



# Competitive Analysis



September 2019

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## EXECUTIVE SUMMARY

The City of Banks is diverse with two distinct populations representing industrial ties to the historic timber industry and the modern “Silicon Forest.” Furthermore, it is host to numerous local and international tourists wanting to visit the surrounding rural area that consists of forested trails and agricultural wineries.

Banks is well positioned to enhance and celebrate these differences to foster private investment that will continue to make Banks a distinct place for a variety of residents, employees and visitors. Based on the following information unique to Banks as well as influences from national trends, we recommend the following approach to spur private investment and ongoing interest in Banks. More detailed recommendations for implementation are provided within the following report.

### Employment

Banks should continue to support the timber industry ecosystem as well as welcome the high-tech growth in Hillsboro. Adequate industrial land for small manufacturers is necessary to meet emerging demand in both industries. Enhanced broadband service is necessary to host independent high-tech workers desiring a home-based business.

*City's role: Make sure industrial sites are “shovel ready” with the necessary infrastructure and transportation access.*

### Housing

Banks housing supply adequately serves and is planned to serve the high-tech employment base. More focus and attention should be placed on smaller, multi-family or cottage units that can serve employees in the timber and retail industries as well as retirees wanting a smaller home with less maintenance.

*City's role: Make sure residential and mixed-use zoning is flexible enough to accommodate developer demand for density and variety of housing types.*

### Retail

The Banks retail market will not support a new retail “lifestyle” center concept due to market conditions and a small retail market area. The city is underserved by approximately four restaurants. However, such uses require significant startup costs at approximately \$200,000. They therefore desire existing buildings with minimal rents that are closely grouped in one area. The city should focus these restaurants in one area of existing buildings on Main to create a destination and higher chance of success. The most ideal location is near the trail

head to additionally capture the tourism spend from the Banks-Vernonia Trail and Stub Stewart Park visitors.

*City's role: Make sure Main Street thrives with storefront and restaurant incentive programs. Proactively work with building and property owners to define a distinct restaurant district like City of Beaverton's [Foodie Corridor](#)*

## Tourism

Banks has a solid foundation for more robust tourism, which would include the development of a hotel, however the market is not strong enough yet. A new small boutique hotel could occur in approximately 10 years. We recommend that as the new Plaza area off Main Street emerges, the city should keep a hotel use in mind as a viable anchor to support surrounding uses.

*City's role: Continue to actively support Salmonberry Trail project. Continue to take steps to enable the Main Street Plaza with a new boutique hotel as an anchor.*

## Site Development

One key area where the City can focus its redevelopment efforts is at the intersection of Banks Road and Main Street, at the north end of the City. This intersection is a gateway. It is the terminus and trailhead for the existing Banks-Vernonia bike trail and future Salmonberry trail, which will be regionally unique attraction when complete. Numerous older Main Street commercial buildings are close to the intersection. Thus, it has the potential to be a focal point for retail- and tourism-oriented revitalization.

*City's role: The City should focus the building improvement grant programs mentioned above on buildings and tenants (particular food and beverage tenants) in this area. The City should continue to work with Washington County, which will be rebuilding this intersection, and the State, which owns the Trailhead site to create a unique and memorable gateway, trailhead, and intersection—possibly a roundabout. After the intersection has been rebuilt and the City has used grant programs to support the adaptive reuse of 3 to 5 buildings here, the City could revisit the feasibility of new, ground-up, mixed use development, which is likely to be infeasible today.*

## INTRODUCTION

The City of Banks has realized consistent growth over the years and has a dedicated council, staff and community members that are committed to making targeted investments that will support the community quality of life through employment, housing and retail amenities.

The City has recently adopted an Urban Renewal District and Plan to define the desired investments and opportunities for growth. In addition, the newly adopted Economic Action Plan includes six elements defining the vision and aspirations of the community. The City is now interested in developing a more detailed "Roadmap" to provide guidance for implementation that considers all this work to date. The "economic development roadmap" component of the action plan shall include the following areas of focus:

- Vibrant Main Street
- Local Jobs
- Thriving Tourism

## Background

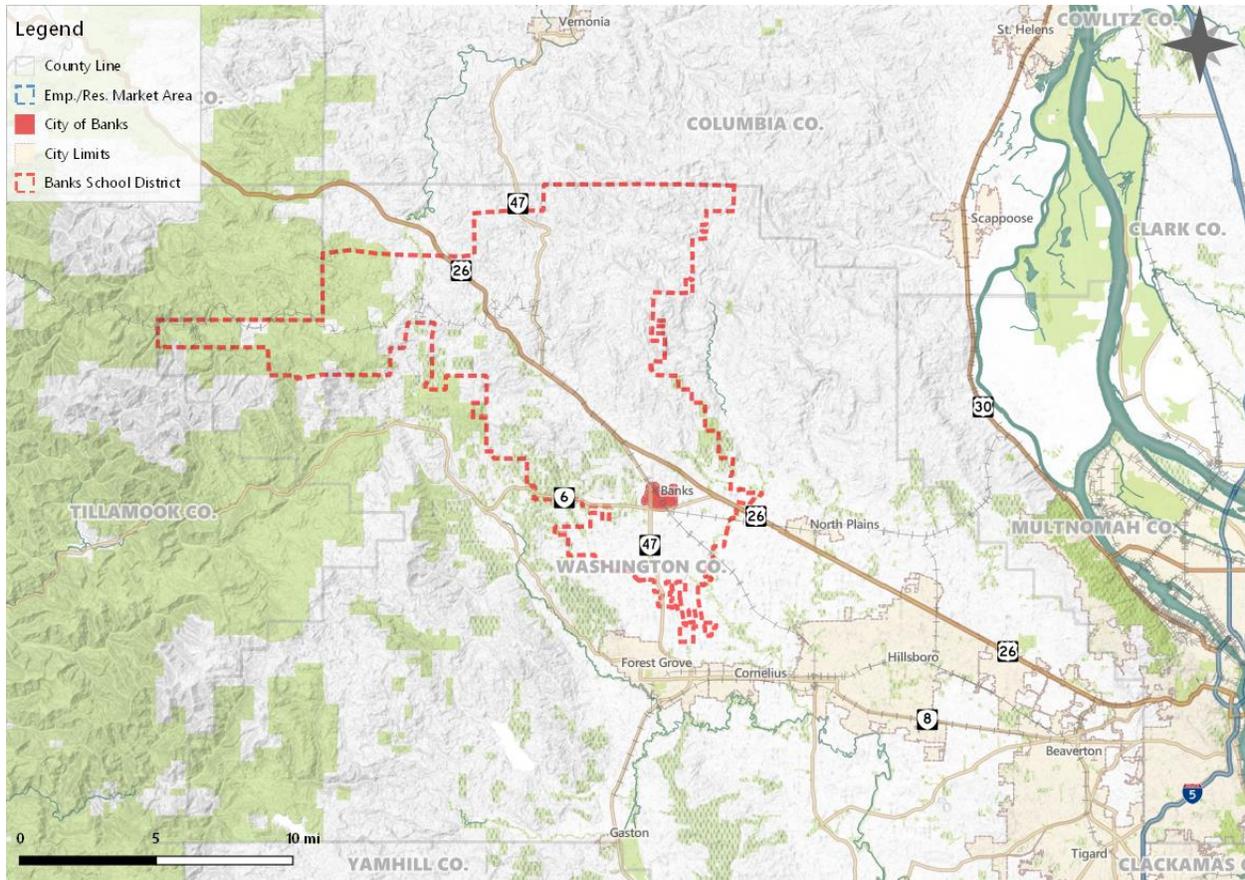
To prioritize the actions and investments of the city that will be defined in the Roadmap, Leland Consulting Group (LCG) was tasked with providing more in-depth data-driven analysis of the real estate market and economic opportunities. In addition to a quantitative analysis, LCG met with local stakeholders representing employment, tourism, K-12 education and development to further inform opportunities and barriers in the community (summary in Attachment A). This research resulted in the following findings that are intended to guide Roadmap recommendations decisions, as well as help staff with external marketing of the community, which is important to attract future private investment.

Private investment with the City of Banks will occur within four general areas: employment, housing, retail, and tourism. The following information is therefore focused on national and local trends and real estate factors for each category. For all areas, a general overview of the community economic, demographic, and development conditions is provided as well.

## COMMUNITY OVERVIEW

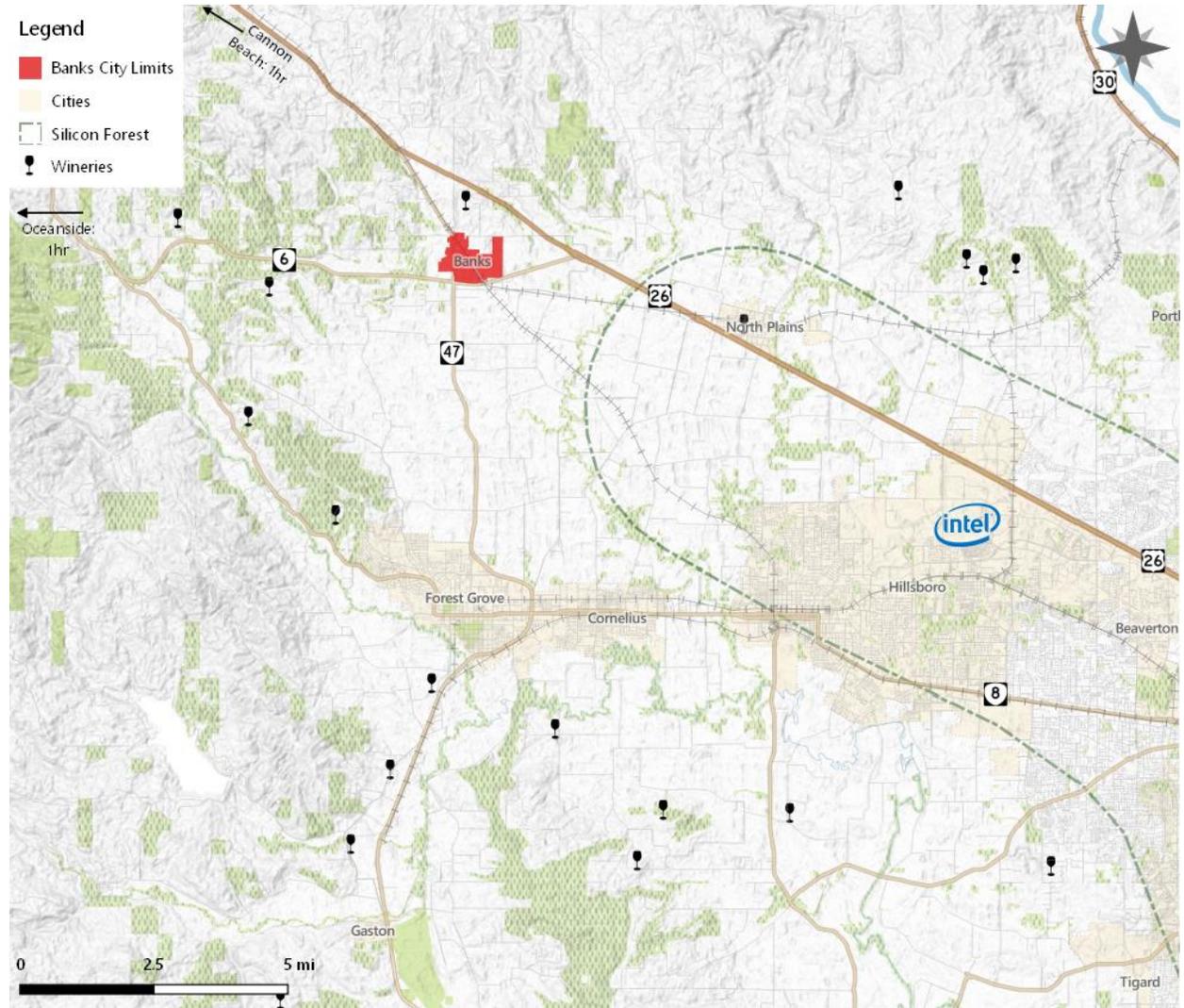
City of Banks resides in the Tualatin Valley which features, views of the Coast Range, farms, vineyards and natural areas near quaint downtowns. The city is historically a rural, natural resource-based town, which is reflected in the employment base of Bighorn Logging and Hampton Lumber. This tie to the surrounding timber resources and similar smaller towns largely defines the community, which is generally delineated by the boundary of the Banks School District.

## Banks School District Boundary



While it has historic rural roots, Banks is also influenced by the growth of the Portland metropolitan region, and more specifically Washington County. The Silicon Forest, which is anchored by Intel and supporting technology companies, is one of the most significant economic drivers within the region. As this technology ecosystem continues to thrive it attracts more business, employees and surrounding residents. Banks offers a unique opportunity for a rural lifestyle with quick (reverse commute) access to fertile employment and business opportunities.

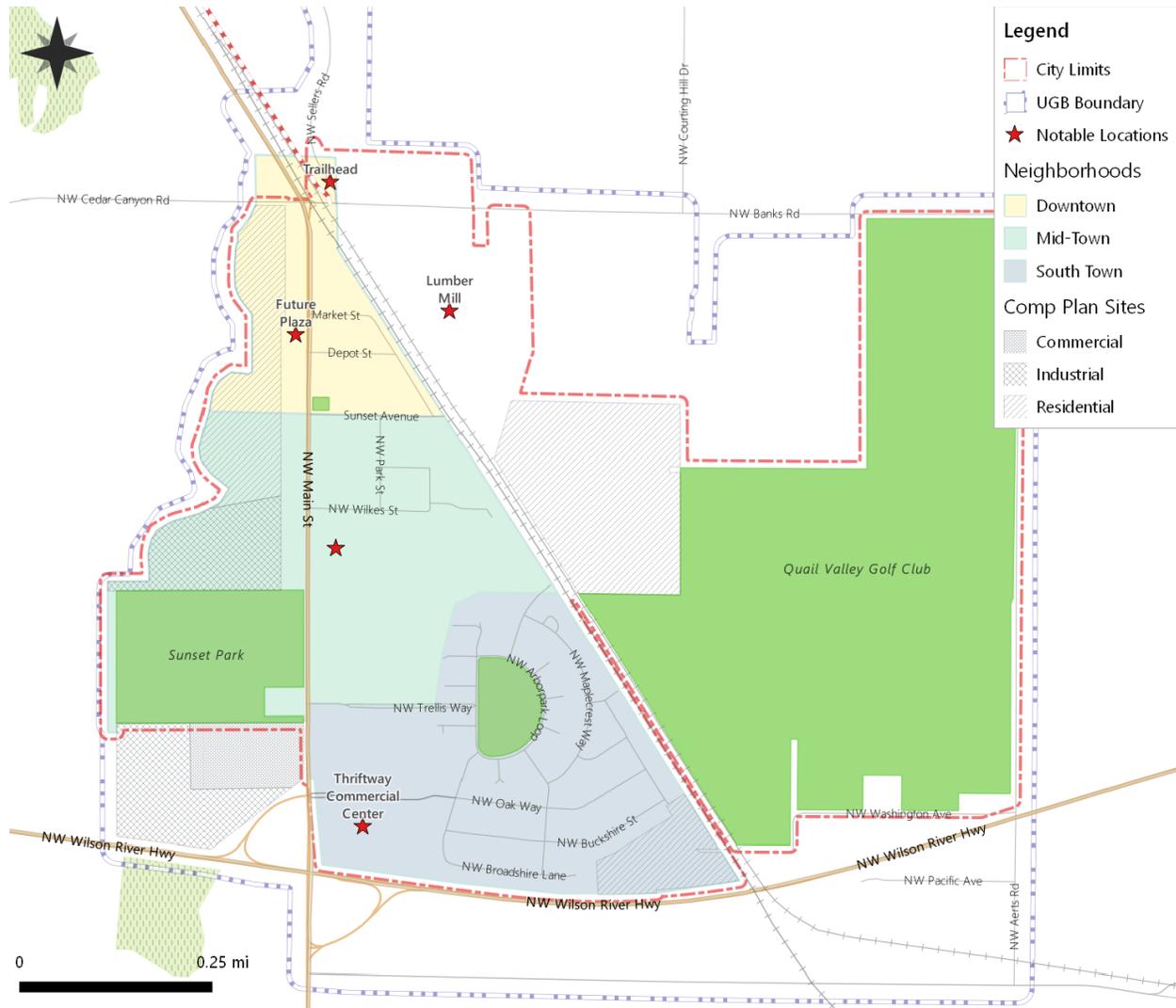
# City of Banks and the Region



## Community Assets

The city is home to several assets that are identified in the following map. Each of these assets create distinct districts within the city and have been delineated in the city Vision document.

### Banks Asset Map

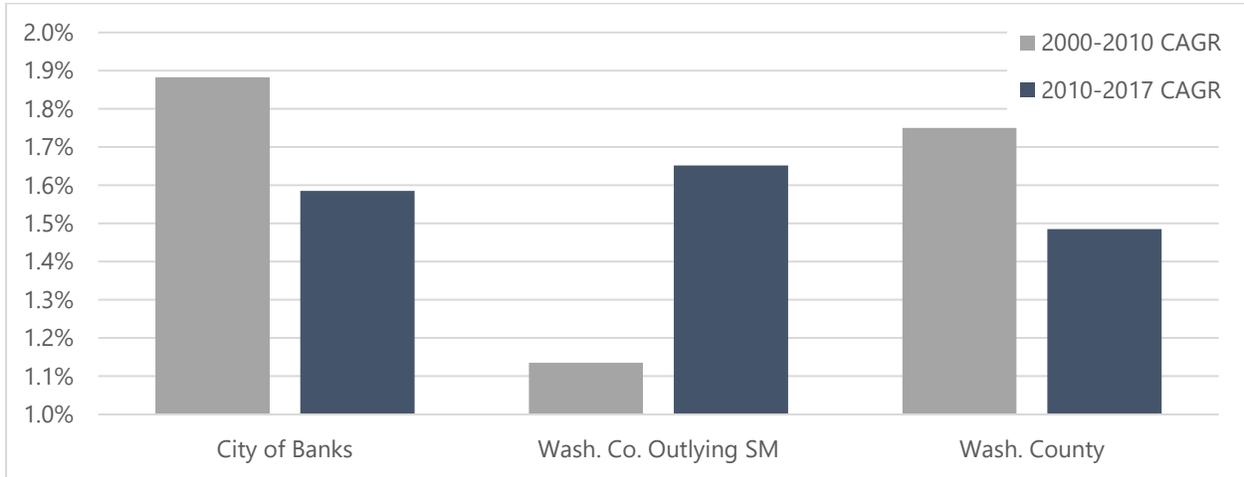


Source: TIGER, Portland Metro, and Leland Consulting Group

## Population and Demographics

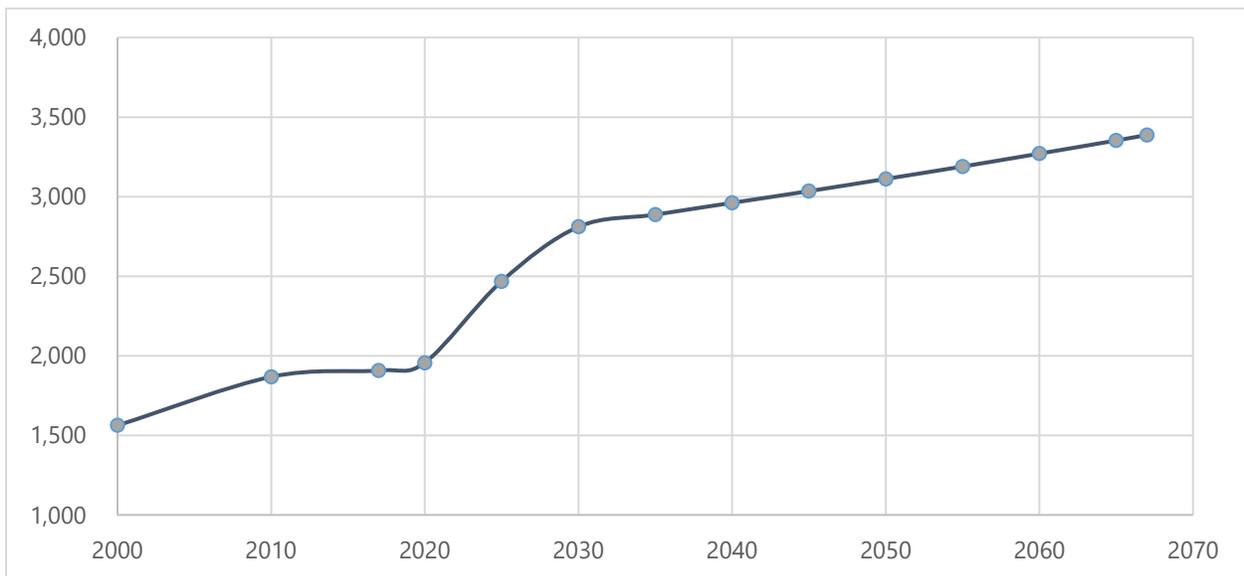
Currently there is about 627 households in Banks, with a population of 2,034 (as of 2017). Within the City's urban growth boundary, household growth is projected to grow at a faster rate than the historical average between now and 2025, at 3.3 percent annually. By 2025, this is projected to result in approximately 173 new households and a total population of 2,470.

### Household Compound Annual Growth Rates (CAGR)



Source: ESRI

### Banks UGB Population Forecasts



Source: PSU

### Population Forecasts

	2017	2027	2037	10-Yr. CAGR	20-Yr. CAGR
3-Co. Metro Region	1,794,510	2,043,653	2,267,654	1.3%	1.2%
Washington Co.	589,562	688,938	782,659	1.6%	1.4%
Banks UGB	1,908	2,601	2,908	3.1%	2.1%

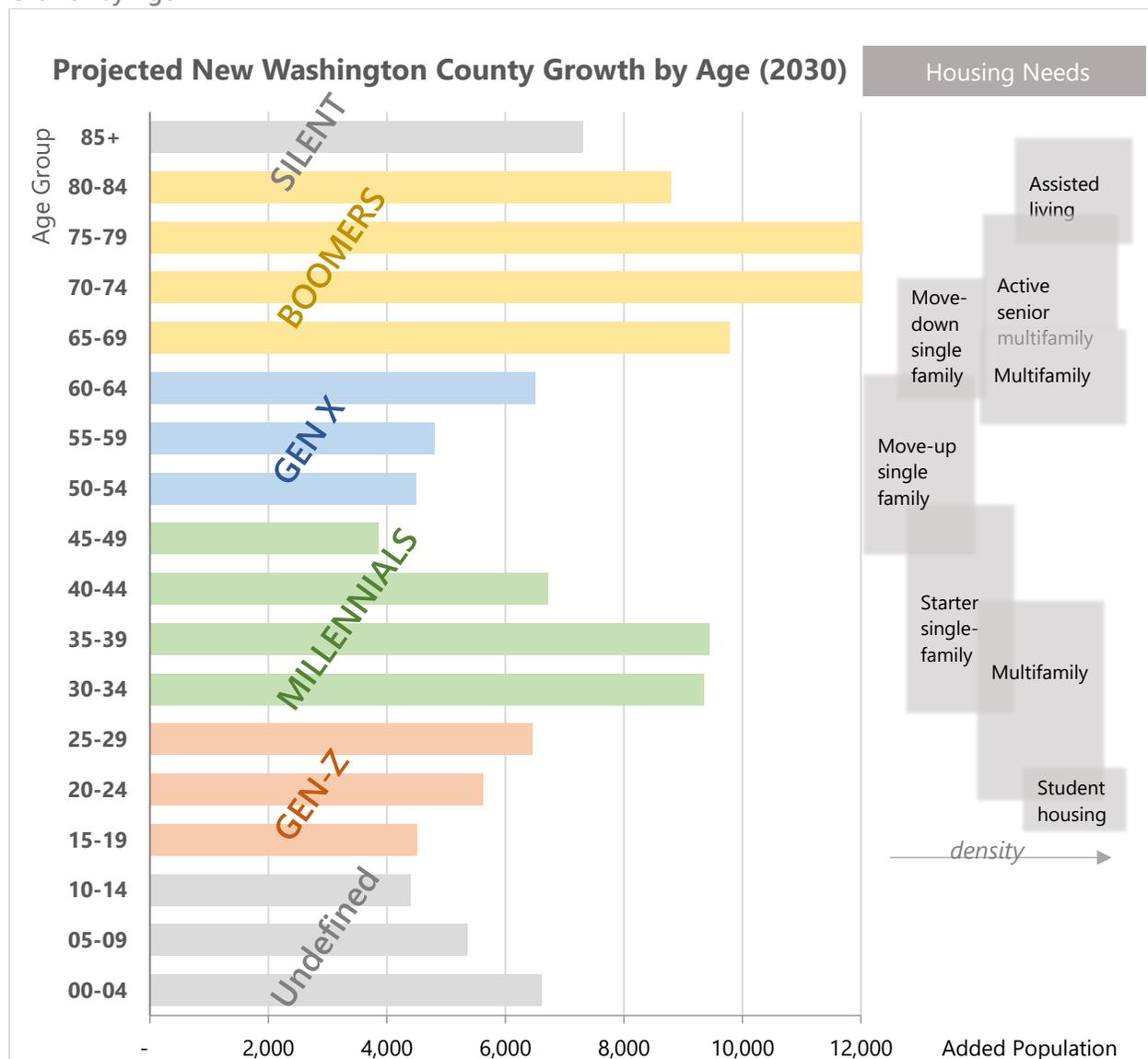
Source: PSU

## Demographics

In summary, the Banks community is characterized by the following demographic conditions.

- Household sizes in Banks are large (3.2 persons per household, on average), driven in part by a significant proportion of family households and high proportion of owner-occupied households (which are typically single-family residential homes rather than multifamily units).
- Banks households are the highest earners across all comparison groups, with a median income of almost \$90,000 and about 44 percent of households earning in excess of \$100,000 annually.
- Banks residents are well-educated, with approximately 40 percent of residents aged 25 and older holding a bachelor's degree or more. However, this is consistent with Washington County (44 percent).
- The median age of Banks residents Median age is 36, which is significantly younger than Washington County (average age of 42).

### Growth by Age



Source: PSU

## Age-by-income (+ generational cohorts and housing needs)

### Age-by-Income

2017 Population by Age	City of Banks	Washington County	Portland Metro
0 - 4	6%	7%	6%
5 - 9	7%	7%	6%
10 - 14	8%	7%	6%
15 - 24	14%	13%	12%
25 - 34	13%	15%	15%
35 - 44	14%	15%	14%
45 - 54	15%	13%	13%
55 - 64	13%	12%	13%
65 - 74	8%	8%	9%
75 - 84	2%	3%	4%
85 +	1%	2%	2%
Median Age	36.0	36.6	37.8

Source: ESRI

### Age of Householder by Household Income, 2016

Age of Householder	City of Banks				Washington County			
	Under 25	25 to 44	45 to 64	Over 65	Under 25	25 to 44	45 to 64	Over 65
Households	14	237	235	26	7,478	81,960	78,828	41,043
<\$15k	0%	1%	3%	0%	20%	6%	6%	10%
\$15k - \$24k	0%	5%	5%	12%	13%	7%	5%	13%
\$25k - \$34k	0%	1%	12%	0%	15%	8%	6%	14%
\$35k - \$49k	0%	17%	1%	54%	19%	11%	10%	17%
\$50k - \$74k	29%	15%	15%	15%	18%	19%	17%	17%
\$75k - \$99k	71%	22%	14%	12%	9%	16%	15%	11%
\$100k - \$149k	0%	28%	27%	8%	5%	19%	21%	11%
\$150k - \$199k	0%	7%	16%	0%	1%	8%	10%	4%
\$200k+	0%	3%	6%	0%	0%	6%	10%	3%

Source: US Census Bureau ACS 5-Year Estimates

A significantly greater proportion of households with householders aged 25 to 64 have significantly higher incomes.

## Education

### Educational Attainment (Population 25+), 2017

	City of Banks	Washington County	Portland Metro
No High School Diploma	4%	9%	8%
High School Graduate	23%	18%	18%
Some College/Associate Degree	34%	30%	31%
Bachelor's Degree or Higher	40%	43%	42%

Source: ESRI

### a

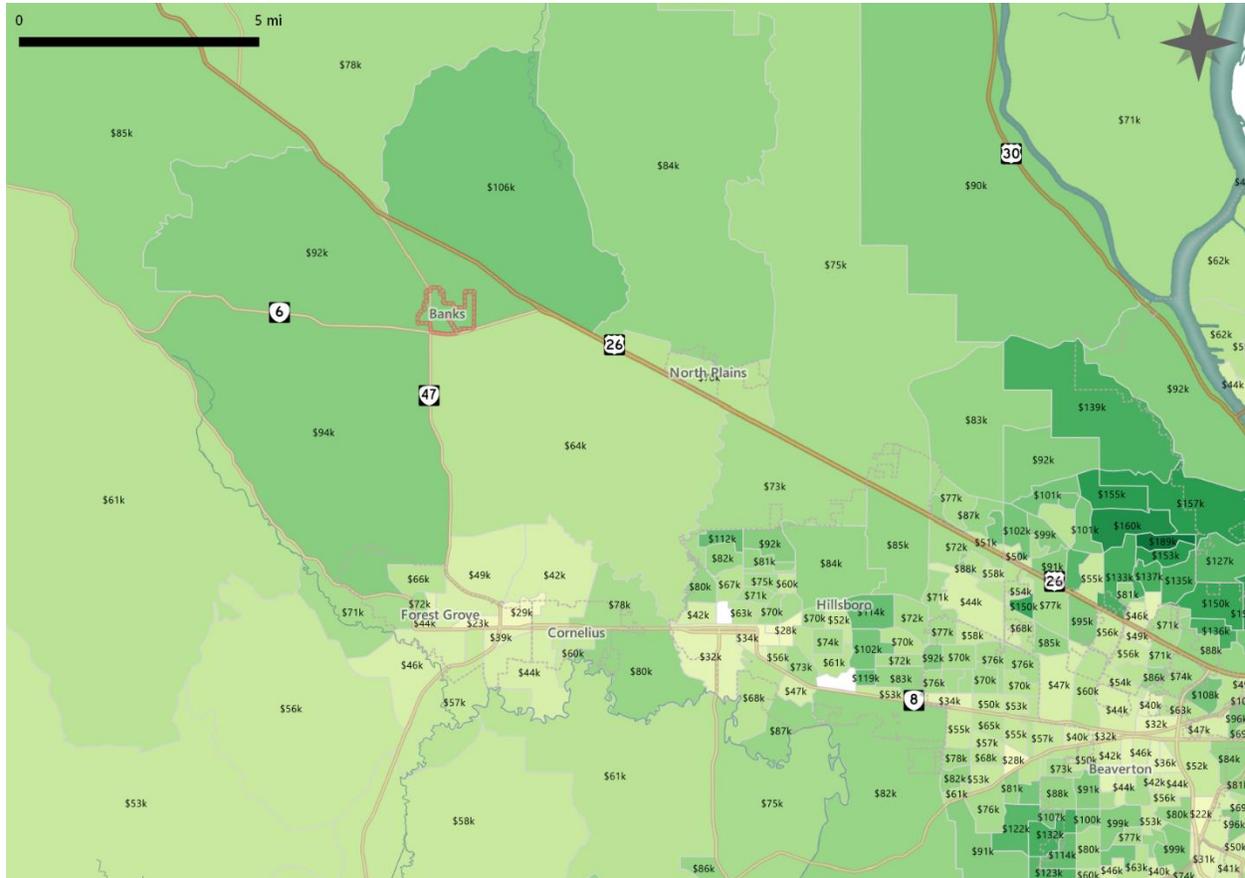
The City of Banks has remarkably high median household income, especially in comparison with other nearby communities such as Forest Grove or Cornelius. As reflected in the following information, the median income is \$89,788.

### Households by Incomes, 2017

	City of Banks	Washington County	Portland Metro
<\$15k	2.4%	6.7%	9.1%
\$15k - \$24k	3.8%	7.1%	8.4%
\$25k - \$34k	4.9%	8.2%	8.9%
\$35k - \$49k	7.0%	11.6%	11.8%
\$50k - \$74k	18.8%	18.6%	18.2%
\$75k - \$99k	19.5%	14.4%	13.8%
\$100k - \$149k	27.9%	17.6%	15.9%
\$150k - \$199k	11.5%	7.4%	6.6%
\$200k+	4.1%	8.3%	7.4%
<b>Median HH Income</b>	<b>\$89,788</b>	<b>\$70,977</b>	<b>\$64,158</b>

Source: ESRI

## Median Household Incomes by Census Tract, 2016

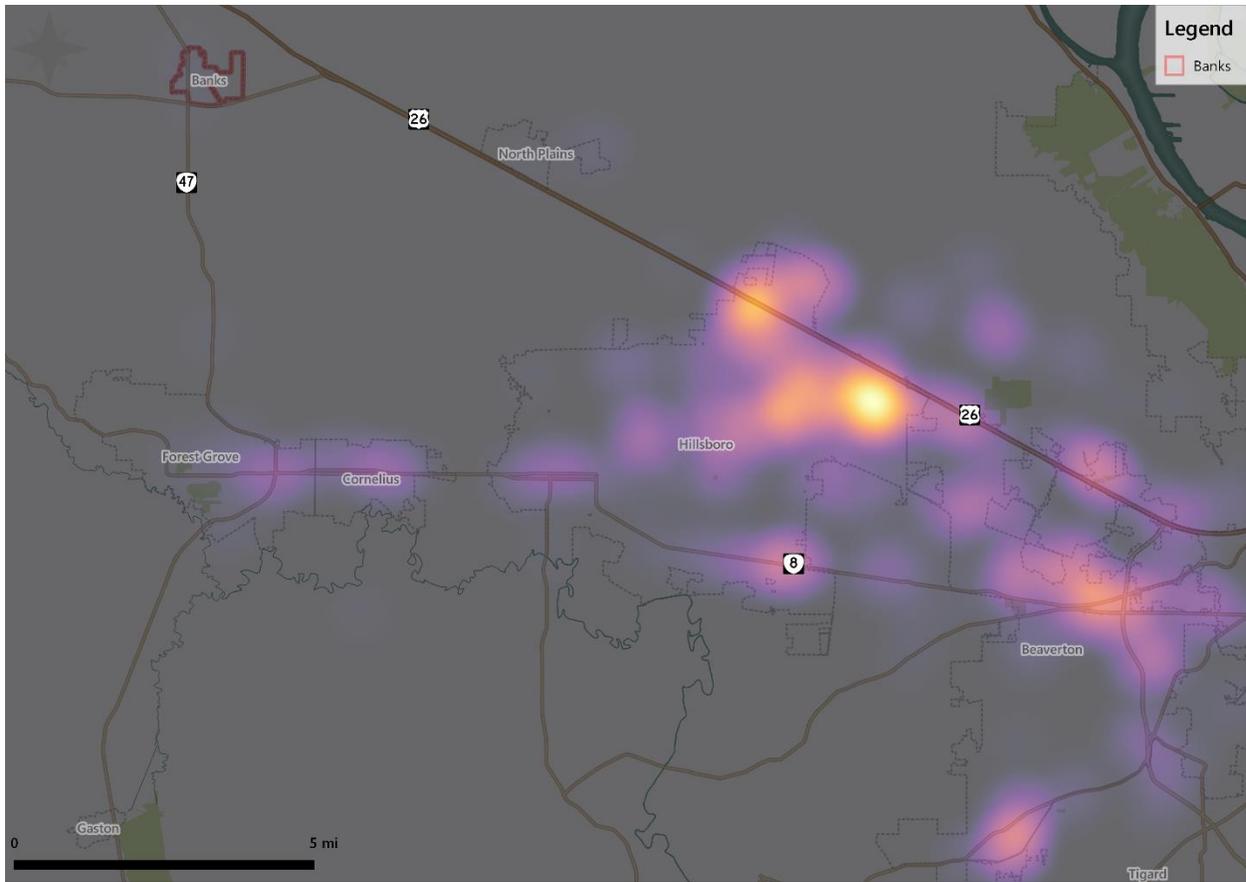


Source: ACS 5-year Estimates (US Census Bureau), 2016

## Building Activity

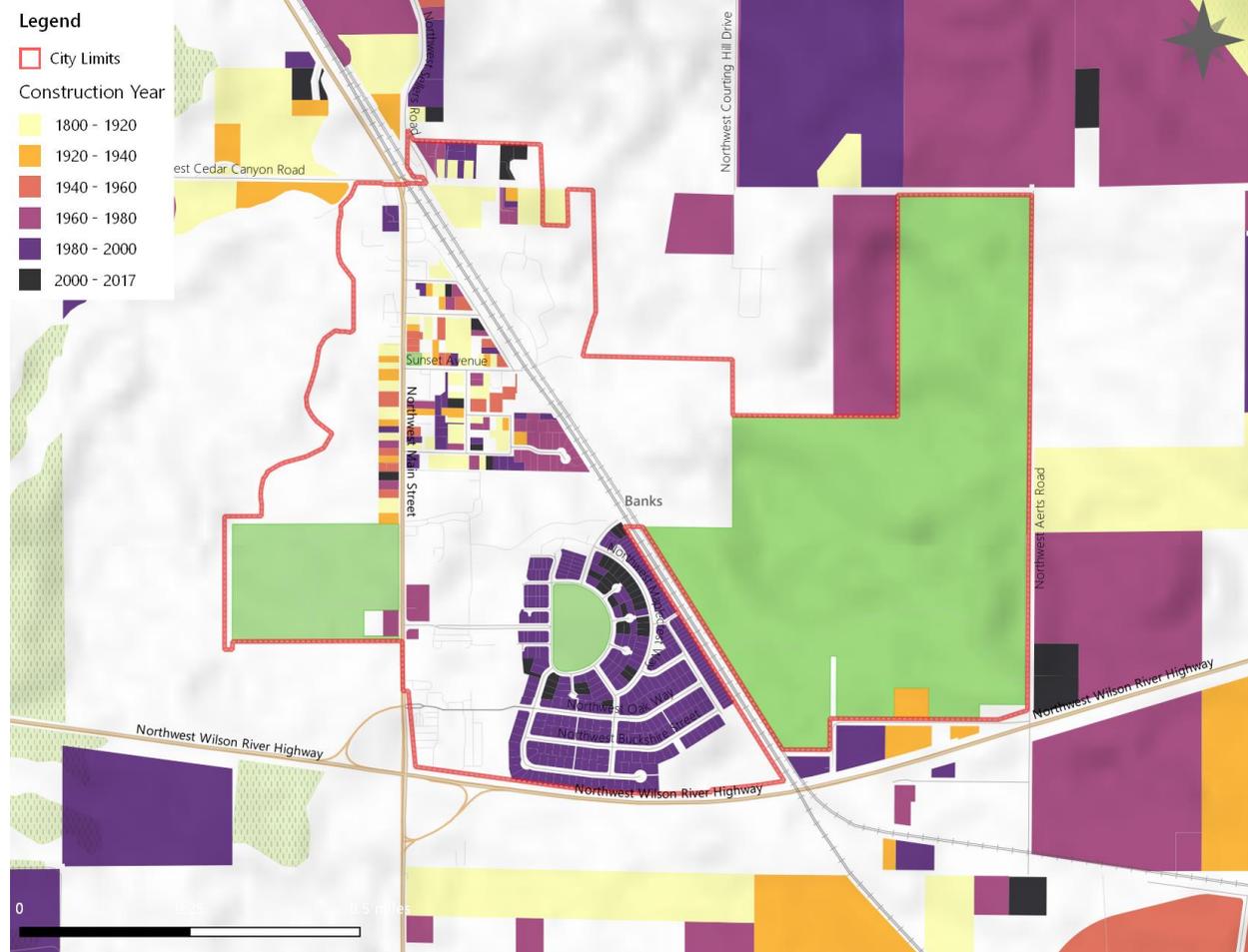
As reflected below, there has been almost no new construction in the City of Banks since 2000. Based on available permit information from Washington County. The most significant recent construction was the residential subdivision on the southern end of town that was mostly complete in the late 1990s, with the last remaining houses built in 2001 and 2002.

### Building Activity Heatmap (All Construction) Since 2000



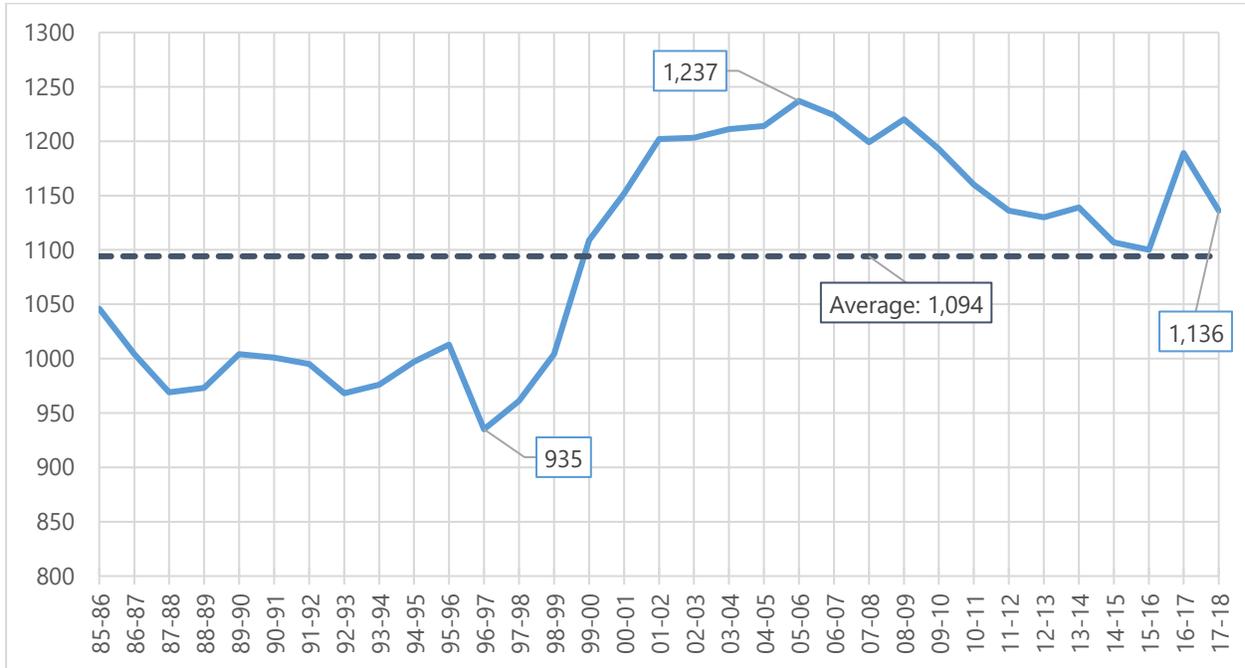
Source: Costar

## City of Banks Age of Construction



Due this limited growth, the school district has held a relatively stable enrollment and building improvements have been limited to renovations of existing facilities.

Total School District Enrollment Since 1985



Source:

## Infrastructure

To sustain new development, the city must be able to provide adequate water and sewer treatment and conveyance capacity. This information is to be provided separately by the contract engineer.

## EMPLOYMENT

City of Banks employment is significantly tied to historic roots in timber and logging which is reflected in the employment base of Hampton Lumber, which acquired Banks Lumber in August 2016 and has since invested \$2 million in capital equipment and employs 55 people. Additional companies tied to the timber industry include Bighorn Logging and Five Star Construction.

### National/Regional Overview

Traded sector (also referred to as an export sector) businesses include industries and employers which produce goods and services that are consumed outside the region where they are produced and therefore bring in new income to the area (e.g., metals and machinery, timber harvesting and processing, software development).

Workers in the traded sector tend to have higher educational attainment, work more hours, and earn higher average wages than local sector business.

Local sector business consists of industries and firms that are in every region. They produce goods and services that are consumed locally in the region where they were made, and therefore circulate existing income in the area (e.g., breweries, physician offices, banks). These businesses are important as they make a community distinct and provide amenities to attract young professionals and families that drive the new economy.

The following table highlights the average wage difference between traded sector jobs and local sector jobs in the U.S. As the job base expands, a region is more attractive to employees because they have more options for career growth. In turn, once the employment base grows, competition will occur and ultimately increase wages. As indicated in the following chart, it is important for a community to foster the growth of traded-sector industries and services as they have higher wages and therefore offer a better opportunity for residents.

#### Annual Average Wage Comparison, Banks, Oregon, and USA, 2016

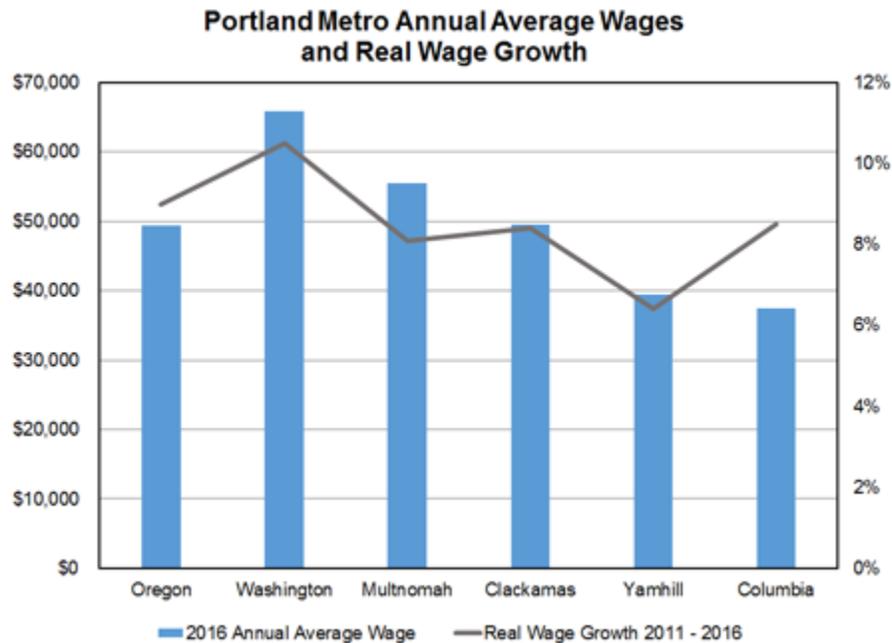
NAICS	Industry Sector	Banks Avg. Wage	Oregon Avg. Wage	USA Avg. Wage
<b>Traded Sector</b>				
55	Management of Companies & Enterprises	NA	\$114,681	\$115,325
48-49	Transportation & Warehousing	\$78,624	\$49,278	\$50,459
51 & 54*	Information / Professional & Technical Services	\$53,344	\$74,668	\$92,771
42 & 31-33*	Wholesale Trade / Manufacturing	\$49,684	\$67,417	\$67,723
11	Agriculture, forestry, fishing & hunting	\$54,616	\$33,580	\$33,287
<b>Local Sector</b>				
52	Finance & Insurance	\$44,716	\$77,333	\$101,210
23	Construction	\$44,734	\$55,865	\$58,647
53	Real Estate & Rental & Leasing	\$17,439	\$41,367	\$54,965
61 & 62*	Educational & Health Services	\$36,593	\$49,269	\$48,058
71	Arts, Entertainment, & Recreation	\$18,569	\$25,969	\$36,806
44-45	Retail Trade	\$24,266	\$29,678	\$30,299
72	Accommodation & Food Services	\$15,138	\$19,313	\$20,032

Source: QCEW, 2016

\* Industry sectors combined for confidentiality purposes

Banks is centrally located within Washington County, which is home to the Silicon Forest: one of the most significant economic drivers within the region. As this technology ecosystem continues to thrive it attracts more business, employees and surrounding residents. The wage impact of this industry is reflected in the following chart.

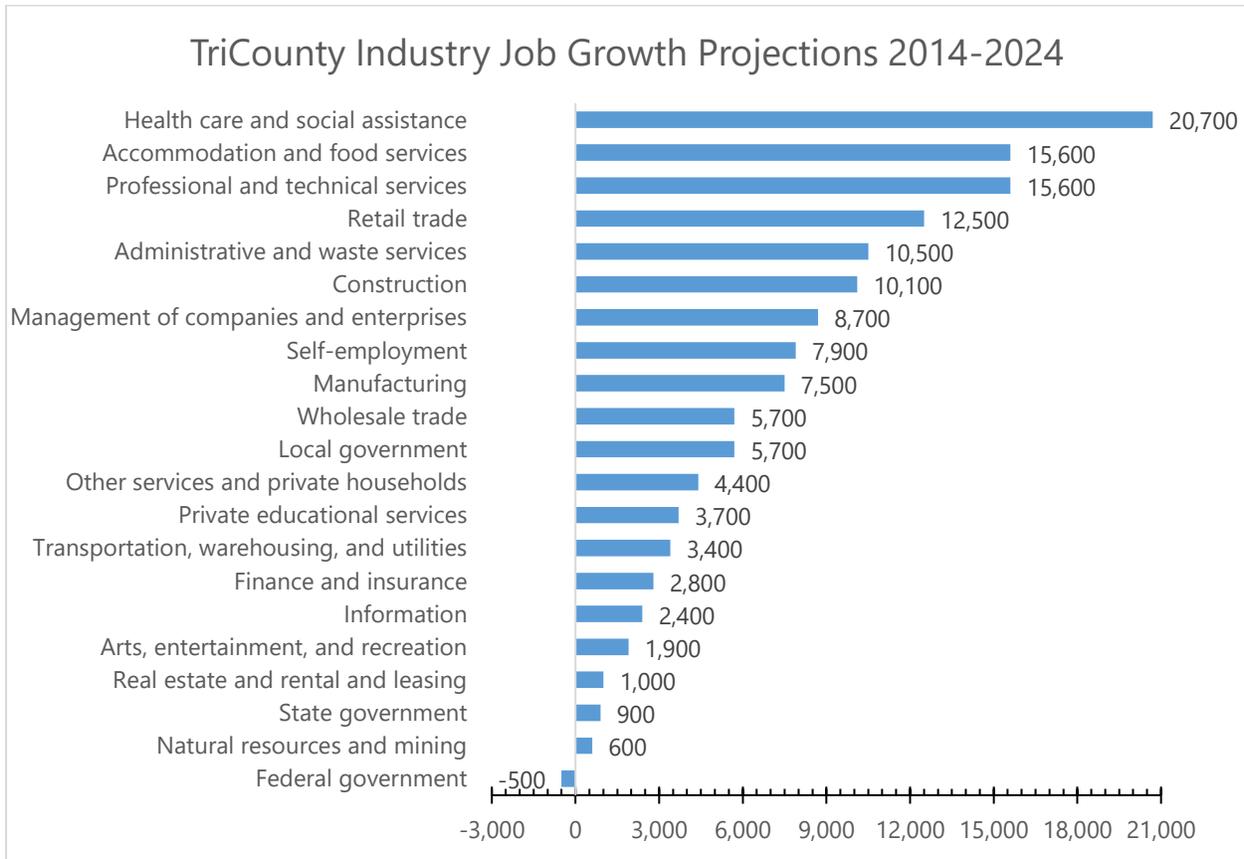
Portland Metro Annual Average Wages and Real Wage Growth



Source: *QualityInfo.org*

It is important to note that the high-tech manufacturing and professional services are expected to grow. As identified in the following chart, 15,600 professional and technical new jobs and 7,500 manufacturing new jobs within the region by 2024 are anticipated. Between 2010 and 2015, Washington County was responsible for 21 percent of job growth in the professional and technical services industry, and 54 percent of job growth in the manufacturing industry. If these trends continue, Washington County can expect approximately 3,300 new professional and technical services jobs and 4,100 new manufacturing jobs by 2024.

Tri-County Industry Employment Growth (new jobs), 2014-2024



Source: State of Oregon Employment Department

**Broadband Need**

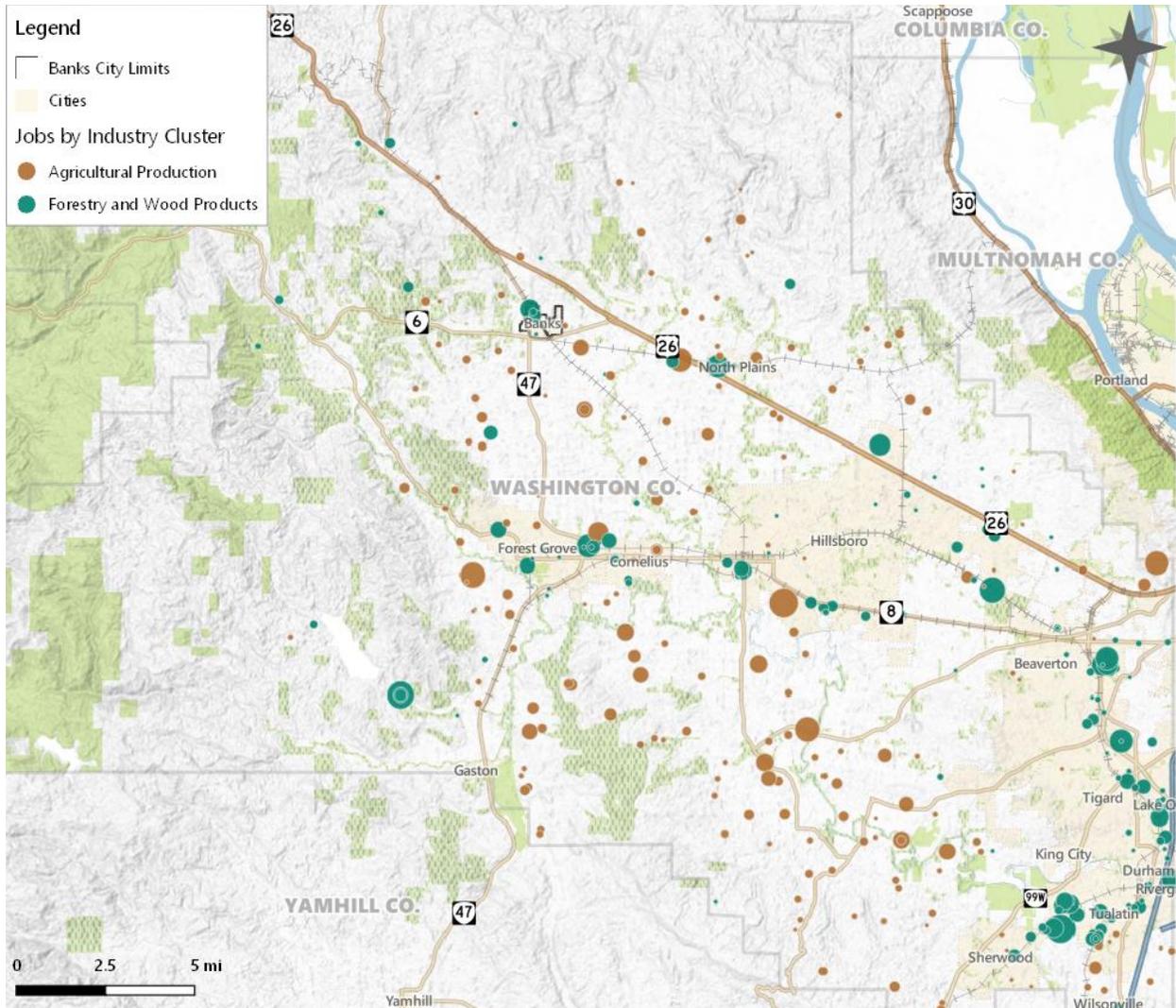
Access to broadband and high-speed internet connections is crucial for ALL industry. Increasingly manufacturing companies are adopting sophisticated machinery while needed to upload and download CAD files for production. All companies utilize video conference calls and high-tech industries utilizing video editing capabilities need significant and reliable internet access. In order to support a high-tech industrial base, a minimum provision of 25Mbps by providers is necessary. To provide opportunities for all high-tech industries and independent contractors working from home, 50Mbps is desired. A detailed overview of broadband needs is provided in Attachment C.

Currently internet service providers in the City of Banks provide a wide range of internet speeds, most of which are under 25Mbps, and only Comcast offers internet service with download speeds greater than 25Mbps. Future Roadmap actions will outline how to address this infrastructure need.

## Banks Overview

Banks has an opportunity to continue to build off its natural resource economy, as well as position itself for growth spillover from Washington County.

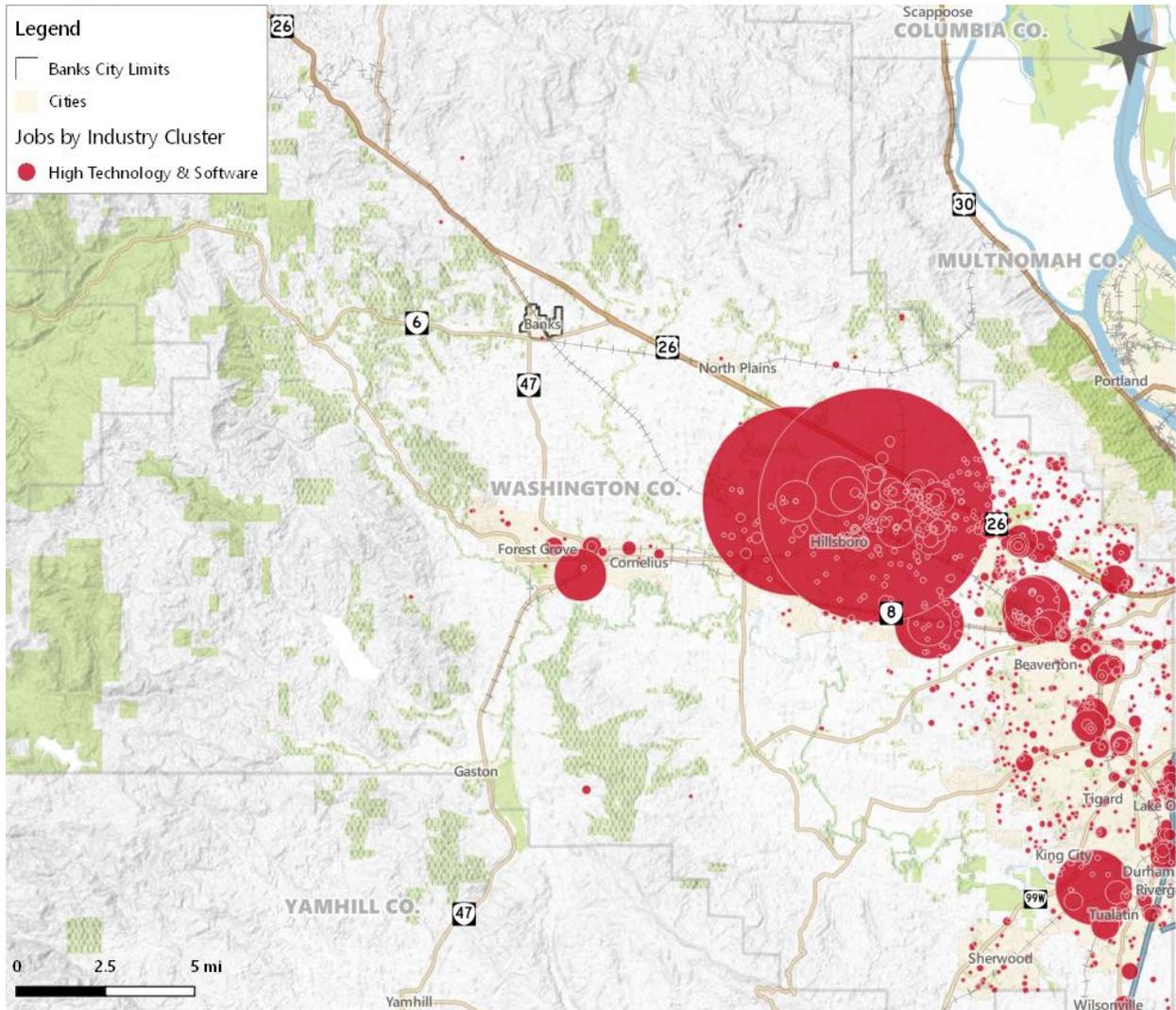
### Agricultural Production and Forestry and Wood Products Companies, Washington County



Source: QCEW and Leland Consulting Group

The following map shows high technology and software companies – sized by average annual employment (number of jobs) – and is set to the same scale as the map above. For contextual and comparative purposes, the largest circle in Forest Grove represents a company with over 500 employees. When comparing the size of employment within the natural resource versus high-tech industries it is clear where employment growth is occurring. We recommend that Banks foster an environment that supports both industries to remain diverse and accommodate as much opportunity as possible.

## High Technology and Software Companies, Washington County



Source: QCEW and Leland Consulting Group

## Outlying Washington County, City Summary Table, 2016

City	Firms	FTE	Total Payroll	Avg. Firm Size (FTE)	Avg. Wage
Banks	70	582	\$21,518,667	8	\$36,974
Cornelius	284	2,827	\$94,780,242	10	\$33,527
Forest Grove	556	6,584	\$272,069,106	12	\$41,323
North Plains	101	841	\$33,233,409	8	\$39,517
<b>Total</b>	<b>1,011</b>	<b>10,834</b>	<b>\$421,601,424</b>	<b>11</b>	<b>\$38,915</b>

Source: Washington County QCEW Data

## Washington County Industry Cluster Summary

Industry Cluster	Total Firms	FTE	Total Payroll	Avg. Firm Size (FTE)	Avg. Wage
Advanced Manufacturing	60	1,865	\$109,983,727	31	\$58,973
Agricultural Production	200	2,776	\$83,856,063	14	\$30,208
Business Services	1,557	25,168	\$3,062,194,800	16	\$121,670
Food and Beverages	48	461	\$25,950,530	10	\$56,292
Forestry and Wood Products	154	3,339	\$192,301,453	22	\$57,593
High Technology	1,177	38,577	\$5,320,701,368	33	\$137,924
All Other Employment	17,371	212,763	\$9,827,419,110	12	\$46,190
<b>Total</b>	<b>20,567</b>	<b>284,949</b>	<b>\$18,622,407,051</b>	<b>14</b>	<b>\$65,353</b>

Source: Washington County QCEW Data

## Forest Grove, Cornelius, and North Plains Industry Cluster Summary

Industry Cluster	Total Firms	FTE	Total Payroll	Avg. Firm Size (FTE)	Avg. Wage
Advanced Manufacturing	5	128	\$6,325,422	26	\$49,417
Agricultural Production	7	76	\$2,857,955	11	\$37,605
Business Services	29	52	\$2,576,727	2	\$49,552
Food and Beverages	3	35	\$1,763,537	12	\$50,387
Forestry and Wood Products	19	455	\$22,650,231	24	\$49,781
High Technology	20	803	\$39,674,584	40	\$49,408
All Other Employment	858	8,703	\$324,234,301	10	\$37,255
<b>Total</b>	<b>941</b>	<b>10,252</b>	<b>\$400,082,757</b>	<b>11</b>	<b>\$39,025</b>

Source: Washington County QCEW Data

In comparison, the only significant industry cluster in Banks is the Forestry and Wood Products industry cluster, with six firms, 120 employees (FTE), and \$6.3 million in total annual payroll. Through discussions with representatives of this industry cluster, all stakeholders commented on the following issues:

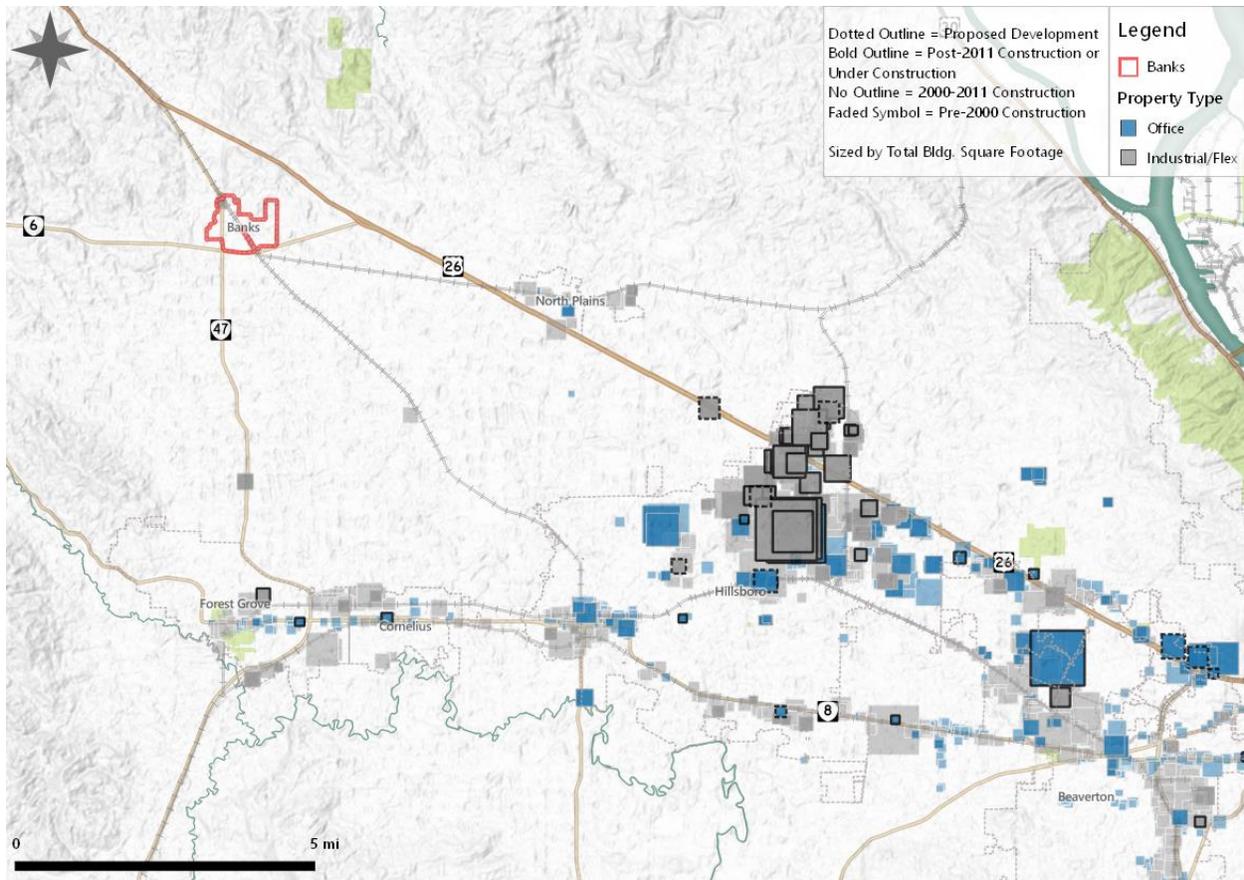
- They are having trouble finding skilled employees.
- Would like to resume relationship with local high school to promote internships and summer job programs.
- There are no available sites to grow or expand company.
- Very few employees can afford to live and work in Banks.

- Important to retain services such as gas station and health services to support industry.

## Real Estate Overview

As mentioned by the local stakeholders, there is no available industrial land in Banks. The following map reflects the location of available industrial and office space in the Banks surrounding region. In discussions with local commercial brokers, the available space in Hillsboro is becoming scarce and rents are rising significantly. As a result, there are several small manufacturers tied to the high-tech industry looking for approximately 10,000 sf of space that they can ideally own.

### Location of Office, Industrial, and Flex Development, Employment Market Area



Source: Costar

## Commercial Rents and Vacancy

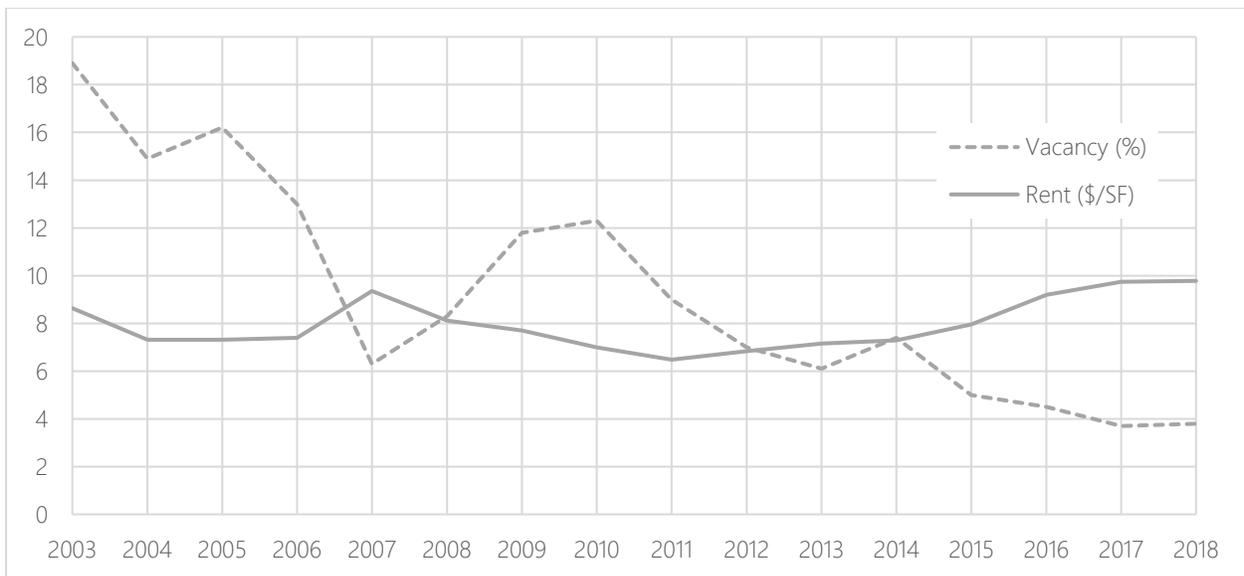
As indicated below, vacancy is steadily decreasing and per typical conditions, rents are increasing due to lack of supply. Additionally, in order to consider the construction of new product, rents need to exceed the cost of construction. Per the following information, industrial and flex space rents appear to just exceed cost of construction, making this type of development a viable option. Especially considering the lack of vacancy and known businesses desiring expansion in Banks.

### Sunset Corridor Market Scorecard: Five Year Comparison

		<b>Q4 2012</b>	<b>Q4 2017</b>	<b>12-mo Trend</b>	
<b>OFFICE</b>	<i>Rental Rate</i>	\$15.87	\$22.60	↑	↑ Rising ↔ Unchanged ↓ Falling  <span style="display: inline-block; width: 15px; height: 15px; background-color: red; margin-right: 5px;"></span> Strengthening <span style="display: inline-block; width: 15px; height: 15px; background-color: green; margin-right: 5px;"></span> Weakening <span style="display: inline-block; width: 15px; height: 15px; background-color: yellow; margin-right: 5px;"></span> Neutral
	<i>Vacancy Rate</i>	10.9%	7.0%	↑	
	<i>Vacant SF</i>	983,594	706,192	↑	
	<i>Absorption</i>	72,236	-20,477	↑	
<b>FLEX</b>	<i>Rental Rate</i>	\$0.77	\$1.17	↔	
	<i>Vacancy Rate</i>	14.1%	7.1%	↑	
	<i>Vacant SF</i>	950,536	352,837	↑	
	<i>Absorption</i>	-36,989	-14,540	↑	
<b>INDUSTRIAL</b>	<i>Rental Rate</i>	\$0.48		↑	
	<i>Vacancy Rate</i>	5.7%	2.4%	↑	
	<i>Vacant SF</i>	643,490	202,618	↑	
	<i>Absorption</i>	35,092	-54,724	↓	

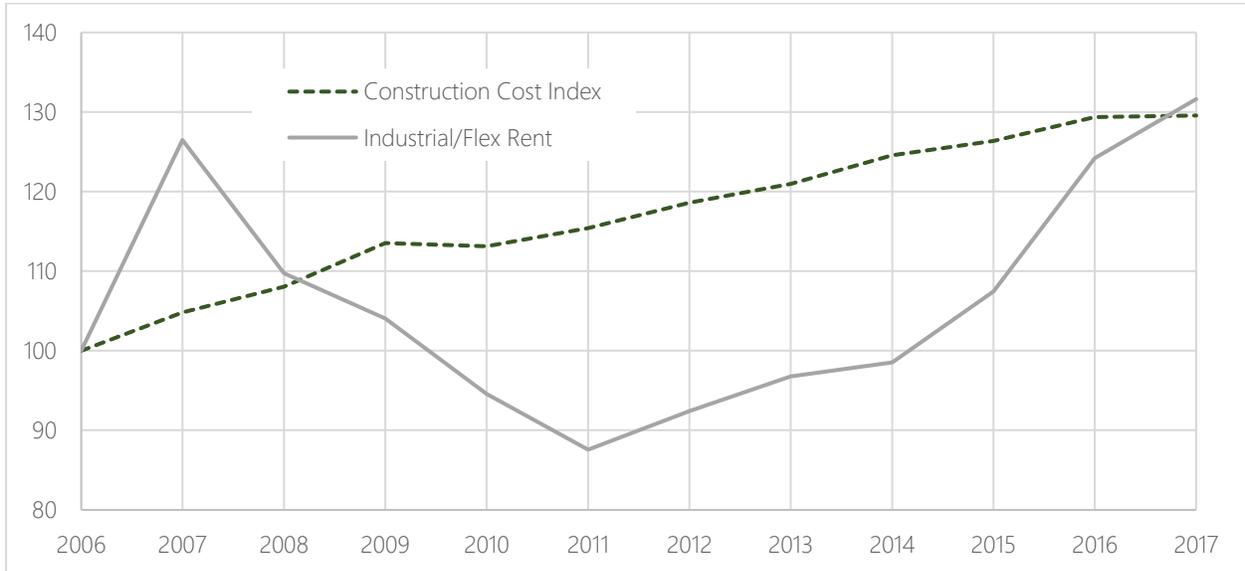
Source: Colliers International

### Industrial/Flex Rents and Vacancy, Banks Market Area



Source: Costar and Leland Consulting Group

## Industrial/Flex Rent Growth Versus Construction Cost Growth



Source: Costar and Leland Consulting Group

## Recommended Actions

- Focus on making industrial zoned land “shovel ready”, which means the necessary utilities and transportation analysis is complete for the sites and the necessary improvements and associated costs are defined.
- Build a relationship with Washington County brokers and local employers to identify tenants for industrial uses. Once a year, host a round-table to educate them on the city’s focus as well as hear from them regarding regional demand.
- Meet bi-annually with local businesses to determine the services needed for their ecosystem (i.e. card-lock fueling station, drug testing, etc.) and make sure they are not precluded.
- Build a relationship with Business Oregon and Washington County representatives to proactively prepare significant industrial users for application of the ezone incentive for property exemptions for industrial use investments and job creation.
- Work with the Banks Superintendent and local traded-sector businesses to promote internship programs and skills development desired by employers.
- Reach out to existing private providers of broadband service. Clearly convey planned residential and employment growth to see if they can enhance service. If necessary, apply for USDA grant to enhance service.
- Work with Washington County to enhance transit service between Forest Grove and Banks to support employment base commuting into Banks.

## HOUSING

The housing market is interconnected with the regional employment market. Across the region employers are struggling to find available employees and affordable housing to support them.

### National/Regional Overview

Nationally, there is a shortage in the availability of affordable rental units. Very few apartments remain affordable for very low-income families, and one-in-four renters in the country is severely cost-burdened (defined as those spending over 50 percent of their income on rent). The affordable housing market is very tight, with vacancies well below market-rate apartment developments across the country.

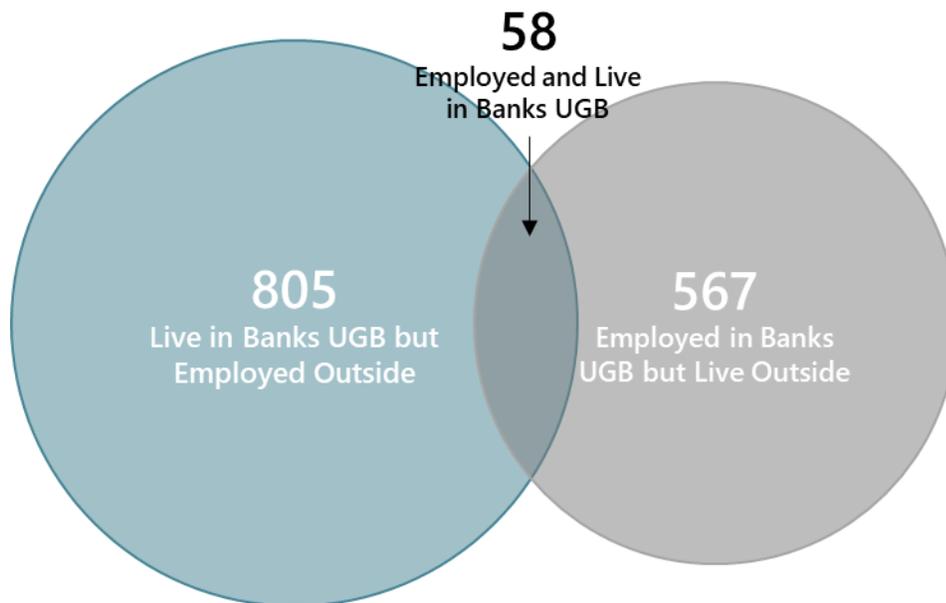
Affordable “for-sale” housing is typically limited to the suburbs where land is cheaper. However, the market is severely constrained by rapidly increasing construction costs which forces developers to seek significantly higher prices to make new development feasible. As such, new single-family housing units are generally targeting upper income levels, while affordable rental housing is reliant on a wide array of tax credits and other funding sources to help bridge feasibility gaps.

### Banks Overview

The Banks housing market is largely single family residential and serves high-income residents that work in Hillsboro. This is reflected in the following commute patterns that show most Banks residents employed outside the community. The housing market is currently not serving the people that work in Banks. As a result, very few people work and live in Banks.

### Workforce analysis and commute patterns

Inflow/Outflow, Banks UGB, 2015



Source: LEHD, 2015

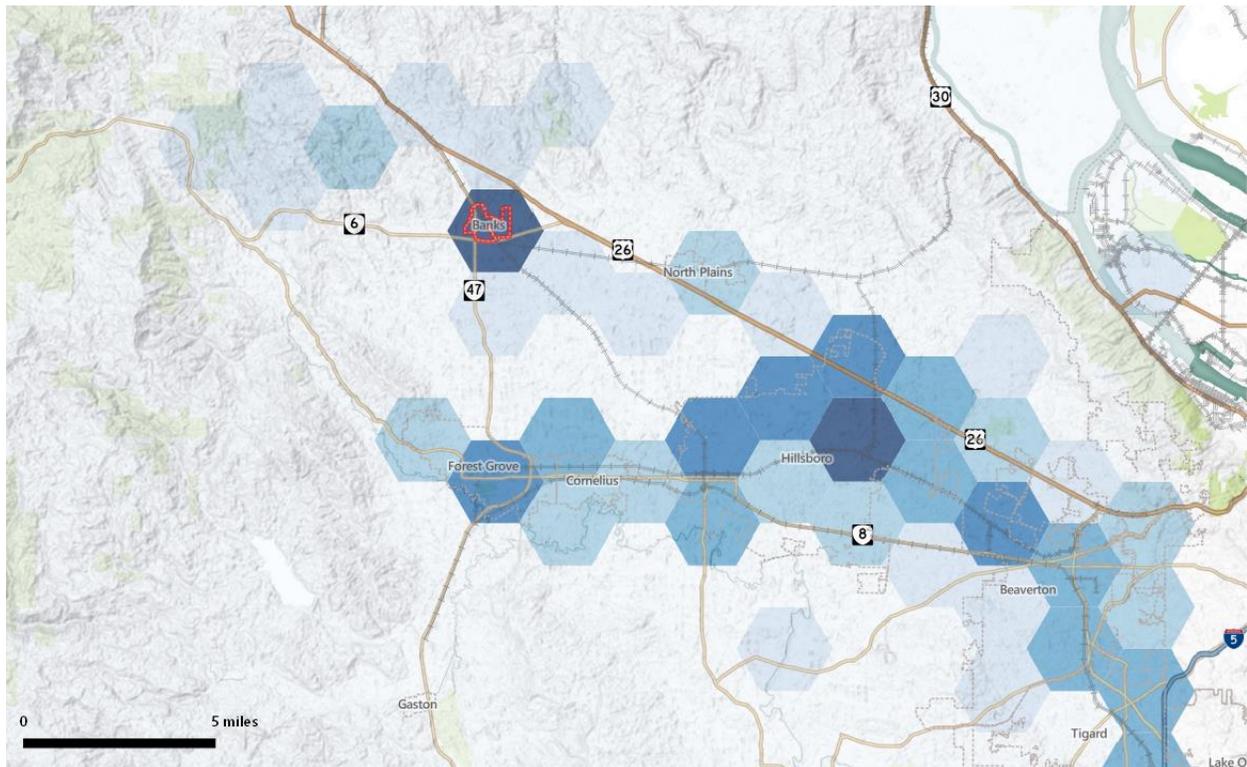
### Characteristics of Inflow/Outflow Jobs, Banks UGB, 2015

	Inflow Jobs	Outflow Jobs
<b>Age of Worker</b>		
29 or younger	20%	23%
30 to 54	55%	56%
55 or older	26%	20%
<b>Annual Wages</b>		
Less than \$15,000	28%	19%
\$15,000 to \$39,999	35%	32%
More than \$40,000	37%	49%

Source: LEHD, 2015

As identified below a significant amount of Banks residents work in Hillsboro tied to the high-tech industry. These high-income wages attribute to the high median wage in the city and influence one type of housing desired in Banks.

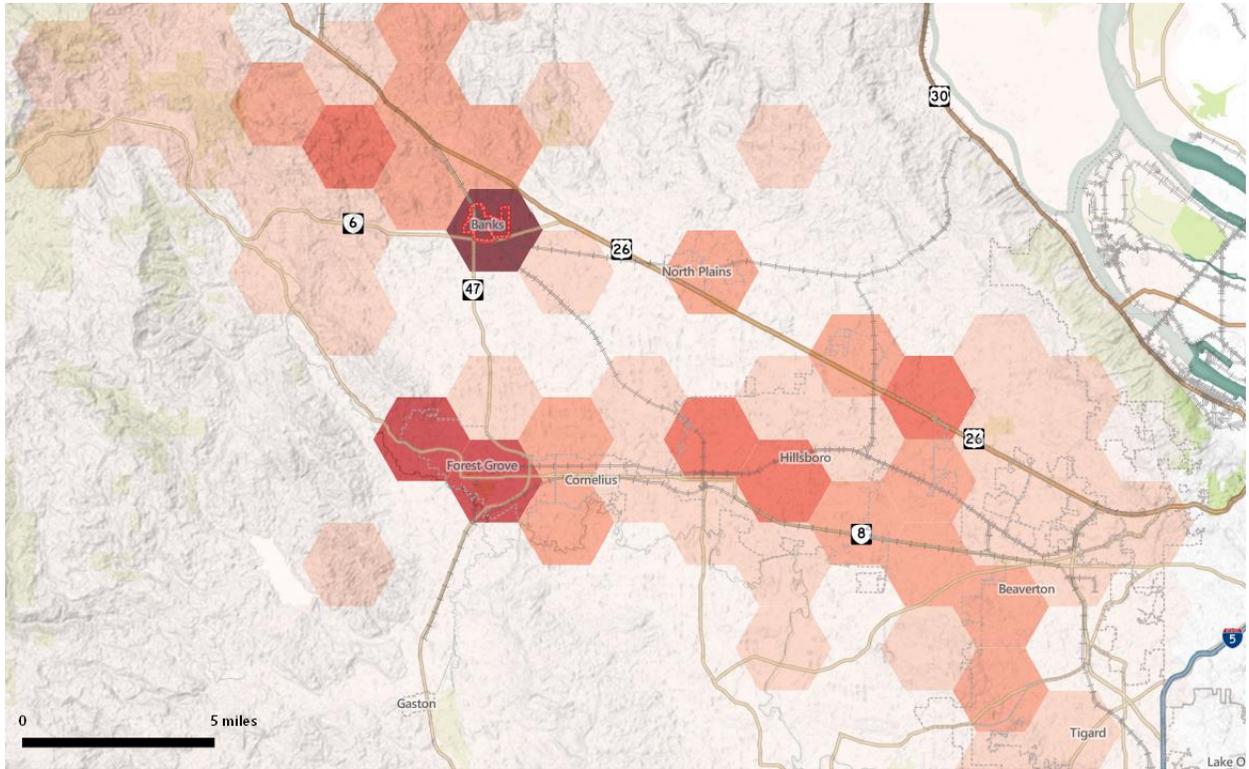
### Where Banks Residents Work



Source: LEHD (2015)

Conversely, a large percentage of people employed in Banks, live outside the city largely in Forest Grove. This trend is reflected in the following image.

## Where Banks Workers Live

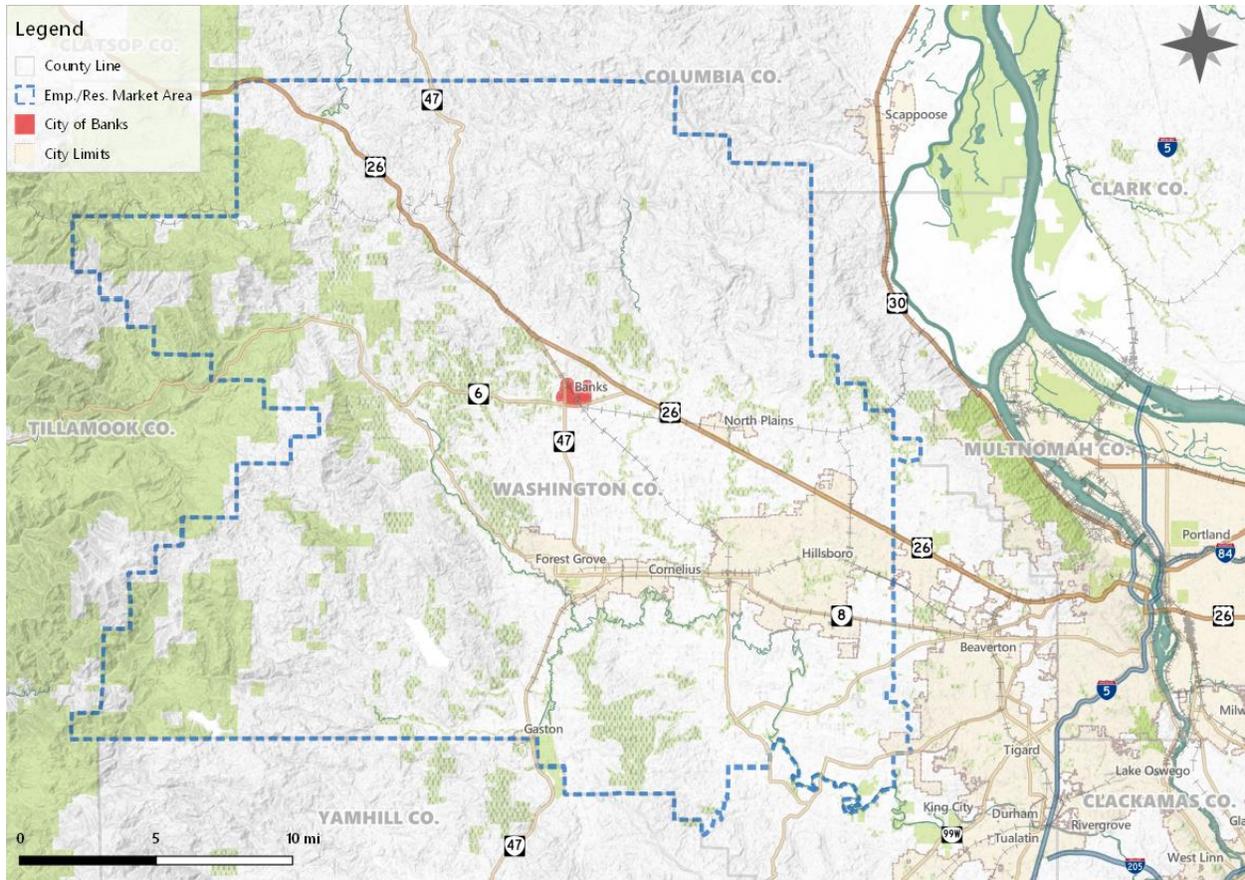


Source: LEHD (2015)

## Real Estate Overview

Based on the above housing dynamics, LCG determined the following residential market area that includes employees in the Hillsboro area, west of the Intel campus. LCG also identified market opportunities for Banks employees that are currently commuting into the city, which is reflected in the following market area as well.

## Residential Market Areas



Each community has unique personality profiles that are defined through the ESRI data source to convey housing preference and available income. The following information compares Banks with neighboring Forest Grove and Hillsboro provide further perspective on the type of housing currently in demand for by the existing residents in Banks. In order to adequately diversify and capture a broader housing market, it is advisable to consider the other community preferences as well, which consists largely of rental units.

### Psychographics (Tapestry Segmentation)

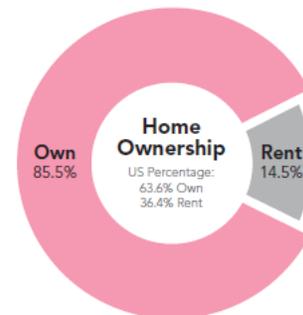
**Banks'** top tapestry is dominated by a preference for single-family. This reflects the *existing* residents, rather than potential future residents. As such, it is useful to compare the surrounding cities of Forest Grove, where Banks employees are travelling from, and Hillsboro, where Banks residents are working.

In **Forest Grove**, the top tapestry is **Front Porches** (left), whose preferred housing type is a mixture of single family and multifamily units. Residents are typically married couples working in professional services, the service industry, and administration. In **Hillsboro**, one of the main tapestries is **Metro Renters** (right),



**Typical Housing:**  
Single Family

**Median Value:**  
\$226,000  
US Median: \$177,000

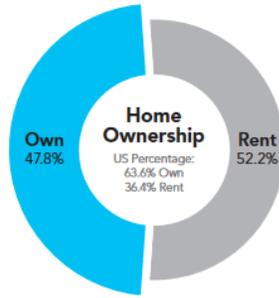




**Typical Housing:**  
Single Family;  
Multiunits

**Average Rent:**  
\$890

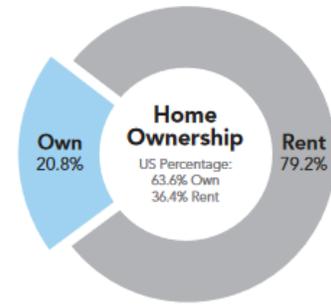
US Average: \$990



**Typical Housing:**  
Multiunit Rentals

**Average Rent:**  
\$1,310

US Average: \$990



## Household size and family orientation

Households by Relationship and Household Size, 2010

	City of Banks	Res. Market Area	Wash. County	Portland Metro
<b>In Family Households</b>	91%	84%	82%	77%
Householder	27%	25%	25%	24%
Spouse	21%	20%	20%	18%
Child	38%	32%	31%	28%
Other relative	3%	4%	4%	4%
Nonrelative	3%	3%	3%	3%
<b>In Nonfamily Households</b>	9%	14%	17%	21%
1 & 2 Person Households	46%	54%	58%	62%
3 + Person Households	54%	46%	42%	38%

## Tenure

Tenure of Housing Units, 2017

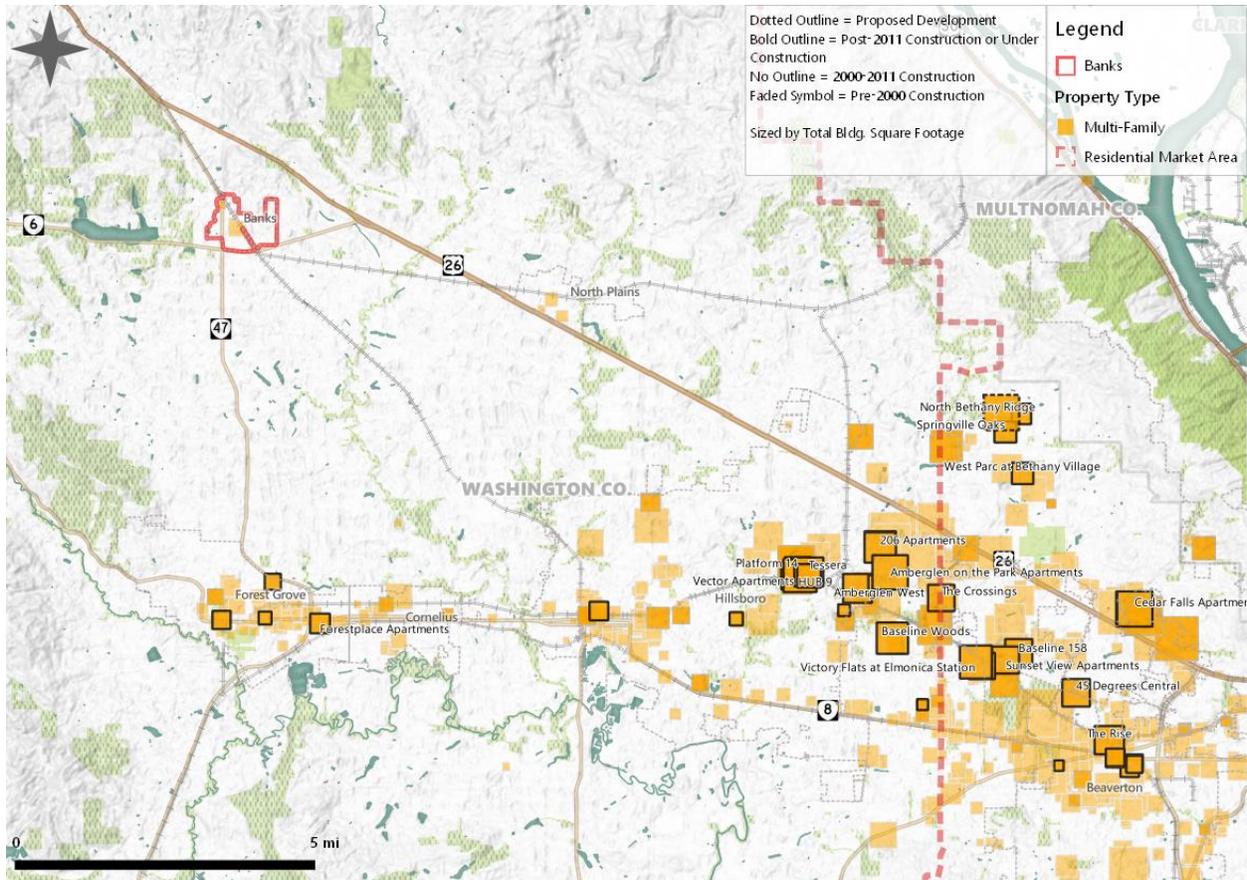
	City of Banks	Res. Market Area	Wash. County	Portland Metro
Owner Occupied Units	74.3%	57.3%	56.1%	54.3%
Renter Occupied Units	21.7%	38.1%	39.2%	40.3%
Vacant Units	4.0%	4.6%	4.7%	5.5%

Source: ESRI

## Multifamily Residential Supply

As indicated below, vacancy is steadily decreasing and per typical conditions, rents are increasing due to lack of supply. Additionally, in order to consider the construction of new product, rents need to exceed the cost of construction.

## Multifamily Development, Banks

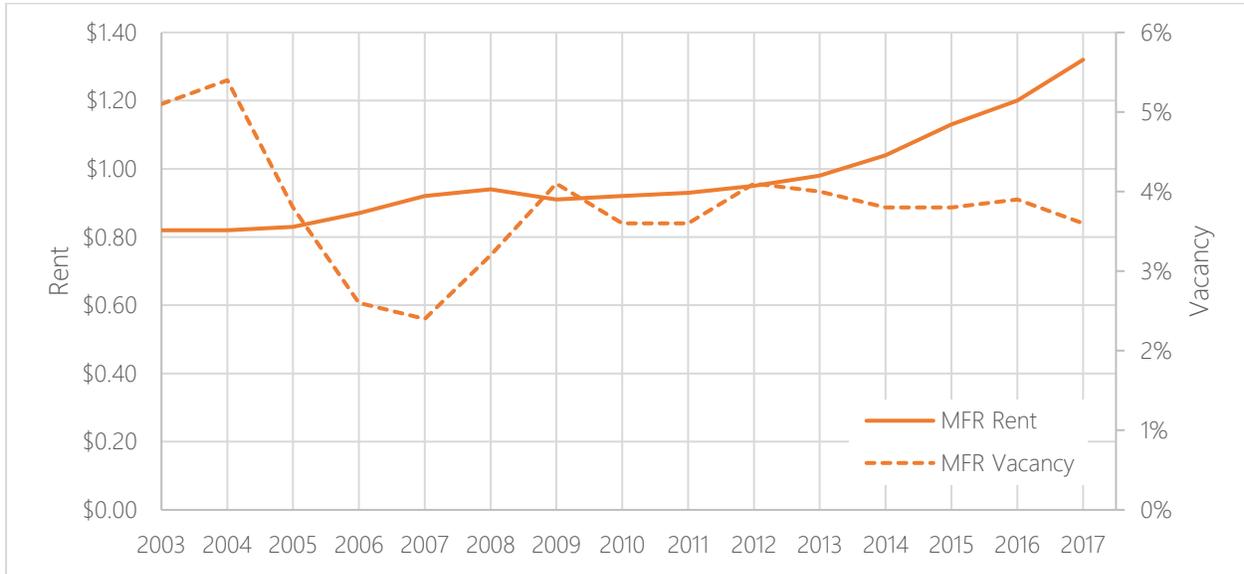


Source: Costar

Key takeaways:

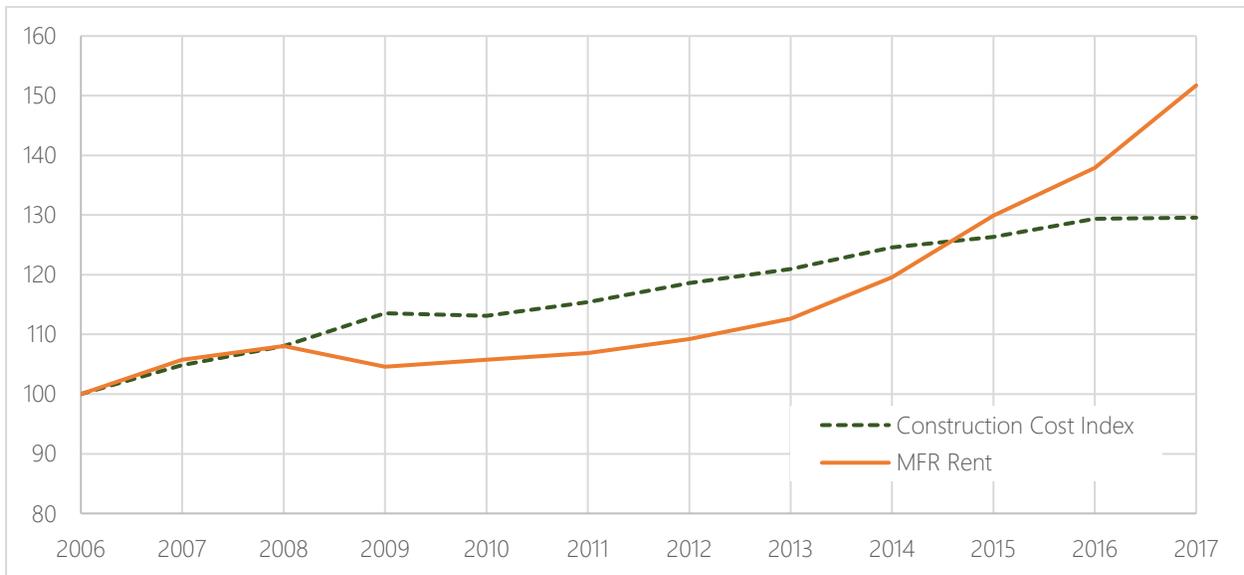
- Almost all recent apartment construction has taken place in either Hillsboro or Beaverton (the latter being outside of the designated residential market area)
- Of the Banks, North Plains, Cornelius, and Forest Grove area, only Forest Grove has seen new apartment construction, and these are all buildings under 100 units except the Forestplace Apartments.

### Multifamily Trends: Rents and Vacancy, Banks Market Area



Source: Costar

### Multifamily Rent Growth Versus Construction Cost Growth



## Recent Multifamily Residential Development, Banks Residential Market Area

Bldg. Status	Year Built	City	Bldg. Name	Num. Units	Land (AC)	DU/ AC	Rent PSF	Notes
<b>Under Construction</b>	2018	Beaverton	Amberglen on the Park Apts.	352	5.0	70		
		Forest Grove	Cedar Manor Apartments	28	NA			
			Forestplace Apartments	180	7.3	25	\$1.46	
			Jesse Quinn Apartments	78	0.3	261		
		Hillsboro	Haven Apts. at Orenco Station	150	NA		\$1.60	Orenco
<b>Existing</b>	2016	Hillsboro	Amberglen West	396	0.8	489	\$1.56	
			Vector Apartments	223	2.9	77	\$1.95	Orenco
	2015	Beaverton	Johnson Street Apartments	18	NA		\$1.40	
		Hillsboro	Heritage Terrace	12	1.0	12		
			HUB 9	124	2.0	63	\$1.98	Orenco
			Orchards at Orenco*	57	NA		\$0.98	Orenco
			Rowlock	255	NA		\$1.85	Orenco
	2014	Beaverton	Baseline Woods	230	15.7	15	\$1.45	
		Hillsboro	206 Apartments	204	5.3	38	\$1.88	
			4th Main	71	1.2	61	\$1.42	
			Sapphire Apartments	25	1.3	20	\$1.35	
			Tessera	304	NA		\$1.72	Orenco
	2013	Forest Grove	Juniper Gardens*	46	2.3	20	\$0.68	
	2012	Hillsboro	Platform 14	177	2.3	76	\$1.76	Orenco
			The Jones	193	NA		\$1.33	
<b>Total/ Average</b>				<b>3,123</b>			<b>\$1.52</b>	<i>All rents</i>
							\$1.62	<i>Market only</i>

Source: Costar

\*Affordable

Key takeaways:

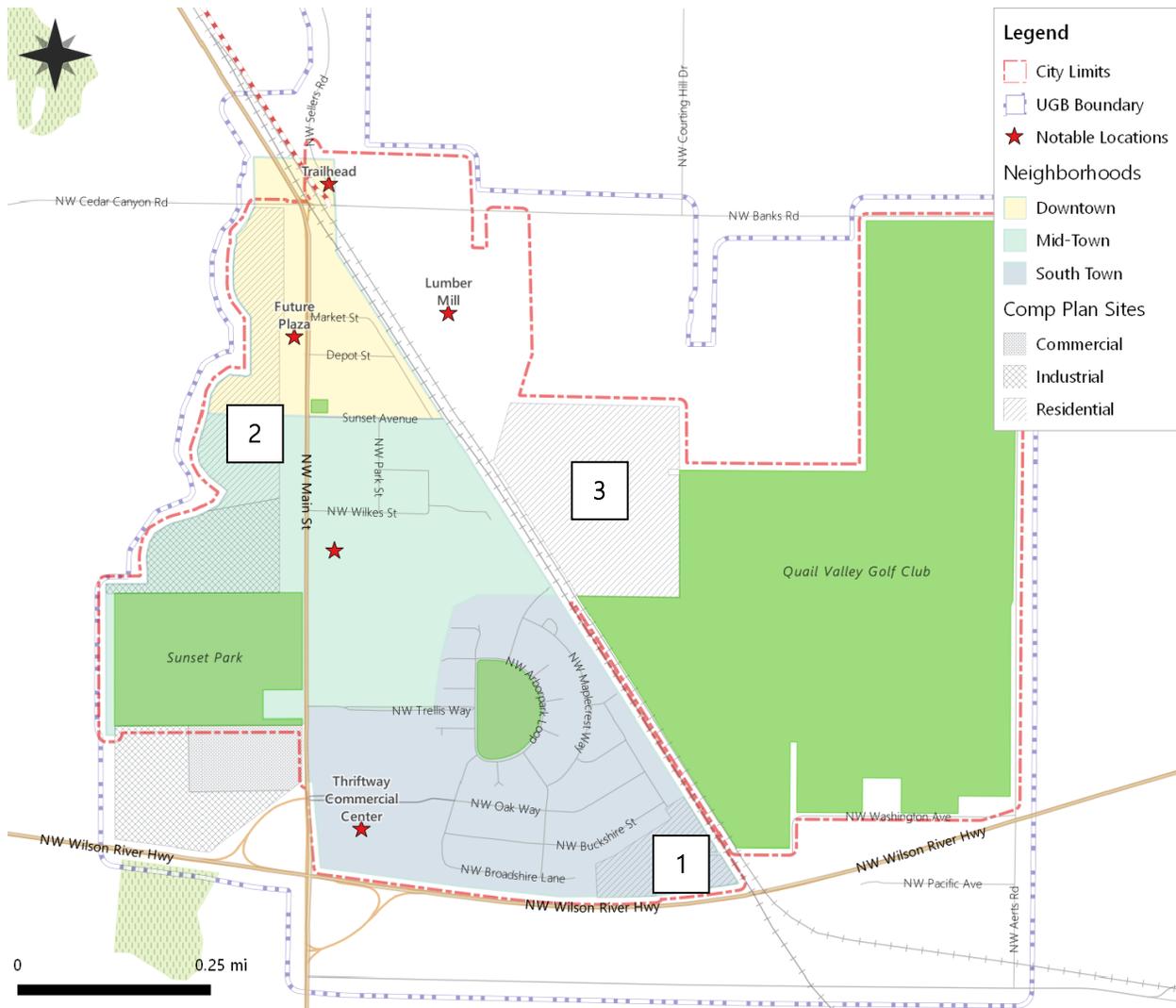
- Average rents are comparable to other outlying submarkets in the region.
  - Eastern Portland Suburbs (Gresham, Troutdale, etc.) see average rents of around \$1.43 per square foot.
  - New apartments in the Tigard market rent for \$1.81 per square foot on average, but half of the 823 units have been constructed in the last 12 months, resulting in a 20 percent vacancy rate.
  - New Damascus apartments rent for \$1.59 per square foot on average, but similarly over half of the 506 units were constructed in the last 12 months, resulting in about a 20 percent vacancy rate.
- New market-rate apartments rent, on average, for \$0.31 more than average apartments.
- Vacancy rates are higher than the Portland region in general, although this is likely due to new construction. Vacancy for the market area across all apartments is five percent, which is typically considered the state of equilibrium between supply and demand. That said, affordable apartment

buildings see considerably lower vacancy rates at an average of 2.8 to 4.6 percent (market/affordable to affordable).

- Seven of the 20 apartment buildings to be constructed since 2012 are located in the Orenco Station neighborhood of the City of Hillsboro near the Intel headquarters, a transit-oriented mixed-use community of 1,800 homes, a town center, office, retail, and entertainment.

## Residential Supply

By 2025, Banks is projected to add approximately 173 new households, resulting in a total population of 2,470. It is anticipated that a Lennar project of 37 units (#1) will locate near the existing southern subdivision, and approximately 170 units (calculated based on 17 net acres of zoning) on the western edge of the city (#2). Both sites are adequately served by city infrastructure and have viable transportation access. Future residential development may occur on site #3, but access to Banks road must be determined, which likely requires a UGB adjustment.



Note: both the city limits and the UGB boundary have been expanded by 50 to 100 feet for improved map clarity and readability.

## Recommended Actions

- Maintain a strong relationship with the west-side residential developer regarding the city plans and expectations for the Main Street Plaza as it will provide necessary access to the new development.
- Encourage the developer to consider a range of housing types beyond single family residential and make sure zoning allows for innovative design.
- Consider developing incentive tool kit (VHTC, SDC credit, etc.) within urban renewal to attract affordable housing development.
- Make sure zoning along Main Street permits multi-family zoning.

## RETAIL

Retail is an important aspect for a community in that it provides the desired everyday services as well as distinct amenities that make an area distinct. An adequate quantity and quality of retail is necessary to attract residents, employers and to support the tourism tied to Banks.

### National/Regional Overview

The retail industry is always in flux. During the 20<sup>th</sup> century, a major shift was from pedestrian-oriented main streets to auto oriented centers and corridors. Today, ever-changing consumer preferences and online-shopping are among the major trends affecting retail. The table below summarizes some of the key growing and declining retail types. This information is based on research conducted by commercial real estate company Cushman & Wakefield and reflects changing preferences. Online shopping is having a significant impact on “commodity retail.” Retailers selling products that can easily be ordered and shipped from Amazon or others face a challenging environment and must have a competitive advantage against online competition—whether that is convenience, experience, customer service, or something else. Commodity retailer categories include electronics, office supplies, and of course video stores.

By contrast, retailers offering a special experience, or offering services that cannot be procured online, have the potential to thrive. A prime example is dining—as one retail guru has said, “you can’t eat the internet;” and you certainly cannot dine with family and friends on the internet. Therefore, food and beverage establishments have become a larger and larger part of the retail experience, on both main streets and larger shopping centers. Another growing “retail” sector is healthcare. Small, neighborhood-scale providers such as ZoomCare (based in Portland) are moving into both main street and retail center locations.

Growing	Declining
	
<ul style="list-style-type: none"> <li>• Retail that offers a special experience</li> <li>• Food! <ul style="list-style-type: none"> <li>○ “Fast Casual,” i.e. Little Big Burger</li> <li>○ Food Halls, artisanal markets</li> <li>○ Trucks to Bricks</li> </ul> </li> <li>• Grocery: Ranging from discount, to organic, to small format, and ethnic</li> <li>• Medical users, incl. ZoomCare</li> <li>• Apparel: Fast fashion, off-price, active sportswear</li> <li>• Sporting clubs</li> <li>• Fitness/Health Clubs</li> <li>• Marijuana dispensaries</li> <li>• Auto repair</li> <li>• Convenience stores</li> <li>• Car dealerships</li> <li>• Home improvement and home furnishings</li> </ul>	<ul style="list-style-type: none"> <li>• Commodity retail</li> <li>• Food: Casual dining, weaker fast food chains</li> <li>• Mid-priced apparel and shoes; children’s</li> <li>• Dollar Stores</li> <li>• Pet supplies</li> <li>• Electronics</li> <li>• Office Supplies</li> <li>• Bookstores</li> <li>• Toy Stores</li> <li>• Video stores</li> <li>• Bank Branches</li> </ul>

Source: Cushman & Wakefield, Leland Consulting Group.

**New vs. Adaptive Reuse**

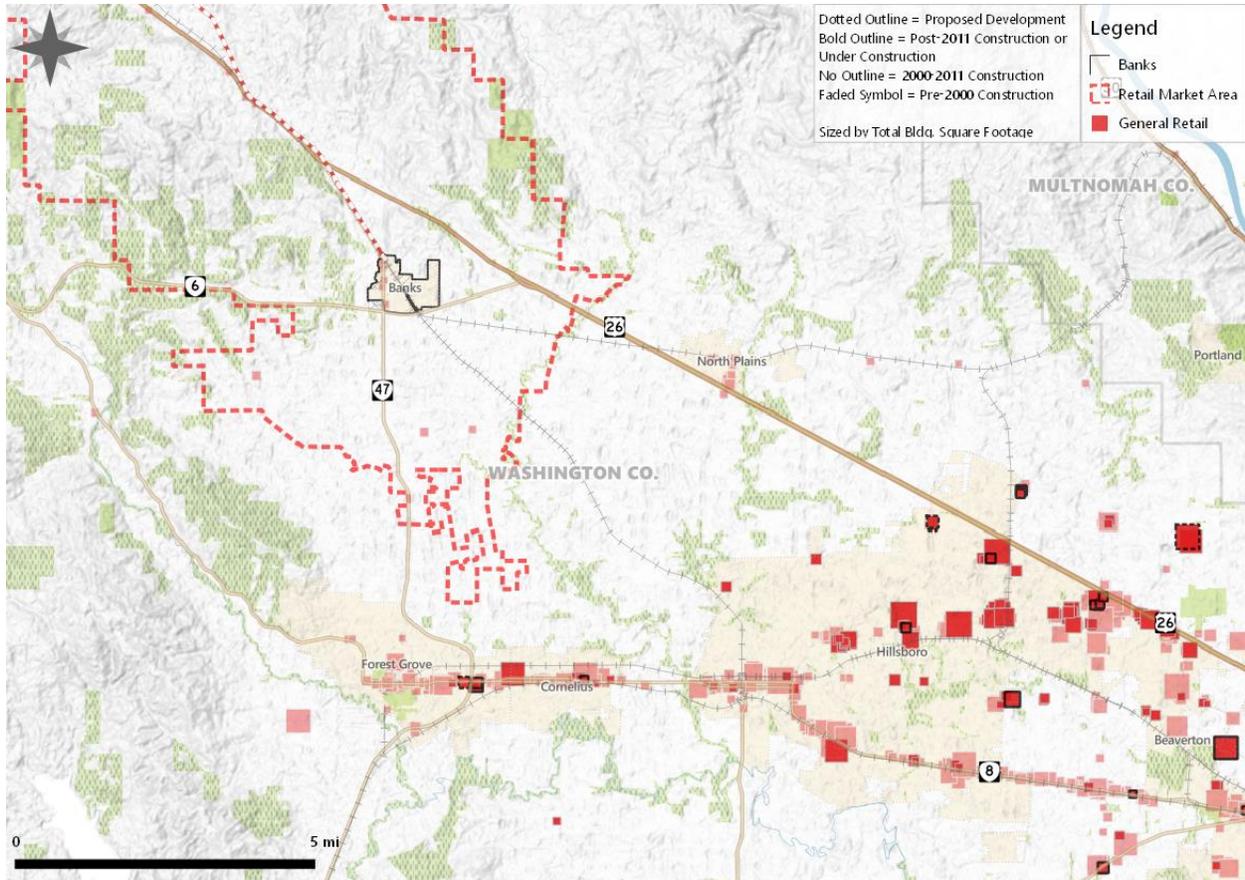
For retail development, the choice is typically between new construction or the rehabilitation of existing structures—often referred to as adaptive reuse. In places such as Banks, which has low retail rents and few large vacant parcels, rehabilitation (which can take the form of re-tenanting, modifications, or adaptive reuse) is likely to be more common than new construction. Rehab should be expected and can contribute to improved rents and activity if the rehabs are executed correctly.

Because of the lower cost of rehab/adaptive reuse projects, commercial rehab projects are likely to have a high return on investment – higher, for example, than new apartment development. By contrast, *new* retail

development will be feasible only in certain locations where top of market rents can be achieved, due to higher costs for demolition and new construction.

## Banks Overview

### Retail Market Area and Locations

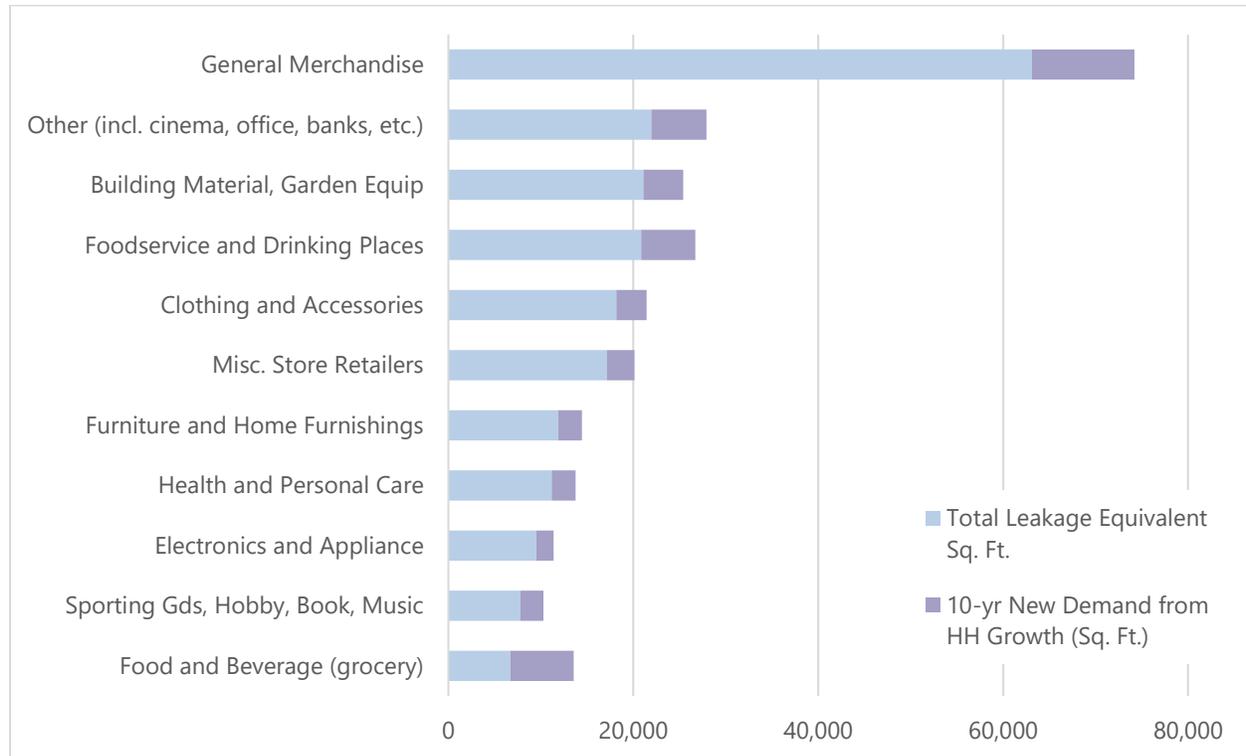


Source: Costar

- There are generally very few overall retailers in the Banks market area.
- All new retail development in the region occurring outside market area in Hillsboro, with some small development in Forest Grove. New development is typically smaller (<50,000 square feet), representing a shift back to traditional pre-big box store development types such as storefront retail and restaurants in downtown cores and along main streets.
- Trends consistent with retail across the region, state, and nation due to the rise of ecommerce and a generational shift to place-based experiences over consumerism.

The following figure shows total current retail leakage and the additional retail demand from projected household growth over the next 10 years (both in terms of estimated store square footage). While sales leakage is highest in the general merchandise retail category, these retailers tend to be larger tenants with a regional-based customer catchment area (i.e., customers travel further than usual for specific store types, such as home improvement stores, wholesale clubs, discount stores, etc.). As such, these stores are more likely to be centrally located in the region rather than located in Banks.

## Retail Leakage and 10-year Demand from Household Growth, Retail Market Area



Source: ESRI & Leland Consulting Group

The following figure shows the quantitative results of Leland Consulting Group’s retail market analysis, and the results of combining the City of Banks market area’s projected long-term population growth rate (1.8 percent annually), the amount of new retail that will be needed by those households, and the amount of retail spending that can be “captured” within the City of Banks, among other factors.

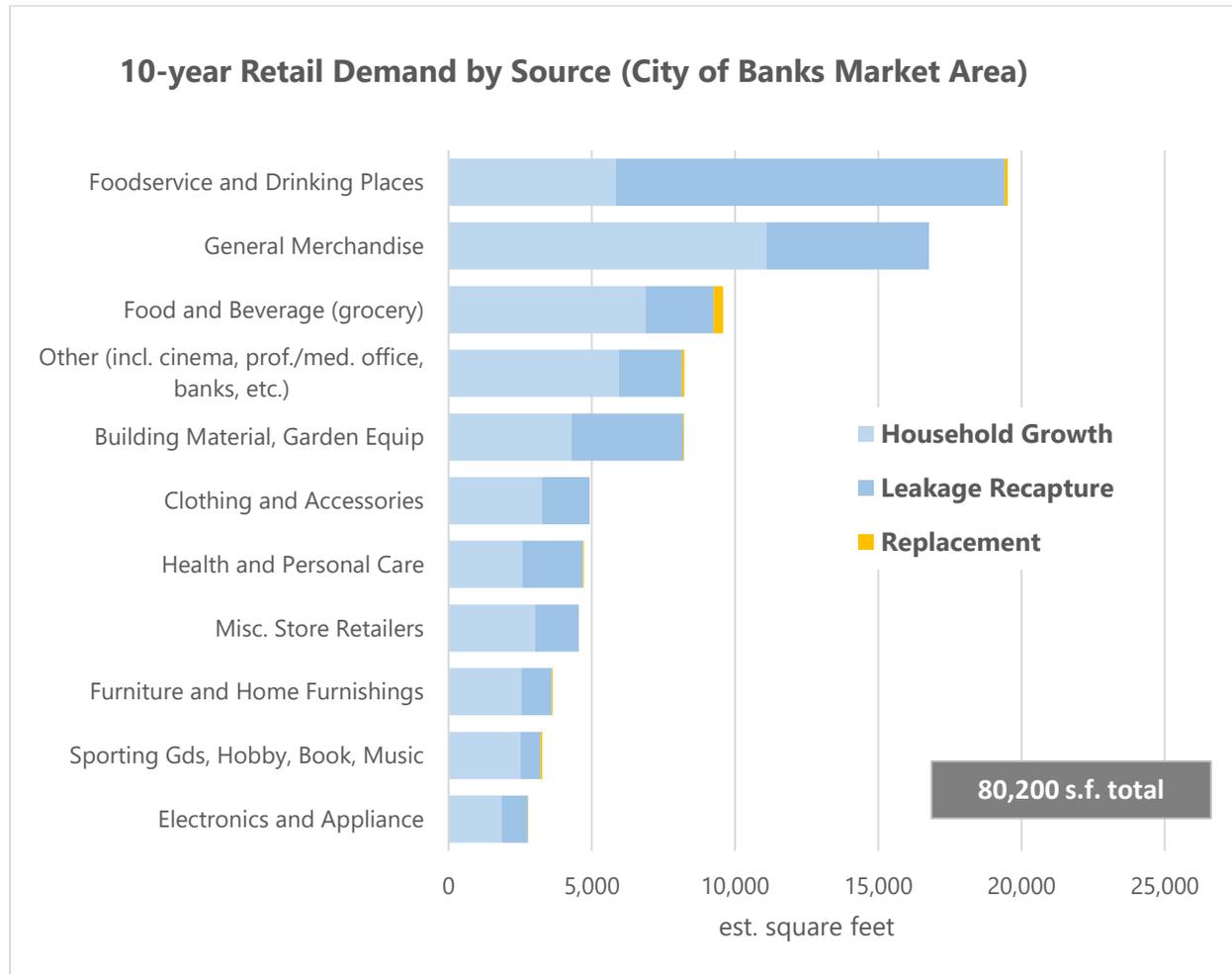
The analysis quantifies three sources of demand for the development of new retail space:

- Household growth, i.e., from new households moving into the market area.
- Leakage recapture, i.e., by “recapturing” some of the retail spending that households who live in the Banks market area are making outside of the market area. This reflects that some of the shopping that people currently do in Forest Grove, Cornelius, North Plains, and Hillsboro could be recaptured and take place in the City of Banks. Our estimates of recapture rates vary by type of retail but capture rates are typically upwards of 50 percent of spending across most categories, given Banks’ location as a gateway to more rural parts of the county.
- Replacement, reflecting the fact that existing space becomes obsolete over time. This is a small share of overall demand.

The retail category of Foodservice and Drinking Places has the highest market demand in Banks. The estimated 19,500 square feet of additional space would likely support up to about 10 new spaces in the next decade. These are likely to be *independent* restaurants, cafés, bars, etc. rather than national chains because of Oregon’s wage structure (where servers receive a standard minimum wage *plus* tips). Further, starting a new restaurant costs around \$200,000, so there must be a high return on investment. As such, existing spaces are more likely to be absorbed before new development occurs to keep initial costs down. However, once a handful of restaurants,

cafes, coffee shops, etc. have been successful and construction of the plaza is underway, rents are likely to increase to a point that warrants new construction.

### 10-Year Retail Demand by Source



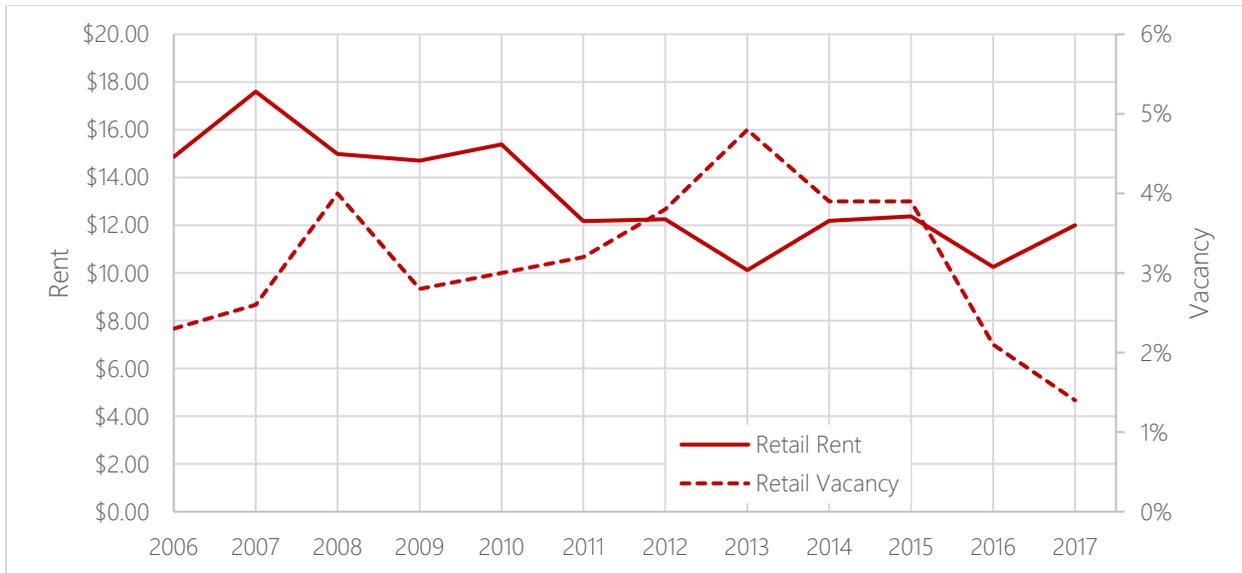
	Recapture-able Existing Leakage (sq. ft.)	10-yr New Demand from HH Growth (sq. ft.)	Total New 10-yr Demand (sq. ft.)	Estimated Number of New Stores
Foodservice and Drinking Places	13,560	5,851	19,500	4 to 10
General Merchandise	5,681	11,095	17,000	0 to 1
Food and Beverage (grocery)	2,377	6,876	9,500	1 to 2
Building Material, Garden Equip	3,894	4,299	8,000	0 to 2
Other (incl. cinema, office, banks, etc.)	2,197	5,945	8,000	1 to 2
Clothing and Accessories	1,667	3,255	5,000	0 to 2
Health and Personal Care	2,114	2,580	4,500	0 to 2
Misc. Store Retailers	1,541	3,010	4,500	1 to 2
Furniture and Home Furnishings	1,071	2,538	3,500	0 to 1
Sporting Goods, Hobby, Book, Music	707	2,501	3,000	1 to 2
Electronics and Appliance	912	1,859	3,000	0 to 1

Source: ESRI and Leland Consulting Group

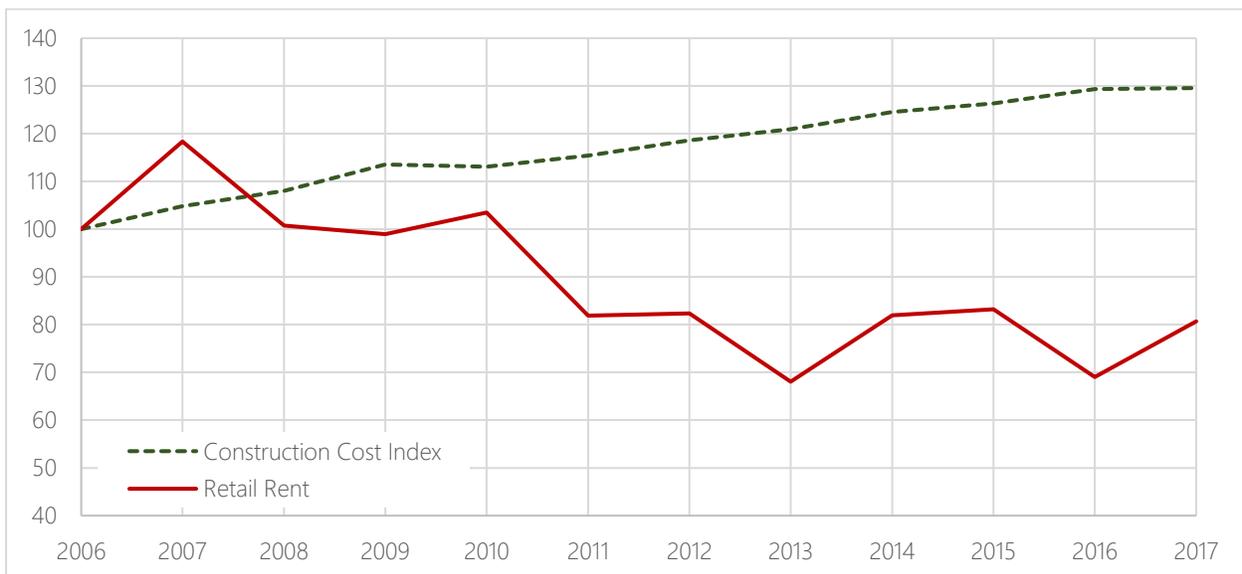
## Real Estate Overview

As indicated below, vacancy is steadily decreasing and per typical conditions, rents are increasing due to lack of supply. Additionally, to consider the construction of new product, rents need to exceed the cost of construction. Per the following information, contrary to conditions for multi-family and industrial, the current rent growth for retail does not exceed the cost growth for new construction for the use. This trend suggests that new retail will not be constructed in Banks, especially since it is such a small market. The new retail uses that are in demand will locate in renovated space.

### Retail Rent and Vacancy, Outlying Washington County



### Retail Rent Growth Versus Construction Cost Growth, Outlying Washington County



## Recommended Actions

- Within the mixed-use zone, do not require new or ground floor retail with new construction. Allow for it, but do not require it. In order to appropriately “activate” the ground floor require good design elements.
- Meet with building owners to actively encourage storefront improvement grants to improve existing storefronts.
- Determine if brownfield grants are available through Metro or Washington County to assist with clean up any vacant buildings and encourage re-use.
- Define types of uses and character with delineated districts (i.e. bike tourism in downtown) so that retailers understand where they should invest and why.
- Create a defined “foodie district” at the north end of Main Street.
- Identify building owners that have vacant space and work with them to actively market to restaurant tenants.
- Create an incentive program for restaurants.

## TOURISM

Oregon ranked 11th out of all 50 states for U.S. leisure traveler interest, with 13% of travelers interested in visiting, up from 6% in 2010. Banks is particularly well positioned to benefit from this interest due to its fortunate location at the cross-roads of significant bike trails and wineries. While there is no immediate demand for hotels right now, it is very important the city remain focused on supporting all development of the regional assets as well as making the city itself ready to accept the demand that is anticipated in approximately 10 years. (See Attachment D for details).

### National/Regional Overview

The United States hotel market grew for the seventh consecutive year in 2017, and exceeded performance expectations, reaching record occupancy percentage levels and average room rate. The increase in tourism is largely driven by the Millennial generation, which has now surpassed both the Gen-X and Baby Boomer generations in numbers of business and recreation travelers and they tend to value “experiences” over things and generally prefer hotels that incorporate unique design, local touches and inviting public spaces over opulent lobbies and large guest rooms. Furthermore, with this new demographic driving tourism demand, it is less important to be located next to freeway exits, or major intersections and far more important to be within walking distance of a variety of interesting food choices and other attractions and activities. Smartphones lead travelers with turn-by-turn directions to hotels, and so being visible from the freeway is no longer as important, customers often prefer downtown locations with walkable points of interest.

### Market Trends

Culinary and Agritourism has grown in popularity in recent years, largely due to societal shifts in values, such as environmental concerns, a greater focus on health and sourcing, and a desire for experience-based activities. Consumer awareness of organics, GMOs, and sourcing have also contributed to the rising popularity of agritourism and culinary-based tourism. Agritourism is defined most broadly as any agriculturally based operation that brings visitors to a farm or ranch, and might include:

- Outdoor recreation (fishing, hunting, wildlife viewing and photography, horseback riding, camping),
- Educational experiences (university partnerships, cannery tours, cooking classes, or wine tasting/tours),
- Entertainment (harvest festivals or barn dances),
- Hospitality services (farm stays, guided tours or outfitter services), and
- On-farm direct sales (u-pick operations or roadside stands).

According to Travel Oregon:

- 60% of American leisure travelers are interested in taking a trip to engage in culinary activities within the next 12 months (according to TIA of America)
- Nationally, nearly one-third of travelers specifically pick vacation destinations based on food and drink-related activities.
- In Oregon, more than half (55%) of visitors during 2008 to 2010 participated in at least one culinary activities, significantly higher than the national average of 17% two years earlier.

### **Visitor Characteristics**

According to Travel Oregon, the average traveler is seeking authenticity, variety, stories and connection, and active learning. Agritourism typically attracts more day trippers, most of which are highly educated, have moderate incomes, and in families. Culinary tourism typically attracts users with higher than average income and education between the ages of 35 and 64.

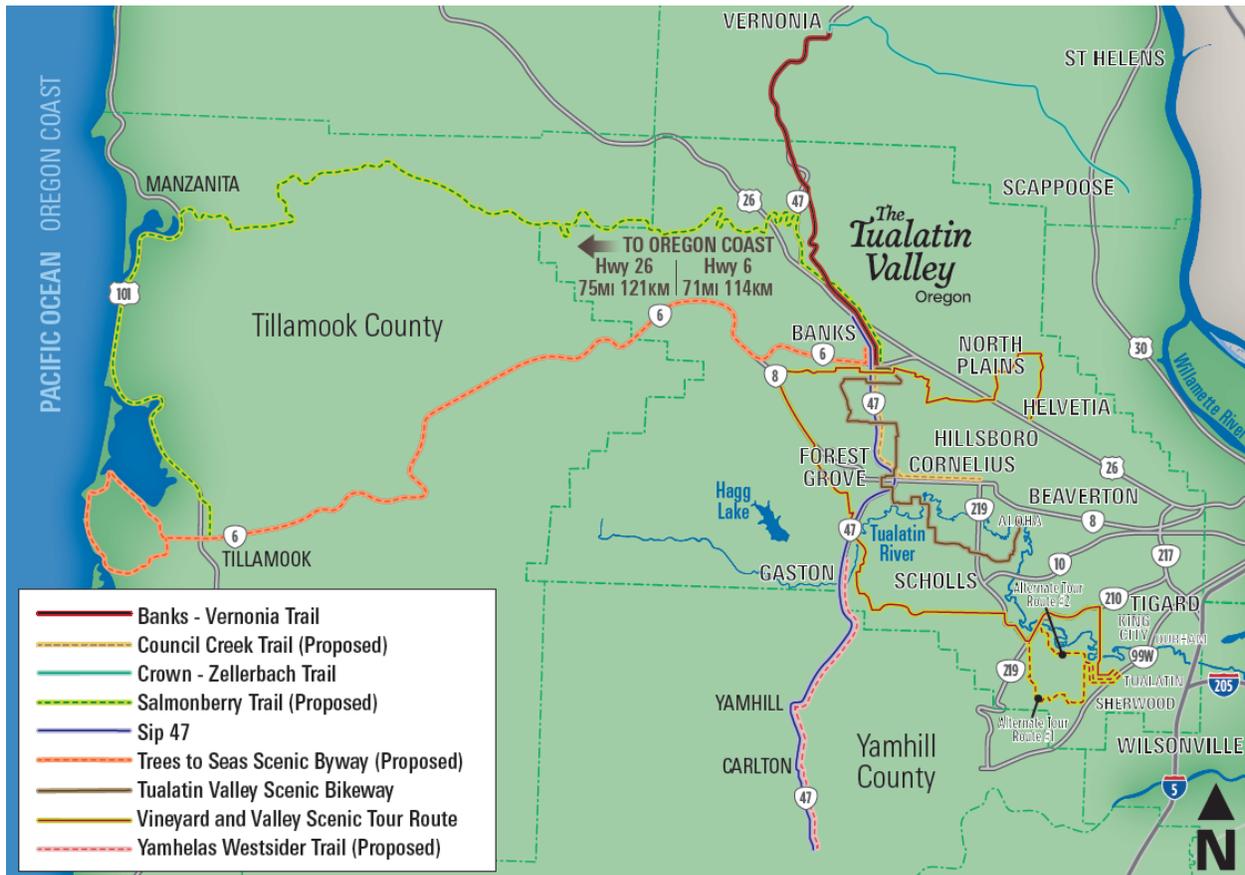
### **Economic Potential**

Washington County's vast agricultural and forest lands have the potential to attract a great deal of agritourism. Banks' central location as the "gateway" to Oregon's western agricultural and forest lands provides opportunities to partner with local agricultural and outdoor enterprises. Connecting a local farming operation and its products to a tourism operation or related retail outlet also helps to create a profitable experience. In an Oregon Bounty study titled "Visitor Behavior and Attitudes Related to Oregon Products" in 2011, research revealed that half of all Oregon tourists bought local food products, and two-thirds bought such products to take home, spending an average of \$142.

Understanding the culinary and agritourism market can help can meet growing demands for culinary and agritourism through experience and goods-based products, such as breweries, wineries, special events and festivals, and specialty products.

## Banks Overview

### Regional Tourism Planning Map



The primary draw to Banks from a tourism perspective is the regional trails. Banks is a central destination which currently serves as the connection between the Banks-Vernonia Trail and Tualatin Valley Scenic Bikeway. There are two regional proposed trails which will intersect Banks once built.

Existing Trails	Planned/Proposed Trails
Banks-Vernonia Trail	Council Creek Trail
Crown-Zellerbach Trail	Salmonberry Trail
Sip 47	Trees to Seas Scenic Byway
Tualatin Valley Scenic Bikeway	Yamhelas Westsider Trail
Vineyard and Valley Scenic Tour Route	

### Banks Vernonia Trail

The 21-mile Banks-Vernonia Trail is the first “rails-to-trails” state park in Oregon. The primary trailhead is located in Banks, but the trail can be accessed at any of six points along the trail. The Banks trailhead is the closest to the Portland Metro, about 26 miles east.

Annual day-use attendance of the trail is over 37,000 users, generating significant revenue through direct and indirect expenditure. In 2015, Oregon State University conducted a study of spending and economic activity from recreation at Oregon’s State Parks (shown below). **At approximately \$24 to \$38 per person per trip (local and non-local day users, respectively), the trail is estimated to generate between \$900,000 and \$1.4 million in local spending annually.**

### Average Spending of Trail Users at Oregon State Parks, Dollars (\$) per Party per Trip

Spending Categories	Non-Local Day User	Non-Local Overnight User	Local Day User	Local Overnight User	Non-Primary Purpose
Lodging	\$0.00	\$34.36	\$0.00	\$13.82	\$41.90
Camping	\$0.00	\$44.75	\$0.00	\$28.26	\$22.60
Restaurant	\$14.88	\$31.35	\$6.17	\$12.03	\$31.96
Groceries	\$2.87	\$45.70	\$3.74	\$43.97	\$22.00
Gasoline	\$15.61	\$45.00	\$8.85	\$32.53	\$32.78
Entry Fees	\$3.79	\$8.90	\$3.53	\$11.71	\$5.85
Recreation & Entertainment	\$0.05	\$1.63	\$0.33	\$8.38	\$2.56
Souvenirs & Other Exp.	\$1.14	\$7.66	\$1.50	\$4.91	\$11.91
<b>Total</b>	<b>\$38.34</b>	<b>\$219.35</b>	<b>\$24.12</b>	<b>\$155.61</b>	<b>\$171.56</b>

Source: Oregon State University, 2015, "Spending and Economic Activity from Recreation at Oregon State Park Properties"

### Stub Stewart State Park

Stub Stewart State Park is approximately 1,673-acres and located about 10 miles along the Banks-Vernonia Trail from the Banks trailhead. Activities on offer include camping, hiking, picnicking, horse riding, biking, and wildlife viewing and photography. The wide range of activities and onsite amenities attract almost 63,000 annual overnight users and 347,000 annual day users. **Per Oregon State University's spending and economic activity report (shown below), this equates to annual spending of between \$11 million and \$11.7 million for day users and between \$10.7 million and \$13 million for overnight users.**

### Average Spending of Visitors to Oregon State Parks, Dollars (\$) per Party per Trip

Spending Categories	Non-Local Day User	Non-Local Overnight User	Local Day User	Local Overnight User	Non-Primary Purpose
Lodging	\$0.00	\$13.95	\$0.00	\$11.26	\$13.25
Camping	\$0.00	\$62.16	\$0.00	\$47.73	\$42.46
Restaurant	\$10.49	\$16.80	\$8.14	\$11.79	\$34.80
Groceries	\$4.84	\$56.31	\$5.82	\$55.67	\$41.33
Gasoline	\$12.67	\$41.22	\$12.49	\$27.55	\$50.11
Entry Fees	\$5.34	\$13.32	\$4.27	\$8.79	\$7.06
Recreation & Entertainment	\$0.36	\$2.41	\$0.65	\$4.85	\$6.32
Souvenirs & Other Exp.	\$0.06	\$2.37	\$0.34	\$4.01	\$13.79
<b>Total</b>	<b>\$33.76</b>	<b>\$208.54</b>	<b>\$31.71</b>	<b>\$171.65</b>	<b>\$209.12</b>

Source: Oregon State University, 2015, "Spending and Economic Activity from Recreation at Oregon State Park Properties"

While Oregon State University's report shows the revenue generating ability of the region's parks and trails, it does not indicate the locations in which this expenditure is occurring. A 2014 study titled the "Economic Significance of Cycling on Oregon Scenic Bikeways" focused on the economic impact of cyclists (as opposed to all users).

There were 12,200 total bicycle rides on the Tualatin Valley Scenic Bikeway (which includes the Banks-Vernonia Trail) in 2014, including 2,600 overnight trips. This is second only to the Willamette Valley Scenic Bikeway in

terms of total rides, and first in terms of day rides with one-quarter of all day rides in the state on scenic bikeways.

Despite the high usage numbers, the results of the study suggest that most of the users (and the associated revenue) is bypassing Banks. According to the report, one-quarter of day users to the Tualatin Valley Scenic Bikeway stayed or visited Banks, and only four percent of overnight users.

Economic analysis indicates that travelers spend an average of \$104 per day along Scenic Byways, which directly benefits rural businesses and workforces. (Source: Travel Oregon).

Based on information from Oregon State University research, it is anticipated that local users spend the following amount annually. If a capture rate of 50% is assumed for the City of Banks, as it is the only other major city at the two trail heads and near the State Park. Approximately one-third of this spend is on restaurant uses.

Attraction	Low Spend	High Spend
Stub Stewart (local day trip)	\$11 million	\$11.7 million
Stub Stewart (overnight trip)	\$10.7 million	\$13 million
Banks-Vernonia Trip (local day trip)	\$900,000	\$1.4 million
Total	\$22.6 million	\$26.1 million
<b>Banks Total</b>	<b>\$11.3 million</b>	<b>\$13 million</b>

## Real Estate Overview

The closest hotels to Banks are each in Forest Grove, approximately 7 miles away:

- The Grand Lodge, operated by McMenamins opened in 2000 and has 90 rooms, including both traditional suites and European style accommodations with shared bathrooms.
- Americas Best Value Inn opened in 1994 and has 40 economy-scale rooms.
- Best Western University Inn and Suites opened in 1999 and has 54 midscale rooms.
- Forest Grove Inn opened in 1990 and has 20 economy-scale rooms.

The hotel inventory closest to Banks is geared toward a budget sensitive customer with economy and midscale options. The Grand Lodge, is a unique lodging experience and while it is an affordable option for budget sensitive travelers, it also has a broader appeal to fans and followers of the McMenamins brand and for adventurous travelers who seek out unique experiences and aren't concerned about modern amenities. The Grand Lodge recently remodeled, increasing the number of rooms with private bathrooms.

The closest hotels to Banks do not include any options above midscale. If the catchment area is widened by three miles, upper-midscale and upscale options like the Larkspur Landing, The Holiday Inn Express and the Residence Inn enter the picture. These properties are geared toward business travelers frequenting Intel and tech business in Hillsboro.

To accurately measure the performance of the market, Embarcadero Consulting commissioned a report by Smith Travel Research that provided rates and occupancies of our selected "comp set".

Embarcadero Consulting selected the following four hotels for our "comp set" due to proximity to Banks, availability via Smith Travel Research statistics (many independent hotels like the Forest Grove Inn don't report), with sufficient numbers of years to look at 5 years of report, and to most closely match their estimation of the range of lodging choices desired by current Banks demand generators:

- The Best Western University Inn & Suites in Forest Grove
- The Grand Lodge in Forest Grove
- The Comfort Inn near the Hillsboro Airport, and
- The Larkspur Landing near the Ronler Acres Intel Campus

The report provided the combined average guestroom rates and occupancies for the last 4 years:

	<b>Occupancy</b>	<b>Average</b>	<b>Revenue</b>
	<b>Percentage</b>	<b>\$ Rate</b>	<b>per Room</b>
<b>2014</b>	58.2	\$100.98	\$58.76
<b>2015</b>	64.9	\$108.20	\$70.27
<b>2016</b>	66.5	\$113.19	\$75.27
<b>2017</b>	60.4	\$113.96	\$68.87

The 10% drop in occupancy between 2016 and 2017 is notable and indicates:

- 1) That a significant number of customers of these properties closest to Banks have become customers of the newer properties further northeast in Hillsboro; and,
- 2) There is a significant oversupply of rooms in the western portion of Washington County.
- 3) These four hotels were able to absorb the addition of 271 rooms in 2014, but not the 393 rooms in '16 and '17; and they are particularly not well positioned to absorb the 80 rooms under construction, as well as the 300 rooms in various stages of development.

In sum, Hillsboro has seen a flurry of hotel development, including: The Embassy Suites and Hampton Inns, totaling 271 guestrooms opened in 2014; a Residence Inn, Holiday Inn and Aloft opened in 2016 and 2017, totaling 393 guestrooms; a Staybridge Inn and suites under construction. This represents a large increase in supply, in a short period of time. Western Hillsboro has been significantly overbuilt, decreasing regional demand for rooms. Additionally, the economy is booming, unemployment is low, and many skilled construction workers left the trades during the great recession. Therefore, hotel construction is both more expensive and takes longer than in normal circumstances due to an undersupply of subcontractors. Some prospective projects have seen 10-20% year-on-year increases in development costs.

Because of the oversupply of the regional market and high costs of construction, a hotel in Banks is not viable at this time. However, given the exceptional quality of the tourism assets and the demographic trends, Banks is well positioned in the next 10-15 years, to attract the development of a nice, limited service hotel, or a cross between a hotel and a vacation rental. The ideal product would be an upper midscale to upscale, 20-35 room vacation rental/Airbnb facility to take advantage of maximum stakeholders including wine and cyclists, who prefer authentic, boutique local experiences. A downtown location, walkable to restaurants and shops is highly preferred.

## Recommended Actions

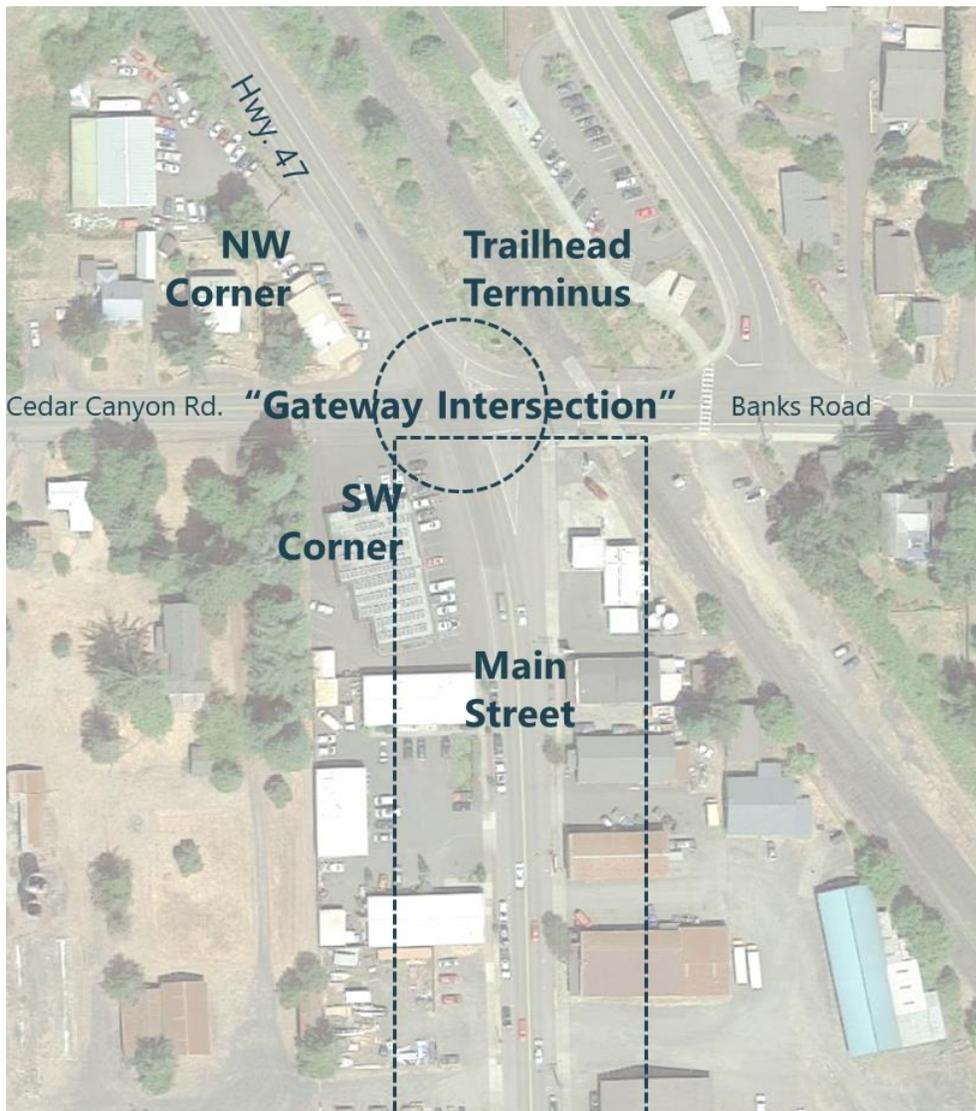
- Encourage formation of a farmer's market tied to nearby farms and wineries to promote the brand of Banks. The market should ideally be organized and managed by the vendors so that it remains sustainable without depending on city resources.
- Support all efforts to improve regional bike trail systems and encourage small business development of bike related retail and services.

- Adopt a Transient Occupancy Tax for all overnight lodging options, and registration and minimal regulation for private lodgings including Airbnb and others.
- Identify and, if possible, acquire a suitable site for a hotel along Main Street.
- Develop opportunities for incentives to the hotel development team, these could include: temporary Transient Occupancy Tax Rebates, and reductions in permitting costs, which provide significant lift to a development, but do not rely on monies from local taxpayers.
- Develop a clear and straightforward entitlement process.

## SITE DEVELOPMENT

With the City and Scott Edwards Architects (SEA), LCG identified the area surrounding the Banks Road-Highway 47-Main Street intersection as the area to be explored for potential site redevelopment, for several reasons.

It is a key “gateway” for those arriving via car and bicycle to Banks. It includes some of the oldest structures on Main Street, where many retailers and restaurants are already located and there is potential for more. And it is a key location where the City can build on its most distinctive tourist offering—the Banks-Vernonia Trailhead, and, in the future, the trailhead for the planned 86-mile Salmonberry Trail.



As a part of this work, SEA prepared renderings of the potential intersection redesign and adjacent properties, as shown below. As of mid-2019, Washington County and its stakeholders are continuing to evaluate several different potential future intersection improvements. A roundabout appears to be the preferred alternative, but an intersection is also possible. In the absence of final designs, SEA based its drawings on Washington county's published roundabout designs to date.



SEA's concept designs for one of the sites (northwest corner of the "gateway intersection") are shown below. The designs follow the City's existing comprehensive plan and zoning code regulations, and the City's design aspirations for attractive, historic architecture on and near Main Street.



SQUARE FOOTAGE:  
 TOTAL GROSS: 8,586 SF  
 GROSS RETAIL: 4,293 SF  
 GROSS RESIDENTIAL: 4,293 SF

- FEATURES:
- PUBLIC PLAZA
  - MULTIPLE RETAIL TENANT SPACES WITH HOUSING ABOVE
  - OPPORTUNITY TO PRESERVE AND HIGHLIGHT EXISTING HOUSE
  - AMPLE PARKING



SEA reviewed historic design precedents from around the State, shown below. These buildings provide inspiration for what future, new buildings, could look like.



The image below shows how the future gateway intersection and adjacent structures could look to motorists entering Banks from the North (Highway 47). At left is a flexible structure that could be built at the State of Oregon’s trailhead site; this could provide cover for bicyclists at the beginning or end of their rides, contain seating, bathrooms and other practical amenities, and could host food carts or trucks on a seasonal or permanent basis.



## Pro Forma Financial Analysis

In order to evaluate the financial feasibility of property development/redevelopment adjacent to a redesigned intersection, LCG prepared pro forma financial analyses showing the estimated costs, revenues, and rates of return, using several alternative assumptions. This section describes LCG’s financial analysis.

The financial analysis begins with a “development program”—the site area, floor area of residential and commercial development, parking, and other metrics that quantify the project under consideration. This development program is shown below and is based on SEA’s concept drawings for the northwest corner of the gateway intersection. One difference between LCG’s development program assumptions and SEA’s drawing is that—in order to keep the analysis as simple as possible—we did not consider the single-family home shown at the left of SEA’s drawing. We only evaluated the new, two story mixed-use building.

<b>Current Property Size (SF)</b>		15,000
<b>Future Development Program</b>		
<b>New Building (SEA Program)</b>		
Retail/Commercial SF		4,300
Residential SF		4,300
Total SF		8,600
Residential Efficiency	85%	
Gross Leasable Area (GLA) - Res.		3,655
Average Area / Unit	5 units	730
<b>Parking</b>		
Retail/Commercial		10 spaces
Residential		5 spaces
Total Spaces		15 spaces
Parking Area (SF)		5,250
<b>Plaza with Public Art (SF)</b>		5,000
<b>Frontage Imp./Sidewalks (LF)</b>		100

## Development Alternatives

LCG’s four development alternatives are shown below. These represent changes to assumptions about key financial inputs and the application of public incentives to encourage the project. However, in all four alternatives, most key aspects of the development program—for example, the amount of commercial, residential, and parking space—do not change. The differences between the development alternatives are described below the figure.

1	2	3	4
Baseline	Rent Premium	Rent Premium	Rent Premium
10% Premium	of 25%	BOLI Max	BOLI Max
		Public Support	Public Support
		No Plaza	No Plaza
			Tax Abatement

**Alternative 1.** This alternative begins with estimated average market rents for retail and residential projects in the City of Banks, and then adds 10% to these rents in order to account for a “new project premium”—the additional amount that the developer/owner of a new mixed-use project could charge, above the market average. The amount of rent the developer can charge for commercial and residential space is one of the most important inputs to their financial analysis. This is their source of revenue, which, when compared with cost, determined return on investment. LCG believes that a 10% premium for this new project is reasonable.

**Alternative 2.** In this scenario, we apply a 25% rent premium. While it is also possible that a unique new project would outperform the market to this degree, it is an aggressive assumption, and many lenders will prefer to loan on the basis of the Alternative 1 assumption. Put simply, there may not be any “comps” (comparable projects in relatively close proximity) that are earning this kind of rent; tenants may have less expensive and equally compelling options.

In addition, it is arguable that a rent premium of this magnitude is justifiable for new, uniquely located commercial space, but not for the residential units. This is a busy location, it is untested for new multifamily units, and it is not a more mature downtown mixed-use/residential community like downtown Hillsboro.

**Alternative 3.** In this scenario, we use the same rent premium as Alternative 2.

We also assume that the City and/or other public agency partners invest \$749,000 in the project. This investment may be in the form of a land purchase and reduced sale to developer (“land write down”); site preparation, demolition, and grading; construction of necessary infrastructure (e.g., frontage improvements, plaza, parking, other); or direct investment (for example, the City could “purchase” some expensive/diseconomic improvement, such as higher quality facades, an elevator, or other).

We assume a \$749,000 investment because, according to the State of Oregon’s Bureau of Labor and Industries (BOLI), any project that receives an investment of “public funds” of \$750,000 or more is defined as a “public work,” and the builder must pay prevailing wage rates to construct it, and follow other aspects of prevailing wage rate (PWR) law. PWR increases the cost of construction significantly—some estimate a 20% increase—and also increases red tape and compliance. Therefore, most private developers avoid public wage rate projects, and the BOLI threshold is an important one to consider. Additional details can be found here:

[https://www.oregon.gov/boli/WHD/PWR/pages/w\\_pwr\\_pwrbk.aspx](https://www.oregon.gov/boli/WHD/PWR/pages/w_pwr_pwrbk.aspx)

The City should know that some public incentives may not be counted as “public funds” and thus in some cases total public investment can exceed \$750,000. For example, BOLI has stated that “waiving” systems development charges (technically this usually means that a City’s urban renewal agency is paying SDCs to other departments such as transportation and parks) is not counted as an investment of public funds. And under certain conditions, when a city writes down (reduces) the sale price of a property, that is not considered an investment of public funds. BOLI’s application of PWR laws, however, appears somewhat inconsistent, and therefore there is a significant risk to developers and projects that a project will be required to pay PWR even if the public investment does not appear to exceed the maximum.

In Alternative 3, we also remove the public plaza with art (estimated at \$125,000) from the developer’s balance sheet. This could be built by the city, or not be built at all.

**Alternative 4.** This scenario uses the same assumptions as Alternative 3 regarding rent, public investment, and public plaza.

In addition, we assume that the City has adopted the Vertical Housing tax exemption program and applied it to the subject, which would reduce the projects' property taxes for a period of 10 years. Details can be found here: <https://www.oregon.gov/ohcs/Pages/multifamily-housing-finance-vertical-housing.aspx>

## Development Costs

The estimated costs of development for the subject project are shown below. The costs vary depending on the alternative, since as described above, some alternatives assume public investments and the elimination of the plaza. Cells are colored green where one alternative differs from the previous alternative. The cost categories are land (acquisition), demolition and site preparation, and hard (construction) cost, soft costs (professional services, fees, other). We do not use a cost contingency here, though a contingency of 5 to 15% is often used. LCG bases its hard cost estimate on the RS Means construction cost database, and recent projects in the Portland region that we have been involved in.

Development Assumptions	Inputs	Alternative			
		1 Baseline	2 Rent Premium of 25%	3 Rent Premium BOLI Max Public Support No Plaza	4 Rent Premium BOLI Max Public Support No Plaza Tax Abatement
<b>Development Costs</b>					
Land (Acquisition) Cost					
Building(s) and Land	\$30 PSF	\$450,000	\$450,000	\$450,000	\$450,000
Demolition and Site Prep	\$3 PSF	\$45,000	\$45,000	\$45,000	\$45,000
Hard Cost of Construction					
New Building					
Retail/Commercial incl./TIs	\$220 PSF	\$946,000	\$946,000	\$946,000	\$946,000
Residential	\$170 PSF	\$731,000	\$731,000	\$731,000	\$731,000
Total		\$1,677,000	\$1,677,000	\$1,677,000	\$1,677,000
Parking	\$5 PSF	\$26,250	\$26,250	\$26,250	\$26,250
Plaza with Public Art	\$25 PSF	\$125,000	\$125,000	\$0	\$0
Frontage Imp./Sidewalks (LF)	\$45 PSF	\$4,500	\$4,500	\$4,500	\$4,500
Subtotal		\$1,832,750	\$1,832,750	\$1,707,750	\$1,707,750
Soft Costs					
Permits, Fees, & Entitlement (e.g., SDCs)					
Architectural & Engineering					
Other Professional Fees (e.g. Legal, Marketing)					
Development Fees & Admin					
Insurance					
Construction Loan Interest					
Subtotal	30%	\$550,000	\$550,000	\$510,000	\$510,000
Cost Contingency	0%				
Public Investment		\$0	\$0	\$749,000	\$759,162
<b>Total Project Cost</b>		<b>\$2,877,750</b>	<b>\$2,877,750</b>	<b>\$1,963,750</b>	<b>\$1,953,588</b>
Total Development Cost PSF GBA		\$335	\$335	\$228	\$227

## Operating Revenue and Expenses

The operating revenue and expenses for the subject project are shown below. Again, variations between the alternatives is shown by green cells; some alternatives assume a higher rent premium. Baseline rents (no premium) are based on CoStar data showing the average rent of retail and residential properties in Banks.

Development Assumptions	Inputs	Alternative			
		1 Baseline	2 Rent Premium of 25%	3 Rent Premium BOLI Max Public Support No Plaza	4 Rent Premium BOLI Max Public Support No Plaza Tax Abatement
<b>Operating Revenue and Expenses</b>					
Retail/Commercial - NNN Rent					
Banks Average PSF		\$17.50	\$17.50	\$17.50	\$17.50
Premium for New Mixed-Use		10%	25%	25%	25%
New Mixed-Use PSF		\$19.25	\$21.88	\$21.88	\$21.88
Gross Potential Income - Retail		\$82,775	\$94,063	\$94,063	\$94,063
Operating Expenses		Tenant pays	Tenant pays	Tenant pays	Tenant pays
Vacancy	5.0%	(\$4,139)	(\$4,703)	(\$4,703)	(\$4,703)
Net Operating Income - Retail		\$78,636	\$89,359	\$89,359	\$89,359
Residential					
Banks Average PSF		\$1.27	\$1.27	\$1.27	\$1.27
Banks Average / Unit		\$927	\$927	\$927	\$927
Premium for New Mixed-Use		10%	25%	25%	25%
New Mixed-Use PSF		\$1.40	\$1.59	\$1.59	\$1.59
Gross Potential Income - Res.		\$61,272	\$69,628	\$69,628	\$69,628
Operating Expenses	30%	(\$18,382)	(\$20,888)	(\$20,888)	(\$20,888)
Vacancy	5.0%	(\$3,064)	(\$3,481)	(\$3,481)	(\$3,481)
Net Operating Income - Res.		\$39,827	\$45,258	\$45,258	\$45,258
Net Operating Income - Total		\$118,463	\$134,617	\$134,617	\$134,617

## Return on Investment

Return on investment for the subject project is shown below. We assign a value to the different project alternatives by starting with the project's net operating income (NOI, which is all revenues less operating expenses and vacancy) and dividing by the developer's target rate of return.

The target return rate is 125% of the local (Banks/Western Washington County) capitalization rate (cap rate). A cap rate represents the rate of return at which real estate *buyers* are purchasing local real estate that is built and occupied. We add a 25% developer's premium to the cap rate in order to reflect the additional risk that real estate developers are taking on during planning, financing, construction, and lease-up of projects. The target rate of return for this project is 7.75%.

This results in the developer's maximum investment (or "project value"). If the project cost is less than the developer's maximum investment, we view it as profitable and feasible. If the project cost is slightly more than the developer's maximum investment, it could be value engineered or changed in order to make it feasible. If the project cost is significantly greater than the developer's maximum investment, it is unprofitable and infeasible. The return on cost analysis is another way to look at the same numbers; a ROC of less than 7.75% is less than the target return.

**Conclusion.** This analysis indicates that the project is not feasible under any of the alternatives, although the funding gap is much smaller in Alternatives 3 and 4 (\$226,000 and \$216,000) than in 1 and 2 (\$1.3 and \$1.1 million). This reflects the value of the rent premium and incentives described above, and the fact that the incentives do have the potential to move the needle and generate developer interest in a project that would not otherwise be of interest.

This means that LCG does not believe that a typical developer would undertake the envisioned development, even if a series of relatively optimistic assumptions (e.g., 25% rent premiums) and public investments were applied.

Development Assumptions	Inputs	Alternative			
		1 Baseline	2 Rent Premium of 25%	3 Rent Premium BOLI Max Public Support No Plaza	4 Rent Premium BOLI Max Public Support No Plaza Tax Abatement
<b>Project Value</b>					
Net Operating Income - Total		\$118,463	\$134,617	\$134,617	\$134,617
Cap Rate		6.50%	6.50%	6.50%	6.50%
Developer's Target Return Rate	1.25%	7.75%	7.75%	7.75%	7.75%
Developer's Maximum Investment		\$1,528,559	\$1,736,999	\$1,736,999	\$1,736,999
<b>Return on Investment</b>					
Total Project Cost		\$2,877,750	\$2,877,750	\$1,963,750	\$1,953,588
Developer's Maximum Investment		\$1,528,559	\$1,736,999	\$1,736,999	\$1,736,999
Profit or Loss		(\$1,349,191)	(\$1,140,751)	(\$226,751)	(\$216,590)
<b>Return on Cost</b>					
Project Cost		\$2,877,750	\$2,877,750	\$1,963,750	\$1,953,588
NOI		\$118,463	\$134,617	\$134,617	\$134,617
Return on Cost		4.1%	4.7%	6.9%	6.9%

This said, atypical developers do exist. These may include individuals who are local and/or only partially financially motivated, who are willing to accept lower rates of return, who already own land in the subject area and are willing to contribute it at below-market value, etc. As a starting point, however, it is very useful to understand the perspective and calculations that informs the typical developer.

Another incentive that could be offered by the City would be waiving System Development Charges (SDCs). Practically speaking, these are usually paid by an Urban Renewal Agency or other City fund, to the Transportation, Parks, and utility funds that are the intended recipients of SDCs. So, it is usually a fund transfer rather than a waiver. LCG does not believe this would fully close the gap on the above projects. The City is currently looking at reworking its SDC charges and current charges are not known. However, even assuming a waiver of \$20,000 per unit for each of the five units in the project, this would close less than half the gap shown above.

## Development Challenges

One may wonder why such development does not currently pencil in this location—after all, we do see this type of building elsewhere in the Portland metro region.

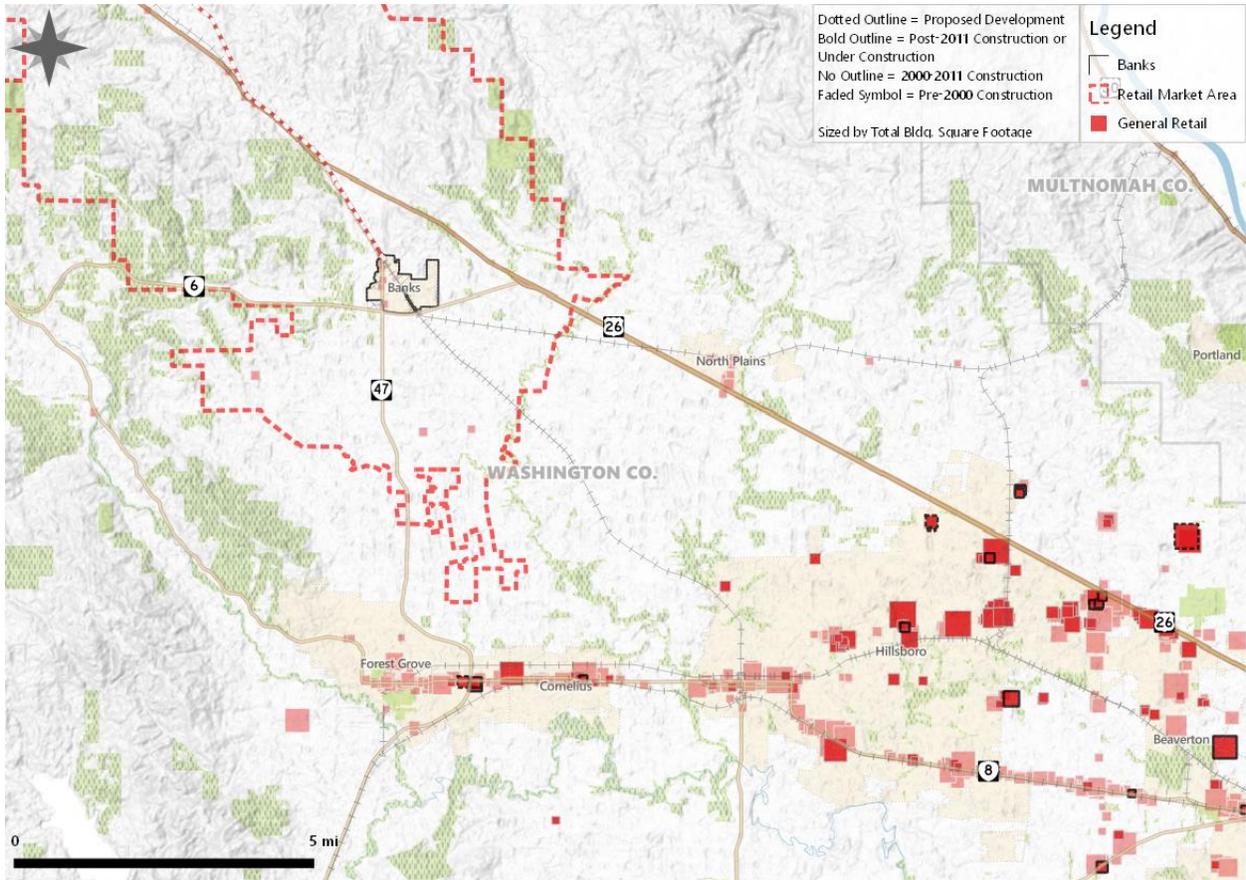
One reason is that Banks has a weak multifamily housing market, when compared to other parts of the Portland region. The table below shows the 25 submarkets that CoStar defines within the Portland region. Rents in

“Outlying Washington County,” the Banks-area submarket, are near the bottom—22 out of 25 submarkets. All other things equal, developers are more likely to try to build their projects in one of the 21 submarkets with higher rent, since construction costs are about the same regionwide. Developers chase high-paying tenants and at the moment there is not strong evidence (via comparable developments and rents) that these tenants are in Banks.

While land values (acquisition prices) do vary in the region, this location will have relatively high land acquisition prices, since either the City or developer must acquire an existing, occupied commercial property rather than undeveloped greenfield land.

Submarket	Asking Rents			
	Per Unit	Per SF	Rank	Yr. Growth
Aloha	\$1,371	\$1.55	11	4.3%
Beaverton	\$1,303	\$1.52	13	5.6%
Central Northeast	\$1,197	\$1.51	14	2.5%
Clackamas County	\$1,222	\$1.38	21	2.7%
Clark County	\$1,165	\$1.39	18	3.3%
Columbia County	\$1,059	\$1.41	18	3.5%
Damascus	\$1,331	\$1.50	15	4.0%
Downtown Portland	\$1,836	\$2.50	1	1.4%
East Portland	\$1,078	\$1.29	23	2.4%
Hillsboro	\$1,496	\$1.62	8	3.7%
Lake Oswego	\$1,573	\$1.71	6	5.1%
North Portland	\$1,339	\$1.77	5	0.3%
Northeast Portland	\$1,486	\$2.13	3	2.5%
Northwest Portland	\$1,459	\$2.30	2	1.3%
Oregon City	\$1,289	\$1.37	19	4.0%
Outlying Washington Cou...	\$1,075	\$1.35	22	2.6%
Sherwood/Tualatin	\$1,375	\$1.54	12	4.6%
Skamania County	\$1,155	-	-	-
Southeast Portland	\$1,301	\$1.69	7	1.4%
Southwest Portland	\$1,507	\$1.87	4	1.2%
Tigard	\$1,326	\$1.56	10	3.8%
Troutdale/Gresham	\$1,217	\$1.36	20	3.5%
Vancouver	\$1,291	\$1.40	17	3.9%
Wilsonville	\$1,462	\$1.56	9	2.1%
Yamhill County	\$1,022	\$1.20	24	2.6%

The tale of retail rents is relatively similar. In the map below, red boxes with bold black outlines show retail projects that have been built since 2011; red boxes with dotted black outlines indicate proposed (new) projects. The larger the box, the larger the project. No post-2011 retail has been built in the Banks retail market area. The new retail has been built in areas with bigger population and employment bases, closer to the center of the metro region.



## Comparable Main Streets and Downtowns

LCG reviewed the main street areas of several other comparable cities in order to learn development lessons that may be applicable to Banks. The first is **Carlton, Oregon**, located about 26 miles south of Banks on Highway 47, and pictured at right. Some notes are:

- The population of both cities is about 2,000.
- Carlton is just over an hour drive from central Portland, while Banks is only about a 30-minute drive. Therefore, it should be easier for most tourists to get to Banks than Carlton. Though Carlton does not seem to have a significant regional tourism presence, its identity, and particularly the identity of Main Street, have a strong association with wine production.
- The heart of Carlton's Main Street is about 650 feet long—about two blocks. This provides enough distance for a walk that could take 5 minutes or an hour, depending on how many stops visitors make. It is also condensed enough that it can easily be explored on foot; it is not dispersed or spread out. It is very easy to identify where the main stores and attractions are.
- Many tenants offer food and beverages; most appear oriented towards tourists, although they may appeal to locals as well. Tenants include the following: Restaurant: Comfort Food, outdoor seating; Bakery; Coffee Shop; Winery/Wine Tasting; Restaurant/Wine Bar: "Gourmet nibbles;" Coffee shop; Restaurant; Deli; Brewery/Restaurant; Winery/Wine Tasting; and Winery/Wine Tasting. There is also a City Park.
- There are no "new" buildings, i.e., built within the last 10 years. All of the above tenants occupy space in older buildings; some buildings are historic. **All of the space has been provided via "adaptive reuse" of older buildings.** While some buildings are multi-story and mixed-use, these all date from the early 20<sup>th</sup> century.
- Main Street is part of Highway 47, and this may provide some models for how other cities have worked with ODOT to build main-street-appropriate pedestrian facilities on a route that also carries significant amounts of auto and freight traffic.
- Carlton Crush Harvest Festival appears to be the city's biggest festival and brings many people to Main Street Carlton to celebrate the wine harvest in the fall. Most great main streets have at least one memorable festival/event.



Another city with a comparable main street is Baseline Drive in **Parkdale, Oregon**, pictured at right. Parkdale is 86 miles from Portland and is located in the Hood River Valley in the midst of farms, orchards, and vineyards, with views of Mount Hood. The City's population is 311, considerably smaller than Banks. The heart of Baseline Drive is about 700 feet long. This is about the distance from the Banks Road-Main Street Intersection to Banks City Hall and is a reasonably concentrated core of commercial businesses and activities. Some notes are:

- There is a broader diversity of commercial tenants. Some are clearly focused towards nearby residents (e.g., hardware store and grocery store), while others are more focused towards a tourist market (e.g., brewery, cider/winery, café, BBQ restaurant, museum). These tourist-oriented businesses, however, can provide great amenities for locals. There is also a gas station and park.
- There is no “new” commercial development; all tenants have been accommodated through adaptive reuse of older structures.
- Several businesses do an exceptional job of providing a “distillation” of the overall experience of being in the Hood River Valley amidst natural scenery and farmland. One of these is Solera Brewery, whose backyard opens up to views of orchards and Mount Hood. This creates a unique and memorable attraction, one that cannot be replicated in any other town and which should have long-term drawing power. The main street can be a jumping-off point to other destinations that are unique to this area, such as u-pick apple and pear orchards and the “Fruit Loop.” This creates a memorable interplay between the main street and surrounding area.



## Beaverton, Oregon Grant Programs

The City of Beaverton, Oregon has recently reinvested in a series of building-improvement grant programs. While it has offered some of these programs for many years, within the last few years, the City has increased its efforts to let private building owners know about them, ensure that they have staff who can oversee and serve as technical resources for the grants, and ensure it has grant funding when building owners apply.

Such pre-development, façade, and tenant improvement programs are not unique to Beaverton. Many other cities in Oregon have such programs. However, Beaverton has realized numerous noteworthy successes via these programs in the last few years and therefore offers one model that Banks could emulate.

According to Beaverton, 19 new restaurants have opened in or near the City's historic core 2018 and early 2019, in part due to the grant programs. Two buildings that received grants are shown at right: Ichabod's ("before" and "after" images at top; and Ex Novo Brewery, at bottom). Ichabod's was an existing business that saw its sales triple during the summer and double year-over-year after city-supported improvements were made. The front façade was made much more inviting by adding new doors, windows, and signage; repainting, and adding an outdoor landscaped seating area.

The space now occupied by Ex Novo Brewery was a mattress store, located on SW Watson Avenue at one of the key entry points to Beaverton's Old Town. There was little visibility into the building as signs were painted onto exterior windows. After interior and exterior renovations, a popular regional brewery filled the corner space. Ex Novo and other tenants pay rents that are significantly higher than those paid by the previous tenants, generating a strong return on investment for the building owners. Other new professional-service office tenants have rented other space in the building at higher rents, in part because the building now has a hip, fresh identity.



The City has several different grant programs, as follows:

- **Pre-Development/Development Opportunity Study Program:**
  - The focus of this program is on helping property owners to reimagine and re-envision their property, and to conduct some of the practical due diligence that will help them understand how they can realize their future vision. This pre-development work can include architecture, engineering, brokerage assistance, financial feasibility/market, and other work that helps property owners understand the design, cost, and potential upsides of reinvestment.
  - The city offers grants of between \$5,000 and \$25,000. A property owner match is required in most but not all cases.
- **Storefront and Tenant Improvement Program**
  - This grant program typically comes after the pre-development grants described above. At this stage, building owners have a vision and plan, and this grant program provides funds to help with physical improvements to commercial building exteriors and interiors, respectively. These grants are focused both geographically (certain parts of the City), and on certain business type that are key to the City's revitalization and tourism plans (e.g., food and beverage).
  - City investment is a maximum of \$35,000; a property-owner match of between 30% and 50% is required.
- **Place Making Grants**
  - This is a more unique and unusual grant program and provides funds to creative community members or businesses and may help to put on an event, festival, art installation, food cart pod, etc.

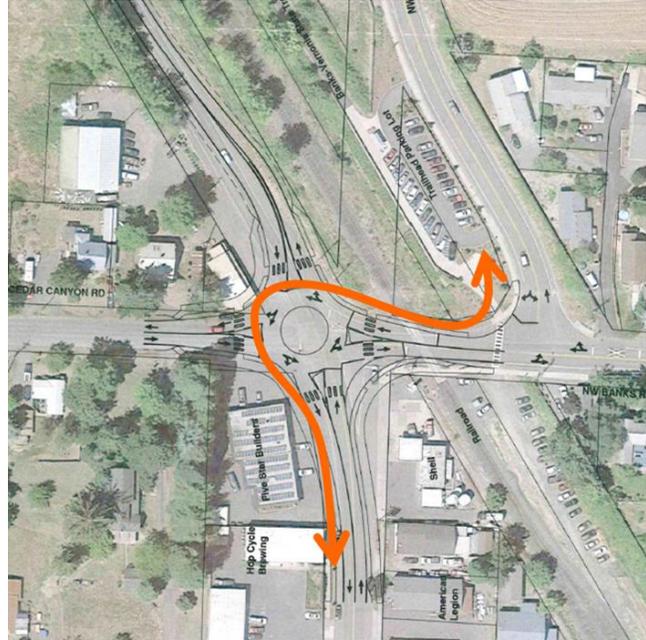
While the City is spending public funds, the "leverage" is usually positive. Private property owners are required to provide matching funds, particularly for the storefront and tenant improvement programs. According to the City, the total cost of the average building improvement project is \$100,000 to \$150,000, with the City contributing about \$30,000. In addition to the benefit of private property owners' upfront investments, other benefits include the long-term jobs provided, new business income, and increased visibility and popularity of new businesses. For more, see: <https://www.beavertonoregon.gov/1638/City-Incentives>. Other cities that offer similar programs include Hillsboro, Oregon City, Canby, and Milwaukie.

## Recommendations

Based on the above analysis of Banks' intersection and Main Street areas, development economics, and comparable main streets and downtowns, LCG recommends the following action plan.

### Banks-Main Street Gateway Intersection

- The City should work to ensure that it is **easy, safe, intuitive, and pleasant for pedestrians and bicyclists** of all ages to move from the trailhead location in the northeast to the west side of Main Street (the south-bound side), where they will be most likely to go after a ride. This will knit together the City's most unique tourist destination (the trailhead) with its charming commercial heart—Main Street. These goals should receive attention during design of the intersection. Alternatives in which traffic speeds are too high, crossings are hard to see or navigate, crossing distances are too long, or wait times are too long, will not be as good for pedestrians and bicyclists. There should be bike lanes in or adjacent to the intersections, and on the north end of Main Street if possible.
- The intersection should create a **sense of arrival**, with quality design and materials; Landscaping, potentially art. It should announce that travelers are entering the City of Banks, Main Street area, and Banks-Vernonia Trailhead.
- A roundabout may be a better way to achieve these goals than a traditional signalized intersection. The City of Bend, Oregon, is a leader in roundabouts that move traffic and also create special places. One such roundabout is shown at right. The City of Bend even has a website and self-guided tour dedicated to roundabout art (<https://artinpublicplaces.org/roundabout.html>). If possible, Banks should **create a postcard** at this intersection.



## A Phased, Incremental Development Strategy

Overall, LCG recommends a phased development and place making strategy for the gateway intersection and Main Street area.

- **Phase 1.** During this phase, which may last five or more years, the City should:
  - Encourage *adaptive reuse* of multiple buildings at the intersection and on Main Street;
  - Adopt and fund Pre-Development, Storefront, and Tenant Improvement Grants, similar to those implemented in Beaverton;
  - Market these grant programs to property owners;
  - Learn from downtown Beaverton, Hillsboro and other cities, and the Oregon Main Street program and Main Street America, which are good resources;
  - Work with Washington County and other stakeholders to design and build a memorable, distinctive, attractive, landscaped, pedestrian- and bike-friendly roundabout/intersection;
  - Work with the State, Salmonberry Trail, and others to make design enhancements to the trailhead site that are consistent with the intersection improvements, and to increase parking on the trailhead site;
  - Create a memorable destination with multiple businesses that offer food and drink to out-of-town visitors and locals;
  - Be *the place* where tourists—from within the Portland region and beyond—come to and linger in before and after their bike or walking trip on the Banks-Vernonia trail; and also where general food, farm, and wine-oriented tourists come in Western Washington. Make the Main Street offerings appealing to families (one core demographic for Banks and Banks-Vernonia Trail users), as well as to singles, couples, and more sports-oriented cyclists.
  - Be open to the opportunity to complete ground-up development if just the right opportunity comes along, but wary of the high costs compared to adaptive reuse, and significant financial feasibility challenges discussed above;
  - Look for opportunities to hit lots of “singles and doubles,” rather than one grand slam home run.
- **Phase 2.**
  - One the City has completed the actions listed above in Phase 1, including renovation of the intersection, improvements to the trailhead site, and adaptive reuse and retensing of at least 3 to 5 older buildings, the City should revisit the feasibility of new, ground-up development near the trailhead. The City, potentially with design and development financial consultants, should complete new financial pro forma analysis incorporating current development costs, rents, and returns. If the intersection area has fulfilled its promise as a destination for locals and visitors, and new tenants are generating impressive sales and rents, new, the financial gap for new, ground-up development may be much smaller.

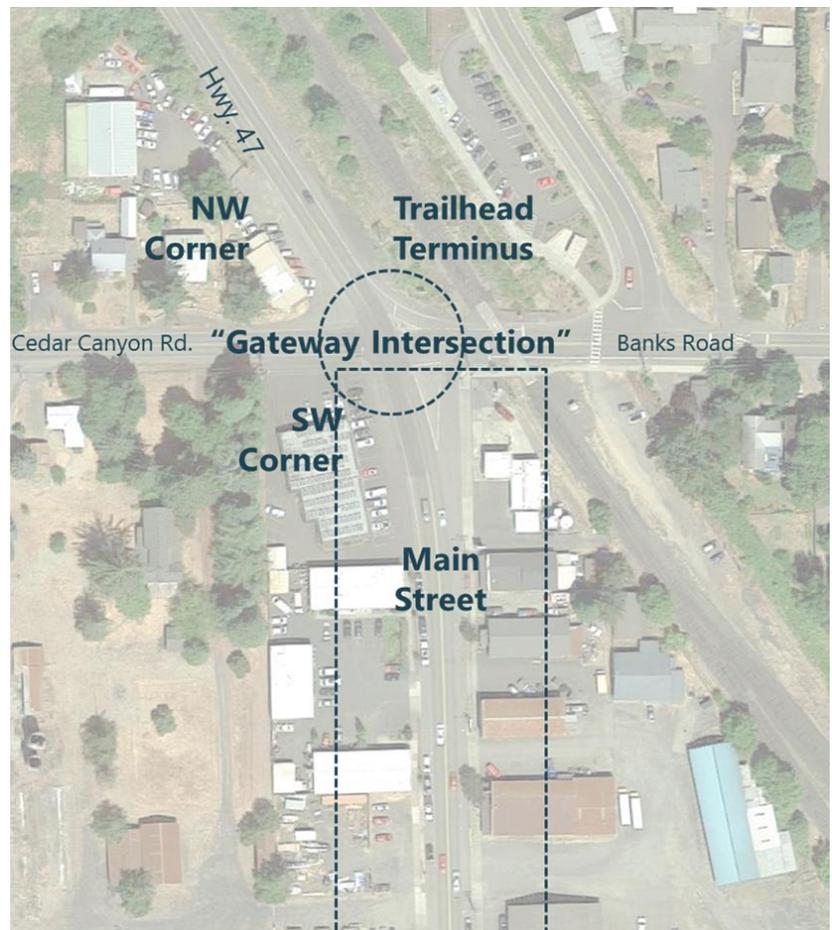
Additional notes on specific locations are shown below.

### SW Corner

- This is an important corner—it will connect the Trailhead and Main Street for many pedestrians and cyclists heading from the Trailhead to Main Street. It is visible from the Trailhead.
- Five Star Builders owns the building at this corner. As a business involved in both new construction and adaptive reuse, they are well positioned to understand the development process and the fact that renovated buildings can generate higher rents and thus produce a positive return on investment.
- Hop Cycle Brewing Company is located just to the south of Five Star. This is a great tenant for the vision described above. They could potentially expand, improve their offerings, or improve their façade and signage that faces Main Street. They are not very visible from the North.
- This corner could benefit from one or more building-improvement grants.

### Main Street

- This area should be a focus for the grant programs described above.
- There are numerous older buildings here that already front onto the sidewalks, and could create a more connected series of shops and continuous pedestrian experience. Many tenants will remain and can improve their façade/street presence via grant programs. In other cases, grant programs may enable property owners to open up additional space for new tenants.
- It is possible that some buildings/businesses could add roof decks or upper floors to get access to western views, to enable locals and visitors to enjoy a post-bike sunset.



## Gas Station

- Unlike the historic Main Street buildings to the south and east, the Shell Station does not have a frontage on the Main Street sidewalk. It has a large curb cut on the west side, and is not “pedestrian oriented” in the traditional sense.
- However, the station is an amenity for tourists, residents, and truck drivers. 40% of day-trip tourists’ spending is on gasoline. Visitors can park, take a bike ride, get a bite to eat, and gas up before leaving town.
- To the extent possible, the City should work with the station owners to integrate design enhancements to the station during the redesign of the intersection. This may mean frontage/sidewalk improvements, landscaping, etc.

## Trailhead Terminus

- The Trailhead has the potential to be a great space for events, seasonal food trucks, and amenities for bicyclists. The City should work with the State to realize this potential. The design of the Trailhead site should be integrated with the design of the intersection/roundabout. More parking is needed, either at the trailhead site, or elsewhere close by. SEA’s analysis indicates that the parking capacity can be doubled. Less parking means that the impact of tourism and tourism spending will be less. Additional parking lots should, however, be attractive, with landscaping and stormwater features.
- Banks Bicycle is a current tenant that is a great fit for the long-term vision, it could expand and continue to improve, potentially benefitting from some of the grant programs described above.
- The ultimate goal should be that Banks is known as the “beginning and end of the trail” to locals and tourists alike.

## NW Corner

- This corner is visible from the Trailhead but is not directly connected to the older buildings on Main Street. Thus, successful adaptive reuse or redevelopment here might not have as much “catalytic” effect as projects to the south on Main Street. In other words, it might not encourage other great reuse projects next door since there is nothing next door.
- There appears to be significant deferred maintenance at this site and buildings, which could make adaptive reuse challenging.
- This property could be impacted by the construction of a new roundabout/intersection. Construction could affect and limit access to the property, and/or the new intersection could require that some of the property be acquired by the County as part of the new intersection. If so, the property could be acquired by City (presumably from the County) for adaptive reuse or redevelopment. This could be positive for the City, however, the City should not overpay; should understand any deferred maintenance and other conditions (e.g., environmental) before taking title; and should understand based on the analysis above that new, ground up development may not be feasible.

**ATTACHMENT A: Banks Stakeholder Meeting Notes**

## **Banks Stakeholder Meetings**

### **Washington County, Chris Deffenbach and Dyami Valentine**

- Tillamook rail has been “rail banked” for Salmonberry Trail so the project can move to next level.
- Valley segment is Reehers Camp to Banks
- HB2017 is a rural transit initiative statewide. County will work with Banks on this. Hampton Lumber good candidate. Several employees in Forest Grove.
- County staff indicated that Main Street and Banks Roads improvements are eligible for funding and should be pursued.
- CDBG funding is an opportunity to consider. Prior grant was \$265,000.

### **Mike Thomas, Colliers (commercial broker)**

- Shared transaction map and commercial rates for Q4 2017
- Hillsboro land prices becoming very high. Small manufacturers that have been a long time don't own and rents are increasing. It is possible that they would want to own a 10,000 sf building.
- Banks is an interesting comparison to Canby – distinct rural community with access to high-tech employment.

## **Retail/Tourism**

### Thriftway

- Profits have been trending up last 7 and 8 years.
- Coast traffic is big. Rain is a deterrent. Summer months are best. Tillamook cheese factory big destination. Browns Camp riding. Coming out of Portland area.
- Racetrack speedway is draw. Quail Valley a little bit. University in Forest Grove small hit.
- Can add 10k sf if necessary.
- Signage on HWY 26 opportunity to consider. Google maps through north side.

### Bike Rental Shop

- NY Times article 36 hours in Portland. International visitation from all over the world. New York Times digital archive.
- Utilize personal website and Wash. Co. Visitor Center.
- Downturn in rentals and repairs this last summer.
- BnB requests come through quite a bit.
- Customer base is largely in state. Repairs and service is the prime source of income.
- Only shop in town. Can't sell due to small NPV. Dance studio as well.
- Roundabout Construction impacts on small business needs to be considered.

## WCVA

- Rural Tourism studio through Travel Oregon in May. It will include FG, Banks and Scappoose: Crown-Zellerbach trail.
- Tourism plan is an outcome. WCVA will follow up with example.
- Travel Portland is the DMO (Amanda) of managing regional funds.
- Stub Stewart campground is an asset.
- Broader opportunities – wine country, proximity to Portland.
- Banks lacks places to eat and stay. Vernonia has done a good job of making a great place.
- Mentality of the people/locals don't want change. Conflict management.
- Vernonia Springs – Jeff Walton is a key leader. Blue House in Vernonia.
- Organization spends \$1.4 million on digital advertising
- Highway 6 Scenic Byway – marketing opportunities. Trees to seas. Auto-oriented uses.
- North Main is bike/trail opportunities.

## Hotel Perspective

- When will hotel come is the question? It won't come now.
- Overflow opportunities from peak seasons. Lower rates.
- Outdoor recreation, culinary, wine, experience is driving hotel growth.
- Convention center – “bliesure” crowd is an opportunity.
- Need to think beyond standard template for hotels.
- 30% TOT tax can go straight to developer. \$750k max. as a tool to attract hotels.
- Independent operators are the most likely opportunity.

## Retail Needs

- More food options. Good restaurants on north-end of town.

## Housing Projections

- 37 units by Lennar – south of subdivision.
- 147 homes near mill – large site
- Consider opportunities of commuters along Hwy 47.

## Other Opportunities

- Salmonberry trail alignment – need to focus connection. Consider camping opportunities along trail – too far to get to coast in a day.
- Washington County convention center 95,000 sf facility. Completion end of 2020.
- MAC Metro Area Communication – comcast.

## Employers

### Five Star

- Contractor 70-100 employees in Banks (30 in Hillsboro). Roundabout is a big impact on the business.
- Owner lives here that is why business is here.
- Rural industrial land in Manning he is considering.
- Majority of work in Portland Metro but go to Seattle as well.
- 30 openings for a year.
- Plumbers \$10k signing bonus and \$40/hr

### Bighorn Logging

- 86 employees. 1981 logging company. Junction of 3 highways. Not good for employees. \$35/hour can't live here.
- Work near Gaston for Stimson. Clatsop and Tillmook forest.
- Just built a sizeable shop in Vernonia 8,000 sf on industrial land within city limits.
- Can legally cite on forestry land.
- Lack of industrial land and prices.
- \$18/hr starting wages
- Drug testing - Medical clinic won't do drug testing or even collections.
- Bighorn ship locally. ODF is all local. Stimson is 75% home depot.
- Buy local lumber – vintage.

### Hampton

- August 2016 bought Banks Lumber
- 55 employees
- Invested \$2million – started Feb 2017
- Proximity to timber and timber land it owns.
- Employees 3 in town, FG is majority of employees. Apartments are desired. Entry homes. Starting wage \$15/hr average \$20-\$21/hr.
- \$344,000 median home price.
- 2 couples living in a two-bedroom apartment.
- Journeyman electrician - \$36/hr
- 2017 good and 2018 could be better. Natural disasters. California market. 85% on rail finished to California. 25% on truck. Low grade to North Plains.
- Canada tariffs is increasing local sales.
- Very cyclical market.
- 2018 - \$1.2 million investment anticipated.

## Problems

- Traffic conflicts is a problem.
- Five Star take 8-10 weeks to get on site. Could do 10x more work.
- No one who grows up here can stay. Housing too expensive in relation to wages.
- Other employers – can't recruit new blue-collar employees because workforce can't afford to live here.
- High school discourages blue collar work.
- Apprenticeship programs in place at Hampton. Can't get in front of the students. High schools won't work with us.
- Concerns with safety. Kids want to be safe.
- Thrill seekers work in lumber and logging. Machine technologies are easy to fill.
- Need to promote vocational skills – wood and metals and mechanics. Learn skills with hands.
- Perception is that sewer and water is not adequate. Don't want to overwhelm schools. Make sure there is planning in place.
- Five Star impacted by round about. Log trucks speeding is a problem.
- Lack of public transit is a problem for Hampton Lumber.
- Parking for bikes and horses needs to be considered for the trail development.

## Opportunities to consider

- Enterprise Zone for Banks
- Senior living – apartments. No land with utilities.
- Card lock fuel station is a critical service to the timber and farming industries.

## **K-12**

Very focused on college and career readiness. Soft skills and readiness for opportunity beyond high school is important. Not everyone should or wants to go to college.

## Graduation Rates – started tracking last year

- Graduation rate 92%
- 5-year rate 95%
- Class 2016 92%
- 4% apprenticeship
- 36% tech school
- 60 -70% education beyond high school
- 12% unemployed

### Demographics

- 30% economically disadvantage - low
- 80% white and 20% Hispanic – increasing in minorities
- EL population 12 – 40
- 1,200 students
- 1,100 average since 1985

### School Facilities

- K grade 70
- Seniors 90
- Accommodate for more students. 2 classrooms in elementary 60 kids
- Middle school 1-2 classrooms 30 kids
- High school 1-2 classrooms 30 kids
- Elementary school 20 years old.
- New middle school 5 years ago and room for expansion.
- Challenge for a high school bond because middle school coming on the books.
- Looking at doing a facilities assessment. Need it for the \$4 million grant. Answers this fall. Assessment and facility grants – positions for a \$4million “awesome” grant.
- Consider athletic fields as part of the bond.

### School Programs

- Career Technical Education (CTE) program can be developed with Measure 98 money
- Graphic design, marketing, dual credit with PCC.
- Manufacturing - Welding, ag-tech, 3D printers, construction
- AP classed – 6 offered and could get 30 hours college credit
- Job Fair – 35-40 employers April 27<sup>th</sup>
- We have a lot of kids that would want blue collar jobs.
- Soft skills is a big focus for our leadership.
- Beth Mullincamp – PCC Rock Creek she has the Washington County CTE information.

### Teachers QOL and Banks Offerings

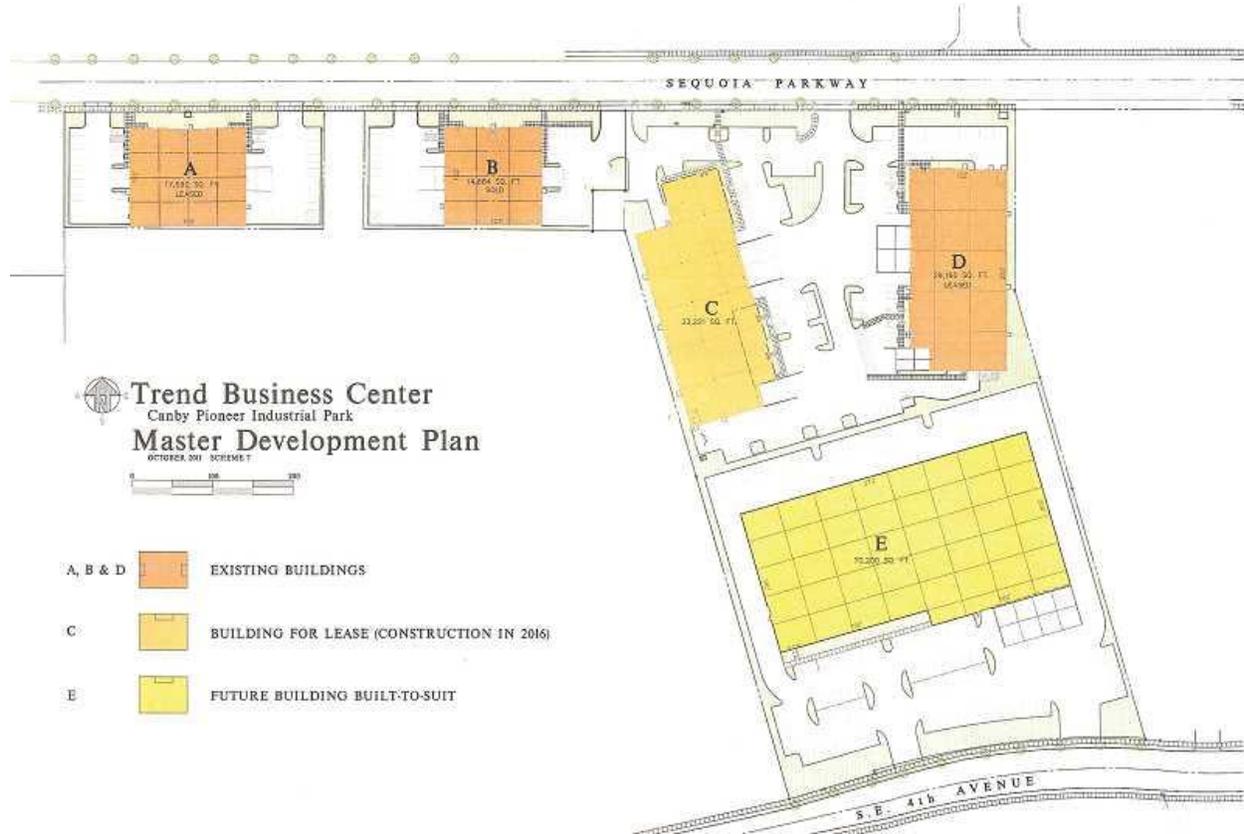
- Limited housing options and high costs.
- Rec centers are needed. Sports are a big focus. Parks programs for organized activities are needed.
- Big demand for coding camps. Technology to engage kids.

### **Developer Meeting**

- Tucker Mayberry – land developer of Van Dyke property near mill
- Bob Lebowski – west side of Main Street
- Small home builders hard to get financing. National home builders are the ones building.

- Toll Brothers, employment centers nearby, highly rated school district (top 10%), golf course community desired.
- 120 – 150 units anticipated (30 acres) – walk and bike bridge to schools
- Challenges – transportation access to Banks Road.
- Banks advantage – own school district.
- Size – can still grow but will remain a small town.
- West side – Killins wetland adding parking and turning barn into visitor center. Viewing platforms.
- Live/work studios in purple strip. Silverton is a good example. Troutdale is looking at it and Stayton.
- Barriers – water is there enough? Transportation access
- Transmission line discussion
- Fix transmission line 1.5 million gallons a day, 5,500 gallons. 270 homes. Complete 2019 summer build.
- Water Feasibility study - March
- Bob will utilize the max zoning.
- Consider a bike path instead of arterial.

## ATTACHMENT B: Case Study: Trend Business Center, Canby



Address	Bldg. Name	Bldg. Size	Land AC	Type	Tenants	Yr. Blt.	Floors	Rent
301 S Sequoia Pkwy	Bldg. A	22,000	1.07	Distribution	GNAP, LLC	2006	1	\$6.00 NNN
321 S Sequoia Pkwy	Bldg. B	15,000	1.05	Warehouse	PumpTech Inc.	2006	2	Owner-occupied
341 S Sequoia Pkwy	Bldg. C	39,000	1.04	Distribution	Cascade Engineering	2017	1	\$7.20 NNN
361 SW Sequoia Pkwy.	Bldg. D	35,000	1.90	Warehouse	Cascade Engineering	2008	1	NA

Source: Costar



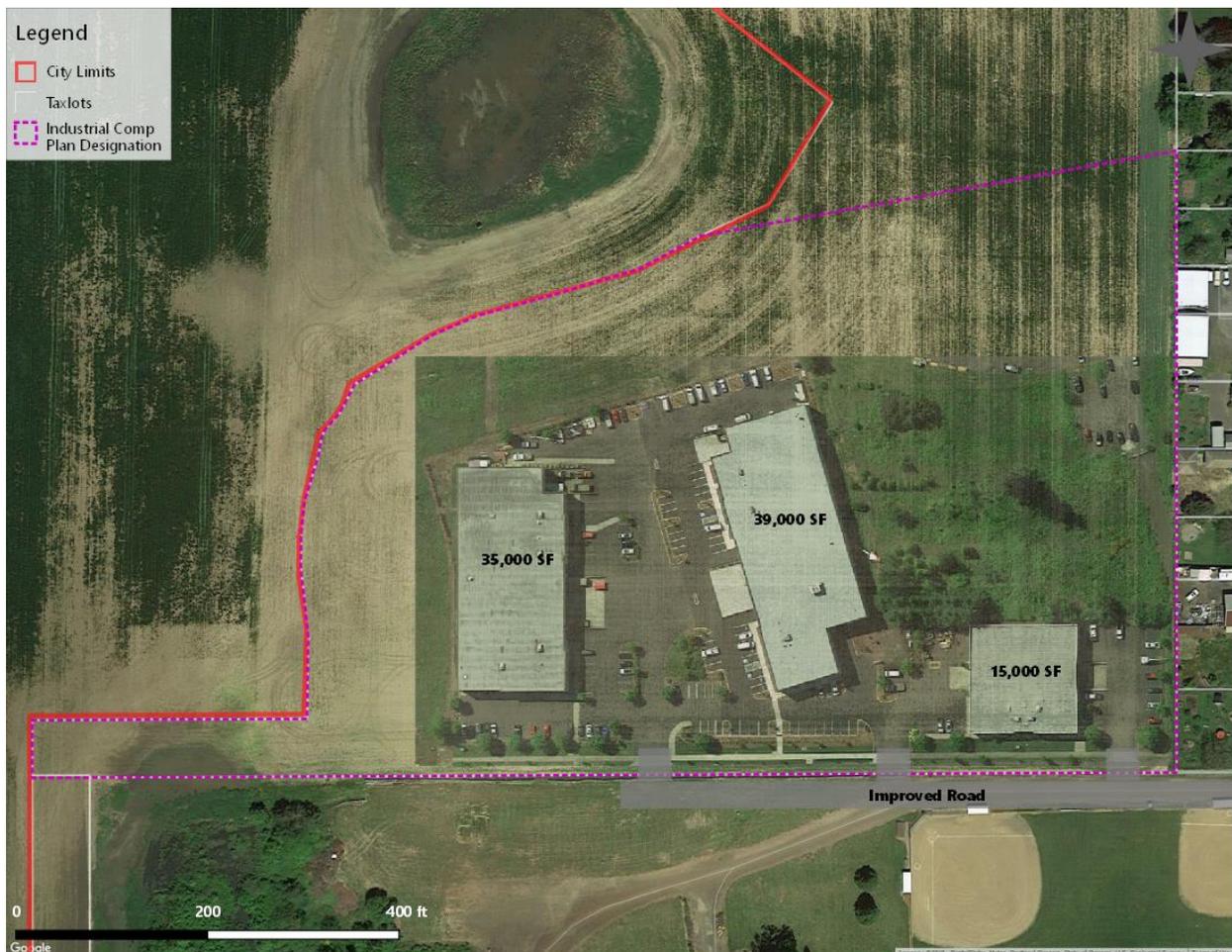
The three Trend Business Center (in Canby Pioneer Industrial Park) tenants are as follow:

- Cascade Engineering Technologies, Inc.: Supplier of aerospace airframe and engine components for both commercial and defense aviation.
- GNAP, LLC: National distributor of industrial abrasive products, equipment, specialty ceramics and ancillary services.
- PumpTech, Inc.: Municipal and industrial pump sales and servicing, specializing in the water and wastewater markets.

The Trend Business Center development is a comparable example for the City of Banks. Manufacturing is highly prevalent in the market area, with almost 30 percent of the workforce in manufacturing. In Banks, this figure is almost half, but the presence of cheaper and newly designated industrial land—combined with an active, educated nearby workforce—bodes well for new industrial development.

The following figure demonstrates how a similar employment-oriented development might look on the 12-acre newly incorporated area of land in the City of Banks.

### Industrial Development Example, City of Banks



**ATTACHMENT C: Broadband Information**

## BROADBAND

### Background

#### How do we measure internet speed?

Internet speed is the transfer or bit-rate of the circuit

- Bandwidth: describes how fast you can get information (the amount of speed available for use, or total capacity). Bandwidth does not equate to internet speed; in fact, often the internet speed is less than the total bandwidth.
- Upload Speed: The rate at which your Internet connection can send data to a remote server over the Internet.
- Download Speed: The rate at which your Internet connection can download data over the Internet.
- Latency: The amount of time, measured in milliseconds, that it takes to initiate a communication (i.e. time taken for a data packet to travel to a remote server and back). Low latency describes a computer network that is optimized to process a very high volume of data messages with minimal delay. These networks are designed to support operations that require near real-time access to rapidly changing data. High latency results in a “slow feeling” internet connection.
- Jitter: The degree to which latency varies over a number of tests

If download and upload speeds are the same, the internet connection is called *symmetrical*. An internet connection with higher download speeds than upload speeds is an *asymmetrical* connection. Most internet service providers offer asymmetrical internet connections as it is more cost effective and is easier to install. Most commercial uses will typically require a symmetrical connection, especially businesses with high data needs, such as those that utilize video conferencing.

#### LANs vs WANs

	Description	Advantages	Disadvantages
<b>Local Area Networks (LANs)</b>	Group of computers and network devices connected together in a small local area (such as a house or office building).	<ul style="list-style-type: none"> <li>• Speed</li> <li>• Cost</li> <li>• Easy of Setup</li> </ul>	Limited to a small area
<b>Wide Area Networks (WANs)</b>	WANs connect several LANs and may be limited to an enterprise or accessible to the public. The technology is high speed and relatively inexpensive.	<ul style="list-style-type: none"> <li>• Allow for larger and more intricate network</li> <li>• Can cover near infinite geographical distance</li> </ul>	<ul style="list-style-type: none"> <li>• Cost</li> <li>• Speed</li> <li>• Easy of Use</li> </ul>

When we talk about WAN (wide area network) links, we mostly talk about bandwidth; when we talk about LAN (local area network), we mostly talk about speed. This is because we are most limited by

costly cable bandwidth over WAN rather than hardware and interface data transfer rates (or speed) over LAN.

**Internet Speeds:**

In 2015, the FCC changed the definition of broadband to increase the threshold speed to 25Mbps for downloads and 3Mbps for uploads. The previous standard was 4Mbps for downloads and 1Mbps for uploads. 25Mbps is considered the minimum necessary speed for business use. However, speeds as low as 10Mbps download and 1Mbps may be adequate for home business use (according to The Coding Network).

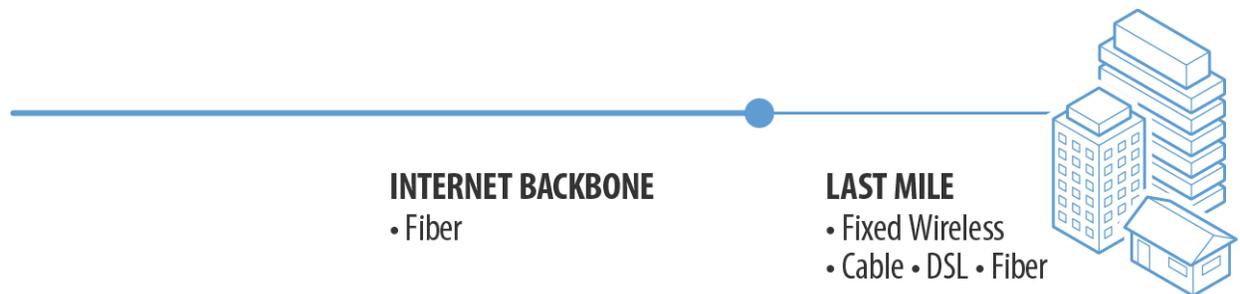
**Internet Service Types**

There are six primary internet service options available to consumers. However, only the following four options provide adequate service for business needs.

1. Digital Subscriber Line (DSL)
2. Cable
3. Fixed wireless
4. Fiber

These are considered “last mile” internet service options, which bridge the relatively short gap between the mainstream internet “backbone” and consumer residences.

**“Last Mile” Internet Service**



Source: BroadbandNow

Services vary based on geographical location and Internet Service Provider (ISP). Each type has strengths and limitations for businesses. The following table provides a brief description and the strengths and weaknesses of each option.

**DSL vs. Cable vs. Wireless vs. Fiber**

Type	Overview	Strengths	Weaknesses
Mobile Broad-band	Operates like a giant Wi-Fi bubble – coverage is broadcast from towers and any device within range can connect.	<ul style="list-style-type: none"> <li>• Wireless/portable</li> <li>• Providers have flexibility to tailor infrastructure to meet customer demands</li> <li>• Large coverage area</li> </ul>	<ul style="list-style-type: none"> <li>• Reliant on cell phone towers; spotty coverage</li> <li>• Higher latency</li> <li>• Shared capacity, slower speeds, data often capped</li> </ul>
Satellite	Broadcasts from satellites in the earth's orbit Not competitive with fiber, DSL or cable.	<ul style="list-style-type: none"> <li>• Wide coverage – easiest alternative to dial-up</li> <li>• Typically good value for money</li> </ul>	<ul style="list-style-type: none"> <li>• High latency</li> <li>• Slow internet speeds</li> <li>• Requires line-of-site connection (i.e. vulnerable to weather/topography)</li> </ul>
Fixed Wireless	Delivers internet connection over the airwaves. Fixed wireless is a "last mile" technology that bridges a gap between the internet "backbone" and consumer residences. <i>Can</i> deliver gigabit connections, but often offer 5-50Mbps (residential), up to 500Mbps (business).	<ul style="list-style-type: none"> <li>• Flexible for rural coverage (no cables required) if line of site can be maintained</li> <li>• Low latency (not hindered by cable/fiber capacities that introduce reactance)</li> <li>• Fast and affordable to install</li> <li>• Generates competition for ISPs</li> </ul>	<ul style="list-style-type: none"> <li>• Requires direct line of site between the subscriber's antenna and the ground station of the provider.</li> <li>• Wireless security concerns</li> <li>• Higher average cost</li> <li>• Potential "rain fade"</li> </ul>
DSL	Common "Last mile" service which allows consumers to use existing phone lines to access internet. DSL uses the simplest implementation of all technologies. Not suitable for uses which require substantial upload bandwidths.	<ul style="list-style-type: none"> <li>• Widely available (most available internet type)</li> <li>• Typically affordable</li> <li>• Suitable for rural locations/businesses with lesser internet needs</li> <li>• Direct connection prevents peak-use slowdown</li> </ul>	<ul style="list-style-type: none"> <li>• Generally provides slower upload speeds than other broadband technologies</li> <li>• Connection quality dependent on distance between residence and ISP</li> <li>• Above-ground cabling susceptible to storm disruption</li> </ul>
Cable	Common "last mile" service. Cable generally requires use of a modem, but access is easiest to find due to the prevalence of cable television. Best option for communities without fiber.	<ul style="list-style-type: none"> <li>• Relatively fast speeds</li> <li>• Existing TV infrastructure means reduced cost and wide coverage</li> <li>• Low latency</li> </ul>	<ul style="list-style-type: none"> <li>• Often slows during peak use</li> <li>• High initial connection cost.</li> <li>• Limited providers</li> <li>• Susceptible to electro-magnetic interference</li> </ul>
Fiber Optics	Comprised of bundles of thin glass or plastic strands that transmit data in the form of modulated light. The design allows data to travel very far with little degradation.	<ul style="list-style-type: none"> <li>• Next gen 1Gb speeds using dedicated bandwidth</li> <li>• Resistant to electrical interference that affect other broadband types</li> <li>• Highly scalable</li> </ul>	<ul style="list-style-type: none"> <li>• Lower adoption due to insufficient infrastructure</li> <li>• Higher cost and difficulty to install</li> <li>• More fragile materials</li> </ul>

Source: Arvig Business Technology

## City of Banks Internet Service

Approximately 77 percent of Banks residents are serviced by multiple wired providers. About 23 percent have access to one of fewer providers.

Per Broadband Now, a database of internet providers and speeds (not including mobile internet providers), Banks' current broadband options are as follow.

### City of Banks Internet Providers

Provider	Type of Connection	97106 ZIP Coverage (%)	Avg. Download Speeds* (Mbps)	Fastest Speed Reported** (Mbps)	Listed Plan Speed*** (Mbps)
<b>Business</b>					
Comcast Business	Cable	49%	32.5	250	75
Century Link Business	DSL	48%		100	12
Frontier Business	DSL	100%	5.5	24	20
Online NW	Fixed Wireless	76%		11	11
<b>Residential</b>					
Xfinity	Cable	70%	67.5	250	150
CenturyLink	DSL	23%		100	10
Frontier	DSL	92%	5.5	24	24
Coho.net	Fixed Wireless	100%	3.1	20	10
OnlineNW	Fixed Wireless	82%		11	11
Upward Access	Fixed Wireless	24%		12	12
HughesNet	Satellite	100%		15	25
Exede Internet	Satellite	100%	6.5	12	30

Source: BroadbandNow

\*Average Download Speeds come from actual test results through Broadband Now's speed test page, but these speeds may be lower than actual speeds because people usually run tests when they are experiencing internet issues

\*\*Fastest Speed is the speed as officially reported to the FCC, and since this data takes some time to be released, it is usually several months old

\*\*\*Listed Plan Speed is updated more frequently than Fastest Speed, although it is taken directly from the ISP's website and may not accurately reflect achievable speeds

Comcast is the only internet provider with average download speeds above 25Mbps. However, several other providers have either reported faster speeds or offer faster internet speeds in their internet plans.

Comcast has reported the fastest internet at up to 250Mbps and offers a 75Mbps plan, which is available to 70% of the 97106 ZIP Code (in which Banks is located). Frontier has the largest coverage (92%) but only provides up to a 20Mbps plans. CenturyLink is sparse with their coverage (23%) and offers only 12Mbps plans, despite reporting speeds of 100Mbps.

**Improving Service**

Rural broadband advocates have had some good news over the past couple of years with the continuing development of the [Connect America Fund](#). To help improve the program, the FCC set up several "[Rural Broadband Experiments](#)" in 2015, with 14 projects ongoing (10 fiber and four wireless). These should provide some insight into the technological, administrative and logistical issues associated with funding rural broadband.

**ATTACHMENT D: Overnight Lodging**

# Current and Future Prospects for Overnight Lodging Facilities in Banks, Oregon

Embarcadero Hospitality Group and Leland Consulting Group - March 2018

## BANKS, OR – AREA OVERVIEW

The City of Banks is located among farms and near forest in Washington County's Tualatin Valley between Portland and the Oregon Coast. Situated where Oregon State Route 6 and Oregon Route 47 intersect, Banks is 24 miles northwest of Downtown Portland via Highway 26. Three of the most popular tourist destinations on the Oregon Coast are easily accessible from Banks: Tillamook is a 50-minute trip via Highway 6, and Cannon Beach and Seaside are a 1-hour drive via Highway 26.

A rural community of nearly 1,900, with a significant forest products manufacturing base, Banks is experiencing growth due to the Portland Metro Area's rapid expansion and the booming high-tech industry in nearby Hillsboro and Forest Grove. Banks is just 11 miles from three Intel Corporation campuses, including Ronler Acres, their largest facility in the United States; and is just 7 miles from Pacific University in Forest Grove which features an elite Doctorate of Optometry program, among expanding health sciences graduate degrees and 3,500 enrolled students.

Banks is the southern anchor and trailhead for the dramatic 21-mile Banks-Vernonia State Trail - on a former rail route - popular among cyclists, horseback riders and hikers; and is the connection point to the 30-mile Tualatin Valley Scenic Bikeway. Banks offers easy access to an unusually rich variety of outdoor recreational and tourism opportunities, including superb golf and the nearby Tillamook and Clatsop State Forests and L.L. "Stub" Stewart State Park that feature first-rate hiking, biking, mountain biking, camping, fishing, watercraft, horseback riding and ATV trails.



*Banks, Oregon Aerial View* Courtesy: City of Banks



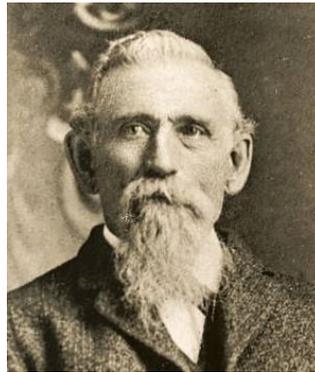
*Intel Corporation's Ronler Acres Campus* Courtesy: City of Hillsboro



*Banks-Vernonia State Trail - Buxton Trestle* Courtesy: Travel Oregon



*Nearby Pacific University Forest Grove      Courtesy: same*



*Both Photos Courtesy Banks Historical Society*

*John Banks*



*Nearby Willamette Valley Vineyards at Tualatin Estate      Courtesy: same*



*Quail Valley Golf Club in Banks      Courtesy: same*

Banks and the Tualatin Valley feature a rich agricultural history with numerous u-pick farms, farmers’ markets and harvest events. The Tualatin Valley has an increasing number of acclaimed wineries and vineyards, with well-traveled wine trails, loops and events that draw many wine enthusiasts to the region.

Named for John and Nancy Banks, who owned a local dairy farm, the City was incorporated in 1921 and developed as a timber and agricultural processing point. Banks was well positioned to transport lumber and agricultural products as well, because of easy access to Portland from nearby forests and farms via the Sunset and Wilson River Highways as well as Highway 47, and a coast to Portland rail corridor until the 2007 storms severely damaged the rail section to the coast.

These same forests, farms, vineyards, highways and trails will draw increasing numbers of people to and through Banks as a jumping off point for growing outdoor recreation and agricultural tourism. The growth of the Portland Metro Area, particularly the concentration of high-tech development in western Washington County, the increased national and international tourism to Oregon and the increased usage of nearby trails of every description all point towards the likelihood of future substantial and sustained growth in Banks.

## HOSPITALITY INDUSTRY TRENDS – RELEVANT FOR BANKS

### National Trends

The United States hotel market grew for the seventh consecutive year in 2017, and exceeded performance expectations, reaching record occupancy percentage levels and average room rate.

- Average Daily Rates (ADRs) in the United States rose 2.1% to \$126.72
- Annual occupancy percentage rose .9% to 65.9%
- Revenues for each hotel room (room rate times occupancy percentage) rose 3.0% to \$83.57, slightly below the thirty-year average increase of 3.3%, but impressive growth given the increase in supply
- Even though supply increased 1.8% - due to the largest annual increase of new hotels since 2009, demand rose 2.7%
- Total room revenue for US hotels (not counting Food and Beverage or other revenue) reached nearly 156 Billion Dollars in 2017 as a result of approximately 1.23 Billion occupied guestroom nights.

*These figures are full-year 2017 numbers as tabulated by [Smith Travel Research](#), an organization that receives exact performance data from the overwhelming majority of hotels in the United States.*

The rise of the private accommodation or vacation rental market in the United States, led by Airbnb, VRBO, HomeAway and Vacasa, is more difficult to precisely assess, given the absence of industry standard reporting. Through available reports, it is clear that there have been double-digit revenue increases for several years. The 2017 market revenue exceeded \$30 billion dollars, making it roughly one-fifth the size of the hotel market, but growing more rapidly. Supply growth is expected to slow to the single digits in 2018 for the first time since the initial boom; however, it is expected to continue to outpace supply growth in hotels for the near term.

### **The Effects of the Internet, Social Media and Smartphones:**

Technological advances have dramatically affected the overnight lodging market in the United States in several ways:

- **It is less important to be located next to freeway exits, or major intersections and far more important to be within walking distance of a variety of interesting food choices and other attractions and activities.** Smartphones lead travelers with turn-by-turn directions to hotels, and so being visible from the freeway is no longer as important, customers often prefer downtown locations with walkable points of interest.
- **Hotel brands are still doing very well, but they are losing market share to the combination of independent hotels, soft-branded hotels and private lodgings such as Airbnb.** Before the internet, brands gave travelers an expectation of costs, levels of amenities, and a minimum level of consistency on cleanliness and condition of the guestroom. The internet has enabled efficient, direct sharing of reviews between customers. When making lodging choices, the typical customer relies more on review websites like Yelp and TripAdvisor, as opposed to brand affiliation.

## Millennial Travel:

The Millennial generation has now surpassed both the Gen-X and Baby Boomer generations in numbers of business and recreation travelers and they tend to value “experiences” over things and generally prefer hotels that incorporate unique design, local touches and inviting public spaces over opulent lobbies and large guest rooms.

- **Bleisure:** That’s business + leisure, is a rising trend. Millennials like to tack on a couple extra days to a business trip for leisure. With the Convention Center Hotel underway in Portland promising to bring more large conventions to the state, Banks should strategically market itself to convention attendees as an outdoor recreation mecca and a jumping off point for Oregon’s many tourism destinations.
- **Airbnb:** Airbnb, and their “stay like a local” ethos, has changed travelers’ expectations in two key ways:
  - Promotion of unique experiences and non-corporate feel
  - Guest autonomy while checking in and out

The Airbnb rental model opens more options for lodging in Banks. A hotel that allows guests to check in and out via a code provided by text could make a smaller project more feasible by reducing staff costs. As the market grows in Banks, the hotel could expand to a more traditionally staffed hotel, if desired.

- **Boutique – Independent:** The sameness of most branded hotels that was once an asset has become a liability. Customer’s now looking to reviews, rather than brands, prefer uniquely decorated properties with local inspiration and creative flair. The major families of brands – including *Hilton*, *Marriott*, *Starwood* (now a division of Marriott), *Intercontinental Hotel Group*, *Hyatt* and others – have noted this trend and have introduced many new “soft” and “lifestyle” brands to try to keep market share. The Portland market is a great example of this trend, as the former **Hilton Executive Tower** has been rebranded as **The Duniway**, although it is still a Hilton Property, and the former **Westin Hotel** is now **The Dossier**. Most of the newly-opened hotels and hotels in development are boutique (The Society Hotel, Hotel Eastlund), part of brand’s “independent collection” (HiLo Hote – part of Marriott’s Autograph Collection) or a “lifestyle hotel” with an independent ethos (The AC Hotel).

## Regional Trends in the Hospitality Market

### **Oregon’s Emerging Status as a Top Tourist Destination:**

Oregon’s many attractions have demonstrated increasing appeal to both domestic and international travelers. According to Travel Oregon, Engaging Explorers 2016-2017 report, lodging demand in Oregon has been increasing for eight consecutive years, with nearly 30% growth from 2008 to 2016. In 2016, Oregon ranked 11<sup>th</sup> out of all 50 states for U.S. leisure traveler interest, with 13% of travelers interested in visiting, up from 6% in 2010. In 2016, international visitors spent \$1.22 Billion in Oregon, up from \$1.15 Billion in 2015. International travel to Oregon has increased by 25% between 2011 and 2016 with a 49% projected growth between 2016 and 2020.

The Hyatt Regency, “Convention Center Hotel” in Portland, broke ground in August 2017 and is scheduled to open in Winter of 2019. The hotel is expected to bring 5-10 large events and conventions annually, to increase convention business by 33%, and to increase tourism spending in the region by \$120 million annually, according to Metro.

Portland has cultivated a strong appeal and identity especially popular among millennials, with increasing appeal among international travelers. Portland is not a top tier gateway city like San Francisco or Seattle, but this can be an asset for markets like Banks, as travelers aren’t focused on one or two iconic destinations, they are in fact, seeking unique and unusual experiences.

**Cycling and Wine Tourism in Oregon:**

Bicycle tourism is increasing nationally and especially in Oregon. Travel Oregon has many programs and initiatives to promote cycling tourism and, in 2012 and 2014, Travel Oregon commissioned a set of reports on the economic impact of cycling tourism. The 2012 report found that cyclists made 1.2 million trips in Oregon and \$400 Million was Generated by Bicycle Tourism. In 2014, cyclists made approximately 79,000 rides on the Oregon Scenic Bikeways. Cyclists who rode Oregon Scenic Bikeways in 2014 made expenditures of approximately \$12.4 million.

Wine tourism is also a large driver of Oregon Tourism, with the majority of overnight stays in Portland and along the Highway 99 West corridor, including the Internationally-known Allison Inn and Spa in Newberg. Wine-focused travelers love unique, local experiences with high-end touches, and proximity to vineyards and wineries.

**Growth Dynamics in the Region:**

Banks is part of the Portland Metro Area, and resides within Washington County, Oregon’s fastest growing county for several years. Hillsboro, Oregon, also in Washington County and the nearest major city to Banks at just 10 miles east has been one of the fastest growing cities in Oregon for several years.

	1990		2000		2010		2016 (est)	
	Population	% Growth						
National	248.7 M	9.8%	281.4 M	13.2%	308.7 M	9.7%	327.2 M	6%
Portland Metro Area	1,523,741	13.6%	1,927,881	26.5%	2,226,009	15.5%	2,424,955	8.9%
Washington County	311,554	26.7%	445,342	42.9%	429,710	18.9%	582,779	10%
Hillsboro, Oregon	37,598	35.9%	70,187	86.7%	91,611	30.5%	105,164	14.8%

The City has engaged in the community in a number of studies, plans and actions to accommodate growth and catalyze development consistent with the vision, culture and characteristics of Banks. The following development and planning efforts demonstrate the city’s commitment to balancing growth and quality of life:

Banks Recent Developments and Public Investment:

- Expansion of the Banks Urban Growth Boundary (UGB). A recent UGB expansion added significant and strategic lands now developable for a range of uses, including: industrial,

residential, commercial, and other supportive uses. New UGB lands immediately adjacent to downtown present a significant development opportunity.

- Housing. Phase 9 of Arbor Village is well into the development process, that plans to add 37 single family homes on 8.25 acres; and there are indications that more housing will likely be developed in the near future.
- Banks Vision 2037 Process and Plan. Banks engaged Seder Architecture + Urban Design to facilitate a vision and plan for the next 20 years of growth in Banks. Adopted in August 2017, the process included community engagement and incorporating identified goals in previous planning documents. The 2037 Vision includes six goals with next steps and funding strategies for each goal:
  - Recognize and build on three districts
  - New Streetscapes and upgrades for each of the three districts
  - New Public multi-use Plaza
  - Set new standards for new commercial buildings
  - Set new standards for industrial buildings
  - Continue Banks emergence as a trailhead
- Urban Renewal. Banks adopted an Urban Renewal Plan in October 2017. Urban renewal allows for the use of tax increment financing, a financing source that is unique to urban renewal, to fund its projects that improve specific areas of a city that are blighted. Banks is using Urban Renewal funds to achieve goals outlined in the 2037 Vision Plan with focus on: District Identity, Economy, Recreation, Transportation and Public Safety.
- Banks-Vernonia Trail. Completed in 2010 - The Banks-Vernonia State Trail, Oregon's first rails-to-trails park, is a 21-mile (one way), biking, hiking and equestrian, car-free trail.

#### Key Findings for Banks:

- The Portland Metro Area, and especially Washington County are growing rapidly. Over time, this growth will bring more population to and through Banks.
- Banks should continue to build its identify as a tourist destination to take advantage of increased traffic.

#### **Drivers in and Near Banks that Generate Lodging Demand:**

Beyond analyzing current conditions, it is important when analyzing lodging feasibility in Banks, to consider the demand drivers for lodging that exist and how they will change over time. We will examine business, local events, and recreation and tourism drivers.

#### **Local Area Businesses**

There is a modest though significant demand for overnight lodging generated by the largest local employers in the logging, forest products processing and transportation, agricultural, construction and government sectors. However, with exceptions, these particular types of business tend to generate

demand at lower guestroom rates than several other types of businesses. Their needs are being met by the current supply in Forest Grove and Hillsboro.

There is a booming tech industry and growing tech sector in Hillsboro. However, a hotel in Banks would be too far away to benefit immediately from this trend, especially with several new business-class options in Hillsboro. It is possible in the long term, that a hotel in Banks could benefit from business travel overflow, if presented as a unique experience with upscale amenities that appealed to a business traveler drawn to the outdoor recreation opportunities in Banks.

#### **Annual Area Events that would Generate Spikes in Occupancy in Banks:**

- Pacific University Events, Including: Orientation, Family Day, Graduation, Homecoming/Alumni Day, Music in May and the Coucours d'Elegance Annual Vintage Car Show/Fundraiser (now in its 46<sup>th</sup> year).
- The Society for the Preservation and Encouragement of Barbershop Quartet Singing Annual "Ballad Town" Competition in Forest Grove in March (72<sup>nd</sup> Year)
- Golf events and Weddings at Quail Valley and Pumpkin Ridge Golf Clubs
- Graduation at Banks High School
- Weddings at a variety of area churches and venues
- 8<sup>th</sup> annual Wild West Modified Speedweek in late June, and other Sunset Speedway events.
- 4<sup>th</sup> of July events
- Hagg Lake Triathlon and Endurance Sports Festival in July (36<sup>th</sup> Year)
- Washington County Fair, Hillsboro – Late July
- North Plains Elephant Garlic Festival (21<sup>st</sup> Year) 3-day festival in August
- Annual Banks Bar-B-Que and Tractor Pull in August (73<sup>rd</sup> Year)
- Oregon International Airshow – Hillsboro, 3 days in September. 70,000 people (31<sup>st</sup> year)
- Verboort Sausage & Sauerkraut Festival/Fundraiser attracting 10,000 persons the first Saturday in November (84<sup>th</sup> Year)

The events in the region, indicate opportunities to boost lodging sales throughout the year. The events at Pacific University, are particularly relevant as they occur during low occupancy months in the winter and shoulder seasons.

#### **Recreation and Tourism - Trails**

- **Banks-Vernonia State Trail:** The Banks–Vernonia State Trail is a paved biking, hiking and equestrian trail running 21 miles along a former rail line that connects in Banks, Oregon to the 30-mile long Tualatin Valley Scenic Bikeway.

The Trail was featured in the *New York Times* and was named one of 5 "Bucket List" trails to experience in the United States in a 2016 article in *Rails to Trails Magazine*.

Completed in 2010, the trail features a spectacular 600-foot crossing of the Buxton Trestle as it towers 80 feet over the ground below and crosses 12 additional bridges on its journey through lush farmland and deep forest. Camping is available at L.L. "Stub" Stewart State Park along the way.

The Portland area's Max Light Rail system brings cyclist to stations in Hillsboro, a short ride from the beginning of the trail system in Rood Ridge Park. Banks Bicycle Repair and Rental is adjacent to the trailhead and provides bicycle rentals and full-service maintenance.

- **Tualatin Valley Scenic Bikeway:** he 30-mile Tualatin Valley Scenic Bikeway traverses the foothills and farmlands of the valley and connects with the Banks Vernonia State Trail in Banks.
- **The Salmonberry Trail:** In 2007, winter storms heavily damaged a 16-mile section of the Port of Tillamook Bay Railroad, a regular freight and tourist train route through the coastal mountains between Tillamook and Banks. Due to high-repair estimates, The Port of Tillamook elected not to restore the full route. A coalition of effective trail advocates urged the formation of The Salmonberry Trail Intergovernmental Agency (STIA), (with 11 governmental agencies and stakeholders) to plan the development and maintenance of a multi-use trail.

Dennis Wiley, the Salmonberry Trail Project Manager, shared that STIA has completed the initial concept plan for the trail and is now focused on the master plans for each of 4 segments. The Tillamook-Wheeler Section master plan is complete, and STIA hopes to complete the master planning of the Valley segment – from near Banks to points west in the coastal range - by the summer of 2018.

It is possible that within 3-5 years, an initial portion of the Valley section of the trail may connect with L.L “Stub” Stewart State Park and create part of an 8 mile “loop” trail in conjunction with the Banks-Vernonia State Trail.

When the Valley segment of the trail is completed, Banks will experience a significant incremental boost in tourism; and when and if the whole route is completed, Banks will experience a boom in tourism, especially in the Spring, Summer and Fall.

### **Recreation and Tourism - State Parks, Forests and the Coast**

There are numerous campgrounds, rivers and hiking, biking, Equestrian and ATV trails west of Banks off of Highway 6 and the Tillamook and Clatsop State Forests attract many recreationists – especially in the Spring, Summer and Fall.

While relatively few of these trips generate overnight stays in the area (most head to the Coast, stay in campgrounds, or head back to their homes or hotels further east in Washington, Multnomah or Clackamas Counties), significant numbers of these recreationists patronize south Banks businesses on the way through. If packaged and marketed right, a hotel could become a home base rather than a stopping point.

### **Recreation and Tourism - Generated by Highways 6 and 26**

The City of Seaside had 1 million visitors in 2016, and there were 400,000 visitors in Cannon Beach. The Tillamook Cheese Factory received 1.3 million visitors in 2016. The majority of those visitors traveled on highway 26 or highway 6 in at least one direction, as those highways are the most direct route from Oregon's most populated areas to the Coast.

According to the Oregon Department of Transportation's 2016 Traffic Volume Tables, Highway 6 (Wilson River Highway) just west of Banks had 422,500 annual vehicle trips, while 312,000 vehicles crossed the

Tillamook County Line. On Highway 26 (Sunset Highway), just west of the junction with highway 47 there were 669,500 trips, and 546,000 vehicles crossed the Tillamook County Line.

Interviews with local business owners indicate patronage of the gas station, restaurants and store where highway 6 and 47 intersect, but relatively few tourists traveling on highway 26 take drive the 2 miles into Banks. These passers-through are potential visitors if through growth and planning, Banks is able to generate restaurants, events and lodging that draw people into downtown.

### **Recreation and Tourism - Trees to Seas Scenic Byway**

The Oregon Department of Forestry is sponsoring an initiative to make highway 6 from Banks to the Coast part of a new Oregon Designated Scenic Byway provisionally named “Trees to Seas” The new designation will draw some traffic from Highway 26, as the new publicity will compel some Portland metro residents and tourists that use highway 26 to explore the new route and discover Banks.

### **Recreation and Tourism - Wineries and Agri-Tourism**

There are more than 30 wineries and more than 50 farms in Washington County that sell their products to visitors, and approximately one-fourth of those are within 6 miles of Banks. The vineyards here are within the famed Willamette Valley AVA (American Viticultural Area) and produce excellent wines.

The wine industry’s growth in the Willamette Valley has been explosive over the last 45 years, with the number of wineries growing by an average of 11% annually, and the number of planted acres of vineyards growing 15% annually, according to the *Oregon Vineyard and Winery Census Report* and the *National Agricultural Statistics Service*. As California’s wine growing regions have been increasingly vulnerable to drought, California and International wine growers, such as Jackson Family Wines have embraced Oregon in a big way.

Travel Oregon’s officially designated Scenic “Vineyard and Valley” Tour Route that meanders through the Tualatin Valley boasts “Handpicked produce, carefully crafted wines and bucolic beauty that will tempt you at every turn...” This 57-mile route through the heart of Washington County features The Banks trailhead of the Banks-Vernonia Trail as one of its four most notable destinations.

#### Key Findings for Banks:

- The Banks-Vernonia and Tualatin Valley trails and the upcoming Valley segment of the Salmonberry Trail represent world-class recreation opportunities and are a significant asset for Banks. When the Salmonberry Trail is connected all the way to the coast, with all four segments completed; Banks could be the site of at least one cycling and outdoor recreation-themed hotel.
- Wineries and vineyards drive tourism, and Banks’ proximity to wineries is a growing asset.
- There are currently numerous visitors traveling through Banks on their way to prominent coastal and other Oregon tourism destinations. Planning and development should focus on bringing travelers into the downtown for restaurants, shopping and eventually lodging.

## **Hotel Demand Numbers**

Our analysis of the identified drivers, as well as the impact of supply-demand dynamics, indicates that approximately 6,500 room nights could reasonably be captured by a well-positioned overnight lodging choice in Banks. Currently, the overwhelming majority of this demand is now being captured by hotels in Forest Grove and Hillsboro.

### **BANKS, OREGON – LODGING MARKET**

Evaluating the lodging market for Banks, Oregon is challenging because there are no existing hotels and very few overnight lodging facilities within the city of Banks. As a result, the majority of travelers with business or recreation in Banks are forced to stay in nearby Forest Grove or Hillsboro. It is difficult to capture precisely how many travelers currently staying in neighboring cities would preferably stay in Banks, and further, how many people would make Banks a home-base or a recreation destination if there were desirable lodging options.

To evaluate the Banks Lodging market, in this report we will: 1) Analyze the existing nearby hotels and vacation rental options; 2) Examine the lodging drivers that generate demand;

#### **Existing Nearby Hotels and Vacation Rental Options:**

##### **Hotels**

The closest hotels to Banks are each in Forest Grove, approximately 7 miles away:

- The Grand Lodge, operated by McMenamins opened in 2000 and has 90 rooms, including both traditional suites and European style accommodations with shared bathrooms.
- Americas Best Value Inn opened in 1994 and has 40 economy-scale rooms.
- Best Western University Inn and Suites opened in 1999 and has 54 midscale rooms.
- Forest Grove Inn opened in 1990 and has 20 economy-scale rooms.

The hotel inventory closest to Banks is geared toward a budget sensitive customer with economy and midscale options. The Grand Lodge, is a unique lodging experience and while it is an affordable option for budget sensitive travelers, it also has a broader appeal to fans and followers of the McMenamins brand and for adventurous travelers who seek out unique experiences and aren't concerned about modern amenities. The Grand Lodge recently remodeled, increasing the number of rooms with private bathrooms.

The closest hotels to Banks do not include any options above midscale. If the catchment area is widened by three miles, upper-midscale and upscale options like the Larkspur Landing, The Holiday Inn Express and the Residence Inn enter the picture. These properties are geared toward business travelers frequenting Intel and tech business in Hillsboro.

To accurately measure the performance of the market, we commissioned a report by Smith Travel Research that provided rates and occupancies of our selected "comp set".

We selected the following four hotels for our "comp set" due to proximity to Banks, availability via Smith Travel Research statistics (many independent hotels like the Forest Grove Inn don't report), with sufficient numbers of years to look at 5 years of report, and to most closely match our estimation of the range of lodging choices desired by current Banks demand generators:

- The Best Western University Inn & Suites in Forest Grove
- The Grand Lodge in Forest Grove
- The Comfort Inn near the Hillsboro Airport, and
- The Larkspur Landing near the Ronler Acres Intel Campus

The report provided the combined average guestroom rates and occupancies for the last 4 years:

	<b>Occupancy</b>	<b>Average</b>	<b>Revenue</b>
	<b>Percentage</b>	<b>\$ Rate</b>	<b>per Room</b>
<b>2014</b>	58.2	\$100.98	\$58.76
<b>2015</b>	64.9	\$108.20	\$70.27
<b>2016</b>	66.5	\$113.19	\$75.27
<b>2017</b>	60.4	\$113.96	\$68.87

The 10% drop in occupancy between 2016 and 2017 is notable and indicates:

- 1) That a significant number of customers of these properties closest to Banks have become customers of the newer properties further northeast in Hillsboro; and,
- 2) There is a significant oversupply of rooms in the western portion of Washington County.
- 3) These four hotels were able to absorb the addition of 271 rooms in 2014, but not the 393 rooms in '16 and '17; and they are particularly not well positioned to absorb the 80 rooms under construction, as well as the 300 rooms in various stages of development.

#### **Airbnb/Vacation Rentals in the area:**

There are four lodging listings on Airbnb located in Banks, including two “entire apartment” options that range from \$135 in the Winter to \$200 on busy weekends in the summer, and two “private room” options that range from \$40-\$65. Additionally, there are two camping/RV options. The website, AirDNA provides data on Airbnb bookings. An AirDNA report indicates that of the four properties available, only ¼ are available as year-round rentals, the other ¾ are available intermittently as the owner opens them for renting by guests. Per available rental nights, the properties are 81% occupied. Note, this occupancy measurement is not comparable to a hotel occupancy measurement, based on 365 days of availability.

According to AirDNA, the top performing property in Banks is a farm cottage with two bedrooms that sleeps four. It’s average daily rate is \$153, it is 50% occupied and it produces an annual revenue of \$125,165.

#### **Key Findings for Banks:**

- Western Hillsboro has been significantly overbuilt, decreasing regional demand for rooms.
- The products near Banks are economy and midscale, on the lowest end of the room rate scale, this presents an opportunity in the future, to fill a need for customers who would stay in Banks if there were an upscale option.
- The success of the Grand Lodge and Airbnb products indicates Banks appeal for independent, unique properties.

## CONCLUSIONS

### Opportunities

- **Outdoor recreation:** Banks is near a “gold mine” of recreational opportunities and the outlook is only improving with the construction of the Salmonberry Trail and increasing awareness of the Banks Vernonia Trail.
- **Investment in the community:** Banks is making proactive investments in their downtown and overall development strategy. Having a great downtown with public spaces and a cohesive feel will make Banks more desirable for a hotel developer and guests.
- **Take advantage of trends:** Trends that millennials embrace, including unique experiences and the vacation rental strategy, will serve Banks well. The community should take full advantage of the growth in Oregon’s tourism.

### Challenges

- **The Supply and Demand Conditions of the Nearby Hospitality Market:** Because developers were unable to get financing from banks during the recession, even when project were deserving and business travel in the area was increasing, there was pent up demand for hotel rooms. After loans were finally made available, Hillsboro has seen a flurry of hotel development, including: The Embassy Suites and Hampton Inns, totaling 271 guestrooms opened in 2014; a Residence Inn, Holiday Inn and Aloft opened in 2016 and 2017, totaling 393 guestrooms; a Staybridge Inn and suites under construction. This represents a large increase in supply, in a short period of time.
- **Construction Climate:** The economy is booming, unemployment is low, and many skilled construction workers left the trades during the great recession. Therefore, hotel construction is both more expensive and takes longer than in normal circumstances due to an undersupply of subcontractors. Some prospective projects have seen 10 -20% year-on-year increases in development costs.
- **Pioneering Nature:** A hotel in Banks, will be the first hotel development in Banks. The first project in a market is viewed as riskier. It requires a developer who sees the vision and is excited about what Banks can be. Even when the developer gets the vision, they might face skepticism from financiers and they will have to sell the story of Banks to their financing partners.

### Summary

Given the exceptional quality of the tourism assets and the demographic trends described in this report, Banks is well positioned in the next 10-15 years, to attract the development of a nice, limited service hotel, or a cross between a hotel and a vacation rental.

However, given that the current cost of construction would require rates and occupancies that generate approximately \$100 per room/per night in revenue (For example, a \$133 rate with a 75% occupancy), any type of new construction overnight lodging in Banks is not likely feasible in the near term.

If the cost of construction lowers significantly, the assets and trends would justify the consideration of a 20-35 room lodging facility. With the emergence and popularity of the vacation rental model that reduces operational expenses, a 20-35 room property is a viable model.

### **Looking to the Future: the Ideal Lodging Choices for Banks:**

We have concluded there is likely currently sufficient demand for approximately 6,500 room nights annually. In the near-to-mid-term, as soon as construction costs moderate with more tradespersons entering the field, we recommend the development of an upper midscale to upscale, 20-35 room vacation rental/airbnb facility to take advantage of maximum stakeholders including wine and cyclists, who prefer authentic, boutique local experiences.

A downtown location, walkable to restaurants and shops is highly preferred.

### **NEXT STEPS**

With the combination of Banks' current tourism assets, planned trail construction and improvements, and Banks' programs and plans to improve its downtown infrastructure and walkability, a nice overnight lodging facility will inevitably come to Banks.

The City of Banks can both hasten the first lodging development, and improve its performance by:

- 1) Identifying and, if possible, acquiring a suitable site
- 2) Providing reasonable incentives to the development team, these could include: temporary Transient Occupancy Tax Rebates, and reductions in permitting costs, which provide significant lift to a development, but do not rely on monies from local taxpayers.
- 3) Providing a clear and straightforward entitlement process.

We highly recommend the adoption of a Transient Occupancy Tax for all overnight lodging options, and registration and minimal regulation for private lodgings including Airbnb and others. Tourists expect to pay these taxes, they provide significant revenues, and they create a reasonable regulatory environment to help ensure safety and quality for tourist that visit private lodging facilities in Banks.

With incredible natural beauty and the thoughtful and energized efforts by the community to both preserve and promote banks, it is inevitable that more people will discover Banks and some will be compelled to stay and explore all that Banks has to offer.