growth scenarios for Downtown over the medium term (roughly 5 years or so), as detailed in the following sections of this memorandum. **Figure 1** illustrates potential supportable square footage for grocery/specialty food retail and an optional food & beverage service retail component in the near term and medium term under low and moderate growth scenarios. Each scenario is presented as a range. Note that the optimal square footage for a specific store concept may be less that the supportable square footage shown.

Figure 1 Supportable Downtown Grocery Space

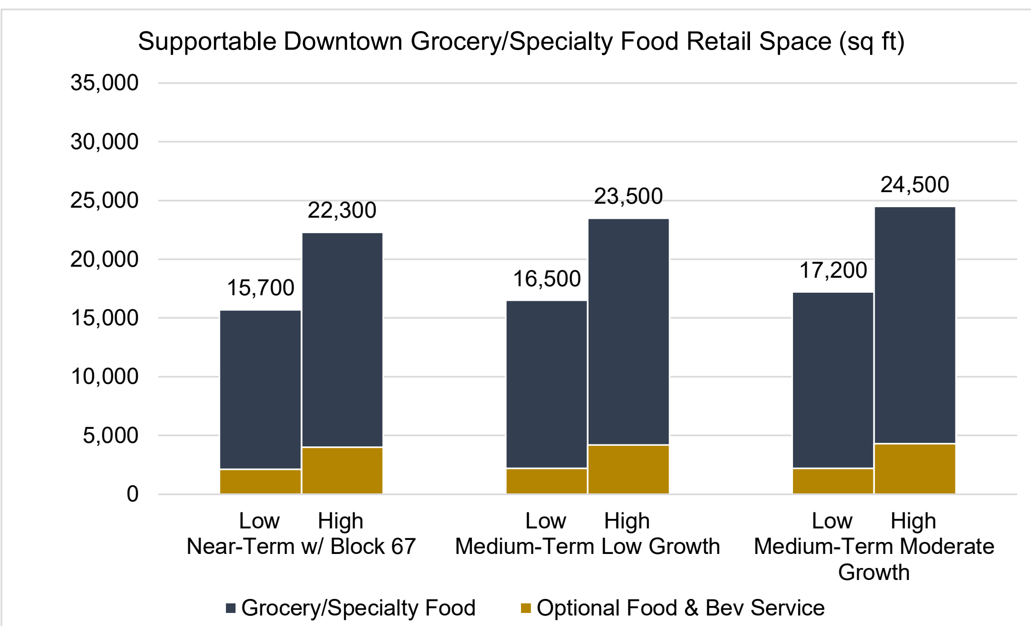


Table 1 presents the summary of supportable retail space estimates in tabular form.

Table 1 Summary of Supportable Downtown Grocery Space

	Supportable Square Feet					
	Near-Term w/ Block 67		Medium-Term Low Growth		Medium-Term Moderate Growth	
Category	*Low*	*High*	*Low*	*High*	*Low*	*High*
Grocery & Specialty Food Retail	13,600	18,300	14,300	19,300	15,000	20,200
Optional In-Store Food & Bev Service	2,100	4,000	2,200	4,200	2,200	4,300
Total Food Store Supportable Space	**15,700**	**22,300**	**16,500**	**23,500**	**17,200**	**24,500**

Source: EPS.

Demographic Review

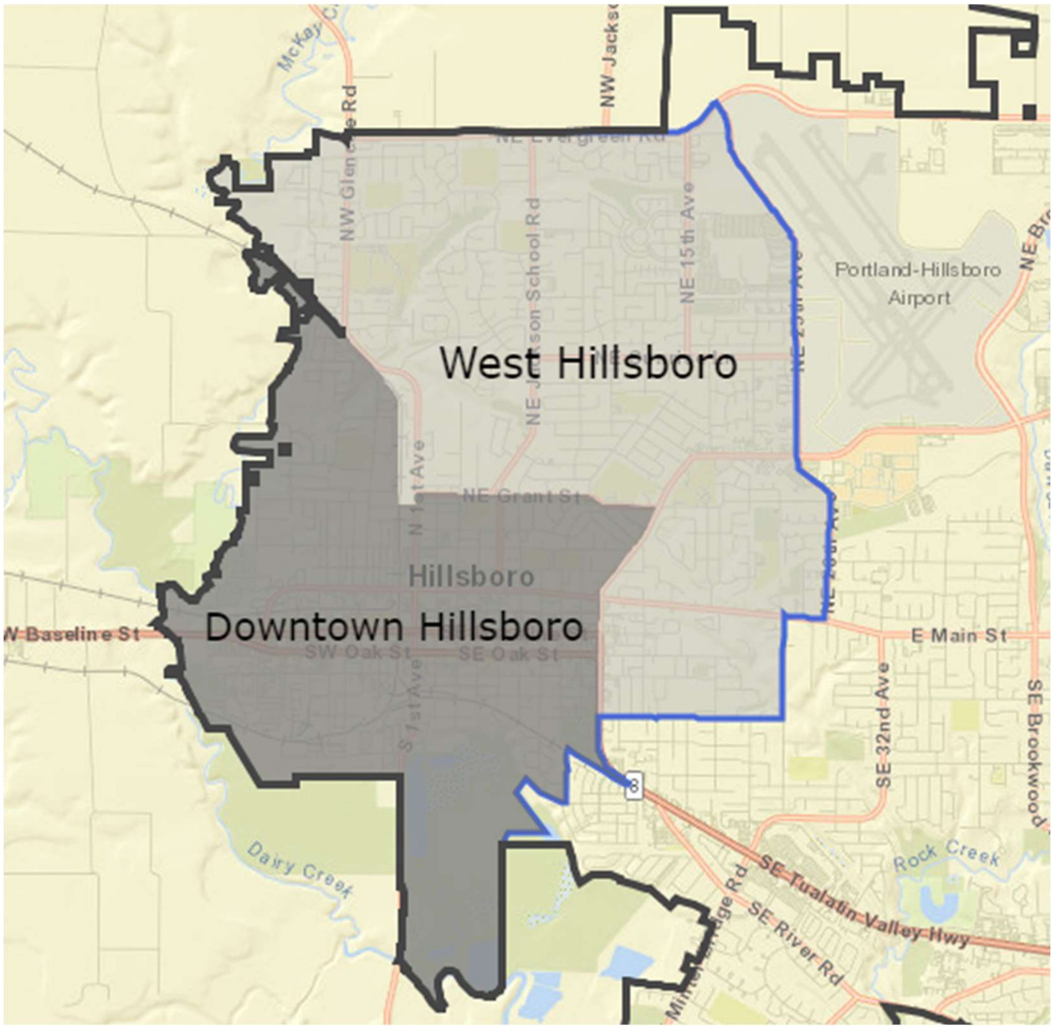
Key demographic findings and comparisons with the previous study are presented below.

Population and Households

The City is projected to continue its overall population growth. After adding approximately 15,500 residents between 2010 and 2021, Hillsboro is projected to add an additional 7,000 residents by 2026. Although West Hillsboro and Downtown Hillsboro (see map in **Figure 2**) are projected to grow during these time periods as well, their growth will be slower than the City overall, with annual population growth rates in these areas being approximately two-thirds the rate of the City overall. Average household size has remained nearly constant in Downtown, West Hillsboro, and Hillsboro overall between 2010 and 2021. Notably, the persons per household in West Hillsboro, at 3.02 persons per household, is significantly higher than either Downtown Hillsboro or the City overall (2.82 and 2.69 persons per household, respectively).[1] See **Appendix Table A-1** for detailed demographic figures.

[1] Note that the definition of Downtown Hillsboro for this study differs somewhat from that used in the ECONorthwest Downtown Hillsboro Market Assessment, which identifies 3.12 persons per household in Downtown Hillsboro. Minor citywide variation (0.03 persons per household) is due to different data sources and data years.

Figure 2 Downtown and West Hillsboro Map[2]



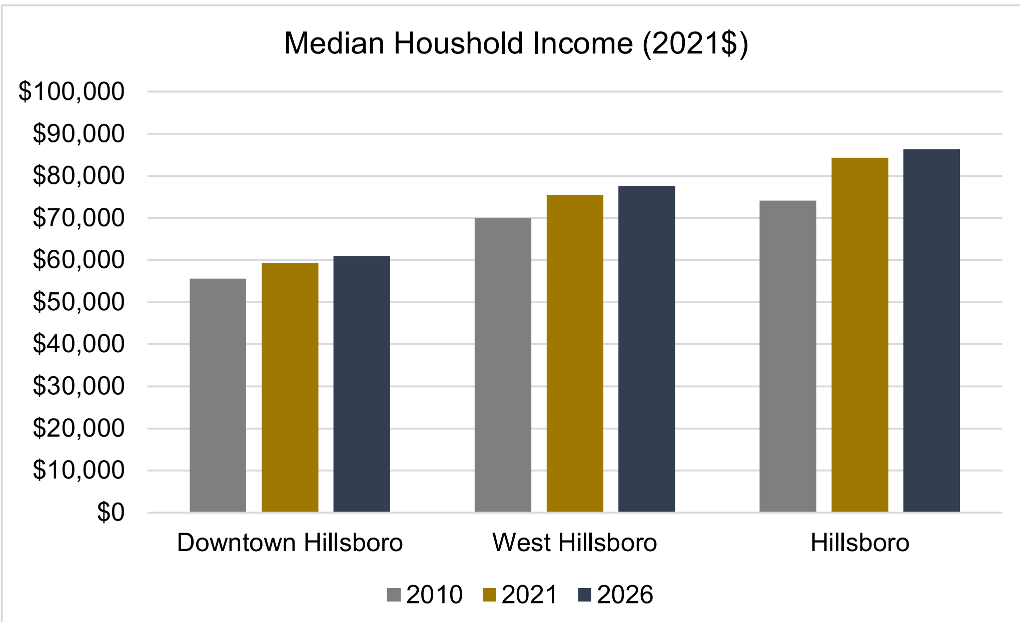
Citywide, homeownership rates fell from 54.6 percent to 53.5 percent between 2010 and 2021. While homeownership rates in Hillsboro and the Downtown neighborhood are projected to continue their decline through 2026, homeownership rates in West Hillsboro are projected to climb slightly.

[2] For this analysis, Downtown Hillsboro includes the portions of Census Tracts 325.01 and 326.04 within the Hillsboro city limits; West Hillsboro includes Downtown plus Census Tracts 324.09, 326.03, 326.06, 326.09, and 326.10 within the Hillsboro city limits.

Household Income

The 2017 Downtown Hillsboro Grocery Retail Market Analysis showed moderate growth for median household incomes in Hillsboro overall, but near-zero growth in West Hillsboro, and a slight decrease in Downtown Hillsboro. The updated analysis, based on revised data incorporating recent trends, indicates that median household incomes grew above 2 percent per year in all of the study areas. Incomes citywide are still significantly higher than those in Downtown Hillsboro and moderately higher than in West Hillsboro, but growth rates across all 3 areas are comparable, as shown in **Figure 3**.

Figure 3 Median Household Income



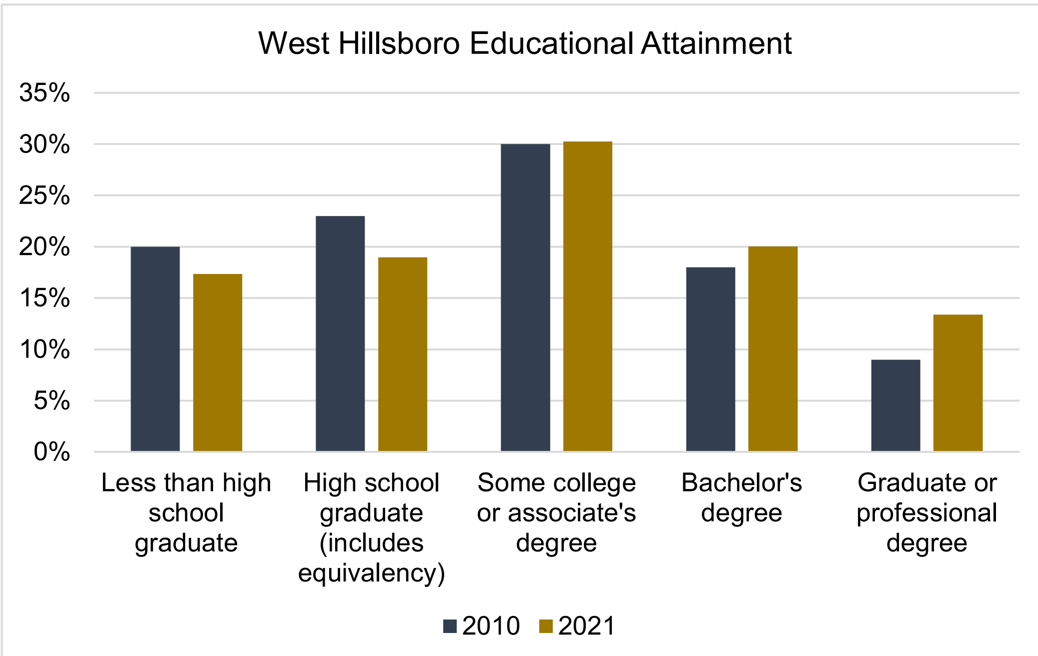
Source: Esri; EPS.

Other Demographic Characteristics

Education

Among residents 25 years and older, the educational attainment of West Hillsboro residents has increased significantly since 2010, as shown in **Figure 4**. The share of residents with a high school diploma or lower fell from 43 percent in 2010 to 36 percent in 2021, while the share of residents with a bachelor's degree or greater rose from 27 percent in 2010 to 33 percent in 2021.

Figure 4 West Hillsboro Education Levels

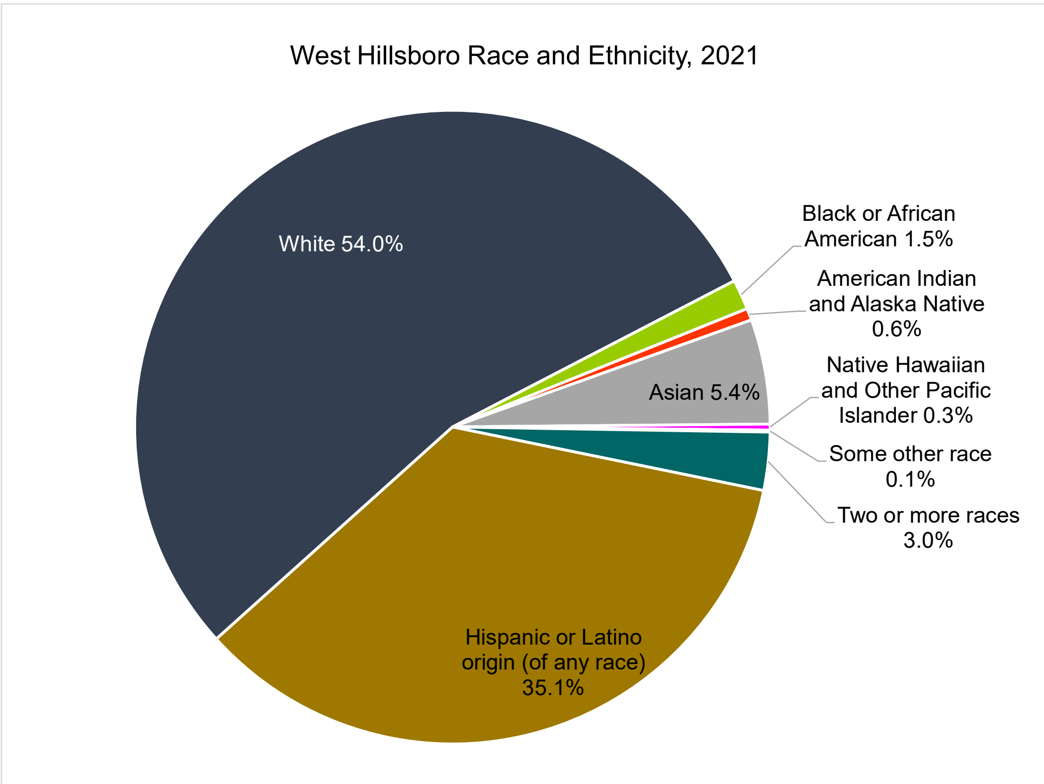


Source: Esri; EPS.

Race

The racial and ethnic composition of Hillsboro is changing, with changes concentrated in the West Hillsboro and Downtown areas. More than half of the population in West Hillsboro is White,[3] although Latino residents comprise a significant share. These 2 groups include nearly 90 percent of all West Hillsboro residents, with Asians being the only other racial or ethnic group comprising more than 5 percent of residents. The current racial composition of Downtown is similar to that of West Hillsboro, but with a notably smaller Asian population, as detailed in **Table A-3** in the **Appendix**.

Figure 5 West Hillsboro Race and Ethnicity



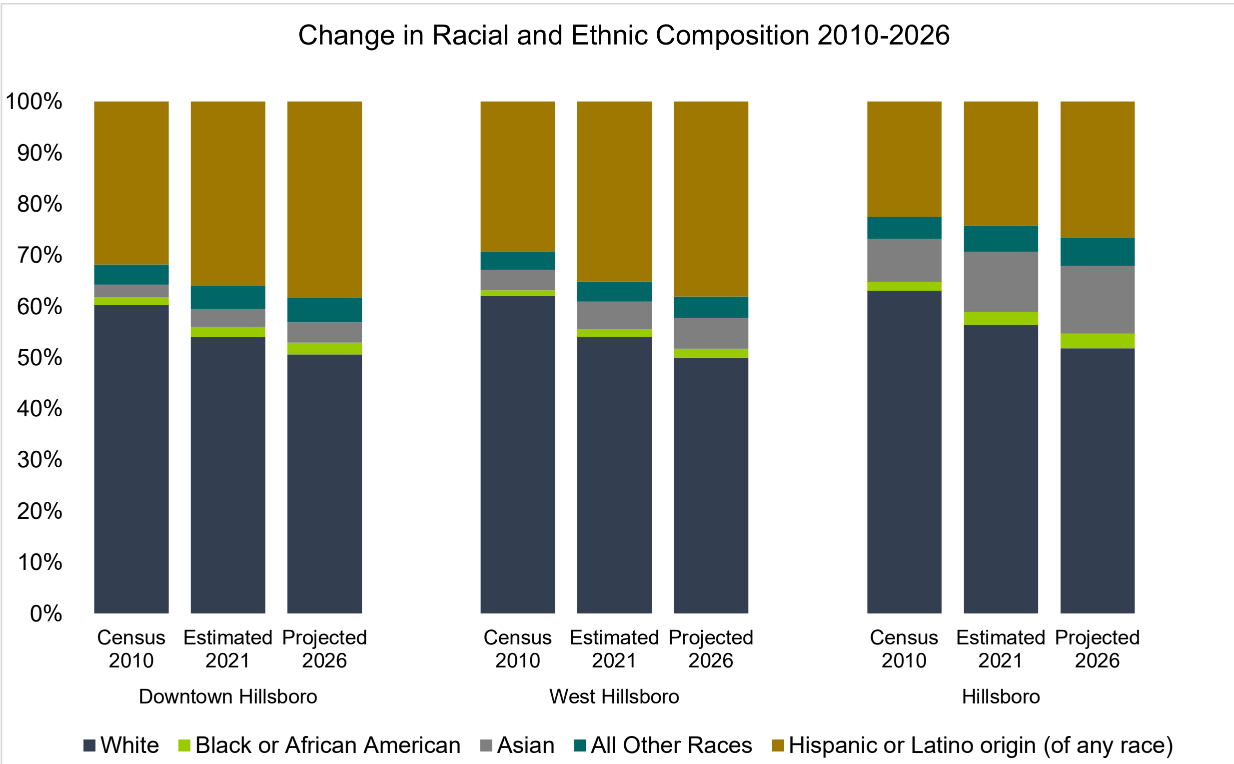
Source: Esri; EPS.

Between 2010 and 2021, the proportion of Hillsboro residents identifying as White fell from 63 percent to 56 percent. This trend is mirrored in both the West Hillsboro and Downtown Hillsboro areas, although the overall proportion of Latinos in those neighborhoods (35 percent and 36 percent, respectively) is much higher than the City overall (24 percent). In addition to a growing Latino population, the Asian population of Hillsboro has grown significantly, as well. Citywide, Asians compose 12 percent of all residents, up from 8 percent in 2010. However, Hillsboro's Asian population, unlike its Latino population, is concentrated in areas outside of Downtown and West Hillsboro. Current population data show that 5 percent of West Hillsboro residents are Asian, compared to 12 percent citywide. These trends—a shrinking proportion of

[3] For the purposes of this analysis, White only includes those who are not of Hispanic or Latino origin.

Whites and growing Asian and Latino populations—are projected to continue through 2026. This analysis shows that West Hillsboro is undergoing a change in racial composition that differs from the trends highlighted in the 2017 report, which projected that the White population of the study area would grow as a share of total population. The recent changes estimated and projected in racial composition are illustrated in **Figure 6**.

Figure 6 Change in Racial and Ethnic Composition



Age

Between 2010 and 2021, the median age of Hillsboro residents grew from 32.3 years to 34.0 years. Median age increased in the Downtown and West Hillsboro neighborhoods over this timeframe as well. Between 2021 and 2026, Esri[4] data project that the overall median age of Hillsboro will fall slightly, while continuing to increase in the West Hillsboro and Downtown areas. Current data also show that Downtown Hillsboro (35.2 years) has a higher median age than West Hillsboro (33.7 years) and the City overall (34.0 years), a trend that is projected to hold through 2026. These trends are consistent with analysis of age distribution in West Hillsboro, which shows the proportion of residents under age 18 falling from 30 percent in 2010 to 27 percent in 2021, while the proportion of residents over age 65 rose from 8 percent to 11 percent in that same timeframe.

[4] Esri is a highly regarded national GIS-based data provider that compiles source data from numerous government and other sources, which is then estimated to the current date and projected forward for user-selected geographies using proprietary algorithms.

Implications for Retail Demand

Population and household growth, combined with rising incomes, in Downtown and West Hillsboro point to continued growth in household spending to support grocery retail in the area. At the same time, rising education levels and increasing diversity will likely create market opportunities for retailers that successfully tap growing market segments. A growing cohort of seniors in Hillsboro could have implications for grocery demand to the extent those households begin to move into Downtown.

Market Overview

The market overview includes a brief discussion of the competitive grocery store context and an analysis of the retail real estate market. Detailed investigation of the existing retailers through extensive field work was conducted for the previous study and largely verified for this analysis though internet research and discussions with City staff and others. The retail real estate market analysis relies on Costar real estate market data and is focused on 0.5-, 1.0- and 3.0-mile rings from Block 67.

Competitive Grocery Context

The competitive environment for grocery and specialty food retail in Downtown and West Hillsboro is largely similar to that identified in the 2017 study. However, since that time, Target has continued to evolve into a stronger food retailer and is considered primary competition. In addition, Southside Grocery has closed.

Since the departure of Hank's Thriftway, Downtown grocery retail supply has been predominantly Hispanic food-oriented grocers and small convenience retailers. While several of the Hispanic food-oriented stores would also be classified as convenience retailers, Super Mercado Mexico is an example of the strength of this segment and is considered a primary competitor in this area.

Grocery Outlet, a discount/warehouse format retailer near the western end of Downtown, is the only full-size major-chain food store near Downtown. Other full-size major-chain food stores generally ring Downtown to the west, southeast, and east at a distance of about 1.5 to 2.0 miles. These include WinCo Foods, Safeway, Target, and Albertsons. No such stores are located to the north of Downtown.

Other major grocery store competitors are located several miles to the east. While these retailers may not generally pull grocery sales emanating from West Hillsboro households on a frequent basis, several are well-positioned to capture sales from auto commuters returning from employment centers elsewhere in the metro area or to capitalize on proximity to other destination retailers.

The list of grocery competitors in **Table 2** generally excludes convenience stores, with the exception of Northside Grocery, which is one of the few grocery retailers capable of intercepting sales from the neighborhoods north of Downtown. The grocery retailers listed below are identified on the map in **Figure 7**.

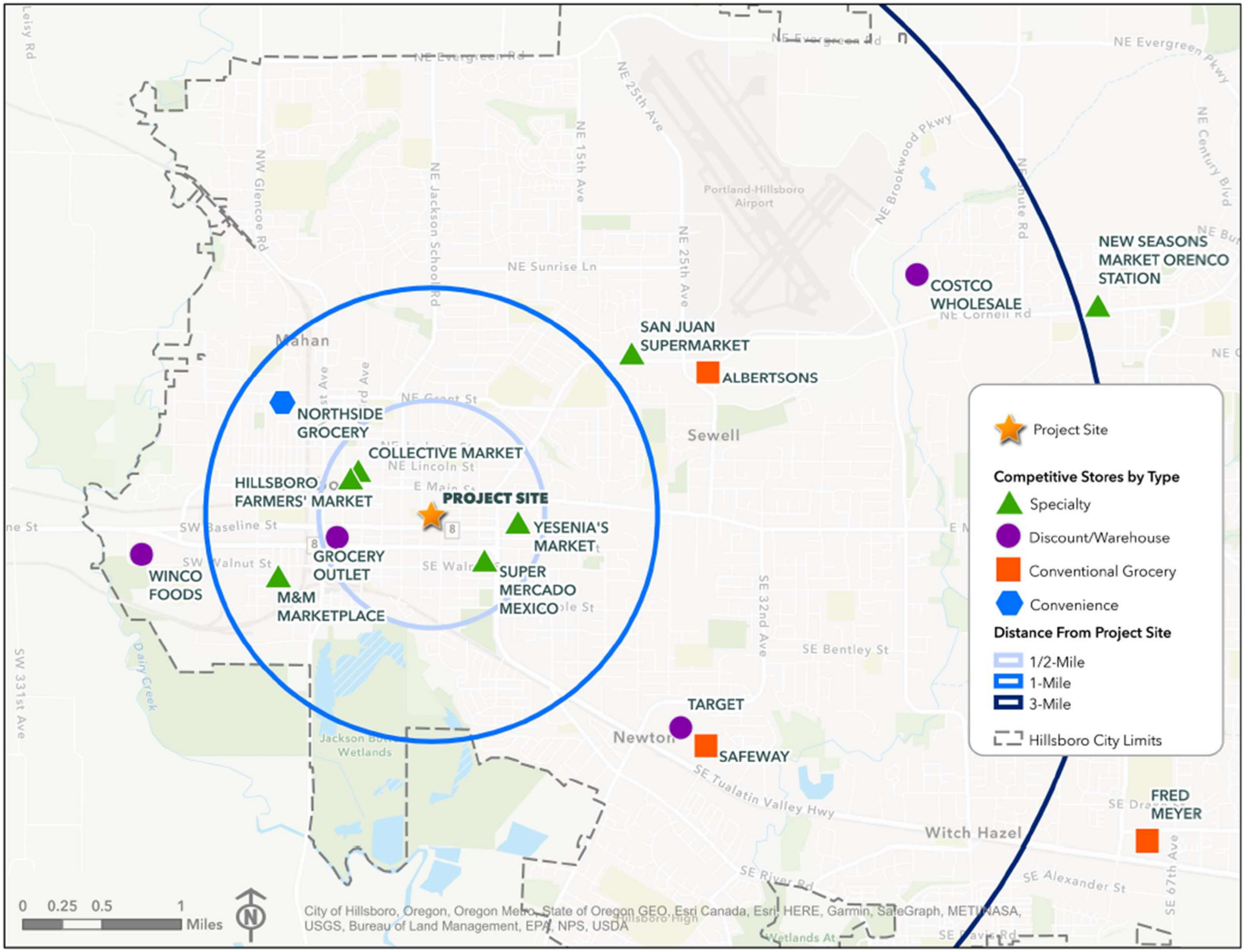
Table 2 Competitive Store Environment

Store Name	Store Type	Address	Miles to Block 67 [1]
Primary Grocery Store Competition			
Grocery Outlet Bargain Market	Discount/Warehouse	354 S 1st Avenue	0.7
Super Mercado Mexico	Specialty	970 SE Oak Street	0.4
WinCo Foods	Discount/Warehouse	1500 SW Oak Street	1.5
Albertsons	Conventional Grocery	888 NE 25th Avenue	1.7
Target	Discount/Warehouse	2295 SE Tualatin Valley Hwy	1.9
Safeway	Conventional Grocery	2525 SE Tualatin Valley Hwy	2.0
Collective Market	Specialty	173 NE 3rd Ave	0.5
Secondary Grocery Store Competition			
Costco Wholesale	Discount/Warehouse	1255 NE 48th Avenue	3.1
New Seasons Market Orenco Station	Specialty	1453 NE 61st Avenue	3.7
Albertsons	Conventional Grocery	7500 SW Baseline Road	3.9
WinCo	Discount/Warehouse	7330 NE Butler Street	4.4
Wal-Mart Neighborhood Market	Discount/Warehouse	7650 NE Shaleen Street	4.3
Fred Meyer	Conventional Grocery	6495 SE Tualatin Highway	4.0
Fred Meyer	Conventional Grocery	22075 NW Imbrie Drive	5.3
Other Grocery Store Competition [2]			
Hillsboro Farmers' Market Downtown	Specialty	232 NE Lincoln Street	0.7
M&M Marketplace	Specialty	346 SW Walnut Street	1.0
Northside Grocery	Convenience	506 NW Connell Avenue	1.2
San Juan SuperMarket	Specialty	1991 NE Cornell Road	1.3
Yesenia's Market	Specialty	1075 SE Baseline Street	0.5

Source: Costar; ESRI; EPS.

[1] Location based on intersection of SE 6th Avenue and SE Washington St.
[2] Excludes gas station mini marts and small convenience stores.

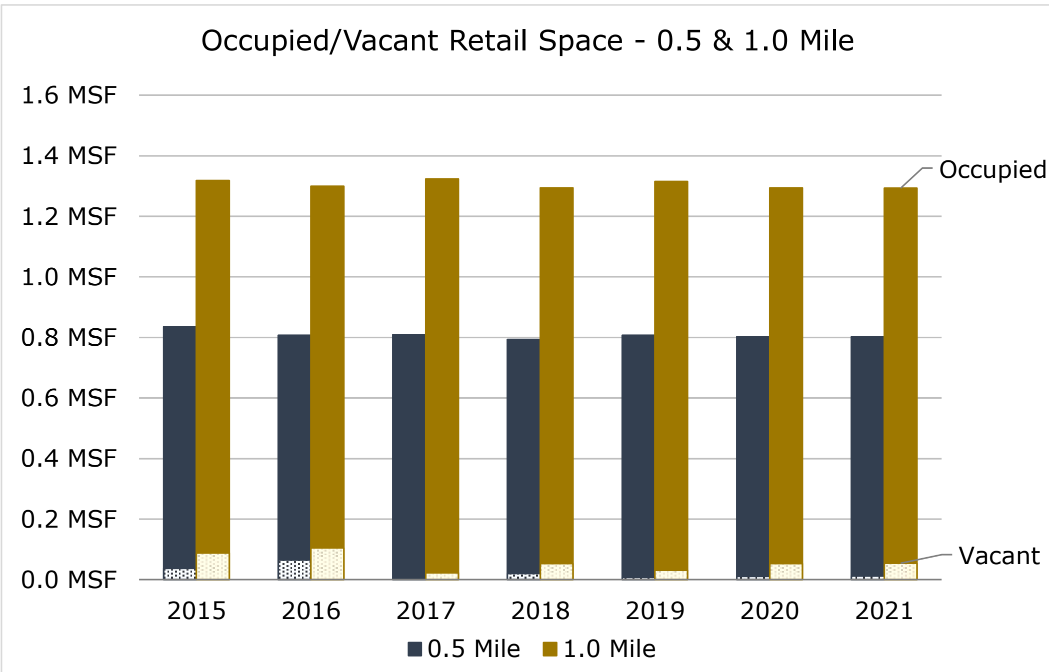
Figure 7 Competitive Grocery Store Context Map



Retail Real Estate Market

The supply of retail real estate in the Downtown area, in terms of building square footage, has remained largely constant over the last several years, with the exception of the removal of about 58,000 square feet of inventory in 2017. Small additions of roughly 7,000 and 5,000 square feet beyond the Downtown area, in 2017 and 2018, were the only other changes in inventory within 3 miles. **Figure 8** illustrates the inventory of occupied and vacant retail space within 0.5 mile and 1 mile of Block 67.

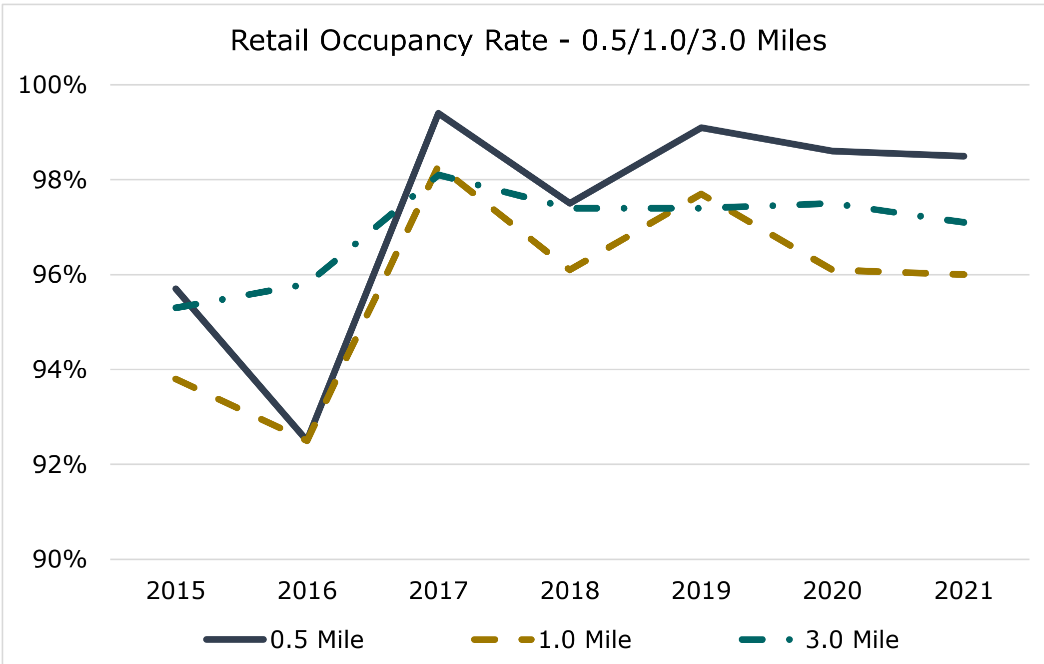
Figure 8 Occupied Retail Space



Source: Costar; EPS.

While the inventory has remained mostly unchanged, the amount of vacant retail space within 0.5 mile is extremely low, with an occupancy rate that climbed to 99 percent in 2017 and has largely stayed at that level. Pre-Covid occupancy rates within the 1-mile ring were nearly as high, at 98 percent; however, they have since declined marginally. The 3-mile ring, with significantly more retail square footage, has also experienced high occupancy, with rates hovering around 97 to 98 percent since 2017, as shown in **Figure 9**.

Figure 9 Retail Occupancy Rate

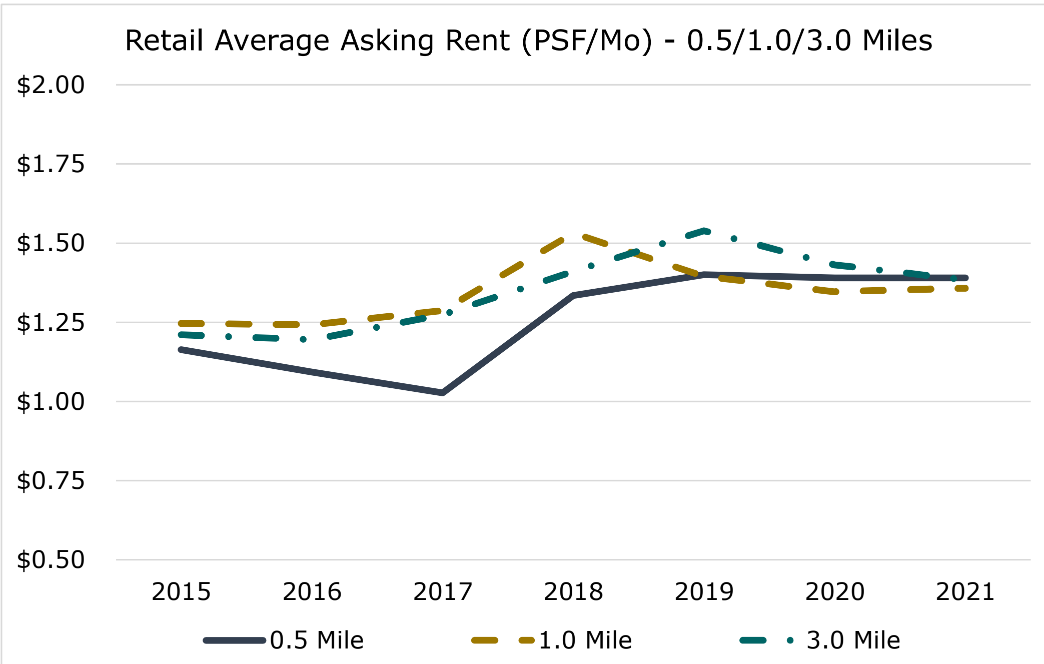


Source: Costar; EPS.

Occupancy rates at such high levels generally indicate a lack of fluidity in the market, hampering normal activity. A healthy market that provides enough vacant space to allow enough flexibility for businesses to make expansion and relocation decisions generally requires occupancy rates no higher than the mid-90s percent.

Despite the elevated occupancy levels, current asking rents remain relatively weak. However, asking rents were increasing before Covid and likely remain impacted from pandemic-related effects on smaller format retail. Within 0.5 mile of the site, average retail asking rents peaked in 2019 at $16.81 per square foot, after rising 30 percent the prior year. Rents in the larger 1-mile and 3-mile rings also peaked shortly before the pandemic, in 2018 and 2019, as shown in **Figure 10**.

Figure 10 Retail Average Asking Rent



Source: Costar; EPS.

The continued high occupancy rates and rent rates peaking before Covid suggest that retail rental rates can be expected to begin increasing once a post-Covid retail recovery is fully underway.

Grocery Demand Analysis

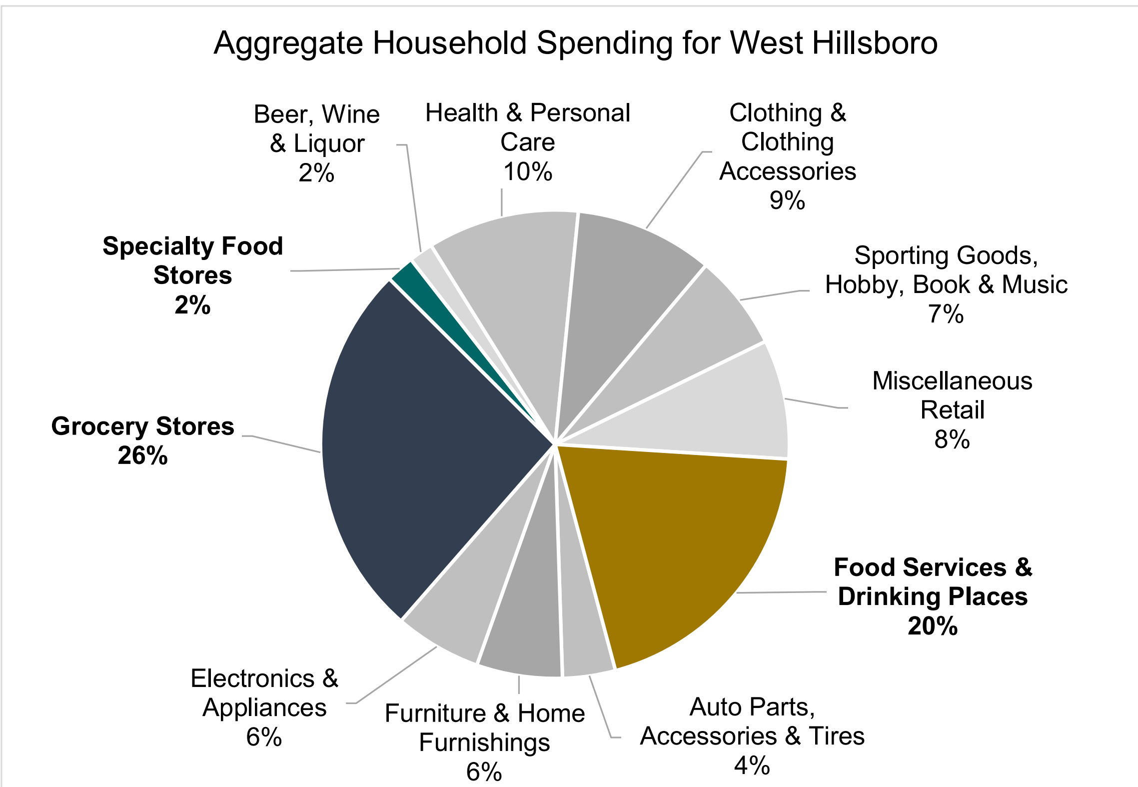
This section identifies area grocery and other food spending, how much of that could reasonably be captured by a grocery retail option Downtown, and the resulting supportable square footage.

Household Spending Patterns

Most sources of support have been estimated based on typical household spending patterns, as identified by the US Bureau of Labor Statistics (BLS), updated and extrapolated by Esri to conform to specific geographies, or other sources as noted in the analysis.

Figure 11 illustrates the estimated household spending breakdown for households in West Hillsboro.

Figure 11 West Hillsboro Household Retail Spending by Category

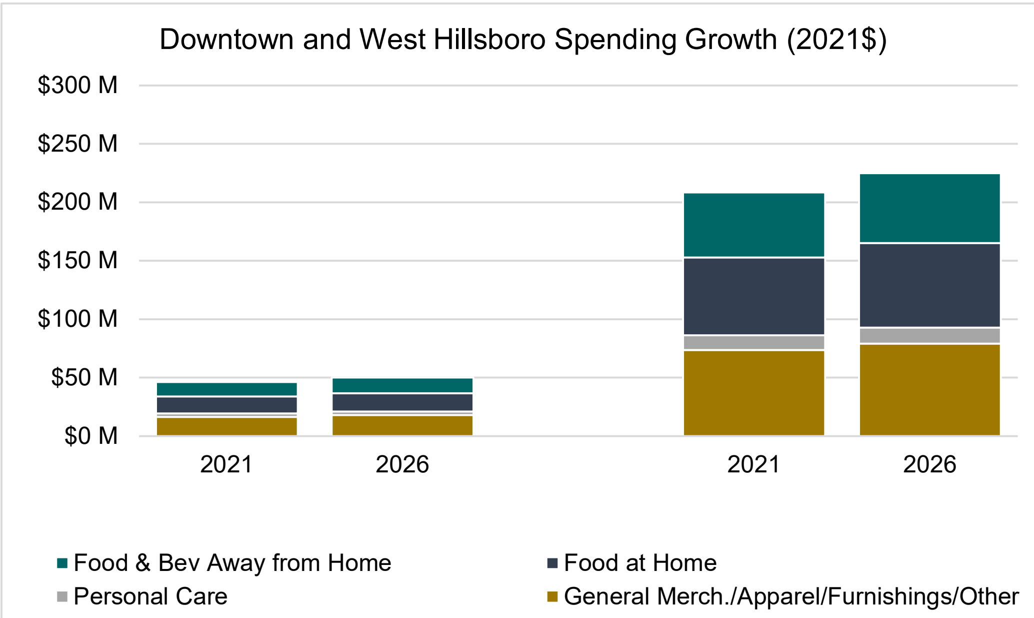


Source: Esri; EPS.

Grocery spending is the largest category of retail spending by households in West Hillsboro, as it is in most places. Specialty food spending provides a small source of additional demand. Spending at eating & drinking places also comprises a significant share of household spending. Given the Downtown context and proximity to light rail, spending at eating & drinking places was included in the analysis to account for increased demand for prepared foods from commuters returning to the area in the evening and others seeking convenient eating & drinking options throughout the trade area.

Figure 12 below illustrates the total projected spending growth for a few key consolidated retail expenditure groupings from households in West Hillsboro overall and the smaller subset of Downtown Hillsboro. The greater number of households in West Hillsboro primarily drives the higher total spending, with marginal increase because of higher average incomes.

Figure 12 Downtown & West Hillsboro Spending Growth



Source: Esri; EPS.

Projected real growth[5] in retail spending by West Hillsboro households is driven by a combination of projected increases in the number of households and real growth in average household incomes.

Sources of Grocery Support

Support for a Downtown grocery store was estimated for a variety of current and future potential sources:

- New market-rate housing units, by type of structure.
- Workforce housing units.
- Senior independent living/active-adult units.
- Underserved northern neighborhood households.
- Office worker daytime spending.

[5] Esri data used to project growth to 2026 are largely based on historical local patterns combined with larger regional and national trends. EPS deflated Esri 2026 projections to 2021$ based on historic BLS Consumer Price Index (CPI) data.

Spending per New Housing Unit Type

Potential grocery and other food spending by households occupying new and proposed residential units in Downtown Hillsboro was determined by estimating required household income to purchase or rent likely new unit prototypes and applying standard spending pattern data to produce relevant retail spending estimates.

The prototypes evaluated by ECONorthwest in their Block 67 Development Study, dated July 28, 2021, provided the basis for the residential unit types likely to develop at Block 67 and elsewhere in Downtown Hillsboro that would support new grocery retail. Based on the sizing and pricing information provided in the Block 67 Development Study, EPS estimated required incomes based on housing costs at 30 percent of gross income.

The shares of gross household income that would be devoted to grocery spending (at-home food) and restaurant & bar spending (food away from home and half of alcohol spending) are derived using BLS spending patterns, as noted in **Table C-13** in the **Appendix**.

Spending by senior households in active-adult or independent-living units is not tied to annual incomes or housing costs in as predictable a manner as younger households. Overall national patterns of average spending by senior age groups, as identified by the Employee Benefit Research Institute, were used as the basis for spending, along with assumptions regarding the share of households with 2 persons and discounting for second-person spending, as noted in **Table C-14** in the **Appendix**.

Supportable Space per Unit

Food retail spending per residential unit is translated into supported square footage per unit in **Table C-12** in the **Appendix** by applying the estimated share of spending captured in Downtown and assumed sales volumes per square foot of store space.

The range of at-home food spending capture rates (25 percent to 35 percent)[6] represents the estimated share of such spending by residents in new development in Downtown that might reasonably be captured by a new, well-merchandised, and well-marketed grocery retailer in Downtown. While major weekly grocery purchases would likely occur outside of Downtown for most households, the convenience of a Downtown location, particularly for those commuting via light rail, would likely have strong appeal for residents of new development in Downtown.

Similar to grocery spending capture, the range of capture rates (3 percent to 7 percent)[7] for away from home food & beverage spending represents the estimated share of such spending by new Downtown residents that might reasonably be captured by an optional prepared food &

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[6] The capture rate range of 25 to 35 percent implies that approximately a quarter to a third of the grocery purchases made by new Downtown households could be reasonably assumed to be made at a new Downtown grocery retail establishment, where convenience and curated merchandise will outweigh the draw of larger establishments further away some percentage of the time.

[7] The 3 to 7 percent away from home food & beverage capture rate implies that roughly 1 out of every 15 to 30 trips to an eating & drinking establishment for new residents Downtown could potentially be to an optional eating & drinking component in a new Downtown grocery. For a household that eats out once a week, that equates to roughly 1.5 to 3.5 times per year.

beverage component in an appealing grocery retail environment. This spending category is essentially a component of restaurant & bar spending, which is often very widely dispersed. Much of this spending will occur in other parts of the Portland Metro area and outside of the region. In Downtown Hillsboro as well, a multitude of spending options exist. However, proximity to the light rail station and colocation with day-to-day grocery needs should allow for a modest capture of some of these sales.

The estimated sales volumes per square foot that translate captured sales into supportable square feet are based on a combination of industry data, standard industry rules of thumb, and consultant judgement. The $440 per square foot grocery sales assumption is a weighted average of high volume/low margin grocery store sales ($450 per square foot) and lower volume/higher margin specialty food store sales ($350 per square foot). The sales volume for the optional food & beverage service portion was kept separate for space calculation purposes, with an assumed volume of $400 per square foot.

The sales volume requirements have been assumed at a level typically found in new construction in relatively high-traffic locations with generally higher rents to support. While lower rents in the area might dictate lower sales volume requirements, the higher volume requirement produces a more conservative result.

Block 67 Support

In **Table C-9** in the **Appendix**, the per unit supportable space estimates described above are applied to each of the development scenarios included from the Block 67 Development Study, incorporating the study's recommendation that half the site be developed with townhouse units and half with multifamily units. As the most viable of the scenarios, the market-rate wood-frame/townhouse scenario-supported grocery space is carried forward in the analysis and incorporated into the estimate of total supportable grocery space.

Other Downtown Development

New supportable grocery/food retail space from recent developments in Downtown were estimated using the same market-rate wood-frame multifamily per unit estimates discussed above. It is assumed the Esri estimates of current retail spending likely do not incorporate demand from projects completed in 2014 and 2017; therefore, demand from these units is included in the estimate of additional supportable space.

Office Worker Spending

Office workers in Downtown will provide support through both lunch purchases and grocery purchases. Average weekly spending per worker is based on International Council of Shopping Centers Office Worker Spending Survey results, annualized and inflated to 2021 dollars.

Moderately strong estimated capture of office worker grocery store spending made during the workday ranges from 20 percent to 30 percent because of the limited nearby options, while estimated capture of lunch spending ranges from 5 percent to 15 percent to reflect greater options, as shown in **Table C-8** in the **Appendix**.

The estimated number of office workers is derived by applying an assumed average of 250 square feet per office worker to the total occupied Class A, B, and C office space within 0.5 mile of the site, per Costar.

Additional spending from other nearby employers, such as medical and educational facilities, will provide some potential support. However, workers in such settings venture off-site much less frequently than office workers and are estimated to provide only incremental support beyond the other sources noted.[8]

Workers from beyond West Hillsboro will likely also provide some additional support. Sales from these workers is part of inflow spending, discussed below.

Northern Neighborhoods

The previous Downtown Hillsboro Grocery Study in 2017 identified a sizeable retail trade gap for grocery and specialty food sales in those portions of West Hillsboro north of Downtown. Essentially, demand for grocery/specialty food retail in the northern neighborhoods significantly exceeds the available supply of such retailers to meet the demand, resulting in an outflow of sales from those neighborhoods to other areas for grocery/specialty food purchases. The current analysis has identified roughly the same trade gap for grocery/specialty food retail in the area. In addition, a proportionally similar trade gap exists for eating & drinking places in the same northern neighborhoods.

Given the lack of significant intercepting retail, moderately strong capture rates for the excess grocery/specialty food spending potential are assumed for a Downtown grocery/specialty food store, as shown in **Table C-5** in the **Appendix**. A small share of excess eating & drinking spending capacity was assumed captured at an expanded grocery store retailer because of the variety of dining options throughout the Metro area. No share of retail demand from northern neighborhoods that is satisfied by current supply, according to the retail gap analysis, has been included in potential support for a Downtown store.

Inflow from Beyond the Trade Area and Other Support

Additional spending from a variety of sources will provide further support for food retail space in Downtown Hillsboro:

- Institutional workers near Downtown.
- Workers at large campuses to the east.
- Day trippers headed to the coast.
- Cyclists passing through or jumping off from Hillsboro.
- Friends and family of residents.
- Curious Portlanders.

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[8] Hospital worker time constraints generally inhibit off-site spending during the workday, limiting the support from OHSU's Hillsboro Medical Center staff. Pacific University support services include Bon Appetit Market 2 blocks from the site in Creighton Hall, capturing a share of staff and student food & beverage spending onsite. Order-of-magnitude estimates for additional grocery retail space supported by Pacific University's academic staff and students range from about 300 to 500 square feet.

Most of these additional sources are part of inflow spending. Inflow spending includes sales made by persons or households from beyond the identified trade area, which is generally West Hillsboro for this analysis. Inflow can be expected to account for at least 10 percent of store sales volume in most instances, with significantly higher shares possible, depending on factors such as traffic volume, visitation, and proximity to regional destinations. However, for this analysis, inflow has been omitted to remain conservative.

Growth Scenarios

Low growth and moderate growth scenarios for roughly a 5-year timeframe were developed in consultation with the City[9] to estimate new grocery demand potential from new residential units and office space in Downtown Hillsboro. **Table 3** below summarizes the growth scenarios used. **Table C-4** in the **Appendix** applies the supportable retail square footage per unit type and office square footage, as identified in the sections above, to the assumed growth for each scenario.

Table 3 Low and Moderate Growth Scenarios

Units / Use	Low Growth Scenario	Moderate Growth Scenario
Market Rate Apartments	100 units	200 units
Workforce Apartments	50 units	100 units
Senior Independent Living	50 units	100 units
Townhouse Units	50 units	100 units
Office	10,000 sq ft	20,000 sq ft

Total Support

Figure 13 illustrates the near-term supported grocery retail square footage from each of the sources discussed above. The additional square footage supportable from future growth in the next several years, under low and moderate growth scenarios, is illustrated in **Figure 14**. The detailed figures supporting these charts are located in **Appendix Table C-3**.

[9] In the absence of clear trends from which to extrapolate future Downtown development projections, or other studies that articulate future Downtown growth, EPS conferred with City staff to generate estimates of growth deemed reasonably attainable within an approximately 5-year timeframe.

Figure 13 Near-Term Supportable Grocery Retail Space by Source

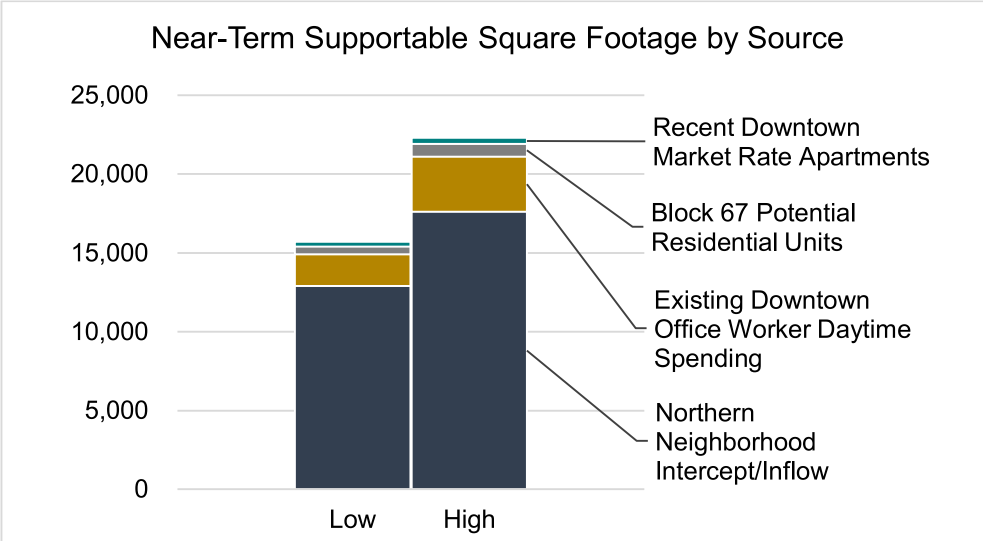
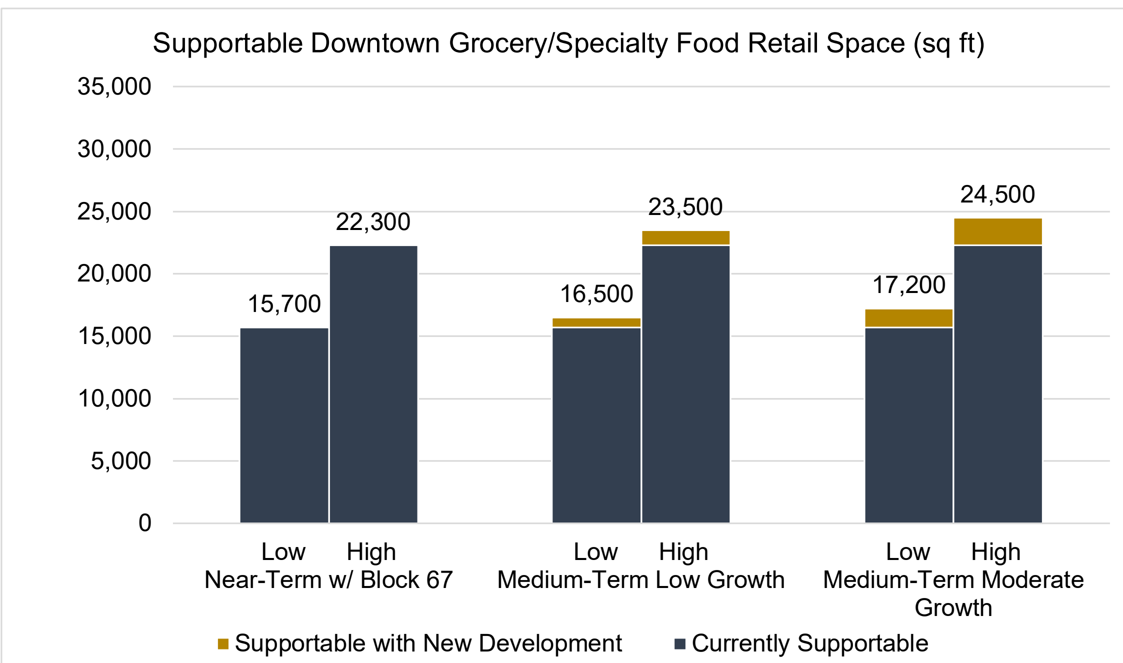


Figure 14 Medium-Term Supportable Grocery Retail Space



The total supportable square footage assumes that an operator develops a concept that can successfully attract a combination of market sectors, particularly those that cater to growing or underserved demand, such as organic & natural foods or gourmet/upscale foods, particularly where prepared food (ready-to-eat or heat-and-eat) are offered. Not all niches will be mutually reinforcing in terms of capturing market share.

The optimal square footage for any specific new food retailer will depend on a variety of factors. Product lines and departments included, target market segments, and overall store concept will influence the calculation of store sizing that maximizes operational viability and the ability to pay rental rates sufficient to support new construction.

APPENDIX

Demographic Assessment

Market Overview

Demand Analysis

Table A-1
Hillsboro Grocery Feasibility
Demographic Assessment: Key Characteristics - Downtown Hillsboro, West Hillsboro, and Hillsboro

Category	Census/ACS 2010	Estimated 2021	Projected 2026	Estimated Change 2010-2021	Average Annual Rate of Change 2010-2021	Projected Change 2020-2026	Average Annual Rate of Change 2020-2026
Downtown Hillsboro [1]							
Population	9,564	10,312	10,713	748	0.7%	401	0.8%
Households	3,041	3,246	3,389	205	0.6%	143	0.9%
Average Household Size	2.81	2.82	2.81	0.01	0.0%	(0.01)	-0.1%
Percent Owner-Occupied Units	52.7%	51.8%	52.3%	-0.9%	-0.2%	0.5%	0.2%
Median Age	33.4	35.2	35.4	1.8	0.5%	0.2	0.1%
Median Household Income - nominal$	$47,485	$59,322	$66,528	$11,837	2.0%	$7,206	2.3%
Median Household Income - 2021$ [3]	$55,660	$59,322	$60,962	$3,662	0.6%	$1,640	0.5%
West Hillsboro [2]							
Population	32,984	35,525	37,121	2,541	0.7%	1,596	0.9%
Households	10,598	11,317	11,830	719	0.6%	513	0.9%
Average Household Size	3.00	3.02	3.02	0.02	0.1%	0.00	0.0%
Percent Owner-Occupied Units	57.6%	57.2%	57.7%	-0.4%	-0.1%	0.5%	0.2%
Median Age	32.4	33.7	34.0	1.3	0.4%	0.3	0.2%
Median Household Income - nominal$	$59,642	$75,481	$84,730	$15,839	2.2%	$9,249	2.3%
Median Household Income - 2021$ [3]	$69,910	$75,481	$77,641	$5,571	0.7%	$2,160	0.6%
Hillsboro							
Population	91,984	107,615	115,097	15,631	1.4%	7,482	1.4%
Households	33,401	39,395	42,294	5,994	1.5%	2,899	1.4%
Average Household Size	2.71	2.69	2.68	(0.02)	-0.1%	(0.01)	-0.1%
Percent Owner-Occupied Units	54.6%	53.5%	53.1%	-1.1%	-0.2%	-0.4%	-0.2%
Median Age	32.3	34.0	33.8	1.7	0.5%	(0.2)	-0.1%
Median Household Income - nominal$	$63,264	$84,297	$94,257	$21,033	2.6%	$9,960	2.3%
Median Household Income - 2021$ [3]	$74,156	$84,297	$86,371	$10,141	1.2%	$2,074	0.5%

Source: US Census/ACS; Esri; EPS.

[1] West Hillsboro includes those portions Census Tracts 324.09,325.01,326.03. 326.04, 326.06, 326.09, and 326.10 within the Hillsboro city limits
[2] Downtown Hillsboro includes those portions of Census Tracts 325.01 and 326.04 within the Hillsboro city limits
[3] Esri household income forecasts adjusted to 2021$ based on annual average CPI change from 2015-2020 for West region urban workers in metros of 2.5 million or less. Median income shown for 2010 is 2011 figure from previous study, inflated/deflated per CPI change from 2011-2020.

Table A-2
Hillsboro Grocery Feasibility
Demographic Assessment: Age and Education - West Hillsboro

Age Distribution (total population)	**2010 [2]**	**2021 [3]**	**Estimated Change 2010-2021**
West Hillsboro [1]			
Under 18 years	30%	27%	-9.8%
18-64 years	62%	62%	0.1%
65 or more years	8%	11%	36.2%

Educational Attainment (Population 25+)	**2010**	**2021**	**Estimated Change 2010-2021**
West Hillsboro [1]			
Less than high school graduate	20%	17%	-13.3%
High school graduate (includes equivalency)	23%	19%	-17.5%
Some college or associate's degree	30%	30%	0.9%
Bachelor's degree	18%	20%	11.3%
Graduate or professional degree	9%	13%	48.8%

Source: Decennial Census, ESRI BAO

[1] For the purposes of this analysis, W. Hillsboro is defined as the entirety of census tracts 324.09,325.01,326.03. 326.04, 326.06, 326.09, and 326.10, inlcuding those portions outside of the Hillsboro city limits

[2] 2010 data source is United States' Decennial Census

[3] 2021 data source is ESRI Business Analyst projections

Table A-3
Hillsboro Grocery Feasibility
Demographic Assessment: Race & Ethnicity - Downtown Hillsboro, West Hillsboro, and Hillsboro

Category	Census 2010	Estimated 2021	Projected 2026	Change 2010-2021	Average Annual Rate of Change 2010-2021	Change 2020-2026	Average Annual Rate of Change 2020-2026
Downtown Hillsboro [1]							
White	60.3%	54.0%	50.6%	-6.3%	-1.1%	-3.4%	-1.3%
Black or African American	1.5%	2.0%	2.3%	0.5%	3.1%	0.3%	2.8%
American Indian and Alaska Native	1.0%	1.0%	0.9%	-0.1%	-0.5%	0.0%	-1.0%
Asian	2.5%	3.5%	3.9%	1.0%	3.3%	0.5%	2.7%
Native Hawaiian and Other Pacific Islander	0.2%	0.2%	0.2%	0.0%	0.3%	0.0%	0.2%
Some other race	0.1%	0.1%	0.1%	0.0%	-0.8%	0.0%	-0.8%
Two or more races	2.6%	3.2%	3.5%	0.6%	2.2%	0.3%	1.8%
Hispanic or Latino origin (of any race)	31.8%	36.0%	38.4%	4.2%	1.2%	2.3%	1.3%
West Hillsboro [2]							
White	60.0%	54.0%	50.8%	-9.9%	-1.0%	(3.22)	-1.2%
Black or African American	1.1%	1.5%	1.8%	33.9%	3.0%	0.23	2.8%
American Indian and Alaska Native	0.6%	0.6%	0.6%	-6.7%	-0.7%	(0.03)	-1.0%
Asian	3.8%	5.4%	6.1%	39.3%	3.4%	0.78	2.8%
Native Hawaiian and Other Pacific Islander	0.3%	0.3%	0.3%	4.6%	0.4%	0.01	0.7%
Some other race	0.1%	0.1%	0.1%	-7.2%	-0.7%	(0.00)	-0.9%
Two or more races	2.4%	3.0%	3.2%	23.6%	2.1%	0.28	1.8%
Hispanic or Latino origin (of any race)	28.4%	35.1%	38.7%	23.5%	2.1%	3.61	2.0%
Hillsboro							
White	63.0%	56.4%	52.7%	-10.5%	-1.1%	(3.68)	-1.3%
Black or African American	1.8%	2.5%	2.9%	43.8%	3.7%	0.42	3.2%
American Indian and Alaska Native	0.6%	0.5%	0.5%	-7.2%	-0.7%	(0.02)	-0.9%
Asian	8.4%	11.8%	13.5%	40.2%	3.4%	1.73	2.8%
Native Hawaiian and Other Pacific Islander	0.4%	0.4%	0.5%	10.5%	1.0%	0.02	1.1%
Some other race	0.2%	0.1%	0.1%	-6.9%	-0.7%	(0.00)	-0.4%
Two or more races	3.2%	4.0%	4.4%	24.1%	2.2%	0.38	1.8%
Hispanic or Latino origin (of any race)	22.5%	24.2%	27.1%	7.6%	0.7%	2.92	2.3%

Source: Esri; EPS.

[1] West Hillsboro includes those portions Census Tracts 324.09,325.01,326.03. 326.04, 326.06, 326.09, and 326.10 within the Hillsboro city limits
[2] Downtown Hillsboro includes those portions of Census Tracts 325.01 and 326.04 within the Hillsboro city limits

Table B-1
Hillsboro Grocery Feasibility
Competitive Store Environment

Store Name	Store Type	Address	Miles to Block 67 [1]
Primary Grocery Store Competition			
Grocery Outlet Bargain Market	Discount/Warehouse	354 S 1st Avenue	0.7
Super Mercado Mexico	Specialty	970 SE Oak Street	0.4
WinCo Foods	Discount/Warehouse	1500 SW Oak Street	1.5
Albertsons	Conventional Grocery	888 NE 25th Avenue	1.7
Target	Discount/Warehouse	2295 SE Tualatin Valley Hwy	1.9
Safeway	Conventional Grocery	2525 SE Tualatin Valley Hwy	2.0
Collective Market	Specialty	173 NE 3rd Ave	0.5
Secondary Grocery Store Competition			
Costco Wholesale	Discount/Warehouse	1255 NE 48th Avenue	3.1
New Seasons Market Orenco Station	Specialty	1453 NE 61st Avenue	3.7
Albertsons	Conventional Grocery	7500 SW Baseline Road	3.9
WinCo	Discount/Warehouse	7330 NE Butler Street	4.4
Wal-Mart Neighborhood Market	Discount/Warehouse	7650 NE Shaleen Street	4.3
Fred Meyer	Conventional Grocery	6495 SE Tualatin Highway	4.0
Fred Meyer	Conventional Grocery	22075 NW Imbrie Drive	5.3
Other Grocery Store Competition [2]			
Hillsboro Farmers' Market Downtown	Specialty	232 NE Lincoln Street	0.7
M&M Marketplace	Specialty	346 SW Walnut Street	1.0
Northside Grocery	Convenience	506 NW Connell Avenue	1.2
San Juan SuperMarket	Specialty	1991 NE Cornell Road	1.3
Yesenia's Market	Specialty	1075 SE Baseline Street	0.5

Source: Costar; ESRI; EPS.

[1] Location based on intersection of SE 6th Avenue and SE Washington St.
[2] Excludes gas station mini marts and small convenience stores.

Table B-2
Hillsboro Grocery Feasibility
Retail Real Estate Market Summary: 0.5/1.0/3.0 Mile Radius

Category	2015	2016	2017	2018	2019	2020	2021 YTD	2015-19 Absolute Change	2015-19 Annual Rate of Change
0.5-Mile Radius									
Inventory (Sq Ft)	872,733	872,733	814,252	814,252	814,252	814,252	814,252	(58,481)	-2%
Occupancy (Percent)	96%	93%	99%	98%	99%	99%	99%	3%	NA
Net Absorption Sq Ft (Total)	(26,330)	(27,203)	1,474	(15,056)	12,733	(3,879)	(700)	39,063	NA
Deliveries (Sq Ft)	-	-	-	-	-	-	-	-	NA
NNN Rent (Overall)	$13.97	$13.12	$12.33	$16.02	$16.81	$16.69	$16.69	$2.84	5%
1.0-Mile Radius									
Inventory (Sq Ft)	1,404,894	1,404,894	1,346,413	1,346,413	1,346,413	1,346,413	1,346,413	(58,481)	-1%
Occupancy (Percent)	94%	93%	98%	96%	98%	96%	96%	4%	NA
Net Absorption Sq Ft (Total)	(15,262)	(17,778)	24,236	(30,146)	21,399	(21,471)	(1,195)	36,661	NA
Deliveries (Sq Ft)	-	-	-	-	-	-	-	-	NA
NNN Rent (Overall)	$14.96	$14.91	$15.44	$18.38	$16.75	$16.16	$16.30	$1.79	3%
3.0-Mile Radius									
Inventory (Sq Ft)	3,582,585	3,582,585	3,531,234	3,536,452	3,536,452	3,536,452	3,536,452	(46,133)	0%
Occupancy (Percent)	95%	96%	98%	97%	97%	98%	97%	2%	NA
Net Absorption Sq Ft (Total)	(32,172)	18,024	30,676	(20,667)	449	3,987	(14,351)	32,621	NA
Deliveries (Sq Ft)	-	-	7,130	5,218	-	-	-	-	NA
NNN Rent (Overall)	$14.53	$14.35	$15.29	$16.93	$18.47	$17.18	$16.61	$3.94	6%

Source: Costar; EPS.

Table C-1
Hillsboro Grocery Feasibility
Retail Spending: Demand & Supply - Downtown Hillsboro, West Hillsboro, and Hillsboro

Retail Industry Group [1]	Demand	Supply	Retail Gap / (Surplus)	Leakage/ (Surplus) Factor	Number of Businesses
Downtown Hillsboro					
Auto Parts, Accessories & Tires	$1,890,122	$5,608,387	($3,718,265)	(49.6)	9
Furniture & Home Furnishings	$3,005,991	$2,334,756	$671,235	12.6	3
Electronics & Appliances	$3,093,874	$9,287,843	($6,193,969)	(50.0)	8
Grocery Stores	**$13,665,486**	**$43,342,400**	**($29,676,914)**	**(52.1)**	**8**
Specialty Food Stores	**$1,039,010**	**$736,691**	**$302,319**	**17.0**	**3**
Beer, Wine & Liquor	$857,654	$6,436,183	($5,578,529)	(76.5)	1
Health & Personal Care	$5,377,716	$25,421,253	($20,043,537)	(65.1)	11
Clothing & Clothing Accessories	$4,941,652	$5,258,550	($316,898)	(3.1)	9
Sporting Goods, Hobby, Book & Music	$3,394,822	$14,949,379	($11,554,557)	(63.0)	12
Miscellaneous Retail	$4,249,720	$12,250,717	($8,000,997)	(48.5)	17
Food Services & Drinking Places	**$10,156,247**	**$25,784,139**	**($15,627,892)**	**(43.5)**	**48**
Subtotal [1]	**$51,672,294**	**$151,410,298**	**($99,738,004)**	**NA**	**129**
West Hillsboro [2]					
Auto Parts, Accessories & Tires	$8,248,440	$11,712,315	($3,463,875)	(17.4)	11
Furniture & Home Furnishings	$13,402,432	$2,334,756	$11,067,676	70.3	3
Electronics & Appliances	$13,522,687	$11,050,889	$2,471,798	10.1	10
Grocery Stores	**$59,003,043**	**$48,481,526**	**$10,521,517**	**9.8**	**12**
Specialty Food Stores	**$4,472,294**	**$736,691**	**$3,735,603**	**71.7**	**3**
Beer, Wine & Liquor	$3,768,312	$6,436,183	($2,667,871)	(26.1)	1
Health & Personal Care	$23,608,114	$25,421,253	($1,813,139)	(3.7)	11
Clothing & Clothing Accessories	$21,596,859	$8,578,601	$13,018,258	43.1	15
Sporting Goods, Hobby, Book & Music	$14,947,439	$15,093,362	($145,923)	(0.5)	13
Miscellaneous Retail	$18,674,861	$16,661,685	$2,013,176	5.7	20
Food Services & Drinking Places	**$44,790,026**	**$43,581,062**	**$1,208,964**	**1.4**	**81**
Subtotal [1]	**$226,034,507**	**$190,088,323**	**$35,946,184**	**NA**	**180**
City of Hillsboro					
Auto Parts, Accessories & Tires	$28,335,917	$34,242,881	($5,906,964)	(9.4)	28
Furniture & Home Furnishings	$46,352,477	$43,295,809	$3,056,668	3.4	27
Electronics & Appliances	$46,607,521	$66,850,833	($20,243,312)	(17.8)	30
Grocery Stores	**$204,538,751**	**$327,392,973**	**($122,854,222)**	**(23.1)**	**39**
Specialty Food Stores	**$15,491,017**	**$4,480,579**	**$11,010,438**	**55.1**	**10**
Beer, Wine & Liquor	$13,113,469	$18,394,391	($5,280,922)	(16.8)	5
Health & Personal Care	$80,740,226	$91,646,012	($10,905,786)	(6.3)	41
Clothing & Clothing Accessories	$74,442,314	$117,048,572	($42,606,258)	(22.2)	66
Sporting Goods, Hobby, Book & Music	$51,477,877	$96,616,598	($45,138,721)	(30.5)	41
Miscellaneous Retail	$65,086,688	$58,235,586	$6,851,102	5.6	64
Food Services & Drinking Places	**$156,224,433**	**$204,894,188**	**($48,669,755)**	**(13.5)**	**252**
Subtotal [1]	**$782,410,690**	**$1,063,098,422**	**($280,687,732)**	**NA**	**603**

Source: Esri; EPS.

[1] Excludes auto dealers and repair shops, gasoline stations, and nonstore retailers.
[2] West Hillsboro includes Downtown Hillsboro

Table C-2
Hillsboro Grocery Feasibility
Retail Spending: Projections - Downtown Hillsboro, West Hillsboro, and Hillsboro

Retail Industry Group	Estimated Consumer Spending 2021	Inflated Forecasted Consumer Spending 2026	Non-Inflated [1] Forecasted Consumer Spending 2026	Non-Inflated Projected Spending Growth 2021-2026	Percent Change 2021-2026
	2021$	*2026$*	*2021$*	*2021$*	
Downtown Hillsboro					
Food & Bev Away From Home	$12,375,909	$14,686,187	$13,457,469	$1,081,561	9%
Food at Home	$14,351,234	$17,032,386	$15,607,375	$1,256,141	9%
Personal Care & Other Convenience	$2,888,984	$3,428,867	$3,141,992	$253,008	9%
GAFO [2]	$16,357,945	$19,411,426	$17,787,373	$1,429,428	9%
Total Consumer Spending	**$45,974,071**	**$54,558,866**	**$49,994,208**	**$4,020,137**	**9%**
West Hillsboro [3]					
Food & Bev Away From Home	$55,404,027	$65,233,169	$59,775,448	$4,371,421	8%
Food at Home	$66,759,678	$78,613,930	$72,036,710	$5,277,032	8%
Personal Care & Other Convenience	$12,647,091	$14,891,944	$13,646,012	$998,921	8%
GAFO [2]	$73,450,209	$86,442,963	$79,210,728	$5,760,519	8%
Total Consumer Spending	**$208,261,004**	**$245,182,006**	**$224,668,897**	**$16,407,894**	**8%**
Hillsboro City					
Food & Bev Away From Home	$214,252,290	$258,388,485	$236,770,459	$22,518,169	11%
Food at Home	$254,629,014	$307,008,703	$281,322,875	$26,693,861	10%
Personal Care & Other Convenience	$49,441,494	$59,690,607	$54,696,603	$5,255,109	11%
GAFO [2]	$282,572,134	$340,512,819	$312,023,876	$29,451,742	10%
Total Consumer Spending	**$800,894,932**	**$965,600,613**	**$884,813,812**	**$83,918,880**	**10%**

Source: Esri; EPS.

[1] Esri household spending forecasts include inflation; EPS adjusted spending downward based on annual average CPI change from 2015-2020 for West region urban workers in metros of 2.5 million or less.
[2] General Merchandise; Apparel; Furnishings, and Other. Also known as shoppers goods/comparison goods.
[3] West Hillsboro includes Downtown Hillsboro

Table C-3
Downtown Hillsboro Grocery Feasibility Analysis
Detailed Summary of Downtown Supportable Grocery Retail Space

	Supportable Square Feet					
	Grocery & Specialty Food Retail		Optional In-Store Food & Bev Service		Total Food Store Supportable Space	
Spending Source	*Low*	*High*	*Low*	*High*	*Low*	*High*
Current and Near-Term Demand						
Recent Downtown Market Rate Apartments	255	364	27	64	300	400
Block 67 Potential Residential Units [1]	466	662	50	117	500	800
Existing Downtown Office Worker Daytime Spending	1,673	2,509	327	981	2,000	3,500
Northern Neighborhood Intercept/Inflow	11,200	14,800	1,700	2,800	12,900	17,600
Total Current & Near-Term Supportable (rounded)	**13,600**	**18,300**	**2,100**	**4,000**	**15,700**	**22,300**
Medium-Term Potential Demand						
Low Growth Scenario						
Additional Supportable Space	700	1,000	100	200	800	1,200
Total Supportable Space	**14,300**	**19,300**	**2,200**	**4,200**	**16,500**	**23,500**
Moderate Growth Scenario						
Additional Supportable Space	1,400	1,900	100	300	1,500	2,200
Total Supportable Space	**15,000**	**20,200**	**2,200**	**4,300**	**17,200**	**24,500**

Source: EPS.

[1] Block 67 wood-frame market apartment & townhouse scenario used; workforce apartment & townhouse scenario provides similar retail support; podium market apartment & townhouse scenario would provide somewhat more retail support.

Table C-4
EPS Project No. 212084
Potential Future Development Supportable Grocery Retail Space

Spending Source	*Muliplier Units*	**Growth Scenario Assumptions**	**Grocery & Specialty Food Retail** *Low*	*High*	**Optional In-Store Food & Bev Service** *Low*	*High*	**Total Food Store Supportable Space** *Low*	*High*
Supportable Space Multipliers								
Market Rate Apartments [1]	*per Unit*		2.8 sq ft	4.0 sq ft	0.3 sq ft	0.7 sq ft	3.1 sq ft	4.7 sq ft
Workforce Apartments	*per Unit*		2.9 sq ft	4.1 sq ft	0.3 sq ft	0.6 sq ft	3.2 sq ft	4.7 sq ft
Senior Independent Living	*per Unit*		2.2 sq ft	3.0 sq ft	0.2 sq ft	0.5 sq ft	2.4 sq ft	3.5 sq ft
Townhouse Units	*per Unit*		2.7 sq ft	3.7 sq ft	0.3 sq ft	0.7 sq ft	3.0 sq ft	4.4 sq ft
Office	*per 1,000 sq ft*		2.1 sq ft	3.1 sq ft	0.4 sq ft	1.2 sq ft	2.5 sq ft	4.3 sq ft
Low Growth Scenario								
Market Rate Apartments [1]		100 units	280 sq ft	400 sq ft	30 sq ft	70 sq ft	310 sq ft	470 sq ft
Workforce Apartments		50 units	145 sq ft	205 sq ft	15 sq ft	30 sq ft	160 sq ft	235 sq ft
Senior Independent Living		50 units	110 sq ft	150 sq ft	10 sq ft	25 sq ft	120 sq ft	175 sq ft
Townhouse Units		50 units	135 sq ft	185 sq ft	15 sq ft	35 sq ft	150 sq ft	220 sq ft
Office		10,000 sq ft	21 sq ft	31 sq ft	4 sq ft	12 sq ft	25 sq ft	43 sq ft
Total New Supportable Space (rounded)			**700 sq ft**	**1,000 sq ft**	**100 sq ft**	**200 sq ft**	**800 sq ft**	**1,200 sq ft**
Moderate Growth Scenario								
Market Rate Apartments [1]		200 units	560 sq ft	800 sq ft	60 sq ft	140 sq ft	620 sq ft	940 sq ft
Workforce Apartments		100 units	290 sq ft	410 sq ft	30 sq ft	60 sq ft	320 sq ft	470 sq ft
Senior Independent Living		100 units	220 sq ft	300 sq ft	20 sq ft	50 sq ft	240 sq ft	350 sq ft
Townhouse Units		100 units	270 sq ft	370 sq ft	30 sq ft	70 sq ft	300 sq ft	440 sq ft
Office		20,000 sq ft	41 sq ft	62 sq ft	8 sq ft	24 sq ft	49 sq ft	86 sq ft
Total New Supportable Space (rounded)			**1,400 sq ft**	**1,900 sq ft**	**100 sq ft**	**300 sq ft**	**1,500 sq ft**	**2,200 sq ft**

Source: City of Hillsboro; EPS.

[1] Market rate apartments assumed wood-frame construction.

Table C-5
Downtown Hillsboro Grocery Feasibility Analysis
Northern Neighborhoods Retail Gap Analysis

Spending Category	Current Retail Demand	Current Retail Supply	Current Retail Gap	Assumed Sales Productivity	Gap Supportable Square Footage	Estimated Capture Low	Estimated Capture High	Supportable Square Footage Low	Supportable Square Footage High
Grocery Stores	$44,768,000	$16,359,000	$28,408,000	$450/sq ft	63,129 sq ft	*15%*	*20%*	9,500	12,600
Specialty Food Stores	$3,385,000	$346,000	$3,038,000	$350/sq ft	8,680 sq ft	*20%*	*25%*	1,700	2,200
Food Store Subtotal								**11,200**	**14,800**
Food Services & Drinking Places	$34,528,000	$12,394,000	$22,133,000	$400/sq ft	55,333 sq ft	*3%*	*5%*	**1,700**	**2,800**
Food Store with Food & Bev Service								**12,900**	**17,600**

Source: Esri; EPS.

Table C-6
Downtown Hillsboro Grocery Feasibility Analysis
Demand Summary: Retail Supply Gap Northern Neighborhoods

Retail Industry Group [1]	Demand	Supply	Retail Gap / (Surplus)	Leakage/ (Surplus) Factor	Number of Businesses
Northern Neighbohoods					
Auto Parts, Accessories & Tire Stores	$6,364,169	$4,341,813	$2,022,356	18.9	4
Furniture & Home Furnishings Stores	$10,465,406	$1,142,894	$9,322,512	80.3	2
Electronics & Appliance Stores	$10,505,855	$5,894,690	$4,611,165	28.1	5
Grocery Stores	**$44,767,584**	**$16,359,176**	**$28,408,408**	**46.5**	**5**
Specialty Food Stores	**$3,384,836**	**$346,401**	**$3,038,435**	**81.4**	**2**
Beer, Wine & Liquor Stores	$2,917,144	$0	$2,917,144	100.0	0
Health & Personal Care Stores	$18,277,369	$9,157,091	$9,120,278	33.2	5
Clothing & Clothing Accessories Stores	$16,621,772	$3,945,719	$12,676,053	61.6	6
Sporting Goods, Hobby, Book & Music Stores	$11,493,624	$13,888,533	($2,394,909)	(9.4)	9
Miscellaneous Store Retailers	$14,442,819	$8,343,165	$6,099,654	26.8	11
Food Services & Drinking Places	**$34,527,768**	**$12,394,410**	**$22,133,358**	**47.2**	**29**
Subtotal [1]	**$173,768,346**	**$75,813,892**	**$97,954,454**	**NA**	**78**

Source: Esri; EPS.

[1] Excludes auto dealers and repair shops, gasoline stations, and nonstore retailers.

Figure C-7
Downtown Hillsboro Grocery Feasibility Analysis
Northern Neighborhoods Map

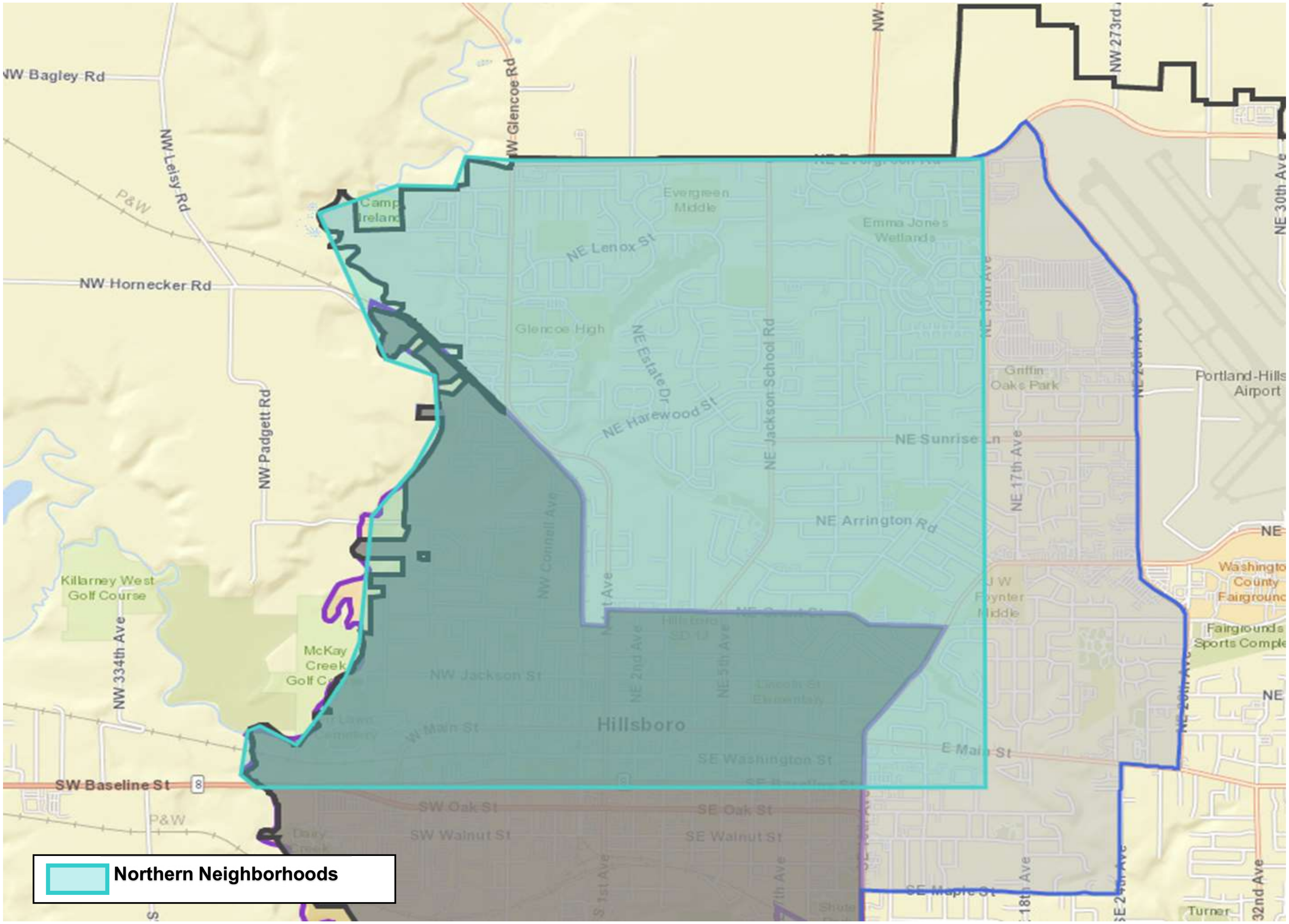


Table C-8
Downtown Hillsboro Grocery Feasibility Analysis
Downtown Office Worker Spending Supported Food Retail

	Workday Spending Type					
	Grocery Stores		Fast Food/Deli/Lunch Eateries		Total Food Store Space	
Item	*Low*	*High*	*Low*	*High*	*Low*	*High*
Annual Spending per Office Employee [1]	$1,154	$1,154	$802	$802		
Estimated Potential Capture Downtown	*20.0%*	*30.0%*	*5.0%*	*15.0%*		
Estimated Downtown/On-site Spending	$231	$346	$40	$120		
Assumed Sales per Sq Ft Requirement	*$450*	*$450*	*$400*	*$400*		
Square Feet Supportable per Employee	0.5 sq ft	0.8 sq ft	0.1 sq ft	0.3 sq ft		
Assumed Office Sq Ft per Employee	*250 sq ft*	*250 sq ft*	*250 sq ft*	*250 sq ft*		
Supportable Retail Space per 1,000 sq ft of Downtown Office [2]	**2.1 sq ft**	**3.1 sq ft**	**0.4 sq ft**	**1.2 sq ft**	**2.5 sq ft**	**4.3 sq ft**
Current Occupied Office Sq Ft within 0.5 mile Radius	815,400 sq ft	815,400 sq ft	815,400 sq ft	815,400 sq ft		
Estimated Current Office Worker Supported Space [3]	**1,672.8 sq ft**	**2,509.2 sq ft**	**326.9 sq ft**	**980.6 sq ft**	**1,999.7 sq ft**	**3,489.8 sq ft**

Source: International Council of Shopping Centers (ICSC) Office Worker Retail Spending, 2012; Costar; EPS.

[1] ICSC office-worker spending survey figures inflated from 2012 to 2021 at factor of 1.19 per BLS CPI calculator and annualized assuming 49-week work year average.
[2] Fast food/deli/lunch eatery demand does not apply to office workers in self-contained facilities with on-site food options.
[3] Office worker spending assumes post-COVID circumstances.

Table C-9
Downtown Hillsboro Grocery Feasibility Analysis
Block 67 Alternative Scenarios Household Supported Space

				Grocery Supportable Sq Ft /Unit		**Food Service Supportable Sq Ft /Unit**		**Split Townhouse/Multifamily Scenarios [2]**							
								Split Scenario Units		Supported Grocery Space		Supported Food Service Space		Supported Total Food & Bev Space	
Scenario/ Prototype [1]	**Unit Type**	**Area**	**Units**	*Low*	*High*	*Low*	*High*	*Multi-family*	*Town-house*	*Low*	*High*	*Low*	*High*	*Low*	*High*
1	Market Podium Apartments	3.8 acres	273	3.3	4.6	0.4	0.8	137	21	507	706	61	124	**600**	**800**
2	Market Wood-Frame Apartments	3.8 acres	292	2.8	4.0	0.3	0.7	146	21	466	662	50	117	**500**	**800**
3	Workforce Apartments	3.8 acres	265	2.9	4.1	0.3	0.6	133	21	441	621	46	94	**500**	**700**
4	Townhouses	3.8 acres	42	2.7	3.7	0.3	0.7	na	na	na	na	na	na	na	na

Source: ECONorhtwest; EPS.

[1] Scenario/Prototype numbers align with Scenarios 1-4 included in the ECONorthwest Block 67 Development Study, dated July 28, 2021.
[2] Split scenarios reflect Block 67 Development Study recommendation to divide the site between townhouse and multifamily. Supported retail space estimates derived using 50% of each scenario's multifamily units plus 50% of the townhouse scenario units.

Table C-10
Downtown Hillsboro Grocery Feasibility Analysis
New Downtown Residential Household Supported Space

Residential Project	Unit Type	Built/ Antici- pated	Units	Grocery Supportable Sq Ft /Unit [1]		Food Service Supportable Sq Ft /Unit [1]		Supported Grocery Space		Supported Food Service Space		Supported Total Food Store Space	
				Low	*High*	*Low*	*High*	*Low*	*High*	*Low*	*High*	*Low*	*High*
Recent Downtown Hillsboro Residential Development													
4th & Main Apartments	Market Rate Rental Apartments	2014	71 Units	2.8	4.0	0.3	0.7	199	284	21	50	220	334
Washington Station	Market Rate Rental Apartments	2017	20 Units	2.8	4.0	0.3	0.7	56	80	6	14	62	94
Total Recent Development								**255**	**364**	**27**	**64**	**282**	**428**
Downtown Current Residential Development													
Merrill Gardens	Assisted Living	2023	141 Units	-	-	-	-	-	-	-	-	-	-
Hillsboro Current Residential Development													
Amberglen South	Market Rate Rental Apartments	2021	352 Units	2.8	4.0	0.3	0.7	-	-	-	-	-	-
MorningStar Senior Living	Independent Living	2022	142 Units	2.2	3.0	0.2	0.5	-	-	-	-	-	-
Total Current Development								**-**	**-**	**-**	**-**	**-**	**-**

Source: EPS.

[1] Market rate apartment spending based on wood-frame unit spending.

Table C-11
Downtown Hillsboro Grocery Feasibility Analysis
Recent Residential Projects

Residential Project	Housing Type	Built/ Anticipated	Units
Recent Downtown Hillsboro Residential Development			
4th & Main Apartments	Market Rate Rental Apartments	2014	71 Units
Washington Station	Market Rate Rental Apartments	2017	20 Units
Hillsboro New and Planned Residential Development			
Amberglen South	Market Rate Rental Apartments	2021	352 Units
MorningStar Senior Living	Independent Living	2022	142 Units
Merrill Gardens	Assisted Living	2023	141 Units

Source: ECONorthwest; EPS.

Table C-12
Downtown Hillsboro Grocery Feasibility Analysis
Supportable Food Retail Space by Residential Unit

	Residential Prototypes				
Category	Podium Apartments	Wood-Frame Apartments	Workforce Apartments	Townhouses	Senior Independent Living
At Home Food Spending					
Household Food Spending (rounded)	$5,800	$5,000	$5,100	$4,700	$3,800
Estimated Potential Capture Downtown/On-site - Low	*25%*	*25%*	*25%*	*25%*	*25%*
Estimated Potential Capture Downtown/On-site - High	*35%*	*35%*	*35%*	*35%*	*35%*
Estimated Downtown/On-site Spending - Low	$1,450	$1,250	$1,275	$1,175	$950
Estimated Downtown/On-site Spending - High	$2,030	$1,750	$1,785	$1,645	$1,330
Supportable Retail Space per Household at Sales of $440 / sq ft - Low	**3.3**	**2.8**	**2.9**	**2.7**	**2.2**
Supportable Retail Space per Household at Sales of $440 / sq ft - High	**4.6**	**4.0**	**4.1**	**3.7**	**3.0**
Away From Home Food & Bev Spending					
Household Food & Bev Spending (rounded)	$4,700	$4,000	$3,500	$4,200	$2,600
Estimated Potential Capture Downtown/On-site - Low	*3%*	*3%*	*3%*	*3%*	*3%*
Estimated Potential Capture Downtown/On-site - High	*7%*	*7%*	*7%*	*7%*	*7%*
Estimated Downtown/On-site Spending - Low	$141	$120	$105	$126	$78
Estimated Downtown/On-site Spending - High	$329	$280	$245	$294	$182
Supportable Retail Space per Household at Sales of $400 / sq ft - Low	**0.4**	**0.3**	**0.3**	**0.3**	**0.2**
Supportable Retail Space per Household at Sales of $400 / sq ft - High	**0.8**	**0.7**	**0.6**	**0.7**	**0.5**
Total Supportable Food & Bev Space per Household - Low	**3.7**	**3.1**	**3.2**	**3.0**	**2.4**
Total Supportable Food & Bev Space per Household - High	**5.4**	**4.7**	**4.7**	**4.4**	**3.5**

Source: EPS.

[1] Market rate apartment spending based on wood-frame unit spending.

Table C-13
Downtown Hillsboro Grocery Feasibility Analysis
Residential Household Food Spending Estimate

	Residential Prototypes			
Category	Podium Apartments	Wood-Frame Apartments	Workforce Apartments	Townhouses
Average Sale Price for New Units [1]	na	na	na	$416,000
Average Rental Rate per Square Foot [2]	$2.55	$2.17	$1.66	na
Estimated Average Apartment Size	818 sq ft	818 sq ft	844 sq ft	na
Estimated Average Apartment Unit Monthly Rent	$2,086	$1,775	$1,401	na
Estimated Annual Housing Cost (rounded) [3]	$25,031	$21,301	$16,812	$30,900
Required Household Income at 30% Cost-to-Income Ratio (rounded)	**$83,400**	**$71,000**	**$56,000**	**$103,000**
Spending on Food at Home as a Percent of Household Income [4]	7.0%	7.0%	9.0%	4.6%
Spending on Food away from Home as a Percent of Household Income [4]	5.3%	5.3%	5.9%	3.7%
Average Food at Home Spending	**$5,830**	**$4,963**	**$5,062**	**$4,711**
Average Food Away from Home Spending	**$4,416**	**$3,759**	**$3,296**	**$3,853**
Spending on Alcoholic Beverages as a Percent of Household Income [4]	0.8%	0.8%	0.9%	0.6%
Estimated Alcoholic Beverage Spending for Home Consumption [5]	50.0%	50.0%	50.0%	50.0%
Average Alcohol Away from Home Spending	**$319**	**$271**	**$241**	**$334**
At Home Food Household Spending (rounded)	**$5,800**	**$5,000**	**$5,100**	**$4,700**
Away from Home Food and Alcohol Household Spending (rounded)	**$4,700**	**$4,000**	**$3,500**	**$4,200**

Source: Bureau of Labor Statistics; ECONorthwest; EPS.

[1] Sales prices for townhouse units per ECONorthwest Downtown Hillsboro Market Assessment, July 2021.
[2] Apartment rents per ECONorthwest Downtown Hillsboro Market Assessment, July 2021.
[3] For sale annual cost estimates based on 30-year loans at 4% interest with 10% down payments, plus additional 30% for taxes, insurance, etc..
[4] Single Family and Townhouse spending ratios for homeowners with mortgage, apartment spending ratios for renters, per BLS Consumer Expenditure Survey 2019.
[5] Consultant estimate.

Table C-14
Downtown Hillsboro Grocery Feasibility Analysis
Independent Living Senior Household Food Spending Estimate

Category	Assumptions/ Calculations
Primary per Householder Food Spending [1]	$5,000
Percent of Households with Second Member [2]	40%
Secondary Householder Food Spending [3]	$3,000
Average Household Food Spending	$6,200
Estimated Percent of Food at Home Spending [4]	62%
Food at Home Spending	**$3,817**
Remaining Away from Home Food Spending	**$2,383**
Additional Alcoholic Beverage Spending as Percent of Food Spending [5]	8%
Estimated Alcoholic Beverage Spending for Home Consumption [6]	50%
Alcohol Away from Home Spending	**$235**
At Home Food Household Spending (rounded)	**$3,800**
Away from Home Food and Alcohol Household Spending (rounded)	**$2,600**

Source: Employee Benefit Research Institute; Bureau of Labor Statistics; ECONorthwest; EPS.

[1] Primary householder food spending based on "Typical" spender profile for persons 65-85 per EBRI.
[2] Percentage of "Typical" spenders in a couple is 40% for the 75-85 age cohort, 46% for the 65-74 age cohort per EBRI.
[3] Secondary householder food spending based on the most budget-conscious spender profile for persons 65-85, the "Home Spender" by EBRI.
[4] Mean spending on Food at Home as a share of mean spending on Food for householders aged 65+ per BLS Consumer Expenditure Survey 2019.
[5] Mean spending on Alcoholic Beverages as a relative share of mean spending on Food for householders aged 65+ per BLS Consumer Expenditure Survey 2019.
[6] Consultant estimate.