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Project Name OR8: SW Adams Ave. SE 10th Ave. and SE Baseline – SE Maple St.
Project K18004
Project Number ODOT B36373; SERA 2001017.01
Attention Karla Antonini, City of Hillsboro
Matt Novak, Oregon Department of Transportation

Subject Technical Memorandum #1: Land Use and Urban Design Existing Conditions and Development Potential Assessment

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This memorandum describes existing conditions and overall development opportunities based on a physical, regulatory, and economic assessment of the OR 8 Project Area and Influence Area (bound by SW Adams, SE Washington Street, SE 11th Avenue, and SE Walnut Street, with an additional area extending further south to SE Maple Street between SE 9th and SE 11th Avenues; see map in Exhibit 1). Subsections of this memo assess those areas based on several factors, including:

- A summary of existing development or parcels derived from County Assessor and City or Metro GIS data. This includes a summary of existing development by zone and a review of the condition and character of site development and transportation facilities.
- An assessment of study area parcels for redevelopment potential based on quantitative and qualitative factors. These characteristic topics were developed based on a work session with City and Agency staff and selected by the Project Management Team (PMT). The factors include proximity to transit, built character such as street frontage, improvement-to-land value ratio, and general site access. This section also includes a brief economic conditions analysis focused on occupancy, absorption, and achievable rents.
- An assessment of zoned development capacity using the variety of controlling development standards, including residential density per acre, floor-area ratio, and a basic calculation of achievable floor area based on site coverage and height regulations.
- An identification of opportunities and barriers to undergrounding utilities in the corridor and associated impacts to right-of-way utilization.

This analysis of existing character and basic identification of street and site design opportunities also will inform initial consideration of the three multimodal corridor design concepts and will help the project team assess the existing and planned-for urban form that is crucial to applying Oregon Department of Transportation *Blueprint for Urban Design* context designations to anticipate future land use and built form conditions on sites surrounding the Project and Influence Areas.

Exhibit 1: Project Area and Influence Area



Figure 1

The Project Team applies its professional judgment in this memo’s analysis and anticipates documenting further details of potential land use and transportation relationships in later phases as we develop concept alternatives. The City additionally wishes to emphasize the important of equity in assessing projects for their potential impacts on

This memo also corresponds with existing transportation system conditions documented in Technical Memo #2, which provides more detail on the mobility network as it exists today. This land use and urban form assessment should also be observed in relationship to the project Vision Statement, which as of 28 July 2021 has been vetted by the Technical Advisory Committee and Planning Advisory and will soon be finalized.

INVENTORY OF EXISTING CONDITIONS AND DEVELOPMENT

The following maps, site photos, and narrative describe existing conditions in the study area and factors influencing redevelopment potential.

Existing Zoning

The project area contains three land use zones, which are mapped on Exhibit 2:

SCC-DT (Station Community Commercial – Downtown): a broadly flexible zone that permits a variety of commercial, retail, office, and multifamily housing uses. This zone was created to implement the Downtown Framework Plan¹ and Station Community Planning Area Comprehensive Plan designation to:

- Implement the Downtown Vision
- Create a Vibrant Downtown Core
- Provide Opportunities for Higher Density Residential and Mixed-Use Development
- Reduce Vehicle Trips and Encourage Active Transportation

This zone covers parcels mostly north of SE Oak Street and along the 10th Avenue corridor. It permits a wide range of commercial, institutional, educational, public, and multifamily residential uses. Development standards allow considerable site coverage, density, and height maximums of 75' (with small areas of 45' south of SE Oak Street in the Residential Compatibility area).

SCR-MD (Station Community Residential – Medium Density): permits a variety of residential types including single-dwelling ranging to multi-family. This zone was created to implement the Station Community Planning Area² designation to:

- o Provide Housing Options in Proximity to Transit
- o Transition Residential Density
- o Preserve Neighborhood Livability

This zone, applies to parcels south of SE Oak Street in the project area, allows housing ranging from single-dwelling to multifamily in densities from 18-23 dwellings per acre. (Note that because of recent State legislation in HB 2001, certain “middle housing” dwelling units may be exempt from density enumeration.) A limited range of retail, school, and congregate use may be conditionally permitted.

I-G (Industrial General): permits industrial, commercial, and certain institutional uses. This zone covers just a few parcels in the southwest corner of the project area along Walnut Street. It permits a range of commercial, lodging, and light industrial uses such as manufacturing, warehousing, auto repair, and related services.

Existing Development and Street Character

The conditions in the project area today vary widely. Uses include automobile-oriented drive-thru food services, single- and multi-dwelling housing, older medical office buildings, a growing hospital complex, a school, grocery stores, small retail, and other commercial and light industrial uses. OR 8 along SE Oak Street and SE Baseline Street includes three travel lanes, on-street parking along SE Oak Street between S Adams Avenue to SE 9th Avenue, no bicycle facilities,

¹ https://library.qcode.us/lib/hillsboro_or/pub/municipal_code/item/chapter_12-subchapter_12_23-12_23_310

² https://library.qcode.us/lib/hillsboro_or/pub/municipal_code/item/chapter_12-subchapter_12_22-12_22_410

and stops for several bus lines. To the north, Washington Street provides access to MAX light rail service and a lower-volume vehicle street serving housing, offices, government buildings, and a few dining and retail establishments.

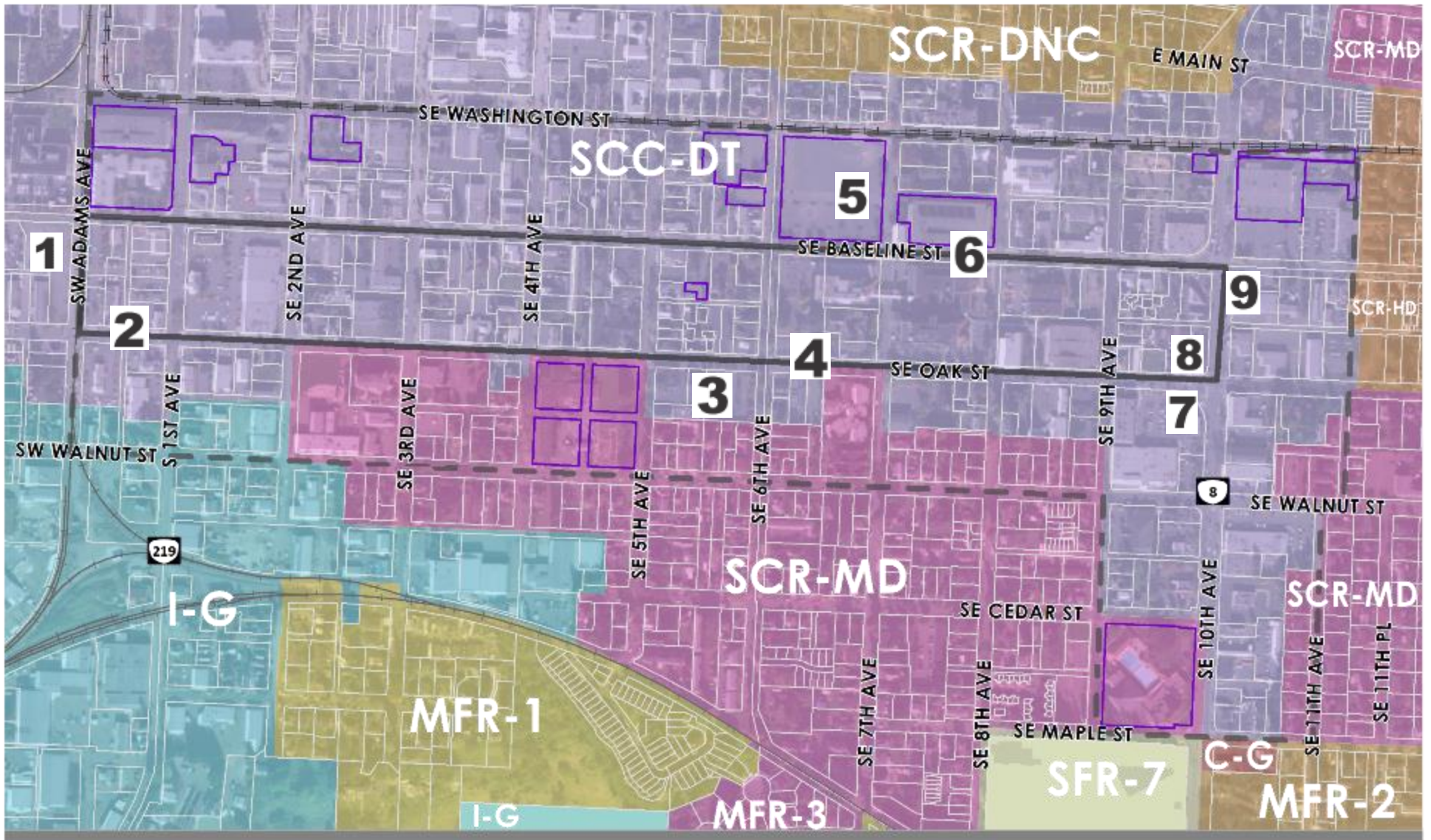
South of SE Oak Street, and particularly east of SE 5th Avenue, is mostly single-family homes. Both S 1st Avenue and SE 10th Avenue, respectively on the west and east ends of the project area, are classified arterials serving regional access; both are lined with fast food, drive-up retail such as chain pharmacies, and shopping center strips. SE 10th Avenue hosts numerous businesses that are particularly important places for the region's Latinx community to obtain services. While there is more activity and centrality to the areas north of our OR 8 study/influence area, the project will balance the needs and opportunities for investment and access to the residential neighborhoods to the south of Oak.

The PMT determined site access and visibility as important redevelopment potential factors. The maps in this memo display prevailing site conditions, building footprints, and the street network to provide access. Sidewalk presence, MAX and bus stop locations, and gaps in the street network are also mapped. Overall site access is satisfactory, with a full grid of streets (many of which are one-way, including eastbound SE Oak Street, westbound SE Baseline Street, and SE 2nd Avenue, SE 3rd Avenue, SE 4th Avenue, and SE 5th Avenue) providing connections on all four sides of blocks. Certain turn movements are restricted at intersections of two-way and one-way streets but are consistent with couplet operations.

Metro's 2040 Growth Concept Plan defines Downtown Hillsboro, including Oak and Baseline Streets, as a 'Regional Center' that is defined as a hub of commerce and local government services serving hundreds of thousands of people. Regional Centers are characterized by two- to four- story, compact employment and housing development served by high-quality transit. SERA architects recommends several key factors to achieve the goals and objectives of a 'Regional Center.

- Provide more enhanced crossings on OR 8 (a.k.a. SE Oak Street and SE Baseline Street) to improve the quality of walking connectivity in Downtown Hillsboro. OR 8 is currently serving approximately 35,000 vehicles per day with a posted speed of 30 miles per hour.
- Encourage denser lot density and multi-story development. Establishing downtown identifiers and wayfinding signage to destinations of Downtown Hillsboro, such as MAX stations, Health and Education District, medical offices, commercial businesses, neighborhoods, and parks. (Note that vehicular wayfinding will be installed over the next two years and should be further coordinated with this Project's recommendations)

This memo provides a high-level inventory of sites and properties in the project area and seeks to identify a smaller set of locations that may be suitable sites for catalyst development and/or significant public investment. Exhibit 2 uses number annotation that leads to photo and text descriptions of key project area features and some potential development locations.










-  Project Area
-  Influence Area
-  Publicly Owned Parcels
-  Parks and Open Spaces









Exhibit 2

Zoning and Project Opportunities Hillsboro, Oregon

SITE	OPPORTUNITY	EXISTING CONDITIONS
1	<p>Opportunity site: SW corner of SE Baseline Street and SW Adams Avenue</p> <p>This lot, which spans the east side of the block west of Adams between SE Baseline Street and SE Oak Street, is currently largely vacant and provides only overflow parking for a car repair shop. Its central location and high visibility to OR 8 travelers in both directions (as well as SE 1st Avenue travelers) make it an ideal development location.</p>	
2	<p>Gateway/entry point along SW SE Oak Street at SE 1st Avenue</p> <p>Heading east on SE Oak Street from SW Adams Avenue towards SE 1st Avenue, and then crossing SE 1st, defines the entry experience approaching the corridor from the west. The SE Oak Street /SE 1st Avenue intersection could be improved with safer crossing facilities and general traffic calming, and adjacent sites could support more urban and varied uses closer to the street.</p>	
3	<p>Opportunity site: SW corner of SE Oak Street and SE 6th Avenue</p> <p>An active parking lot³ owned by Tuality Hospital in the SCC-DT zone with potential for medical expansion, other commercial, or residential uses. (Potentially sold or in partnership with current landowners.) The site is in long-term lease with Pacific Medical Buildings, who could be engaged as a partner but have not been contacted as of the writing of this memo.</p>	

³ Parking is further studied and documented in Technical Memorandum #2

<p>4</p>	<p>SE Oak Street – eastbound near SE 6th Avenue</p> <p>Three lanes serve vehicles and several TriMet bus routes eastbound. On-street parking on the south (right-hand) side. No bicycle facilities. Sidewalks on both sides, often curb-tight and punctuated by driveways. Adjacent development includes low-rise outpatient medical offices, some single-dwelling homes, auto repair services, and schools. Eastbound OR 8 is suitable for a range of multimodal improvement and streetscape projects to bolster site visibility and overall safe access for all users.</p>	
<p>5</p>	<p>Opportunity Site: Block 67</p> <p>This full block between SE Washington Street, SE 6th Avenue, SE Baseline Street, and SE 7th Avenue has immediate-term redevelopment potential site with several concept plans already in the works. It is a 3.61 acre site with frontage on all sides next to transit and medical offices. Residential, public use, office, retail, educational, and other uses can be considered across the property (which the City of Hillsboro owns).</p>	
<p>6</p>	<p>Westbound SE Baseline Street through OHSU</p> <p>SE Baseline Street has three lanes of travel for vehicles and three bus lines (#46, #47, and #57). No on-street parking or bicycle facilities located on SE Baseline Street. Sidewalks and street trees currently exist on this corridor. This stretch of SE Baseline Street should be considered for multimodal improvements, additional landscape treatments, opportunities for more active frontage ground floor</p>	

	<p>uses, and a streetscape that serves potential residential development.</p>	
<p>7</p>	<p>Opportunity site: West of 10th between SE Oak Street and SE Baseline Street</p> <p>This site contains several retail/restaurant uses and a Goodwill donation center and store.. The remainder of the site (currently a parking lot) could be developed with more uses closer to the front property edges that have and help define this eastern end to the OR 8 couplet corridor.</p>	
<p>8</p>	<p>Business Row – along SE 10th Avenue</p> <p>Several multi-lingual (Spanish and English) service businesses are grouped along SE 10th Avenue just north of SE Oak Street on the west side of the street. Businesses can be preserved and access improved through the efforts of this Project and associated street improvement projects, including possible beautification.</p>	
<p>9</p>	<p>Gateway/entry point at SE Baseline Street and 10th Avenue</p> <p>This intersection (shown in a photo looking northwest from SE 10th Avenue towards the left turn on SE Baseline Street) is the primary entry point for westbound travel on the corridor using Baseline. Improvements to this intersection, as well as beautification, can complement development potential on the site on the southwest corner to make this a distinct welcoming experience for people entering the OR 8 couplet area.</p>	

DEVELOPMENT POTENTIAL

Development potential based on several quantifiable or observed characteristics in the Study and Influence Areas is summarized below.

Site Utilization

An assessment of the ratio of site improvements to land value (the I/L ratio) can provide a rough picture of the level of site utilization in the study area. This can help us to understand, at a high level, the development potential of the study area. Exhibits 4, 5 and 6 describe the assessed value of buildings, structures, and improvements compared to the assessed value of underlying land on a parcel. A ratio of 0.0 indicate a vacant (unbuilt) site, ratios under 1.0 typically indicate redevelopment potential, and ratios above 1.0 typically indicate a well-developed site. An I/L ratio is a preliminary tool to help identify underinvested sites, but much further study of a property (including contact to the owners, evaluation of displacement risk, historic preservation, and equitable growth considerations) are all vital factors as well.

The project area contains several fully vacant sites, including the entirely empty Block 67 (see above map annotation 5), a City-owned lot that is a major redevelopment target. Other below-1.0 ratio properties include a number of single-dwelling homes, small commercial establishments, and parking lots in individual parcels spread throughout the area. Some of these properties could be aggregated to create larger development opportunities. Properties with higher ratios include larger commercial lots that contain groceries stores or multiple active businesses, OHSU hospital properties, and schools.

Site Ownership and Catalyst Sites

Throughout this project the team may identify additional landowners who are interested in site redevelopment and the potential of the OR 8 project to catalyze investment, enhance safety, and improve site access. Exhibit 5 displays publicly-owned properties, which could also support unique, community-driven projects.

Additionally, City staff has identified four preliminary sites to consider for a study of redevelopment potential. These sites are locations numbered 1, 3, 5, and 7 in Exhibit 2. City staff identified these sites because of a blend of ownership, location, buildable surface, and/or long-term targeting by the City that began before the initiation of this project on OR 8. During the 22 July 2021 Planning Advisory Committee meeting, members note several other sites worth consideration including:

- A publicly-owned parcel just east of the police station along SE Washington Street west of SE 11th Avenue
- The Baker's Burgers site on the northeast corner of SE 8th Avenue and SE Baseline Street
- The former dry cleaner site on the southeast corner of SE 3rd Avenue and SE Baseline Street

Exhibit 3: Parcel Inventory

Base Zone	Quantity of Parcels	Average Area of Parcels (SF)	Quantity of Parcels with I/L Ratio ⁴ under 1.0	Average Area of Parcels with I/L Ratio under 1.0 (SF)
SCC-DT	305	15,673	140	13,020
I-G	10	17,421	2	21,319
SCR-MD	40	17,388	23	6,955

Exhibit 4: Parcel Inventory with I/L Ratio below 1.0

Base Zone	Total Number of Parcels In Zone	Quantity of Parcels 0-¼ ac with I/L Ratio under 1.0	Quantity of Parcel ¼-½ ac with I/L Ratio under 1.0	Quantity of Parcels ½-1 ac < with I/L Ratio under 1.0	Quantity of Parcels >1 ac with I/L Ratio under 1.0
SCC-DT	305	103	21	10	6
I-G	10	1	0	1	0
SCR-MD	40	22	1	0	0

The SCC-DT zone contains a range of other special development standards in section 12.61.400 seeking to shape active, urban, mixed uses. These include but are not limited to:

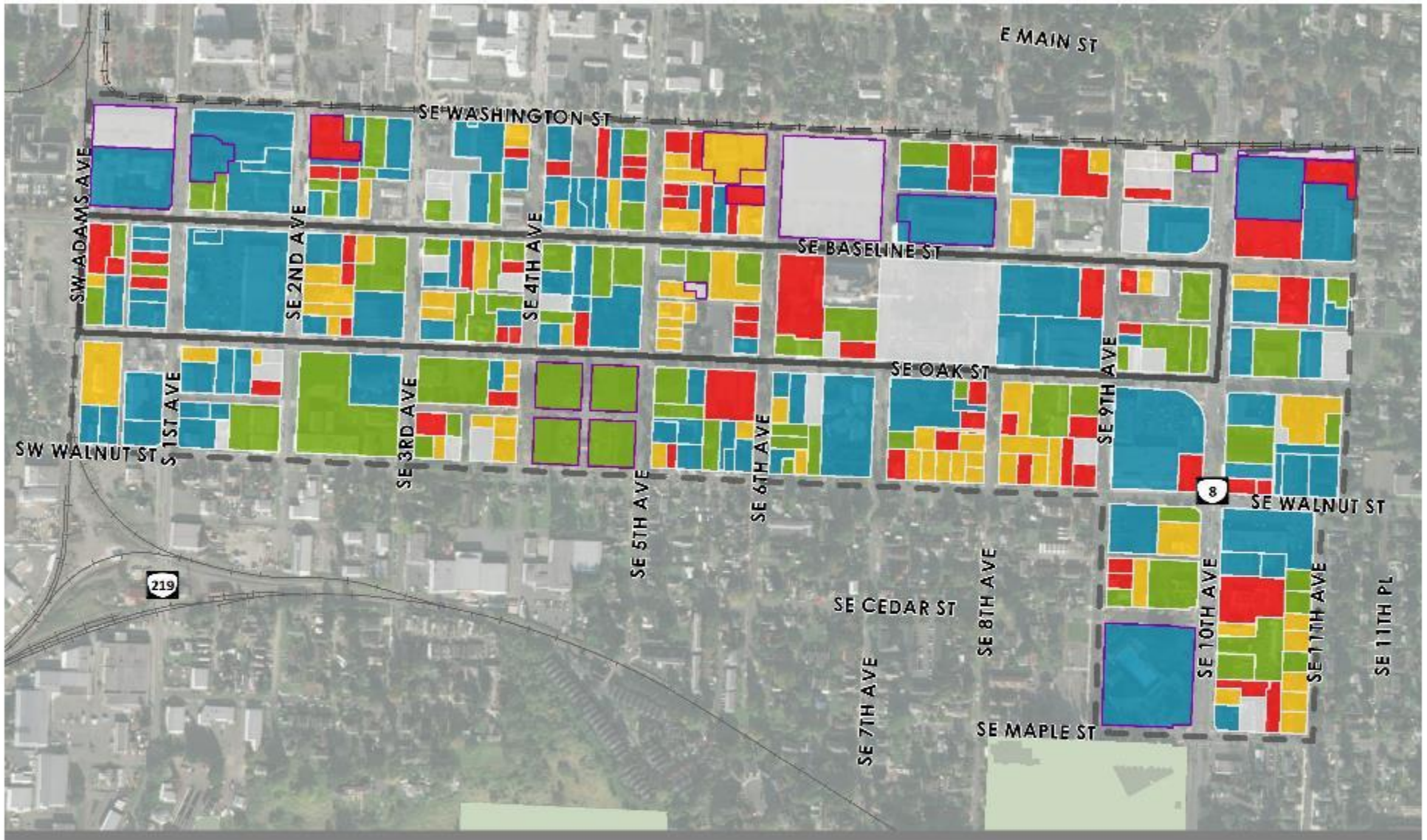
- Active frontage requirements and zero setback allowance facing certain streets including SE 2nd Avenue, SE 3rd Avenue, and SE 4th Avenue between SE Baseline Street and E Main Street. Additionally, the entire SCC-DT zone in the project area requires at least 50% (and more along certain streets) frontage on all properties.
- In addition to the maximum heights of 75' and 45', a minimum height of two stories is required for development in the area bound by SE 1st Avenue, NE Lincoln Street, SE 4th Avenue, and midblock between SE Oak Street and SE Baseline Street.
- Open space requirements for all residential projects and non-residential projects on sites greater than ½ acre.
- Building entry orientation and ground-floor window coverage requirements.
- Requirements for on-site parking to be located to the side or rear of buildings and concealed from the street to the extent possible.
- Architectural design standards, such as façade articulation and materials requirements.

Physical Characteristics and Location

A range of qualities can influence the development potential of a site. In the context of the OR 8 project the following factors are of note (shown in Exhibit 6):

⁴ I/L Ratio (Improvement to Land Value Ratio) uses the relationship between the value of improvements to a parcel and the land value of a parcel to represent the extent to which a site is being utilized to its full development potential. One purpose of the I/L ratio is to identify sites with low improvement values. A lower I/L Ratio represents an underutilized site that, depending on existing use and zoning, may have high redevelopment potential.

- **Proximity to transit:** The majority of the project area is within a ¼-mile straight-line distance of the MAX light rail system, and several TriMet bus lines run on OR 8 and connect to Forest Grove, Cornelius, PCC Rock Creek, Beaverton, and other destinations.
- **Site visibility:** Sites with frontage on OR 8, 1st Avenue, and 10th Avenue have greater visibility to vehicle traffic due to streets having higher traffic volume with their arterial classification. The stretch of OR 8 between SE 1st Avenue and SE 4th Avenue is also close to the core of Historic Downtown Hillsboro, civic uses, and Main Street's commercial district.
- **Site access:** Most properties in the project area are easily accessed by OR 8 or adjacent roads. Many sites also offer individual driveways and parking, be it for commercial, institutional, or residential uses. While the OR 8 couplet one-way flow sometimes requires several blocks of circuitous travel, it is not a major impediment to motorized vehicle mobility or access. Most of the project area has complete sidewalks, though some are narrow, in poor condition, or curb-tight to the street. Alleys, particularly between SE Oak Street and SE Baseline Street, is an important access point for some sites and can be further considered as part of the circulation and site design concepts. Technical Memorandum #2, which is forthcoming, will provide additional detail on existing transportation conditions. Site access also includes considerations for parking – vehicles, bicycles, and otherwise – and the need to balance parking supply with not overproviding parking on a site and damaging the efficiency of a development for usable people spaces.
- **Parcel size:** The type of development on a site tends to be influenced by parcel size. Residential could be scaled to sites ranging from under 10,000 sf to full blocks well exceeding 50,000 sf. Small businesses can fit on individual small lots or as part of a commercial cluster developed on a larger property. Institutional uses such as schools or hospitals likely need larger properties. Public uses such as parks could fit a variety of parcel sizes and configurations. Exhibit 3 in the Zoning Regulations topic describes parcel quantities and average size both in total and for those parcels with an Improvement/Land ratio below 1.0 and potentially ripe for redevelopment.



-  Project Area
-  Influence Area
-  Publicly Owned Parcels
-  Parks and Open Spaces

Improvement to Land Value Ratio




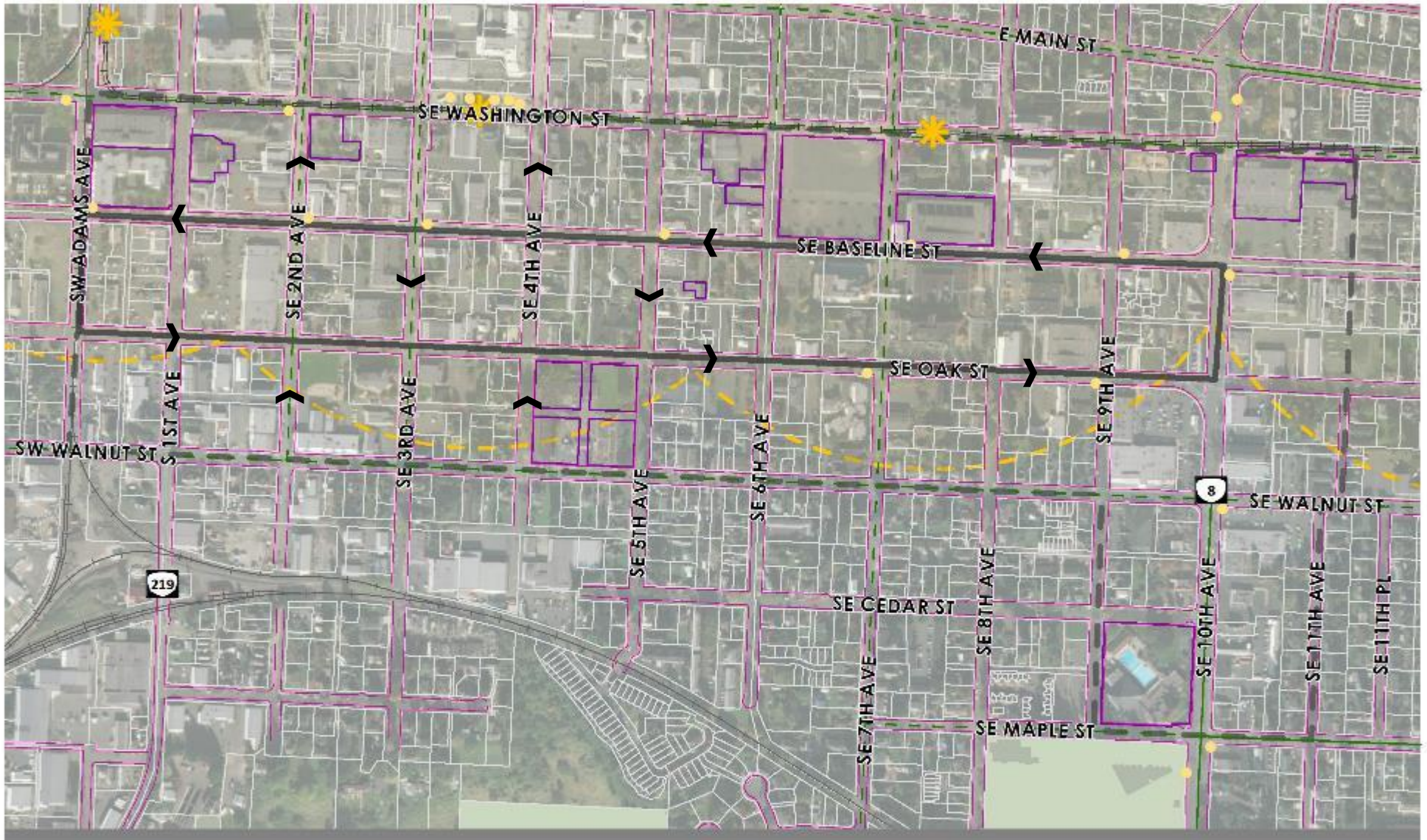
-  0
-  >0 - 0.5
-  0.5 - 1.0
-  1.1 - 2.0
-  >2



Exhibit 5

Improvement to Land Value Ratio
Hillsboro, Oregon





- | | | |
|--|--|--|
|  Project Area |  Parks and Open Spaces |  MAX Stop - 1/4 Mile Buffer |
|  Influence Area |  Sidewalks |  MAX Stops |
|  Taxlots |  Existing Bike Facilities |  Bus Stops |
|  Publicly Owned Parcels |  Future Bike Facilities |  Direction of Traffic |



Exhibit 6

Access and Visibility Hillsboro, Oregon

Development Capacity

The following tables summarize calculated development capacity for parcels in the project area at both the aggregate and average granularity. Several notable findings include:

- Average lot size is fairly consistent regardless of zone, ranging between 15,500-17,500 sf.
- Over half (23 of 40) of SCR-MD parcels have an Improvement/Land Value (I/L) ratio under 1.0, suggesting development potential.
- Nearly half (140 of 305) of SCC-DT parcels have an I/LR ratio under 1.0, suggesting development potential. Note that low ratios may also reflect underinvested or dilapidated homes or commercial buildings that are still viable residences or businesses but occupy below-average quality structures.
- Existing built square footage or dwellings data was not fully obtained by the completion of this memorandum, so the team estimated the potential development capacities listed in Exhibits 7 and 8 – for example, 9 dwellings per parcel on average in the SCR-MD zone, and maximum floor area ratio of 5.1 for parcels in the SCC-DT zone – is higher than what exists today for dwelling units and floor area along the corridor.

Exhibit 7: Development Capacity Totals (gross)

Base Zone	Quantity of Parcels	Total development capacity if Residential only (dwellings)	Total development capacity if Commercial only (SF)	Resulting FAR for commercial uses
SCC-DT	305	9,027	23,042,997	5.1
I-G	10	4	534,511	1.5
SCR-MD	40	367	1,043,299	3

- *Note: in the SCC-DT zone the development capacity represents either achievable residential development if residential is the only use or achievable commercial development if commercial is the only use. These are exclusive totals and should not be combined.

Exhibit 8: Development Capacity Average per Parcel (gross)

Base Zone	Quantity of Parcels	Average Residential Development Capacity Per Parcel (DUs)	Average Commercial Development Capacity Per Parcel (SF)
SCC-DT	305	30	75,551
I-G	10	0	53,451
SCR-MD	40	9	26,082

Our calculation assumptions for development capacity are described here:

SCR-MD Zone

- Assumed each parcel can be built to the maximum of 23 dwellings per acre. No discount factor for parking or site inefficiency applied.

SCC-DT and I-G Zones

- Each parcel total land area was extracted.
- A site efficiency factor of 75% was applied (a multiple of 0.75) to find a floorplate assumption
- Total number of achievable stories was calculated as: height limit divided by 11.
- Floorplate multiplied by number of stories to result in total building square footage

- Total square footage then discounted by 25% to account for on-site parking (either as structured parking that uses up floor area, or as surface parking that reduces from the achievable footprint).

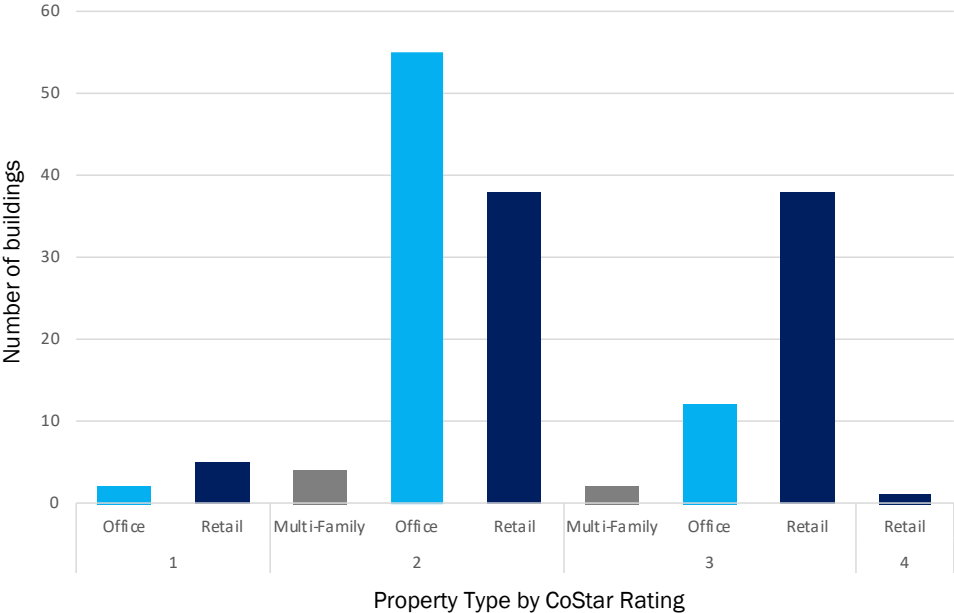
MARKET CONDITIONS

To inform the overall assessment of existing conditions, ECONorthwest reviewed market conditions for residential, office, and retail development types as of Spring 2021. Since 2000, the influence area has seen seven developments - 2 residential, 3 office, 2 retail, though some buildings have been rehabilitated (influence area has not seen new developments since 2006). For each of the building types, the Team looked at direct rents per square foot, vacancy rates, net absorptions, and net deliveries. A summary of these terms is included below:

- Direct Rent/SF/Year:** Annual rents on a per square foot basis.
- Vacancy Rates:** How much space on a per square foot basis is vacant within a submarket.
- Deliveries:** The total amount of new multifamily units that have been added to the market on an annual basis.
- Absorption:** Annual net new occupancy or vacancy of multifamily units, accounting for deliveries.

Many of the buildings within the influence area are functionally obsolete – i.e. design is outdated, the building is abandoned, and/or does not meet current market demand standards. While others lack the quality and amenities that are found in newer buildings. CoStar⁵ has developed a 5-star Building Rating System to standardize building quality comparisons. Within the influence area, the majority of the buildings have a 2- or 3-star rating, which means the exterior shows signs of age and wear, little to no building amenities or landscaping, and the structure is purely functional.

Exhibit 9. CoStar Rating for Multifamily, Office, and Retail in Influence Area
Source: CoStar



⁵ https://www.costar.com/docs/default-source/brs-lib/costar_buildingratingsystem-definition.pdf?sfvrsn=12a507a4_2

Residential Uses

In Downtown Hillsboro, the majority of residential multifamily buildings are 2-story, Class C apartment buildings built in the 1960s and 1970s. The structures are low- to medium-density wood frame construction. Downtown has a total of 1,401 units, and only 93 of those units have been constructed since 2010.⁶ The largest multifamily delivery in the Downtown Hillsboro market was in 2014 with the opening of the 4th Main Apartments, which brought 71 units to the market. Downtown Hillsboro is also home to Pacific University's College of Health Professions which enrolled 1,286 students in Fall 2020.⁷ The cyclical housing need from Pacific University students impacts the local rental demand.

The influence area mostly mirrors the same building type patterns as Downtown Hillsboro. It also has mostly smaller Class C Apartments built in the 1950s and 1960s, some with recent renovations. City Center Apartments, a larger Class B apartment building, completed in 2004, brought 91 units to the market.

There are just six apartment buildings in the influence area that report their rent data to CoStar. The data show that rents are mostly similar to Downtown Hillsboro, and the differences could be attributed to the larger share of newer apartment buildings in the larger downtown area compared to the Influence Area.

Exhibit 10. 2021 Rents in Downtown Hillsboro and Influence Area

Source: CoStar

	Downtown Rent	Influence Area Rent*
Asking Rent/SF	\$1.14	\$0.90
Studio Rent	\$1,084	\$1,084
1-Bed	\$873	\$715
2-Bed	\$981	\$963
3-Bed	\$1,079	n/a

* Data from six multi-family buildings, some with incomplete data

Downtown Hillsboro: Within the influence area, two multifamily buildings have been built since 2000 - the City Center Apartments in 2004 and the soon-to-be-completed Isabelle Terrace in 2021 (currently pre-leasing for December 2021 move-ins). Within the broader downtown area, residential development activity has consisted of:

- 4th Main Apartments (71 units), built in 2014
- Washington Street Station Apartments (20 units), built in 2012
- Merrill Gardens (141-bed senior living development), under construction

Hillsboro: Over the past five years, developers have built 10 multifamily buildings with 1,630 units citywide. Two buildings are currently under construction (including Merrill Gardens), which will bring the total units built over the past five years to 2,125 units.

⁶ As cities grow and develop it is important for governments to consider how these changes might displace vulnerable residents and small businesses. Ideally, residents who want to stay in their home should not feel pressured to leave their home. But the reality of housing markets becoming more expensive and household wages staying stagnant increase the possibility of displacement. In later phases of this work, the City of Hillsboro should consider beginning community discussions around gentrification and implement policies that can help mitigate unwanted displacement. The data shown in this memo on development potential, trends, etc. can help guide policy and other decision-making processes that potentially can prevent displacement.

⁷ <https://pacificu.app.box.com/s/tq1xn2rc3qz04lr53x6eihf4q83woihv>

Exhibit 11. 2021 Rents in Hillsboro in May 2021 for all Multifamily Units Built since 2016

Source: CoStar

Unit	Rent
Asking Rent/SF	\$1.98
Studio Rent	\$1,493
1-Bed	\$1,638
2-Bed	\$2,016
3-Bed	\$2,615

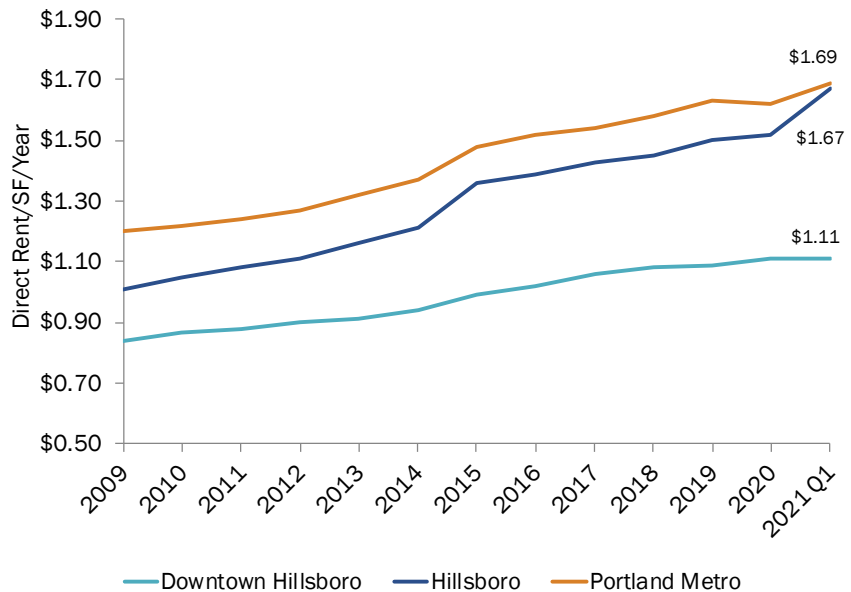
Exhibits 12 through 15 provide a detailed look at how market trends compare between Downtown Hillsboro, Hillsboro, and Portland.

Because the housing stock is relatively older, rents in Downtown Hillsboro are lower than in Hillsboro and the Portland region overall.

Rents have increased 32 percent (\$0.27) from \$0.84 in 2009 to \$1.11 in 2021 Q1.

Hillsboro saw the biggest rent increase (65 percent) between 2009 and 2021 Q1. Demand for multifamily housing in Hillsboro has increased rent prices to \$1.67 per square foot in 2021 Q1, which is comparable to that of Portland region rents of \$1.69 per square foot in 2021 Q1.

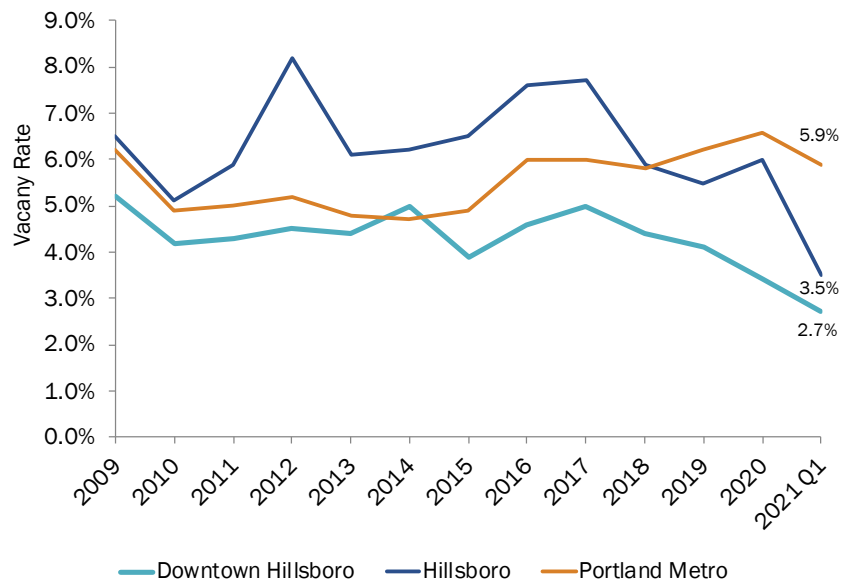
Exhibit 12. Multifamily Effective Rent per Square Foot, Downtown Hillsboro, Hillsboro, and Portland Region, 2009 through 2021 Q1



Vacancy rates in Downtown Hillsboro were at an all-time low of 2.7 percent in 2021 Q1.

Typically, a vacancy rate of 4 percent or lower suggests a constrained multifamily market.

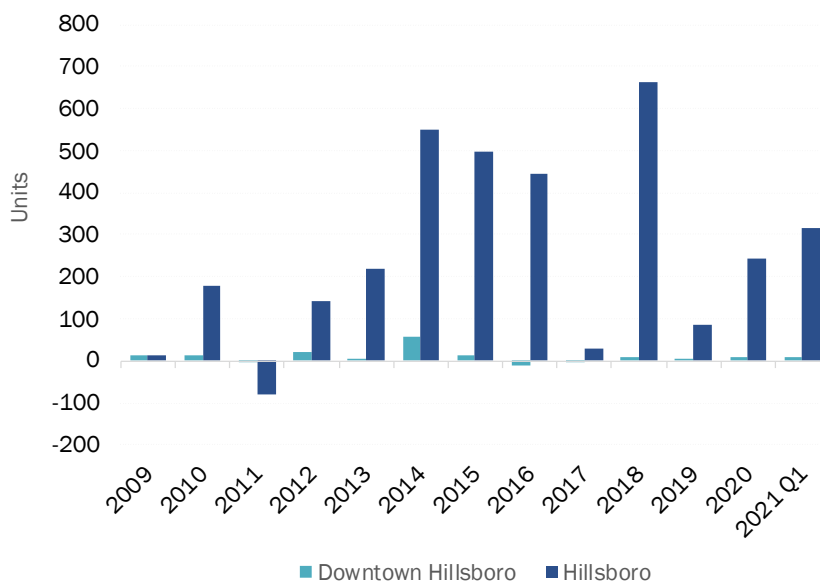
Exhibit 13: Multifamily Vacancy Rate, Downtown Hillsboro, Hillsboro, and Portland Metro, 2009 through 2021 Q1



Multifamily unit net absorption has been mostly positive since 2011 in both Downtown Hillsboro and the greater Hillsboro market.

Net absorption has been larger in Hillsboro as a whole than in Downtown Hillsboro, indicating demand for multifamily units exists in the Hillsboro market area.

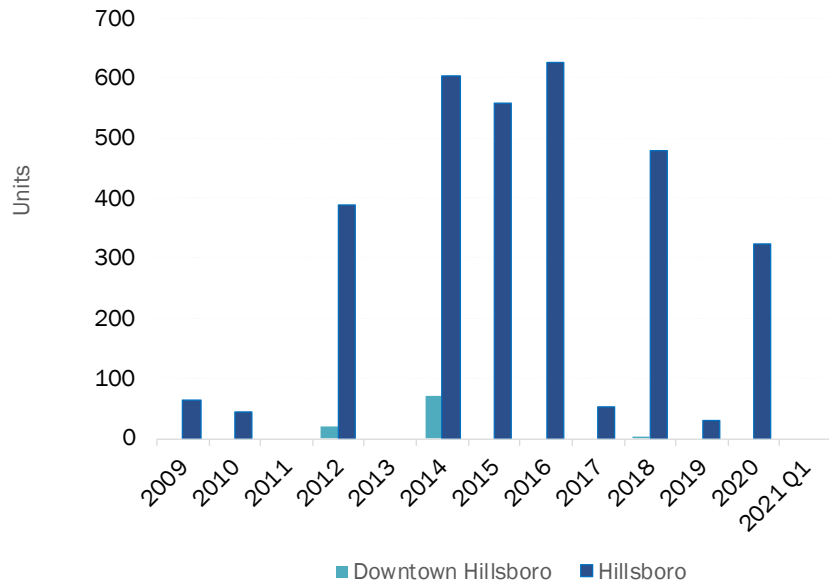
Exhibit 14. Multifamily Net Absorption Units, Downtown Hillsboro, Hillsboro, 2009 through 2021 Q1



Since 2009, Downtown Hillsboro has seen three multifamily completed. These new units opened in 2012, 2014, and 2018.

The peak years for multifamily construction in Hillsboro was from 2014 to 2016, but it was not reflected in Downtown Hillsboro.

Exhibit 15. Multifamily Unit Deliveries, Downtown Hillsboro, Hillsboro, 2009 through 2021 Q1



Office Uses

In the larger Portland Metro, the office market saw a rise in new leases during the first quarter of 2021 from the last quarter of 2020. Lease activity has not been this high since 2019. But despite the increase in leasing, the office subleasing market has more than doubled in the same time, which puts pressure on vacancy rates. In the first quarter of 2021, office vacancy rates matched those of the Great Recession in 2008, while asking rents have stabilized since 2018. This indicates a cooling market for office space.⁸

Hillsboro could gain from Portland’s cooling office market in that downtown Portland businesses may be looking to the west side suburbs for cheaper rents and more space, especially if many of their workers are commuting in from the west side. Hillsboro’s office market includes traditional office, business park, flex space, and medical office. While the most common office building type is traditional office, the second most common type is medical office. Inside the influence area, several medical office users include Tuality Healthcare, Virginia Garcia Clinic, and dental clinics.

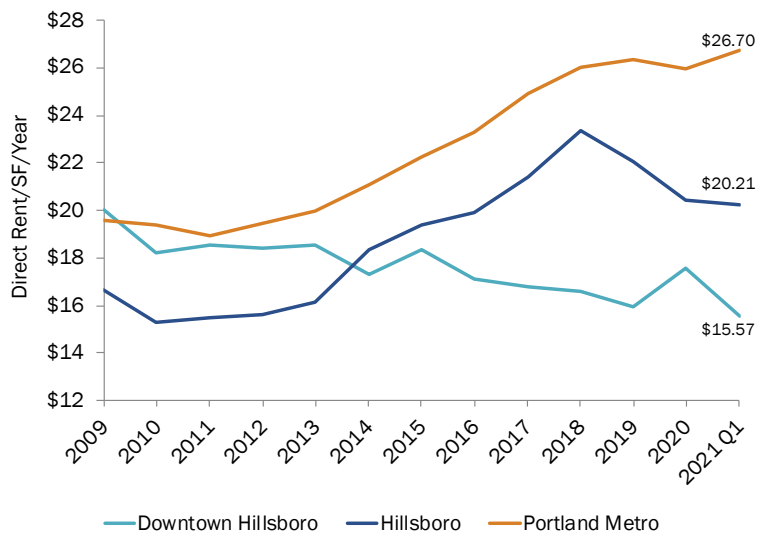
Citywide, only one office building has been built in the last five years, in 2015, and one is currently being proposed. In Downtown Hillsboro, there are 366,000 sq ft of office space that was built since 2000. Only 3 office buildings have been constructed in the Influence Area since 2000: none since 2006.

Office Rents in Downtown Hillsboro are lower than Hillsboro and significantly lower than Portland metro.

Rents have increased 21 percent from \$16.67 in 2009 to \$20.21 in 2021 Q1 in Hillsboro.

Rents for office buildings in Downtown Hillsboro were \$15.57 2021 Q1. But rents for new office buildings in Downtown Hillsboro, built since 2000, are at \$31.65 per sq ft as of June 2021.

Exhibit 16. Office Effective Rent per Square Foot, Downtown Hillsboro, Hillsboro, and Portland Metro, 2009 through 2021 Q1

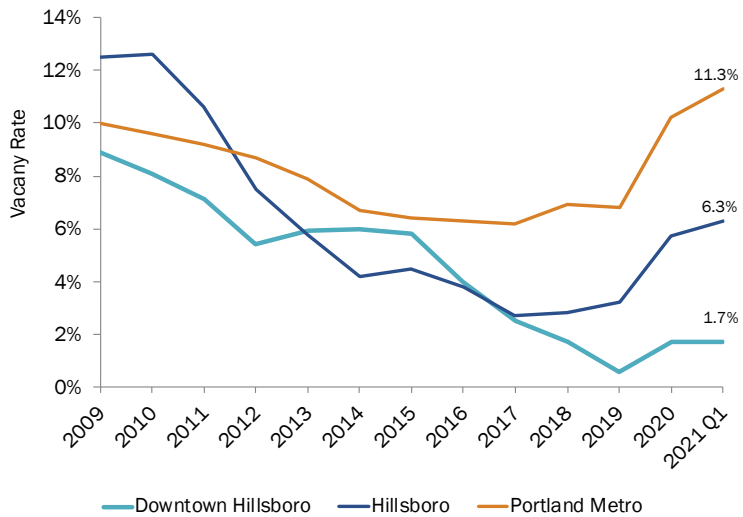


⁸ <https://www.us.jll.com/en/trends-and-insights/research/office-market-statistics-trends/portland>

Office vacancy rates in Downtown Hillsboro were at 1.7 percent in 2021 Q1, slightly up from its all-time low of 0.7 percent in 2020 Q2.

Typically, a vacancy rate of 10 percent or lower (depending on the market) suggests a constrained office market.

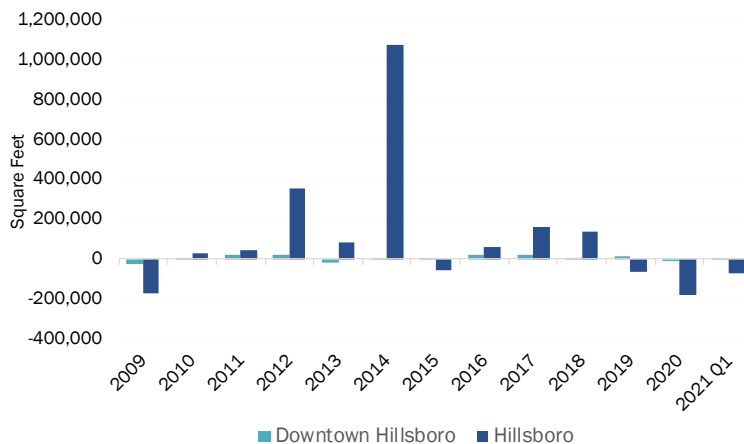
Exhibit 17: Office Vacancy Rate, Downtown Hillsboro, Hillsboro, and Portland Metro, 2009 through 2021 Q1



Downtown Hillsboro has been able to attract new office tenants since 2011, except for the pandemic which led to decreased absorption.

Net absorption has been larger in Hillsboro than in Downtown Hillsboro indicating demand for office exists in the Hillsboro market area.

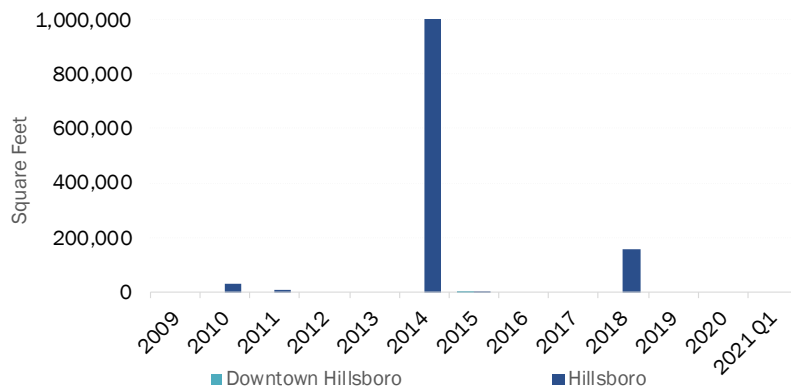
Exhibit 18: Office Net Absorption SF, Downtown Hillsboro, Hillsboro, 2009 through 2021 Q1



Downtown Hillsboro has seen minimal new office development over the last decade.

Since 2011, only one 3,477 sq ft office building has been completed in Downtown (in 2015).

Exhibit 19: Office Deliveries, Downtown Hillsboro, Hillsboro, 2009 through 2021 Q1



Retail

For the first quarter of 2021, vacancy rates for retail space increased in the Portland area, even while rental rates were increasing. At the same time, unemployment was up and new construction was down. And while net absorption has remained negative for the last three years, 2021 is showing promise in that its net absorption will not be as negative as in 2020 (so far, there has been a loss of 179,000 square feet of retail in 2021).⁹

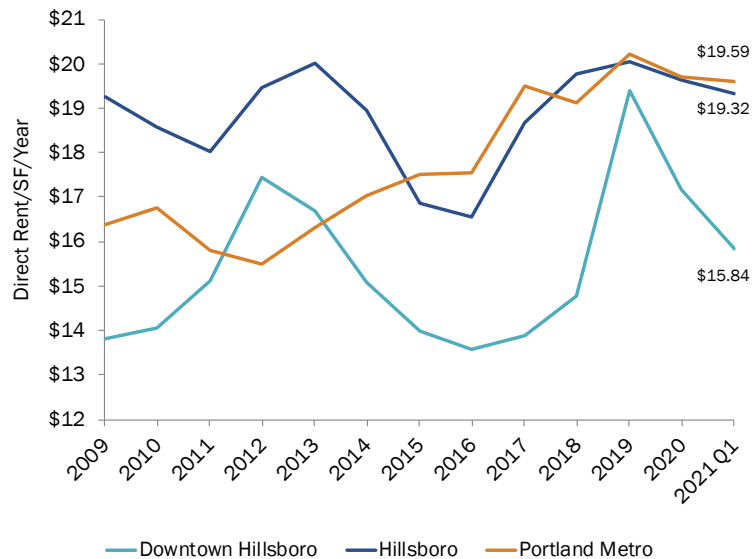
Most of the retail in the influence area has been around for decades. Only two buildings have been constructed in the influence area for retail since 2000, and none have been completed since 2004. In Downtown Hillsboro there have only been 109,000 sq ft of retail space built since 2000. Citywide, only 98,400 sq ft of retail space have been built since 2016. Since there is little rental data for the influence area, the content below examines the differences between Downtown Hillsboro, Hillsboro, and the region.

Rents in Downtown Hillsboro are slightly lower than in Hillsboro and neighboring downtowns overall.

Rents have increased 31 percent from \$17.48 in 2009 to \$22.96 in 2021 Q1.

Rents for newer office buildings in Downtown Hillsboro, built since 2000, are at \$30.26 per sq ft as of June 2021.

Exhibit 20. Retail Effective Rent per Square Foot, Downtown Hillsboro, Hillsboro, and Portland Metro, 2009 through 2021 Q1

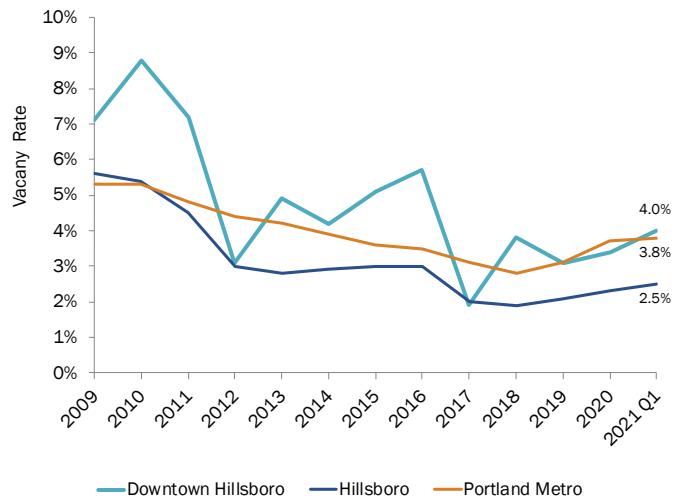


⁹ CoStar

Retail vacancy rates in Downtown Hillsboro were at 4.7 percent in 2021 Q1, up from its all-time low of 1.9 percent in 2020 Q1.

Typically, a vacancy rate of 10 percent or lower suggests a constrained retail market.

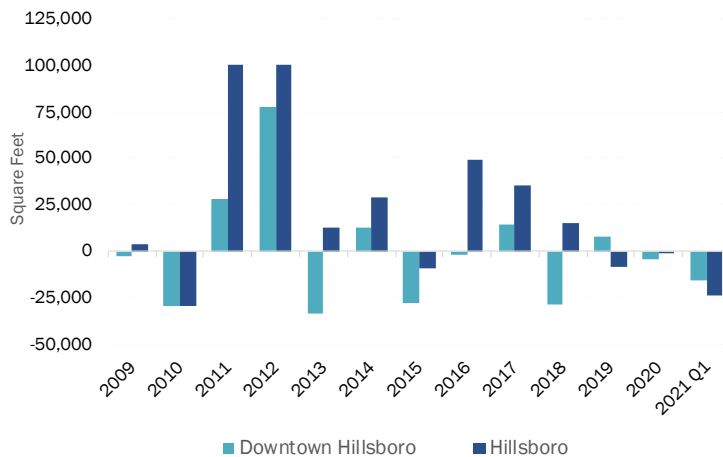
Exhibit 21: Retail Vacancy Rate, Downtown Hillsboro, Hillsboro, and Portland Metro, 2009 through 2021 Q1



Retail tenants have been leaving Downtown Hillsboro more often and at greater rates than Hillsboro overall.

Hillsboro’s retail market is declining since 2016 to a low of negative 23,954 square feet in 2021, the largest exodus since 2010. This shows how retail follows recession patterns.

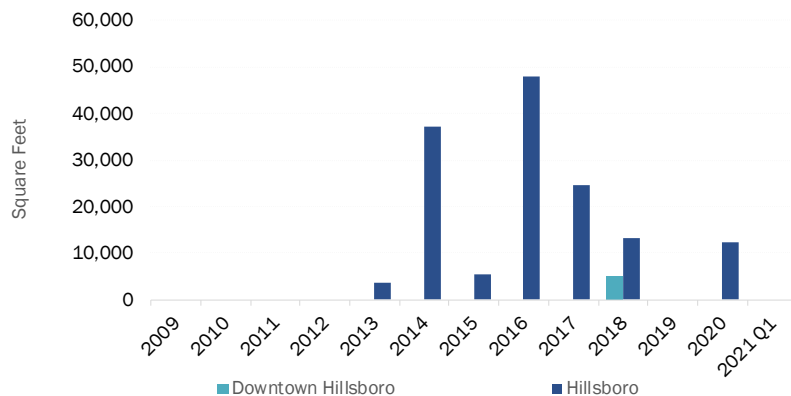
Exhibit 22. Retail Net Absorption SF, Downtown Hillsboro, Hillsboro, 2009 through 2021 Q1



In Hillsboro, retail deliveries* saw its peak in 2016 followed by a steady decline.

This one retail building was completed during this time period in Downtown Hillsboro.

Exhibit 23. Retail Deliveries, Downtown Hillsboro, Hillsboro, 2009 through 2021 Q1



*Retail deliveries do not include retail space in mixed-use buildings. Only stand-alone retail construction is included due to CoStar data limitations.

OREGON HIGHWAY 8 UTILITIES DESCRIPTION

The City of Hillsboro provided GIS data illustrating the locations of sanitary sewer, storm sewer, and water system utilities in the project influence area. The GIS data was brought into AutoCAD for further analysis and future consideration in the development of the concept plan.

The sanitary sewer data includes the sanitary sewer mainlines, laterals, and manholes. The sanitary sewer mainline runs under most streets in the project influence area. Exhibit 24 illustrates the locations of the sanitary sewer utilities. The storm sewer data includes the storm sewer mainlines, inlets, laterals, management facilities, outfalls, and structures. The storm sewer mainline runs under SW Walnut Street, SE Washington Street, SE 1st Avenue, SE 3rd Avenue, and part of SE 6th Avenue. Exhibit 24 illustrates the location of the storm sewer utilities.

The water map includes the water mainlines, accounts, cathodic protection, fittings, hydrants, pressure zones, reservoirs, sample stations, service areas, valves, and vaults. The water mainlines run under most streets in the project influence area. Exhibit 26 illustrates the locations of water utilities.

Project Relevance

The presence and type of utilities located in the project area will influence the development of concepts including potential impacts, risks, and cost. When considering alternatives that propose changes to lane configuration, shifts to the curb, restriction of vehicular access, or other major roadway redesign, access to sanitary sewer, storm sewer, and water mainlines must be considered. In addition, the feasibility of relocation of utilities should be evaluated if a concept design interferes with existing mainlines.

How will we use this?

The utility data will be incorporated into the development of the three multimodal corridor design concepts and considered throughout the development of alternatives. In particular, coordination with utilities will be evaluated when moving the curb line or restricting vehicular access on a street.

Exhibit 24: Sanitary Sewer Data

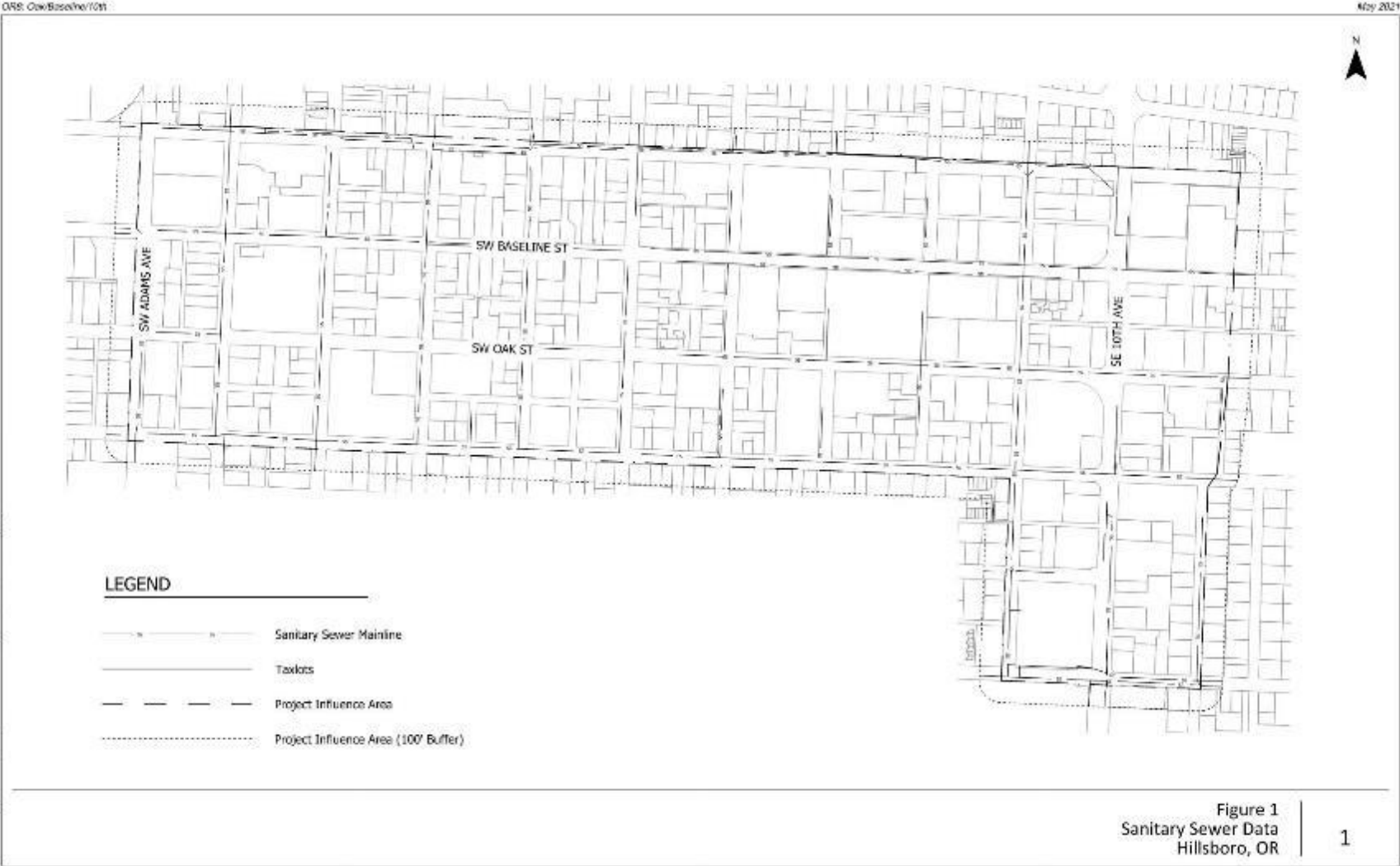


Exhibit 25: Storm Sewer Data

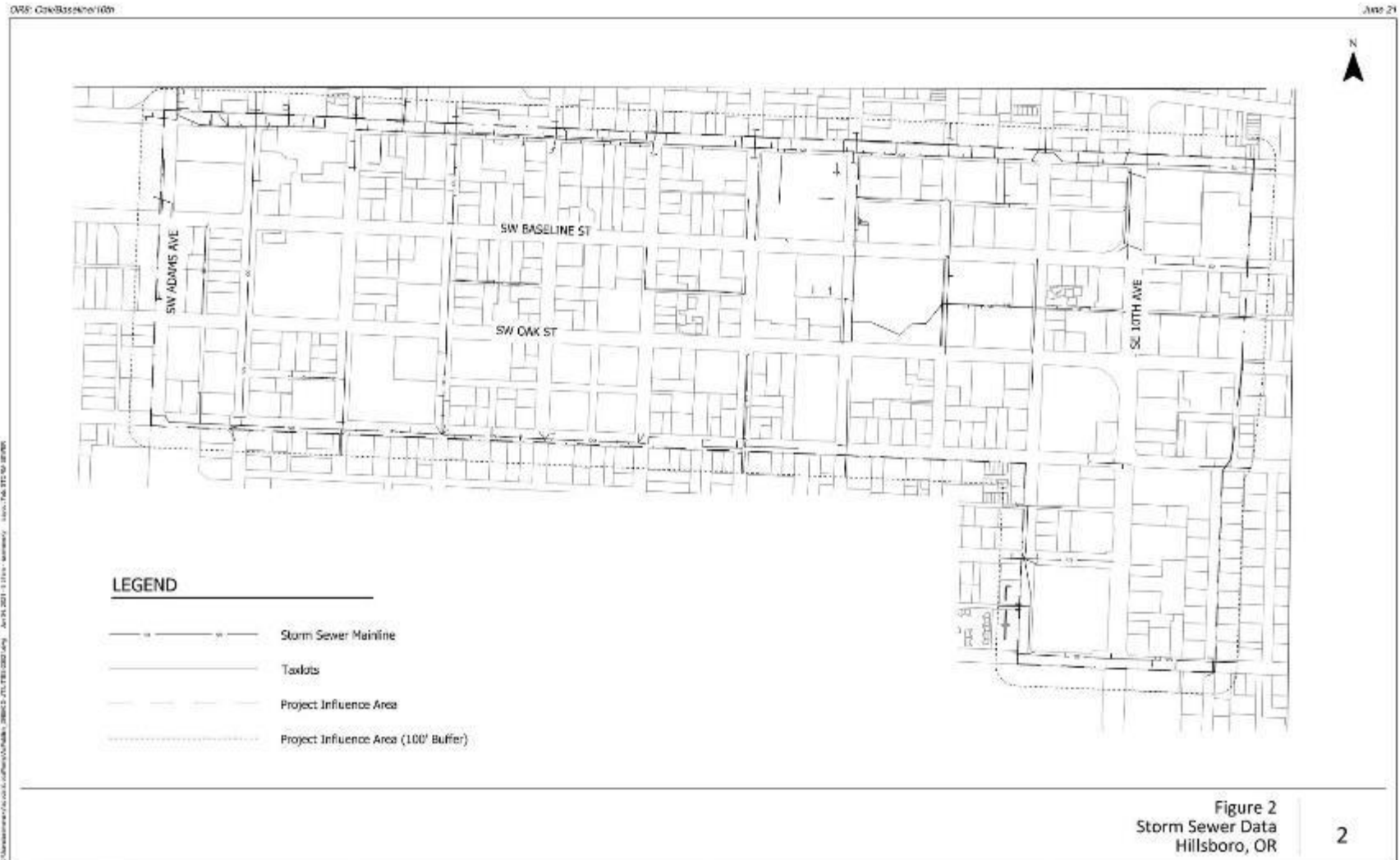
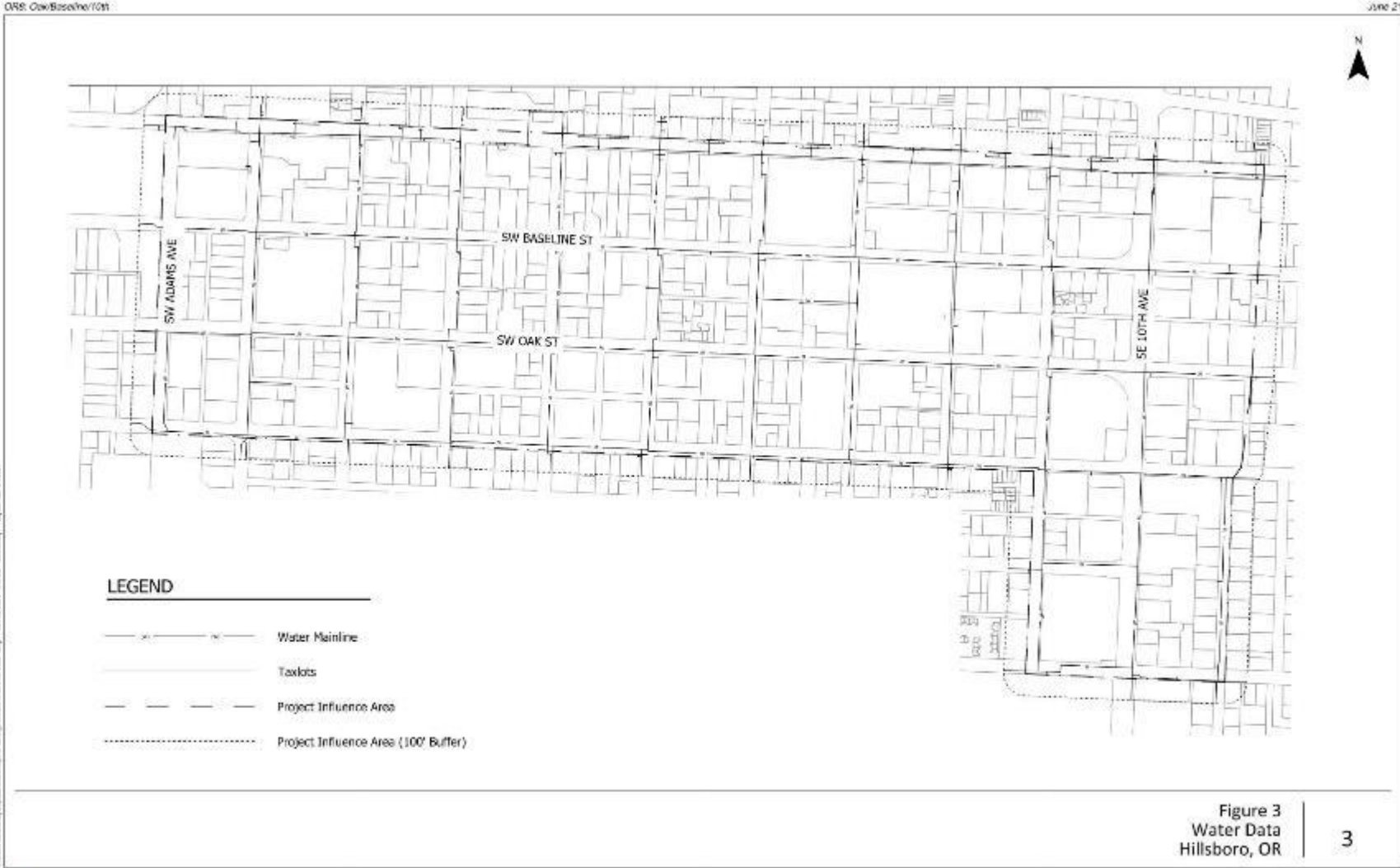


Exhibit 26: Water Data



CONCLUSIONS AND NEXT STEPS

This memorandum presents information the project team will use in upcoming phases to:

- Narrow and refine the list of sites to be deeply studied for redevelopment potential;
- Assess the overall development and market conditions on the project area and Hillsboro surroundings; and
- Establish a baseline (along with other memos documenting transportation existing conditions) to evaluate present urban design character and introduce discussions about how the urban design character of the project area should be planned for future change.

The Project Management Team recently selected “Tradition Downtown / CBD” as the Blueprint for Urban Design context for the entire corridor. This selection will influence what transportation and street improvements are considered warranted and desirable by the community and help promote equity in the investments made in the corridor.

Our overall conclusion is that the project area comprises several potential future contexts. These include:

- The area roughly between SW Adams Avenue and SW 4th Avenue, where proximity to the Downtown core could shape a finer-grained urban form.
- The mid-section of the OR 8 corridor, from roughly SW 4th Avenue to SW 9th Avenue, where medical offices, schools, and the hospital complex are broadly influential.
- The eastern end between roughly SE 9th Avenue and SE 11th Avenue, where north-south running SE 10th Avenue is greatly influential on traffic patterns and the pattern of automobile-oriented commercial uses.

The analyses begun through this memo and to be continued throughout the project will shape how the project team jointly plans for transportation and associated land use changes and improvements in the corridor. Both the City of Hillsboro and Oregon Department of Transportation have a deep interest in improving multimodal mobility options along OR 8 and the surrounding streets, and supporting land use and development changes that foster a more mixed blend of housing options, retail, businesses of various sizes, institutional uses, public spaces, and a streetscape that encourages activity, gathering, and the type of neighborhood that allows people to meet their daily needs nearby.