



MEMORANDUM

DATE: July 17, 2023

TO: JOE SCHIEWE
Senior Project Manager
Holt Homes

FROM: Brendan Buckley
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SUBJECT: Need Analysis of Commercially Zoned Land in Banks, Oregon

JOHNSON ECONOMICS have completed an analysis of the appropriateness of a site located on the southeastern boundary of the City of Banks for additional commercially zoned land. Currently, 3.5 acres of land at this location, adjacent to Highway 6, is zoned General Commercial (C). As part of the Quail Valley Golf Course development planning effort, Holt Homes is proposing an expansion of this commercial area to 5 acres, including reconfiguring its orientation.

This analysis examines the site for appropriateness for the new commercial uses from a market perspective, assessing the layout and location for successful retail development. This memo reviews the findings of our analysis of demand and supply of land for retail commercial in Banks.

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I. EXECUTIVE SUMMARY

The analysis summarized here supports the expansion and slight reconfiguration of the commercially zoned area in Quail Valley development area.

- The subject site's location and configuration are very strong for commercial use in terms of visibility and access both from the highway, and the growing number of households in East Banks in coming years. The site configuration will support a range of commercial site plans with parking and access from the two adjoining streets.
- The strength of location and projected household growth is projected to easily support the expanded five acres of commercial land at this site. The expansion to five acres will greatly increase the marketability and usability of this site to commercial real estate developers.
- The East Banks area is estimated to grow by as many as 2,020 households in coming decades. These households will greatly expand the support for local commercial real estate. These households will have less convenient access to Main Street commercial as the city is bisected by railroad that limits east/west connections.
- The spending by local households is projected to quadruple as the community grows, providing support for an estimated 25 acres of new commercial development.
- The subject site, currently at 3.5 acres is the last remaining buildable commercial partial within the city limits of any size. The demand from local growth, combined with sales to travelers and residents from the surrounding can easily support an expansion to five acres of commercial use at this site.

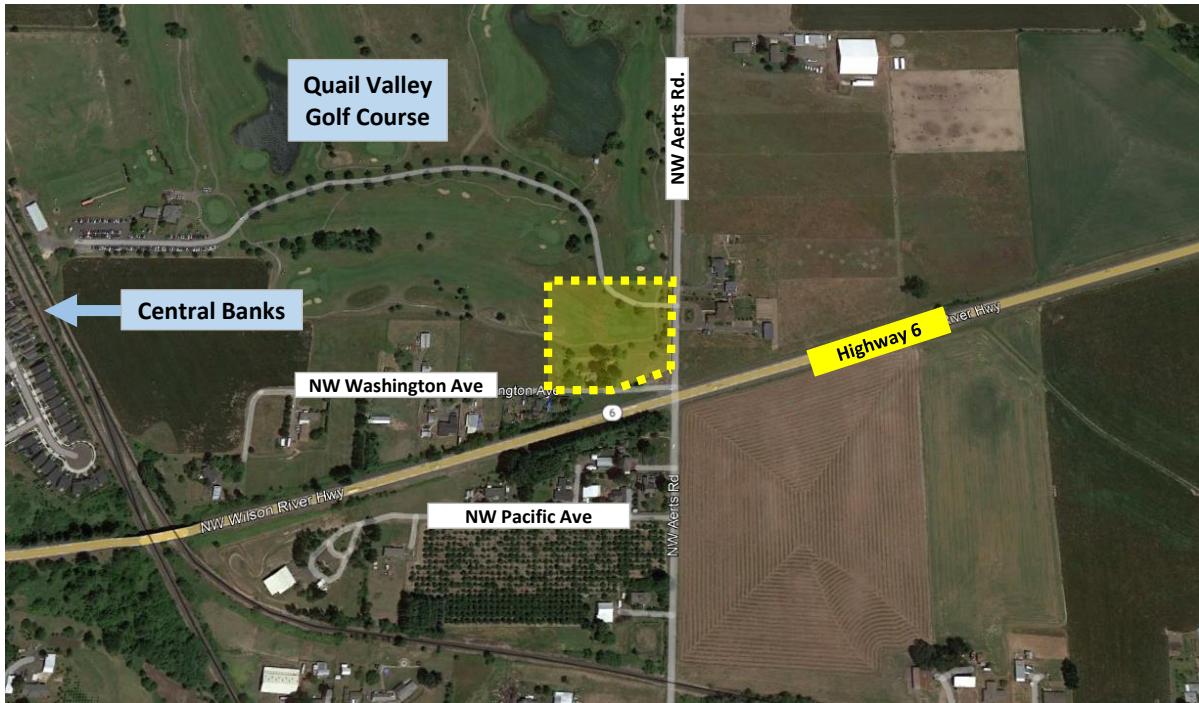
Analysis supporting these findings is presented in the following sections.

II. SUBJECT SITE AND PROPOSED USE

The subject site is located at the intersection of the Wilson River Highway (State Highway 6) and NW Aerts Road on the eastern boundary of the City of Banks city limits and UGB. The study area is a 3.5-acre area currently designated for future General Commercial use under the City's zoning and comprehensive plan maps. Currently, the area covers a portion of the Quail Valley Golf Course and adjacent single-family residential property (Figure 1).

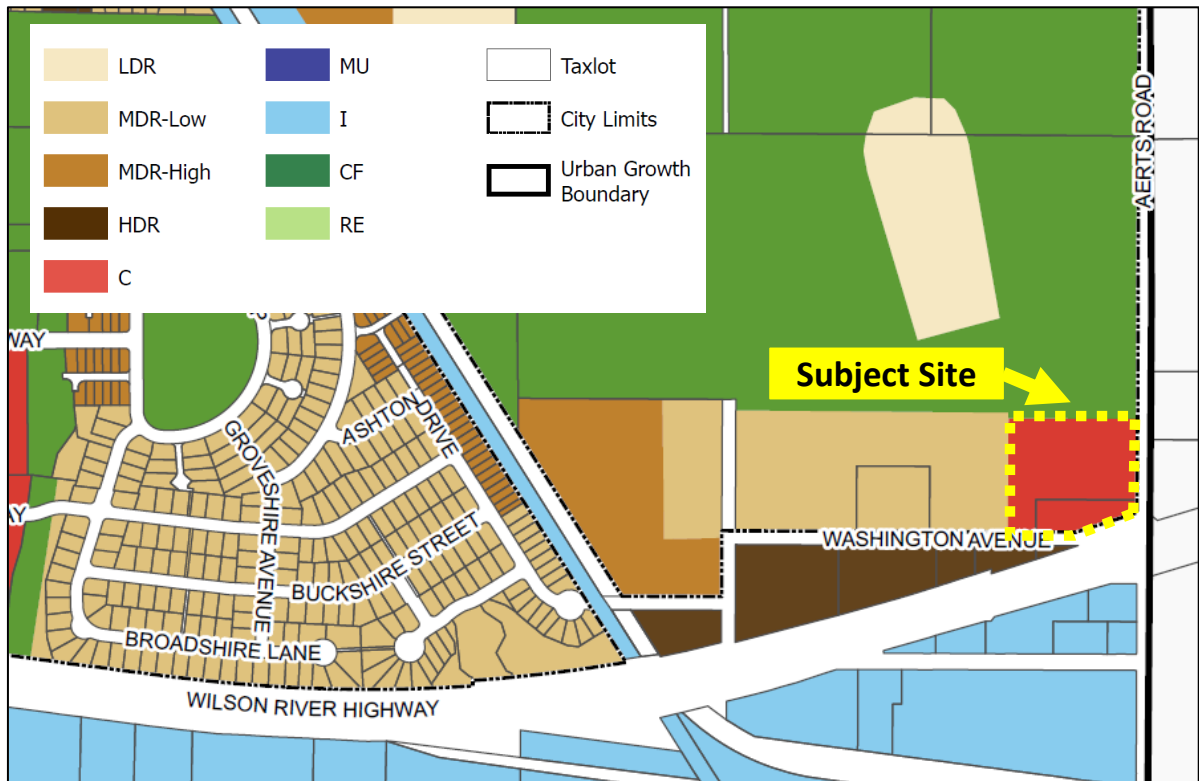


Figure 1: Subject Site Location, Banks



Source: Google, Johnson Economics

Figure 2: Current Comprehensive Plan Designations, Subject Area, Southeast Banks



Source: City of Banks



CURRENT ZONE: General Commercial (C), Purpose and Permitted Uses

The City of Banks Municipal Code defines the purpose of the C zone as follows:

- General Commercial Zone C.* The purpose of the General Commercial Zone is to provide for a broad range of commercial activities to serve the residents of Banks and the surrounding area.
- Chapter 151.050 (B)(2)

The C zone permits a broad range of commercial uses including general retail and office uses, dining, lodging, and amusement uses. Some businesses that would have negative impacts (such as traffic, noise, outdoor yard space, and others) might be approved as conditional uses.

The zone also permits residential uses as part of a mixed-use project. The zone requires that this housing be on the upper floors of vertical mixed-use development with a commercial use on the ground floor, or behind the commercial uses if on the ground floor. The zone does not permit standalone multi-family housing.

III. SITE AND LOCATION ANALYSIS

From a market perspective the subject site, like any property, will have strengths and weaknesses as a physical location for different potential land uses. While zoning determines what is allowed on a specific property, real estate market forces will determine if or when a property is actually developed. In some cases, market forces may lead to properties languishing if economically viable uses are not permitted. In the case of the subject site, the nature of the location, transportation access and future surrounding uses offer a guide to potential successful development.

RETAIL USE OF THE SUBJECT SITE

The subject location is likely a strong one for future commercial use do to the available access, visibility and configuration. The key determinants of retail success and strength of location are:

- Visibility
- Access
- Traffic volumes to take advantage of these factors
- Site plan/format

Outside of a more compact downtown district, retail is commonly located along major arterials and highways to improve visibility and access for customers. This is the case in Banks, where much of the general commercial land is located on or immediately adjacent to Main Street as it runs through the town center.

Access: The subject site is located at the corner of Highway 6 and NW Aerts Road, where an existing intersection provides connection between these street facilities. The highway is a high-volume



throughway connecting the Portland Metro area and beyond with the Tillamook region of the Oregon Coast. The route would bring a high volume of potential customers past commercial businesses located at the subject site.

As East Banks develops with thousands of additional housing units over time, NW Aerts Road is planned to see improvements to accommodate higher and more regular traffic volume. The interchange between the highway and NW Aerts Rd. is also likely to be improved as East Banks grows, which will improve access to commercial businesses at the subject site.

Commercial uses at the site are likely to benefit from the fact that Banks is bisected by railroad tracks that complicate access to the existing commercial strip on Main Street. This means that many residents of the Quail Valley development and other parts of East Banks are likely to find the subject site the most convenient to access for regular shopping needs.

Visibility: As noted, the site will feature high visibility from highway traffic, as well as Banks residents using NW Aerts Rd. The corner location will allow for signage to be visible from the highway, which ODOT calculates averaged between 5,000 and 7,000 cars per day as of 2021. The topography is flat at this location and commercial signage and buildings will be clearly visible from the highway in both directions.

Site configuration: The 3.5-acre commercially zoned portion here is roughly square, with frontage on Aerts Road and NW Washington Avenue to the south. The linear frontage is sufficient to allow for access points on both sides, while the size of the site will allow for versatility in building and parking configurations. At an assumed FAR of 0.25, the site could accommodate roughly 38,000 s.f. of retail space in one or more buildings.

The proposed expansion of the amount of commercial zoning from 3.5 acres to 5 acres would enjoy the same advantages, while becoming more marketable as 5 acres is a more standard and marketable site size to commercial real estate developers. Preliminary plans call for the expanded 5-acre commercial portion to be somewhat narrower in the east/west dimension, and somewhat deeper in the north/south dimension than the current placement. This proposed orientation (subject to change) will not meaningfully impact the access and visibility of the site.

Retail Conclusions: The subject site is very well suited for successful general commercial use, particularly for retail shopping, convenience dining, service station, and small commercial services. The site offers classic location and attributes for commercial use that can serve the growing local market, while taking advantage of highway and collector street access and visibility. Some small locally serving offices (i.e. medical, professional, etc.) would also be suitable here, but do not have as strong of a dependence on visibility and access as retail. The proposed expansion of the site from 3.5 to 5 acres is likely to improve the site's marketability and development feasibility without drastically changing its operation.



IV. NEED FOR COMMERCIAL LAND

The proposed expansion of commercial use at the subject site will be impacted by the demand for new commercial space in the market area, and the amount of available buildable land for this use remaining in Banks.

The City of Banks has not completed an Employment Land Needs Analysis in many years and therefore there is not an up-to-date adopted estimate of 20-year commercial land needs. Similarly, the City has not conducted a recent Housing Needs Analysis. The most recent such analysis was conducted in 2011.

Therefore, this analysis relies on newer estimates of potential growth in Banks over the next 20 years, drawn from different sources. Recent planning for the Quail Valley Golf Course redevelopment, as well as the Banks Water Master Plan update contain estimates of the future housing capacity in East Banks. This housing growth provides a source to estimate growth in local spending and support for new commercial space in the community.

Household Growth

The Quail Valley planning effort, which is subject to change, estimates as many as 1,062 new housing units in the development. An estimate of other remaining buildable residential acreage in East Banks, which is currently within the UGB, but outside of the city boundary, yields an estimated capacity for an additional 958 units, for a total of 2,020 new housing units on remaining buildable lands in East Banks.

Built at a rate of 125 units per year, these 2,020 housing units would be developed over roughly 16 years.

Household Retail Spending – Local Trade Area

A breakdown of local spending by category sheds light on what categories enjoy the greatest demand in the area. A one-mile trade radius captures local households and some of the surrounding area that relies on Banks for many daily shopping needs.

Figure 3 presents the estimated average household spending by households in this trade area by spending category. As is common, the categories of greatest average spending are motor vehicles, food (both groceries and outside dining), and general merchandise stores (i.e. department stores). For households in Banks, much of this spending takes place outside of the community, as not all of these categories are represented locally. Likewise, Banks attracts spending in some categories that exceeds the spending by local households (i.e. they are attracting spending of through-travelers, and residents of the surrounding county.)



Figure 3 shows the projected growth in these categories over time, and the trade area adds the additional 2,020 households estimated above. These households are projected to represent new potential local spending that will support growth of current businesses in Banks, but also development of new businesses demand commercial land in the future.

Figure 3: Household Retail Spending One-Mile Trade Area, 2023 – 2043, Banks

CITY OF BANKS - ONE-MILE RADIUS TRADE AREA			Household Retail Spending (in Millions)					
NAICS	Category	Per Household Expenditures	2023	2028	2033	2038	2043	'23-'43 Δ
441	Motor Vehicle and Parts Dealers	\$14,027	\$9.1	\$12.9	\$18.4	\$26.0	\$36.9	\$27.8
442	Furniture and Home Furnishings Stores	\$1,270	\$0.8	\$1.2	\$1.7	\$2.4	\$3.3	\$2.5
443	Electronics and Appliance Stores	\$951	\$0.6	\$0.9	\$1.2	\$1.8	\$2.5	\$1.9
444	Building Materials and Garden Equipment	\$4,311	\$2.8	\$4.0	\$5.6	\$8.0	\$11.4	\$8.5
445	Food and Beverage Stores	\$8,635	\$5.6	\$8.0	\$11.3	\$16.0	\$22.7	\$17.1
446	Health and Personal Care Stores	\$3,497	\$2.3	\$3.2	\$4.6	\$6.5	\$9.2	\$6.9
447	Gasoline Stations	\$4,795	\$3.1	\$4.4	\$6.3	\$8.9	\$12.6	\$9.5
448	Clothing and Clothing Accessories Stores	\$2,963	\$1.9	\$2.7	\$3.9	\$5.5	\$7.8	\$5.9
451	Sporting Goods, Hobby, Book and Music Stores	\$993	\$0.6	\$0.9	\$1.3	\$1.8	\$2.6	\$2.0
452	General Merchandise Stores	\$7,647	\$5.0	\$7.1	\$10.0	\$14.2	\$20.1	\$15.2
453	Miscellaneous Store Retailers	\$1,267	\$0.8	\$1.2	\$1.7	\$2.4	\$3.3	\$2.5
454	Non-Store Retailers	\$10,385	\$6.8	\$9.6	\$13.6	\$19.3	\$27.3	\$20.6
722	Foodservices and Drinking Places	\$7,451	\$4.8	\$6.9	\$9.7	\$13.8	\$19.6	\$14.8
Totals/Weighted Averages		\$68,190	\$44.3	\$62.9	\$89.2	\$126.6	\$179.5	\$135.2

¹ Average Retail Sales Figures in 2023 Dollars

SOURCE: Claritas & Johnson Economics

Source: Claritas, Johnson Economics

The total retail spending by current households in 2023 (\$44.3M), is expected to grow by \$135M over the next 20 years as East Banks develops, bringing new households and new local spending. Spending by local households is forecast to grow by 4 times over the next 20 years.

Based on estimates of the amount of spending per square foot in the different retail categories, we can project the estimated amount of new commercial space and land need that would be generated by this new spending. Figure 4 shows the estimated amount of built commercial real estate space supported by the projected spending shown in Figure 3.

Overall, the growth in spending by new households is expected to support an additional 264k in commercial real estate that would be located both inside and outside of the trade area.

Figure 5 presents the estimated commercial land need represented by this demand for built space. This analysis assumes an average Floor Area Ratio (FAR) of .25, meaning the built space covers 25% of the gross land area.



**Figure 4: Commercial Square Footage Supported by Household Spending
One-Mile Trade Area, 2023 – 2043, Banks**

CITY OF BANKS - ONE-MILE RADIUS TRADE AREA			Spending Supported Retail Demand (SF)					
NAICS	Category	Sales Support Factor ¹	2023	2028	2033	2038	2043	'23-'43 Δ
441	Motor Vehicle and Parts Dealers	\$581	15,698	22,353	31,828	45,320	64,532	48,833
442	Furniture and Home Furnishings Stores	\$227	3,629	5,168	7,359	10,478	14,920	11,290
443	Electronics and Appliance Stores	\$473	1,307	1,861	2,650	3,774	5,374	4,067
444	Building Materials and Garden Equipment	\$377	7,429	10,578	15,062	21,447	30,539	23,110
445	Food and Beverage Stores	\$481	11,664	16,609	23,650	33,675	47,950	36,285
446	Health and Personal Care Stores	\$384	5,915	8,423	11,994	17,078	24,317	18,402
447	Gasoline Stations	\$928	3,358	4,781	6,808	9,693	13,802	10,445
448	Clothing and Clothing Accessories Stores	\$443	4,346	6,189	8,812	12,547	17,866	13,520
451	Sporting Goods, Hobby, Book and Music Stores	\$301	2,141	3,048	4,341	6,181	8,801	6,660
452	General Merchandise Stores	\$510	9,748	13,880	19,763	28,141	40,070	30,323
453	Miscellaneous Store Retailers	\$275	2,992	4,261	6,067	8,639	12,301	9,309
722	Foodservices and Drinking Places	\$407	16,573	23,598	33,601	47,845	68,127	51,554
Totals/Weighted Averages			84,801	120,749	171,935	244,819	348,599	263,797

¹ US Census, Estimates of Monthly Retail and Food Services Sales by Kind of Business. Urban Land Institute.

Source: Johnson Economics

**Figure 5: Commercial Land Need (Acres) Supported by Household Spending
One-Mile Trade Area, 2023 – 2043, Banks**

CITY OF BANKS - ONE-MILE RADIUS TRADE AREA			Commercial Retail Land Need (Acres)					
NAICS	Category	Commercial F.A.R.	2023	2028	2033	2038	2043	'23-'43 Δ
441	Motor Vehicle and Parts Dealers	0.25	1.4	2.1	2.9	4.2	5.9	4.5
442	Furniture and Home Furnishings Stores	0.25	0.3	0.5	0.7	1.0	1.4	1.0
443	Electronics and Appliance Stores	0.25	0.1	0.2	0.2	0.3	0.5	0.4
444	Building Materials and Garden Equipment	0.25	0.7	1.0	1.4	2.0	2.8	2.1
445	Food and Beverage Stores	0.25	1.1	1.5	2.2	3.1	4.4	3.3
446	Health and Personal Care Stores	0.25	0.5	0.8	1.1	1.6	2.2	1.7
447	Gasoline Stations	0.15	0.5	0.7	1.0	1.5	2.1	1.6
448	Clothing and Clothing Accessories Stores	0.25	0.4	0.6	0.8	1.2	1.6	1.2
451	Sporting Goods, Hobby, Book and Music Stores	0.25	0.2	0.3	0.4	0.6	0.8	0.6
452	General Merchandise Stores	0.25	0.9	1.3	1.8	2.6	3.7	2.8
453	Miscellaneous Store Retailers	0.25	0.3	0.4	0.6	0.8	1.1	0.9
722	Foodservices and Drinking Places	0.25	1.5	2.2	3.1	4.4	6.3	4.7
Totals/Weighted Averages			8.0	11.4	16.2	23.1	32.9	24.9

Source: Johnson Economics

Commercial Land Need Findings

The projected growth in local households is projected to support an additional 24.9 acres of commercial development within the one-mile trade area. This amount is well in excess of the available buildable commercial acreage within the city boundary. In addition, this is a conservative estimate because it does not include the excess spending from households and visitors outside of the trade area.



The subject site is the only remaining commercial site of significant size within the current city boundary. Given that buildable commercial land is scarce, and that this is the only area of commercial zoning in East Banks where most of the household growth will occur, the subject site is very well poised to capture a portion of this new spending. A site of five acres (or more) can be expected to be readily absorbed as the city grows.

One other area that is within the UGB, but outside of the city boundary has a commercial comp plan designation. This area is located to the west of Main Street, near the junction with Highway 6. That site roughly five acres in size. That site features some of the same locational advantages as the subject site but is in a worse position to serve the East Banks market. Furthermore, based on the projections presented above, the local trade area is likely to support both of these sites as the city grows.

V. CONCLUSIONS

The analysis summarized here supports the expansion and slight reconfiguration of the commercially zoned area in Quail Valley development area.

- The subject site's location and configuration are strong for commercial use in terms of visibility and access both from the highway, and the growing number of households in East Banks in coming years. The site configuration will support a range of commercial site plans with parking and access from the two adjoining streets.
- The strength of location and projected household growth is projected to easily support the expanded five acres of commercial land at this site. The expansion to five acres will greatly increase the marketability and usability of this site to commercial real estate developers.
- The East Banks area is estimated to grow by as many as 2,020 households in coming decades. These households will greatly expand the support for local commercial real estate. These households will have less convenient access to Main Street commercial as the city is bisected by railroad that limits east/west connections.
- The spending by local households is projected to quadruple as the community grows, providing support for an estimated 25 acres of new commercial development.
- The subject site, currently at 3.5 acres is the last remaining buildable commercial partial within the city limits of any size. The demand from local growth, combined with sales to travelers and residents from the surrounding county, can easily support an expansion to five acres of commercial use at this site.