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PLANNING BUREAU

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February 10, 2015

Andre Baugh, Chair
Portland Planning and Sustainability Commission
1900 SW Fourth Avenue, Suite 7000
Portland, OR 97201

Re: North Rivergate Industrial Land Spine Property Development Potential

Dear Chair Baugh and Planning and Sustainability Commission Members:

This letter is in response to the January 13, 2015, Portland Planning and Sustainability Commission's request for an independent assessment of other industrial uses for the proposed propane export facility site. The site is a well located piece of industrial property. At just two miles from the Interstate 5 Marine Drive freeway interchange, it is very close to the major north/south west coast transportation route. The property is adjacent to the Columbia River and railroad tracks that serve the Port's Marine Terminals 5 and 6, as well as Rivergate Industrial District rail users. The land is mostly flat with good street access for most of the way from the freeway to the site. However, the last leg of the trip on N. Suttle Road from the freeway to the site is challenging, as are many other characteristics of the site for classic industrial building development.

Due to the long, narrow configuration of the site and lack of depth, only small buildings dispersed along the total length of the spine are feasible. These challenging site development characteristics are detailed below and in the attached potential development concept for the site:

Poor Access

Access is via N. Suttle Road, a poorly maintained road with very dated buildings and heavy industrial businesses. The existing rail road track restricts any alternate site access. It is not a preferred or attractive access road companies want for investment, employees or customers traveling to their new building. Further, the road necks down at the Marine Drive overpass, probably adding additional costs to constructing an access road.

Hidden

Excepting the Suttle Road single access point, the property is hidden from view by buildings and rail cars north of Marine Drive.

Wildlife Issues

While the property fronts the scenic slough, noise and lighting issues surrounding an industrial trucking operation force the back of the buildings to front the slough.

Poor Sight Lines

The view south from the property is largely rail cars and backs of large warehouses.

Segregated Sites

Due to the varying depth of the site and wetland impact, the buildable lots are spread throughout the parcel, adding to costs.

Warehouse Image

Due to the entrance image and general sight lines, manufacturing companies and their financial partners are not going to want to invest at this location. In addition, there is no available adjacent property to accommodate future expansion. Any development at this site will probably be for distribution uses, assuming development cost hurdles can be overcome.

Poor Site Coverage

Because of the long configuration of the property, the 350,000 square foot of developable buildings on 40 net acres results in only a 20% Site Coverage Ratio. Industrial development requires a 40% site coverage ratio to be economically viable and pay market rates for the raw land.

Road Construction

A roadway of 1¼ miles (6,600 feet) would need to be constructed from the end of Suttle Road to the west end of the site at a cost of approximately \$5,000,000. The extraordinary development costs results in a property acquisition and development that are financially infeasible. Obtaining financing for the significant capital required to develop this site would be very difficult.

Small Buildings


Due to the long, narrow site configuration, only small buildings can be constructed on the site. These buildings are very expensive because they cannot benefit from the economies of scale for typical large industrial buildings. For the half dozen buildings currently under construction in the Columbia Corridor, the smallest building is around 200,000 square feet due to the economies of scale required to justify construction. The estimated value of the improvements, above the value of the land, would be around \$27,000,000.

Based on my assessment of the site, grounded in over 25 (resume attached) years as an industrial broker, the development potential of this site is very limited. The economics simply do not pencil with the net developable acres and the aggregated development costs. Assuming development costs and access issues can be overcome, build out for a distribution use would be the most likely market-based development.

In contrast, the proposed Pembina facility offers the potential for the City to capitalize on the unique combination of rail access, deep-water dock, and a very challenging industrial site to realize the tax benefit of a \$500,000,000 investment, along with the skilled laborers to construct the facility, and 40 good paying jobs.

I strongly recommend pursuing the marine-dependent propane terminal opportunity at this property.

Sincerely,



Mark Childs
Senior Vice President
Capacity Commercial Group

Attachment

- Development Map
- Resume

cc: Susan Anderson, Portland Bureau of Planning and Sustainability

MARK CHILDS, SIOR



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POSITIONS HELD

2009-Present Capacity Commercial Group - Senior Vice President
Industrial and High Technology real estate brokerage services
CCG Top Producer - "Broker of the Year" 2012

1994-2009 Integrated Corporate Property Services- Founder/President
Real estate brokerage services
Industrial facility design
Relocation/Relayout project management

1989-1994 Grubb & Ellis- Associate Broker
Senior Marketing Consultant
Top Producer
Member- Red Tie Club
Rookie of the Year

1984-1989 Cook- Newhouse & Associates- Principal
Managed 15 person engineering arm of A/E Company
Project Manager of 260,000 SF Microsoft project
Project Manager of 1,000,000+ SF of Boeing projects

1978-1983 Tektronix- Production Manager/Senior Industrial Engineer
Installed MAS II MRP system module
Managed 12 master schedulers/production planners
Designed 250,000 SF warehouse layout
Provided general manufacturing engineering services

EDUCATION

1978 Bachelor of Science: Industrial Engineering
Oregon State University, Corvallis, OR

1982 Masters In Business Administration
Portland State University, Portland, OR

LICENSES

Real Estate Broker- State of Oregon
Real Estate Broker- State of Washington

