Memorandum #2

Market Study Current Conditions

May 23, 2011

Contents

Introduction

This Market Study of Current Conditions report summarizes important demographic and economic conditions in the Northeast Gateway area as well as those at the regional and national levels, which will influence development opportunities in the future. The information described here will help inform the discussion of opportunities and constraints and will set the foundation for the Market Study of Future Conditions, which will be completed later in the Northeast Gateway Plan process.

Key Takeaways

A snapshot of the study's key findings is as follows:

- McMinnville's population is growing. Between 2000 and 2010, the city's population increased at an average annual rate of 2.2 percent. During the next 20 years, this trend of steady population growth is projected to continue.
- People and, in particular, families, are attracted to McMinnville for several reasons including its close-knit, small-town feel, affordable housing options, well regarded schools, and the presence of a healthy downtown with a growing offering of unique dining and shopping options.
- The Northeast Gateway study area has a diverse employment base, including manufacturing. Several wineries are located in the area.
- The retail market in historic downtown McMinnville is strong. Despite the current recession, a growing demand for retail space and affordable rents has contributed to low retail vacancy.
- The city is faced with a long-term shortage of buildable residential and commercial lands and will not be able to accommodate projected future housing, employment, and commercial needs under existing land supply conditions.
- The Willamette Valley region is a popular tourism destination, yet, relative to other counties in the region, Yamhill County captures a smaller share of regional tourism spending. There is an opportunity to capture more tourism spending in McMinnville and, potentially, the study area.

Demographics

Although the Northeast Gateway area is the primary study area, understanding local and national demographic trends will help inform the types of development and uses that are most likely to succeed. Further, since the economic and social impacts of employment, retail, and commercial activities that occur within the study area will extend far beyond the area itself, it is important to understand the needs of the larger consumer and residential base throughout the rest of the city and the region.

National Trends

Several national trends will impact the future development potential of the study area. These include:

- The oldest of the baby boomer generation turns 65 this year (2011). Over the next 20 years, America's over-65 population will more than double. As more Americans enter retirement, their needs and preferences for housing will shift as they seek more affordable and easy to maintain lifestyles.
- Generation Y (also known as the echo boomers), which encompasses youth born approximately between 1982 and 2000, is the largest generational group in the United States with approximately 80 million people.
- Both the baby boomers and Generation Y have similar consumer preferences. Generally, they both share a desire for quality over quantity, a sense of community and place, and a

desire to live in more urban environments. Combined, these two generations will greatly impact how cities evolve over the next 20 years, driving more demand for infill in urbanized areas and significantly increasing the demand for multifamily housing.

- Livability is an economic development draw. Particularly for the technology and knowledge-based industries that will comprise most job growth in the future, the quality of life of the community is a major factor in business location decisions. Whereas in previous years employees moved to be close to their jobs, a new paradigm is emerging where it is the employers who move in order to be close to the talented workers they need to be successful. More and more, those workers are mobile and choose to live in communities with quality physical environments, outdoor recreation opportunities, cultural amenities, accessible transportation options, good schools, mixed-use urban centers, and other factors.
- More people are moving to downtowns and places that offer an "urban" lifestyle. Across the country, growing numbers of people—particularly young professionals, baby boomers and young families—are settling in downtowns. Convenient access to shopping, amenities, entertainment, services, dining and recreational options within a short walk, bike ride, or drive, reduced commute times to work, and the convenience of living in a smaller home that requires less maintenance are just some of the reasons why downtown living is appealing to people of varied ages and demographics.
- Given the study area's close proximity to McMinnville's historic downtown, there will be synergies between business and development activity in both areas, particularly given the study area's character—an interesting mix of older commercial and industrial buildings—and the recent influx of uses (e.g., wine tasting rooms, brew pub, wine/beer production facilities) with the potential to attract more out-of-town visitors and local residents.

Local Trends

In order to evaluate the study area's development potential, the types of uses that will thrive there, and its role within the broader context of the community, it is important to understand local demographic trends. An overview of key population and household characteristics for the study area, the City of McMinnville, and Yamhill County is provided below.

- In 2010, as shown in Table 1, McMinnville's population was estimated at 32,930, approximately 33 percent of the county's population. With an estimated 214 residents, the study area accounted for less than one percent of the city's population.

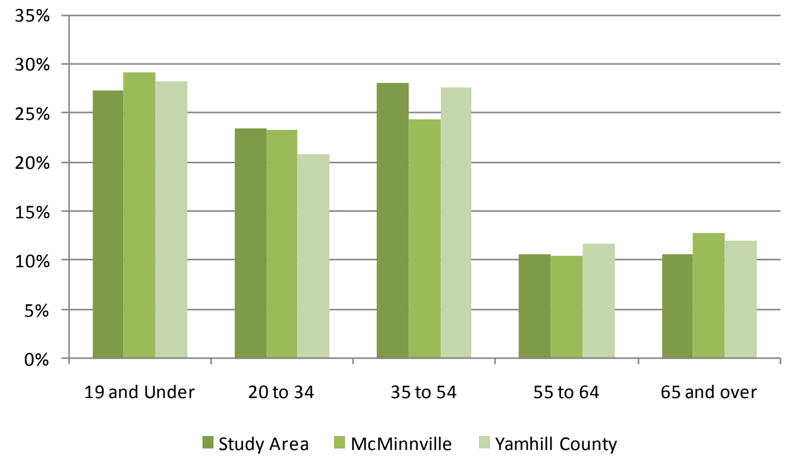
Table 1. Population and Household Characteristics

Population/Household Characteristic	Study Area	McMinnville	Yamhill County
Population, 2000	189	26,499	84,992
Population, 2010 (est.)[1/]	214	32,930	99,925
Average Annual Population Growth 2000 to 2010	1.25%	2.20%	1.63%
Hispanic Origin, 2000	19.7%	14.6%	10.6%
Hispanic Origin, 2010	27.7%	20.3%	15.4%
Households, 2000	55	9,367	28,732
Households, 2010 (est.)[1/]	63	12,287	36,074
Average Household Size, 2010 (est.)	3.2	2.7	2.8
Percent 1 and 2 Person Households, 2000	54%	58%	54%
Percent Family Households, 2000	72%	69%	74%
Median Age, 2010 (est.)	34.6	33.4	35.9

Source: ESRI, Portland State University Population Research Center and Leland Consulting Group
1/ 2010 study area population estimate from ESRI, 2010 McMinnville and Yamhill County population estimates from Portland State University Population Research Center.

- During the past decade, with an estimated average annual growth rate of 2.20 percent, the city's population growth outpaced the county's (1.63 percent). Given the limited supply of residentially zoned property, the study area has witnessed much slower population growth (1.25 percent) than the city as a whole.
- With a median age of 33.4 and a high percentage of family households (69 percent) in 2010, McMinnville is a family town with a relatively young population (see Figure 1). Factors that may attract families are the city's relatively affordable and diverse housing options and good schools.
- McMinnville is increasingly a Hispanic city. People of Hispanic origin accounted for less than 15 percent of the city's population in 2000, but made up approximately 20 percent in 2010. The study area's Hispanic population was even higher, estimated at almost 28 percent in 2010.

Figure 1. Population by Age (2010 estimate)



Source: ESRI and Leland Consulting Group

- On the whole, as shown in Table 2, McMinnville households earn less than Yamhill County households. In 2010, McMinnville's median household income was estimated at $50,858, more than $6,000 lower than the county's median household ($56,889). The difference between city and county per capita incomes, an estimated $1,449, was much lower.
- While all three geographies experienced similar annual growth in median income between 2000 and 2010, McMinnville's per capita income grew at a higher annual rate (2.6 percent compared to 1.5 percent in the study area and 2.2 percent in Yamhill County.)

Table 2. Income

	Study Area	McMinnville	Yamhill County
Median Household Income, 2000	$42,330	$39,061	$44,060
Median Household Income, 2010 (est.)	$55,402	$50,858	$56,889
Average Annual Growth, 2000-2010 (est.)	2.7%	2.7%	2.6%
Per Capita Income, 2000	$20,351	$17,085	$18,951
Per Capita Income, 2010 (est.)	$23,533	$22,002	$23,451
Average Annual Growth, 2000-2010 (est.)	1.5%	2.6%	2.2%

Source: ESRI and Leland Consulting Group
Note: Income data for the study area may not be reliable due to the small number of households (63) and the sampling methods that ESRI uses to calculate data for non-standard geographies.

Employment Trends

As described in the discussion of local demographic trends, the study area's residential population is small. However, with a diverse mix of industrial and commercial businesses, the study area is a source of local jobs. This section of the report summarizes key findings about the types of jobs that are present in the study area and the employment profiles of local residents.

Table 3 summarizes employment trends in the study area. Figure 2 shows the approximate location of jobs within the study area. Key findings about the jobs in the study area (irrespective of where the worker lives) include:

- Approximately 374 people worked in the study area as of 2009. This is a 70 percent reduction from the area's peak of 637 in 2007. The largest job reductions were in the manufacturing and construction categories.[1]
- The study area has a diversified employment base, reflecting the broad range of commercial and industrial businesses in the area.
- The study area has a strong manufacturing employment base. As shown in Table 3, approximately 22 percent of all jobs were in this sector in 2009, the latest year for which data is available. Included in the manufacturing sector is the growing number of winery operations in the area.
- Jobs in the construction industry are another major source of employment in the study area. Approximately 13 percent of all jobs in the area were in this sector in 2009.
- Other industries with significant employment in the study area include health care and social assistance, accommodation and food services, and educational services.

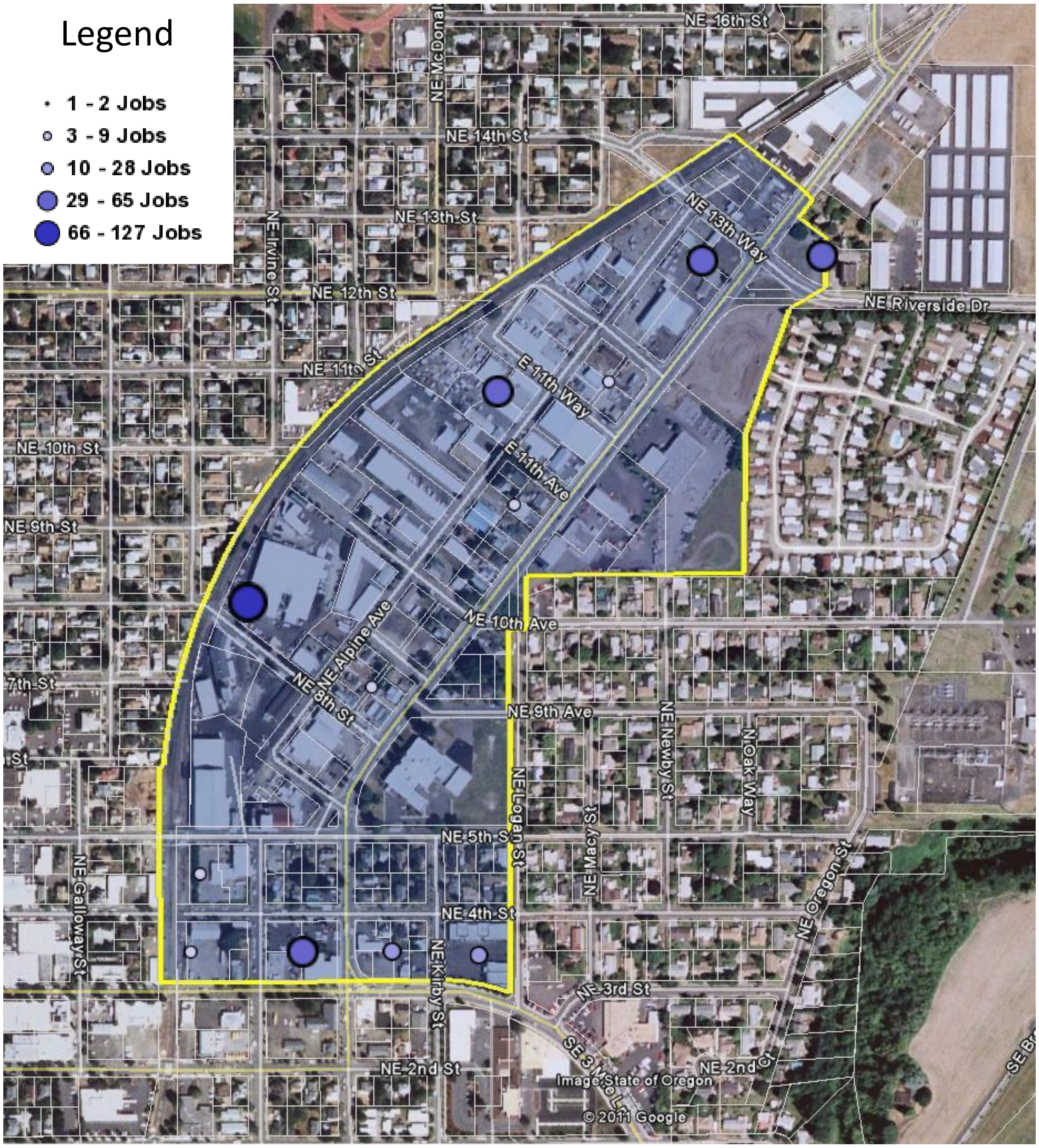
Table 3. Study Area Jobs by Industry, 2005 to 2009

	2009		2008		2007		2006		2005	
NAICS Industry Sector	Count	Share	Count	Share	Count	Share	Count	Share	Count	Share
Agriculture, Forestry, Fishing and Hunting	46	12%	0	0%	0	0%	0	0%	2	0%
Mining, Quarrying, and Oil and Gas Extraction	3	1%	0	0%	0	0%	0	0%	0	0%
Utilities	1	0%	0	0%	0	0%	0	0%	0	0%
Construction	50	13%	83	16%	132	21%	108	21%	129	23%
Manufacturing	83	22%	259	49%	253	40%	219	42%	249	44%
Wholesale Trade	3	1%	25	5%	22	4%	21	4%	17	3%
Retail Trade	14	4%	4	1%	3	1%	2	0%	2	0%
Transportation and Warehousing	5	1%	2	0%	0	0%	0	0%	0	0%
Information	4	1%	1	0%	3	1%	1	0%	2	0%
Finance and Insurance	7	2%	0	0%	0	0%	0	0%	0	0%
Real Estate and Rental and Leasing	3	1%	12	2%	9	1%	7	1%	5	1%
Professional, Scientific, and Technical Services	6	2%	5	1%	7	1%	8	2%	5	1%
Management of Companies and Enterprises	4	1%	0	0%	0	0%	0	0%	0	0%
Admin. & Support, Waste Mgmt. and Remediation	10	3%	27	5%	30	5%	24	5%	22	4%
Educational Services	25	7%	3	1%	68	11%	36	7%	35	6%
Health Care and Social Assistance	46	12%	26	5%	26	4%	21	4%	18	3%
Arts, Entertainment, and Recreation	5	1%	0	0%	0	0%	0	0%	0	0%
Accommodation and Food Services	29	8%	53	10%	56	9%	53	10%	41	7%
Other Services (excluding Public Administration)	20	5%	15	3%	17	3%	15	3%	23	4%
Public Administration	10	3%	11	2%	11	2%	12	2%	12	2%
Total	374	100%	526	100%	637	100%	527	100%	562	100%

Source: U.S. Census Bureau – 2009 Local Employment Dynamics Data and Leland Consulting Group
Note: Due to statistical modeling methods used to protect confidential business information, the job numbers may be approximations for categories with relatively few workers.

[1] In 2009, the data appears to indicate that some manufacturing jobs were reclassified as agriculture, forestry, fishing, and hunting, a category that is not typically associated with urbanized industrial areas. Based on an analysis of the geographic location the jobs in this category (see Figure 2), it is assumed that some of the wine-related jobs in the study area have been reclassified (or misclassified) as agricultural. Winemaking is normally classified as manufacturing.

Figure 2. Study Area Employment Concentrations (by block)



Source: U.S. Census Bureau, Google Earth and Leland Consulting Group

Land Supply and Demand

The most recent analysis of the city's land needs is provided in the 2003 Urban Growth Management Plan. The Plan identifies the existing supply of buildable lands in the McMinnville urban growth boundary (UGB) as of January 2003 and provides a baseline comparison of land supply and demand (by residential, commercial, and industrial plan designation) in the McMinnville UGB for the time period 2003 to 2023. The most recent comprehensive inventory of the city's existing supply of non-residential land and analysis of its future commercial and industrial land needs was completed as part of the 2001 McMinnville Economic Opportunities Analysis (EOA) prepared by ECONorthwest. Findings on the non-residential buildable land supply and demand published in the 2001 EOA were updated in the 2003 McMinnville Urban Growth Management Plan.

A summary of key findings pertaining to McMinnville's supply and demand of residential, commercial and industrial land is provided below.

- According to the most recent buildable land supply and demand data available, the McMinnville UGB has a 1,261-acre deficit of residential land and a 106-acre deficit of commercial land for the period 2003 to 2023 (see Table 4).
- However, despite deficits in land designated for residential and commercial uses, an 88.4-acre surplus of industrial land in the UGB was reported for 2003 to 2023.
- As buildable land supply and demand data contained in the Urban Growth Management Plan has not been updated for more than eight years, the extent to which reported conditions related to the supply and demand of residential and non-residential land may have changed in ensuing years is uncertain.
- An example of how long-term supply and demand forecasts can be influenced by demographic shifts that occur in a relatively short timeframe is the discrepancy between the 2001 EOA's 2010 population forecast (31,551) and the 2010 population estimate (32,930). McMinnville's residential population grew at a faster rate than forecasted in the 2001 EOA and exceeds the EOA's 2010 population growth projections by more than 1,400 people. While the average annual growth rate used to project the Urban Growth Management Plan's 2003 to 2023 population forecasts was updated to reflect higher than anticipated growth that occurred from 2000 to 2003, it is likely that actual population growth may exceed the 20-year forecast given McMinnville's continued strong growth patterns since 2003.
- Population growth is one of the factors used to forecast employment growth. Thus, if population growth projections for the McMinnville UGB are understated, actual employment may exceed forecasted employment growth from 2003 to 2023. Under this scenario, the 20-year demand for buildable land in all plan designations, as well as the commercial land and residential deficits cited in the Urban Growth Management Plan may be understated.

Table 4. Baseline Comparison of Land Supply and Demand, McMinnville UGB, 2003 to 2023

Plan Designation	Land Need (2003-2023)	Gross Buildable Acres (Jan 2003)	Deficit (Surplus)
Residential[1/]	1,780.2	864.9	1,261.0
Commercial	219.1	115.4	106.0
Industrial	269.7	358.1	-88.4
Total Buildable Land Need Outside UGB	**2269.0**	**1,338.40**	**1,367.00**

Source: ECONorthwest
[1/] Application of residential carrying capacity analysis produces an unmet residential need of 697 acres and does not allow a simple supply/demand calculation to occur.
Note: Total buildable land deficit does not include the surplus of industrial land. McMinnville will maintain a surplus of industrial land during the planning period.

Housing

Zoned primarily for industrial and commercial development, the study area has a limited supply of housing. In order to evaluate the area's potential to accommodate new housing development and to determine if housing is a suitable use for the area, it is important to understand local housing trends. An overview of local housing market characteristics and trends is provided below.

- In 2010, as shown in Table 5, an estimated 33 percent (12,336 units) of all countywide housing units (37,582 units) were located in McMinnville.
- McMinnville has a lower homeownership rate (57 percent) than Yamhill County (64 percent).
- The city's residential neighborhoods include a mix of older, established neighborhoods and newer neighborhoods with homes built in the past 20 years. As of 2000, the median year that structures were built was 1980. During the past decade, a variety of new residential projects have been developed as the city's population has grown.
- The study area, comprised primarily of older industrial and commercial buildings, has a small residential population and housing inventory. In 2010, the study area contained an estimated 214 residents and 71 housing units, many of which date back to the 1950s Post World War II era.
- The median home sales price in McMinnville was $225,700 as of December 2010, a 14 percent increase since December 2009, but only a two percent increase since the beginning of 2007 as shown in Figure 3. Between December 2009 and December 2010, both statewide and Portland metro area median home sales prices declined 13 percent.
- Historically, McMinnville has had lower home values than the state or Portland metro area, but it has seen an uptick since the end of 2009. Due to the rapidly fluctuating housing market in 2010 and 2011, it is not possible to determine whether this is indicative of a long-term trend or just a one-time data fluctuation.

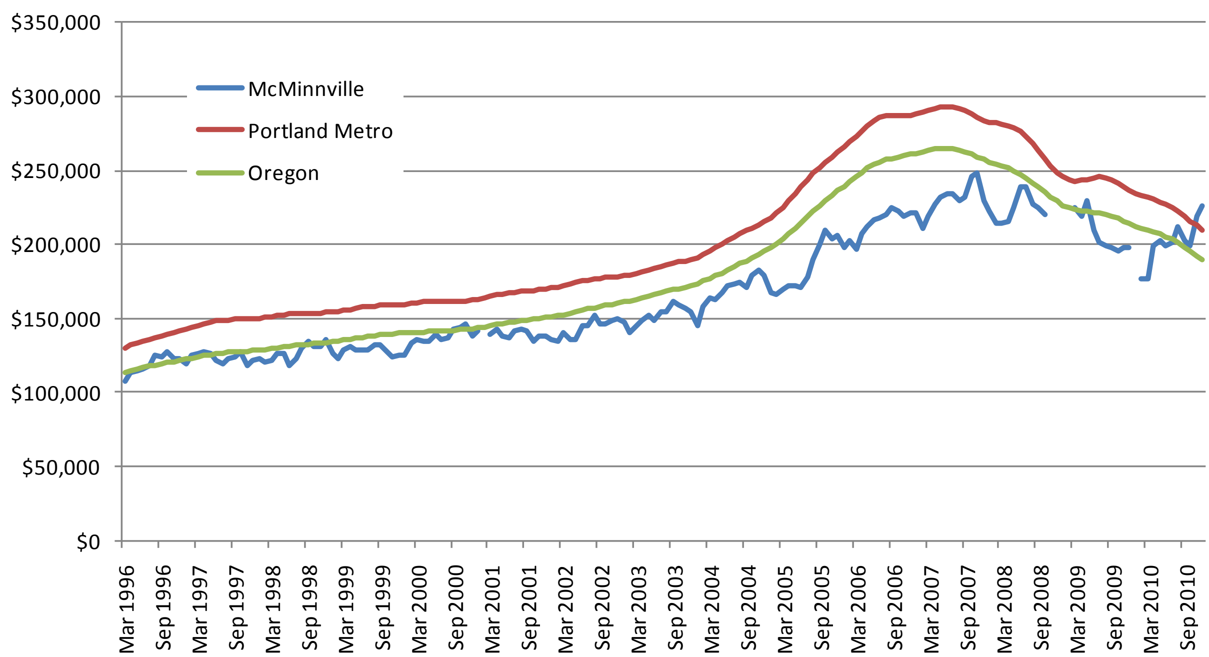
- Since 2005, residential development in the study area has been limited to a single 50-unit affordable senior housing project completed in 2007. The project, Village Quarter, is owned and managed by Yamhill County Housing Authority.
- Based on conversations with the City's planning staff, there are no known new residential developments planned for the study area.

Table 5. Housing Characteristics

Housing Characteristic	Study Area	McMinnville	Yamhill County
Housing Units, 2000	59	9,834	30,270
Housing Units, 2010 (est.)	71	12,336	37,582
Owner Occupied Housing Units	59%	57%	64%
Renter Occupied Housing Units	30%	35%	28%
Vacant Housing Units	11%	9%	9%
Median Year Structure Built, 2000	1951	1980	1977

Source: ESRI and Leland Consulting Group

Figure 3. Median Home Sales Prices, 1996 to 2010



Source: Zillow and Leland Consulting Group
Note: Includes single-family homes and condominiums. Some gaps exist for McMinnville, most likely due to too few sales to provide reliable data. Due to the small number of home sales in McMinnville in any given month, month-to-month price volatility is higher.

Retail

In recent years, retail has evolved such that, today, retail is about more than shopping—it's an experience. With many big box retailers having gone out of business in 2009 and 2010, "power center" development saw a sharp decline, while walkable outdoor lifestyle centers and freestanding retail development grew. Retail has evolved beyond the mere purchasing of goods and services. Successful retail is centered on experiences and lifestyle choices. Small format grocery stores and neighborhood markets that provide a more intimate and sensory-oriented experience are examples of the type of smaller retail formats that are on the rise. An overview of key local retail trends is provided below.

- Since McMinnville is a relatively small market outside of a major metro area, data on local retail trends and listings is relatively limited.
- The highest concentration of retail in McMinnville is located along Highway 99W, a state highway and major transportation corridor with excellent visibility, good access, and high volumes of pass-through traffic. Many national retailers, as well as local and regional retailers, operate stores on the Highway 99W corridor. The majority of current retail listings in McMinnville are for properties on Highway 99W.
- Historic downtown McMinnville is also a prominent retail destination with an eclectic mix of restaurants, boutique retail shops, tasting rooms that showcase the area's locally produced wines, and an independent movie theater as well as other retail and commercial services. As with most downtown retail markets, the majority of retailers in downtown McMinnville are small independently owned and operated local businesses.
- Retail rents in the historic downtown range from approximately $6.60/SF triple net lease (NNN[2]) for larger spaces of around 2,000 square feet to as high as $15/SF/year NNN for smaller spaces. The average lease rate downtown is approximately $9/SF/year to $9.60/SF/year NNN for a 1,000-square-foot space. According to local brokers, while the majority of retail spaces downtown are approximately 2,000 square feet, many retailers don't require that much space. Thus, smaller spaces of around 1,000 square feet downtown are the most widely sought after. The demand for downtown retail space has risen in recent years and vacancy is low.
- The average lease rate for retail space in multitenant strip centers along Highway 99W, ranging from under 700 square feet to as much as 2,200 square feet and, in some cases, significantly larger, is approximately $15/SF/year NNN. According to local brokers, the overall vacancy rate for such centers is estimated at 15 percent, much higher than downtown.

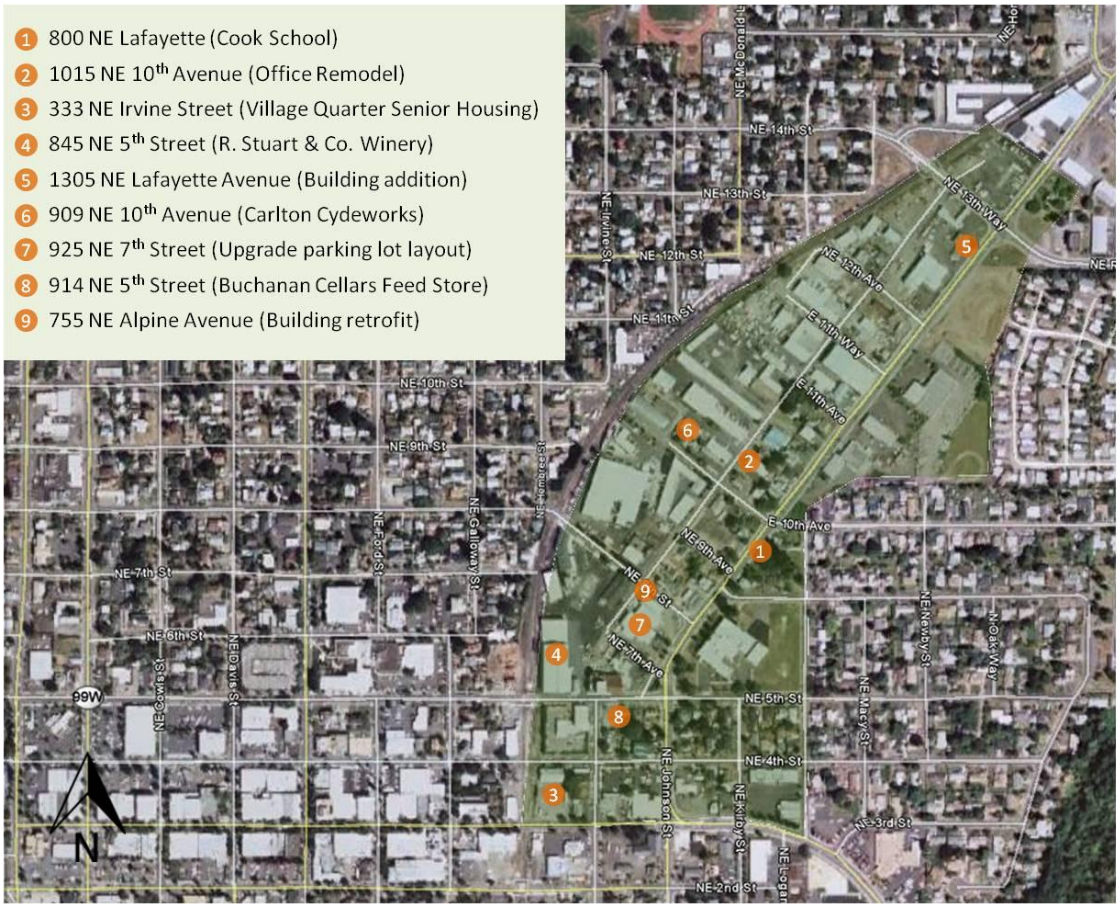
[2] A triple-net lease (NNN) passes through all taxes, insurance, and maintenance costs to the tenant, and is the dominant structure for retail leases.

Recent Development in the Study Area

Figure 4, below, identifies the location of recent major development in the study area undertaken from 2005 through February 2011 based on information provided by the City's Planning Department.

- With the exception of Village Quarter, a mixed-use affordable 50-unit senior housing and commercial project at 333 NE Irvine Street owned and managed by the Yamhill County Housing Authority, development in the study area has predominantly been non-residential in nature.
- Exterior and interior building improvements and construction of facilities associated with wine/beer production account for two recent developments in the study area, which has attracted a number of wineries, tasting rooms and related facilities in recent years.
- In 2010, an older building located at 755 NE Alpine Avenue underwent an extensive remodel/retrofit to make it suitable for use as a public market. Similar to the development of facilities affiliated with the local and regional wine and wine grape industries, this project supports the "Granary District" theme and identity that is being cultivated in the study area.
- Examples of other recent non-residential developments in the study area include the construction of modular buildings associated with the Cook School, a commercial office remodel at 1015 NE 10th, and the construction of a new accessory building to the Buchanan Cellers Feed Store.
- Based on conversations with the City's planning staff, there are currently no known new development projects planned in the study area.

Figure 4. Recent Development (2005 to February 2011)



Source: City of McMinnville Planning Department, Google Earth and Leland Consulting Group

Tourism

In addition to providing housing and employment opportunities for local residents, the study area can serve as a destination unto itself for tourists and other types of visitors. Serving the tourism and business visitor markets can provide an important additional market base to support retail, restaurants, and other amenities in the study area and the nearby historic downtown. Further, increased tourism activity in the study area will have a positive economic impact on the city, county and the region.

Local and Regional Tourist Attractions

Yamhill County and the Willamette Valley region are home to a variety of tourist and visitor attractions. A summary of the most popular local and regional tourist attractions and activities is provided below.

- **Evergreen Aviation Museum complex.** The Evergreen Aviation Museum complex attracted over 425,000 visitors in 2009 and likely closer to 500,000 with the recent opening of the state's largest IMAX theater. Currently, a water park is under construction and expected to open by summer 2011, which will attract even more visitors to the Evergreen Museum Complex. An accompanying boutique hotel is expected to open in June 2012.

- **Spirit Mountain Casino.** With over three million annual visitors, Spirit Mountain Casino is one of the most popular destinations in Oregon and is located less than 24 miles from downtown McMinnville and the study area. In addition to gambling, Spirit Mountain offers a wide range of live music and entertainment activities, including performances by nationally and internationally recognized entertainers. According to the casino's website, money spent at the casino by out-of-state visitors and Oregon residents provides an annual net direct economic benefit to the state of more than $29 million.
- **Wineries.** In 2010, Yamhill County was home to 150 wineries, or over a third of the wineries in the state of Oregon.[3] In 2006, over $90 million in wine tourism-related expenditures occurred in the state of Oregon.[4]
- **Downtown McMinnville.** Downtown McMinnville boasts several tasting rooms and wine bars, fine restaurants, art galleries and retail boutiques. However, downtown has limited tourist-oriented lodging, entertainment and night life options, a factor which may limit its potential to attract overnight visitors.
- **Sightseeing and outdoor recreation activities.** According to a 2007 visitor survey by Longwoods International[5], the results of which are summarized in the Yamhill County Tourism / Ag Tourism Profile prepared for the County in 2008 by E.D. Hovee & Company, LLC, the Willamette Valley region's greatest visitation strengths include its myriad of opportunities for viewing wildlife and birds, enjoying national and state parks, and hiking, backing and camping.

Study Area Tourist Attractions

Tourist and visitor attractions in the study area are summarized below and shown on the map in Figure 5.

- **Wineries and tasting rooms.** R. Stuart & Co Winery, Anthony Dell Cellars, Panther Creek Cellars, Eyrie Vineyards, Westrey Wine Company.
- **Food and drink.** Golden Valley Brewery.
- **McMinnville Public Market.** Open Saturdays year round, the McMinnville Public Market features a unique mix of vendors, including farmers, artists, winemakers and brewers, chefs, crafters and other specialty retailers from around the region. A variety of community, cultural and culinary events ranging from wine tastings, cooking demonstrations and dance workshops to musical performances and composting and recycling demonstrations are offered each week. The McMinnville Public Market is located in the Granary District.
- **Other.** Spa Bliss Luxury Day Spa.

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[3] Source: 2010 Oregon Vineyard and Winery Report, USDA National Agricultural Statistics Service

[4] *The Economic Impact of the Wine and Wine Grape Industries on the Oregon Economy*. January 2006. Full Glass Research (www.oregonwine.org)

[5] Longwoods International, *Willamette Valley Region: Regional Analysis from the 2004/2006 Oregon Visitors Studies*, September 2007

Figure 5. Northeast Gateway Study Area Visitor Attractions

Source: Google Earth, McMinnville Downtown Association and Leland Consulting Group

Visitor Spending

- Table 6 shows estimated visitor spending for Yamhill County and neighboring counties in 2007. Overall, relative to neighborhood counties, visitor spending in all categories is low in Yamhill County.
- Lower visitor spending may be largely attributed to the fact that lodging accounts for a relative small percentage of visitor spending. For example, in 2008, lodging accounted for only 11 percent of visitor spending in Yamhill County versus 18 percent statewide[6]. Total visitor spending is much higher for communities that capture overnight versus daytime

[6]Source: *Yamhill County & Oregon Lodging Comparison (2005-August 2008)*, Smith Travel Research, as cited in the 2008 Yamhill County Tourism / Ag-Tourism Profile prepared for Barney & Worth, Inc and Yamhill County by E.D. Hovee & Company, LLC

visitors. The report indicated that visitor spending could be increased if additional lodging facilities were available.

Table 6. Estimated Visitor Spending by County[1/] (Millions), 2007

	Yamhill	Tillamook	Washington	Lincoln	Polk
Food & Beverage Services	$19.3	$54.0	$110.0	$111.3	$28.3
Food Stores	$7.2	$23.8	$17.7	$56.1	$9.4
Arts, Entertainment, & Recreation	$9.2	$26.2	$35.8	$76.5	$95.5
Retail Sales	$11.6	$35.8	$63.7	$87.8	$3.4

Source: Oregon Travel Impacts, 2001 – 2007 (Prepared by Dean Runyan Associates for the Oregon Tourism Commission) and Leland Consulting Group

1/ Travel impacts consist of estimates of travel spending and the employment, earnings, and state and local taxes generated by this spending. These estimates are also broken out by type of traveler accommodation and by the type of business in which the expenditures occur.

Conclusions

In conclusion, the market strategy and development program for the Northeast Gateway area will be shaped by the following conditions and trends:

Demographics and Economy

- The aging of America and, more specifically, the retirement of the baby boom generation will greatly affect housing demand and housing preferences.
- The consumer and lifestyle preferences of the two largest demographic groups in the United States, Generation Y and baby boomers, will continue to increase demand for walkable, urban centers.
- Steady population growth. Over the past decade, the city has experienced robust population growth, a trend that is projected to continue during the next 20 years.
- Community livability will continue to be an economic driver and asset that attracts educated workers, business and industry to the area.
- McMinnville and the study area have a firmly established cluster of wine-related industries.
- McMinnville's housing market appears to be emerging out of the recession faster than other regions in Oregon.
- Along with population, employment in McMinnville is expected to continue to grow.
- McMinnville's role as a tourist destination is already strong and is expected to grow.
- Long-term forecasts indicate a shortage of buildable commercial and residential lands in the city's UGB.

Development Opportunities

Based on the demographic and economic trends indicated above, several development types are likely to be viable in the study area over the short and long-term timeframes:

Short-term Outlook

- **Multifamily housing.** Apartments of all types will be viable, even during the short term when the larger housing market is still in recovery mode. Multifamily housing types may include market-rate apartments, workforce apartments (affordable market-rate or subsidized), senior housing, and student-oriented housing. Condominiums and other attached ownership housing types are not likely to be viable in the short term.
- **Wine and food-related employment.** The study area is already home to several wineries and other food and beverage-related businesses. Additional development that supports this industry cluster is viable in the short term.
- **Lodging.** McMinnville has a demonstrated shortage of lodging facilities. The study area's proximity to the historic downtown and other tourist attractions makes it a viable location for additional lodging facilities.
- **Arts and culture.** The study area's proximity to the historic core makes it suitable for cultural facilities such as galleries, performing arts, and other venues. The viability of such uses will be dependent on strong leadership from a nonprofit or other organization and the availability of a suitable site or existing building.
- **Industrial.** Although the study area is largely characterized by industrial development, there is existing vacant industrial land elsewhere in McMinnville that has better infrastructure and accessibility and is the subject of active recruitment efforts by McMinnville Industrial Promotions and other economic development groups. For that reason, new industrial development in the study area is expected to be limited to incremental expansions or upgrades to existing uses.
- **Mixed-use development.** Any of the above uses (with the exception of industrial) could conceivably be built in a mixed-use setting, either vertically incorporated into the same building or horizontally integrated onto the same site.

Long-term Outlook

All of the short-term outlook opportunities are expected to continue to be viable over the long term as population growth continues and the economy expands. Additionally, the following uses are more likely over the long term:

- **Ownership housing.** Ownership housing such as townhomes or condominiums are not likely to be viable for at least five years. Once the economy has fully recovered, however, it is expected that such housing will return to favor and could be a potential component of the study area.
- **Retail.** In the short term, retail should continue to be focused in the historic core, where a critical mass of activity can be maintained. Over time, as McMinnville continues to grow, the retail core will need to expand and could do so by extending into the study area. Restaurants and other food-related businesses would be the most likely to "pioneer" into the area.