

---

[www.oregonmetro.gov](http://www.oregonmetro.gov)

Making a Great Place:

# 2010 growth management assessment

August 2010



Metro | *People places. Open spaces.*



## TABLE OF CONTENTS

Summary of Metro Chief Operating Officer recommendations.....	3
Summary of forecast and 2009 UGR findings.....	9
Population and employment range forecasts .....	9
2009 Urban Growth Report .....	11
Addressing residential growth.....	16
Efficiency measures .....	16
Illustrations of possible impacts of efficiency measures .....	29
Summary of additional residential capacity generated through efficiency measures .....	33
Remaining gap after efficiency measures are accounted for .....	34
Potential residential capacity in urban reserves.....	35
Policy choices (residential).....	37
Comparison of different UGB expansion options .....	37
Considerations when determining where to plan in the range.....	38
Recommendation on residential capacity .....	43
Addressing employment growth .....	48
Non-industrial employment.....	48
Considerations when determining where to plan in the non-industrial employment range.....	48
Recommendation on non-industrial employment .....	50
General-industrial employment.....	50
Recommendation on general-industrial employment .....	50
Large sites for traded-sector industrial uses.....	51
Local and regional efforts to provide additional large industrial sites inside the current UGB .....	52
Potential short- term and long-term strategies for providing large sites.....	52
Potential large-industrial-site capacity in urban reserves .....	53
Considerations for determining where in the range to plan for large industrial sites .....	55
Recommendation on large-site industrial capacity .....	59
Proposed updates to the regional policies .....	61
Proposed changes to the Regional Framework Plan .....	61
Proposed changes to the Urban Growth Management Functional Plan.....	64
Proposed 2040 Growth Concept map changes .....	66

Longer-term recommendations.....	68
Protect industrial lands.....	68
Monitor development in UGB expansion areas.....	69
Monitor performance .....	70
Advisory committee and public review process and timeline.....	71

**Attachments:**

- Appendix 1: Possible outcomes of current policies
- Appendix 2: How public investments stimulate private development
- Appendix 3: What communities are doing to achieve their aspirations
- Appendix 4: Illustrations of the possible impacts of public investments
- Appendix 5: Focus on jobs: maintaining a competitive supply of large sites for industrial uses
- Appendix 6: Requests from local jurisdictions to amend their regional design types
- Appendix 7: Potential funding sources for infrastructure
- Appendix 8: Preliminary analysis of potential UGB expansion areas
- Draft 2010 Capacity Ordinance and exhibits



## INTRODUCTION

### Changing times require creative approaches

Traditionally, this region's growth management decisions have amounted to bitter arguments that focused exclusively on how much and where to expand the urban growth boundary (UGB), applying a high degree of precision to forecasts and determinations of needed acreages. The 2009 urban growth report (UGR) and the 2010 growth management decision strive to offer a different approach. This new approach attempts to shed light on how public and private partnerships can be formed to foster the kinds of communities that the region's residents desire. To that end, the staff recommendations in this report explicitly recognize potential financial and process constraints to development, both from a developer's perspective and from the public sector's perspective, and aims to suggest a more productive path.

There is still considerable work to be done to foster the types of communities that support a sustainable, prosperous and equitable region. This document describes a number of policy and regulatory updates that are intended to lay the groundwork. But new policies, regulations and UGB expansions alone will not be sufficient. It has become clear that the region must implement a community investment strategy in order to:

- invest in safe, livable communities
- promote economic development and good jobs
- protect our natural areas
- reduce inefficiency, foster innovation and demand accountability

Implementation of this strategy will require collaborative action across local, regional and state governments. This assessment focuses on regional actions.

### Legal context of growth management decision

Oregon land use law requires that, every five years, Metro assess the region's capacity to accommodate the numbers of people anticipated to live or work inside the UGB over the next 20 years. To make this determination, Metro forecasts population and employment growth over a 20-year timeframe; conducts an inventory of vacant, buildable land inside the UGB; assesses the capacity of the current UGB to accommodate population and employment growth either on vacant land or through redevelopment and infill; determines whether additional capacity is needed, and documents the results of these analyses in the UGR. If the UGR indicates that the current UGB is unlikely to support the growth needs of the next 20 years with current policies, zoning and public investments, the Council must identify the actions that will increase the likelihood that development will occur more efficiently inside the existing UGB or expand the UGB.

## **Contents of this report**

In December 2009, the Metro Council accepted the UGR and its population and employment forecasts as the basis for a growth management decision that the Council intends to make in December 2010. Collectively, the Capacity Ordinance and its exhibits are the proposed legislation that will be considered by the Metro Council in its December 2010 decision. This report and its appendices provide the foundation for the proposed Capacity Ordinance by summarizing the UGR's findings and describing the local and regional actions that have been taken or could be taken to fill the residential and large-industrial-site needs identified in the UGR.

## **Taking an outcomes-based approach to growth management decisions**

On the advice of the Metro Policy Advisory Committee (MPAC), the Metro Council has adopted an approach to assessing growth management options that strives for six desired outcomes:

- People live and work in vibrant communities where they can choose to walk for pleasure and to meet their everyday needs.
- Current and future residents benefit from the region's sustained economic competitiveness and prosperity.
- People have safe and reliable transportation choices that enhance their quality of life.
- The region is a leader in minimizing contributions to global warming.
- Current and future generations enjoy clean air, clean water and healthy ecosystems.
- The benefits and burdens of growth and change are distributed equitably.

In addition to supporting policy recommendations, this document is intended to provide information about the possible long-term implications of implementing these recommendations. Scenario results that address the six desired outcomes can be found in Appendix 1.

## SUMMARY OF METRO CHIEF OPERATING OFFICER RECOMMENDATIONS

The region should make the most efficient use possible of land already inside the UGB. This overarching recommendation is the region's best means of fostering the types of communities that people in the region have indicated that they desire. It is the surest way the region can position itself to provide more transportation choices, reduce carbon emissions, make careful use of scarce financial resources, preserve the quality of life that is valued so highly by residents and employers, and keep the costs of housing and transportation in check for current and future residents. Most of the increases in capacity necessary to fill any gap have already been accomplished by city councils and county commissions. Those local actions are very important and, to the degree possible, are recognized in this assessment and recommendation.

### **Implement a coordinated community investment strategy**

Making investments is more difficult than ever in an era of limited resources, growing environmental and economic challenges, and voter distrust in government. However, the results of doing nothing are not acceptable. Metro's Chief Operating Officer recommends that the region implement a Community Investment Strategy aimed at fulfilling the vision of the 2040 Growth Concept and realizing aspiration of communities throughout the region. The Community Investment Strategy will move forward through countless public and private actions and investments, large and small, in neighborhoods, downtowns, industrial areas and natural areas all across the region. Consequently, this recommendation not only addressed to the Metro Council, but also local governments, the state government, and the private sector. Only by acting together with focus and determination will the strategy succeed.

As the region collectively develops a Community Investment Strategy, three critical questions must be answered:

- **What investments do we need to make?** Which investments will make our communities more livable, prosperous, equitable and sustainable? What kinds of projects, in what places, will spur further investments or actions and attract the greatest market response?
- **How will we pay for priority investments?** What are the most appropriate existing and potential financial mechanisms to employ? What creative approaches can we use to lower costs and leverage better outcomes?
- **Who will decide?** What process will be used to prioritize and coordinate investments needed to achieve our shared vision?

## Summary of recommendations for providing residential capacity

The 2009 UGR identified a need for capacity for an additional 27,400 to 104,900 dwelling units. Out of that range of need, the efficiency actions described in this document are expected to provide capacity for 32,050 dwelling units.

When making the 2010 growth management decision, the Metro Council must decide where to plan in the range forecast of household demand. Policy makers should consider:

- The implications for communities in the larger seven-county region as well as the possible impacts on the region's transportation facilities if residential growth is displaced.
- The statistical likelihood that actual residential growth will be closer to the middle of the range forecast.
- The fact that the Metro Council will make another growth management decision in 2015, allowing for course corrections, if needed.
- How a UGB expansion may affect the depressed market for existing homes.

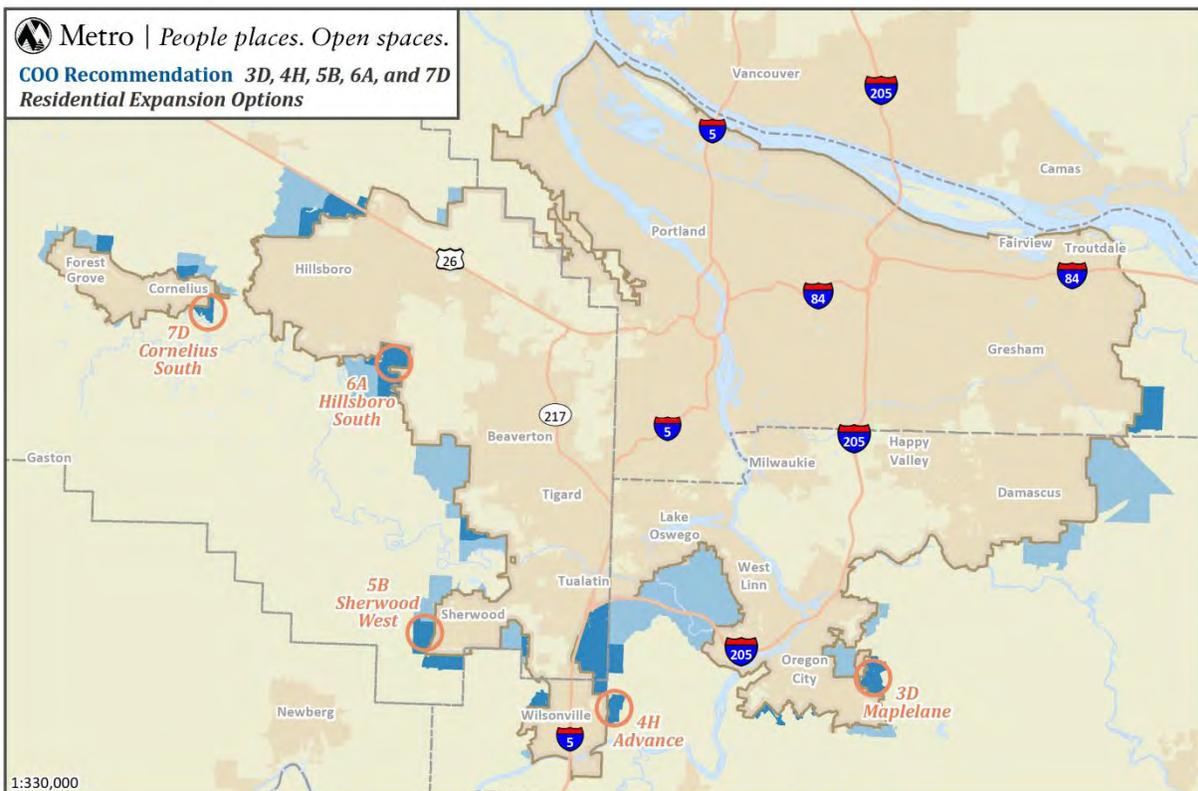
The Metro Council's growth management decision should reinforce existing downtowns, main streets and employment areas, consistent with the six desired outcomes. If the Council decides to plan for a point that is lower in the household range forecast, there is no need for a UGB expansion. However, the Council may wish to consider planning for more residents. In that event, a UGB expansion would be needed. To provide the Metro Council with options, staff has analyzed a variety of possible UGB expansion areas. Depending on where in the range forecast the Council plans, the Council may wish to consider a UGB expansion into one or more of the areas depicted in Figure 1.

If UGB expansions are part of the strategy, the region should ask whether potential expansion areas have the right finance tools, governance support and market readiness in place to succeed. Policy makers should consider:

- How to improve upon the outcomes of other UGB expansions of the past decade, where there has been little development and the development that has occurred has often consisted of larger, more expensive homes with relatively low densities.
- How might these UGB expansion options help the region to achieve its six desired outcomes?
- Will UGB expansions support regional and city efforts in centers and corridors?
- What conditions, if any, should be placed on residential UGB expansions?
- In the 20-year timeframe, are market conditions likely to support higher density development in UGB expansion areas?
- Are there adequate public resources to pay for the facilities and amenities necessary to achieve higher density development in UGB expansion areas?

- Are policy makers comfortable with the risks associated with planning for the lower end of the forecast demand range? Would a strategic UGB expansion reduce those potential risks?
- What effects would a no-UGB-expansion decision have on growth in neighboring communities outside of the Metro UGB, such as Vancouver, Newberg and Canby?

Figure 1: Metro Chief Operating Officer recommendation on options for residential UGB expansions



## Summary of recommendations for providing large-industrial-site capacity

The 2009 UGR indicated that there is traded-sector-industrial demand for 200 to 1,500 additional acres on sites with 50 or more acres. Metro's Chief Operating Officer recommends that the region support the traded-sector economy by maintaining an adequate supply of large industrial sites with the following actions:

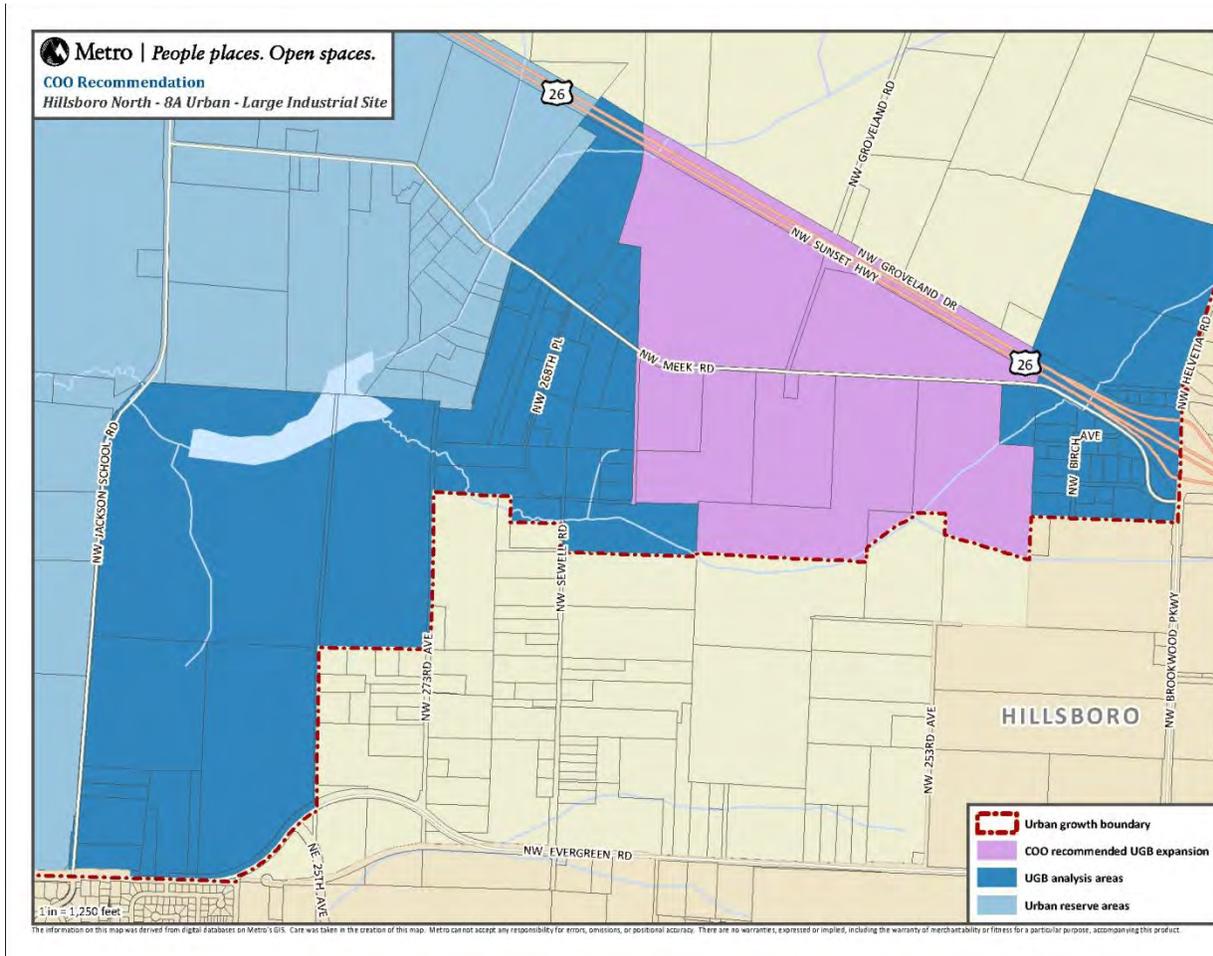
- Elevate brownfield cleanup to a regional priority and target efforts on large industrial sites within the UGB;
- Limit division of large industrial sites;
- Create a large-site inventory<sup>1</sup> and a system to replenish this inventory upon development; and
- Strengthen protection of key traded-sector industrial sites by prohibiting new schools, places of assembly and parks and recreational facilities.

With the above conditions assumed, Metro's Chief Operating Officer recommends that the Metro Council add 310 acres of industrial land to the urban growth boundary north of Hillsboro. This expansion should only be made if there is certainty that this land will supply lots over 50 acres. This recommended UGB expansion for industrial employment is depicted in Figure 2. If the Council wishes to plan for a higher point in the range of large-site industrial demand, there are additional urban reserves north of Hillsboro that are suitable.

---

<sup>1</sup> For the purposes of this inventory, large sites are defined as single or contiguous tax lots in common ownership, totaling at least 50 gross buildable acres that have been designated under Title 4 as Industrial or Regionally Significant Industrial Areas. The large-site inventory is described in more detail in Appendix 5.

Figure 2: Metro Chief Operating Officer recommended UGB expansion to meet large-site industrial employment demand



In weighing large-site industrial growth management options, policy makers should consider several questions, including:

- Will the proposed UGB expansion help the region to achieve its six desired outcomes?
- What conditions, if any, should be placed on this proposed UGB expansion area? What conditions or tools would encourage landowners to assemble their tax lots, making the site more development ready?
- How many large sites are needed inside the UGB to ensure a competitive supply?

## **Summary of recommendations for additional strategies to support desired outcomes**

### **Update Framework and Functional plans**

The proposed changes to the Framework and Functional plans that are described in this document and included as exhibits to the draft Capacity Ordinance represent staff's best effort to codify the suggestions heard to date on how to better align regional policies with desired community outcomes. These proposals are intended to stimulate further discussion during the fall of 2010. Staff anticipates further revisions to these proposed plan updates before the Metro Council considers them in December 2010.

### **Update the 2040 Growth Concept map and Title 4 map**

All plans need periodic updating. This report, Appendix 6 and draft Capacity Ordinance Exhibits F and O describe proposed changes to the 2040 Growth Concept map and Title 4 map (Industrial and Other Employment Areas). Metro's Chief Operating Officer recommends that the Metro Council adopt these changes to better reflect local plans and aspirations as well as the evolution of communities in the region.

## SUMMARY OF FORECAST AND 2009 UGR FINDINGS

In December 2009, the Metro Council, on the advice of MPAC, accepted the UGR, which incorporated the 2009 – 2030 residential and employment forecasts, as the basis for the growth management decisions that are now being contemplated. This document describes the options that the Metro Council has for addressing the capacity needs identified in the 2009 UGR.

### Population and employment range forecasts

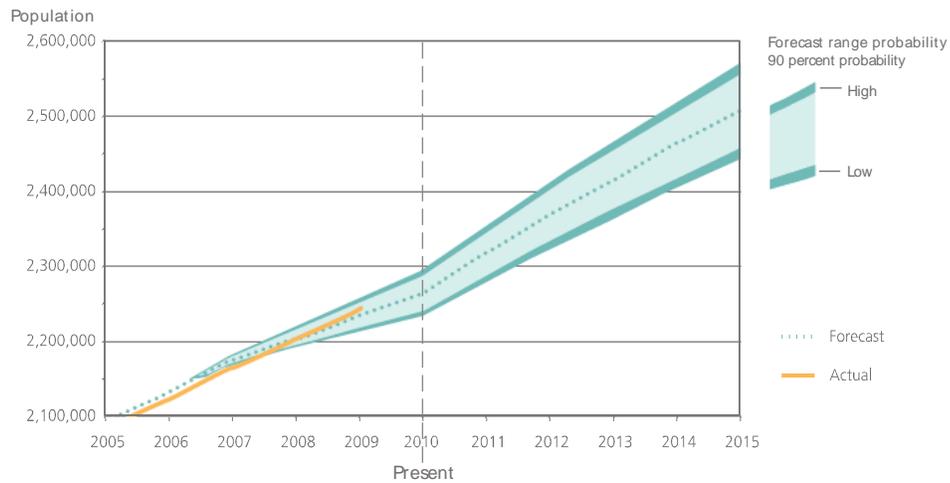
The 20-year range forecasts inform the UGR. The use of a range forecast acknowledges uncertainty and allows for growth management decisions to focus on desired outcomes rather than a specific number. The forecasts are for the seven-county primary metropolitan statistical area (PMSA), which includes Clackamas, Multnomah, Washington, Yamhill, Columbia, Clark, and Skamania counties.

The 20-year forecasts indicate that, by the year 2030, there will be a total of 1,181,300 to 1,301,800 households and a total of 1,252,200 to 1,695,300 jobs in the larger seven-county area. There is a 90 percent chance that growth will occur within this range. Statistically, growth is more likely to occur closer to the middle of the range. The full demand range was assessed in the 2009 UGR to identify potential capacity needs.

In his September 2009 report, *Strategies for a Sustainable and Prosperous Region*, Metro's Chief Operating Officer, Michael Jordan, recommended that the Metro Council in 2010 focus not on the extreme ends of the population range forecast, but on the middle-third of that range. For consistency with the urban and rural reserves decisions, which were finalized by the Metro Council and the boards of commissioners of Clackamas, Multnomah and Washington counties in June 2010, this report also focuses on the middle-third of the forecast range.

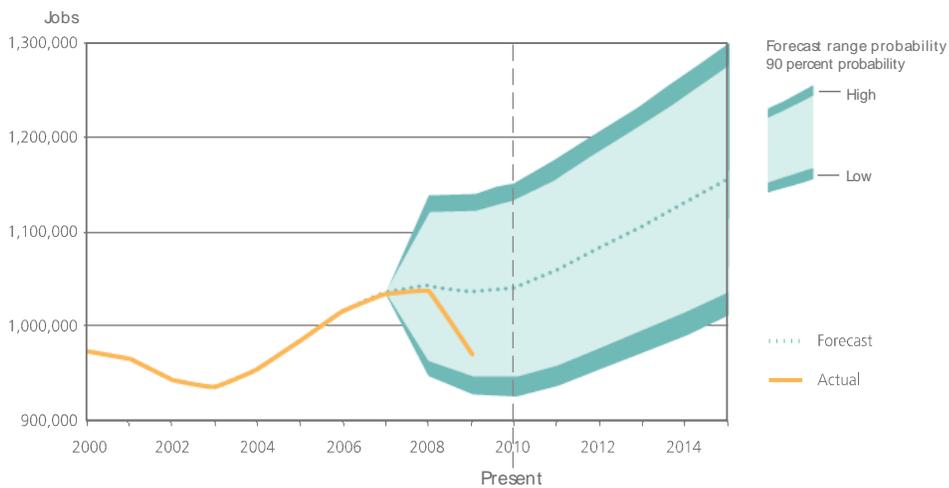
The recent recession has raised some questions whether the 2009 forecast remains valid. The 2009 forecast was developed using IHS Global Insight data that was produced after the recession had begun. Additionally, the forecast range is sufficiently large to account for the depths of the recession that have been experienced over the last year. Actual population growth remains well within the forecast range as shown in Figure 3. This growth trend is expected to continue.

**Figure 3: comparison of actual and forecast population growth (2009 Metro forecast for 7-county PMSA)**



Though employment numbers in the region have suffered a dramatic recent downturn, they too remain within the 2009 forecast range, which included a short-term slowdown in employment. In the long term, employment is expected to return to trend and remain within the 2009 forecast range. Actual employment growth is compared with the forecast in Figure 4.

**Figure 4: comparison of actual and forecast employment growth (2009 Metro forecast for 7-county PMSA)**



Trend forecasts are not intended to predict the many ups and downs that will inevitably occur over the long term. The range forecast remains a reliable basis for growth management decisions to be made in 2010. For this reason, staff does not recommend revising the 2009 range forecast and UGR that the Metro Council accepted as the basis for upcoming growth management decisions. However, when deciding where in the range to plan, the Council may wish to consider the recession. This report provides additional information to inform that discussion.

## 2009 Urban Growth Report

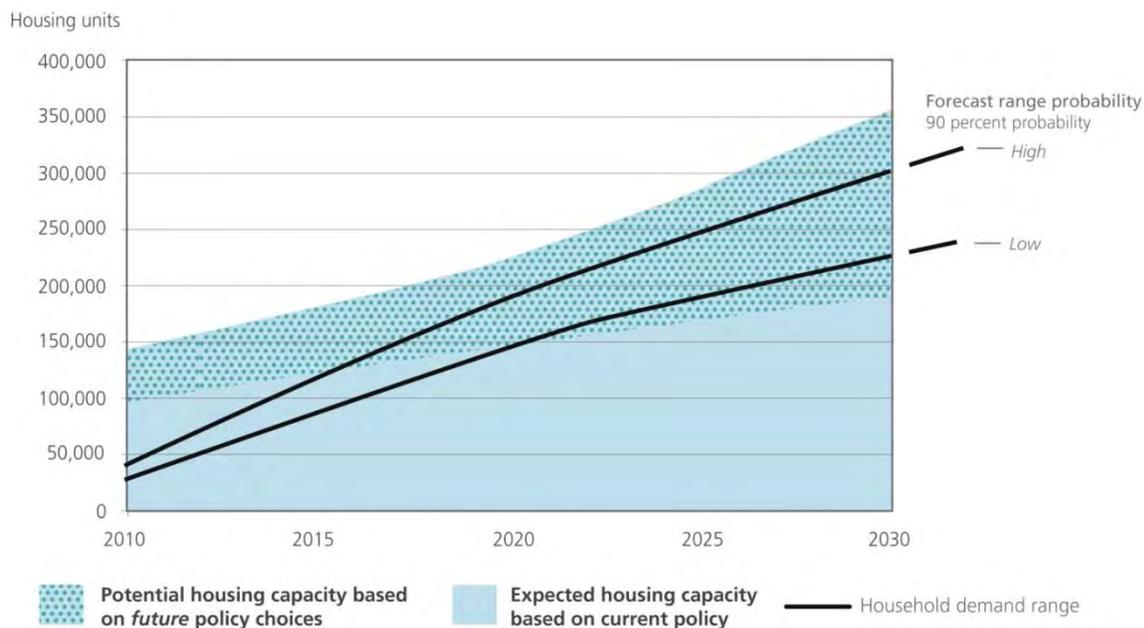
In addition to the 20-year range forecasts, the UGR included an analysis of the share of the UGB's zoned capacity that is likely to be developed by the year 2030. The UGR's analysis assumed a continuation of current (2009) policies and investment trends. No changes to existing zoning were assumed despite the fact that such changes are likely over time as cities and counties refine their strategies to achieve their aspirations for growth and development. The UGR's assessment of the likelihood of development was based on historic data, scenario modeling, and the professional expertise of Metro staff, city and county staff, economic consultants and business representatives. This approach represented a shift from previous UGRs and sought to recognize market realities in its assessment. UGR results are portrayed for four different categories—residential, general industrial employment, general non-industrial employment, and large-lot industrial employment.

## 2009 UGR residential assessment

Local zoning codes define the maximum amount of development that is allowable in different locations. The UGR assumed no changes to local zoning designations and found that there is ample zoned capacity within the current UGB to accommodate the next 20 years of residential growth. But without additional investments in public infrastructure, other policy changes, or changes in market conditions, the market is not likely to make full use of zoned capacity. Even at the low end of the range forecast, a gap was identified in the UGB's capacity to accommodate the next 20 years of residential growth on vacant land or through redevelopment and infill (refill).

**The 2009 UGR found that, depending on how much residential growth occurs, there is a need for additional capacity to accommodate 27,400 to 104,900 dwelling units.** Since the completion of the 2009 UGR, new local and regional actions have been taken to address this capacity gap. Those actions are described in this document. Figure 5 depicts the 2009 UGR's assessment of residential capacity and demand for the years 2010 to 2030.

Figure 5: 2009 UGR assessment of residential capacity and demand from 2010 - 2030 (source: 2009 UGR)



The UGR also included an assessment of future cost-burdened households (renters that spend more than half of their after-tax household income on housing and transportation expenses). If the policy and investment trends assessed in the UGR continue, the number of cost-burdened households in the region may double by the year 2030. Under that scenario, between 51 to 69 percent of renter households inside the UGB would be cost-burdened. The UGR analysis also found that, as is the case today, there are likely to be concentrations of cost-burdened households in some communities and very few in others. Centers and corridors provide residents with the most affordable transportation options, but high market demand in those locations is likely to continue driving housing prices upwards.

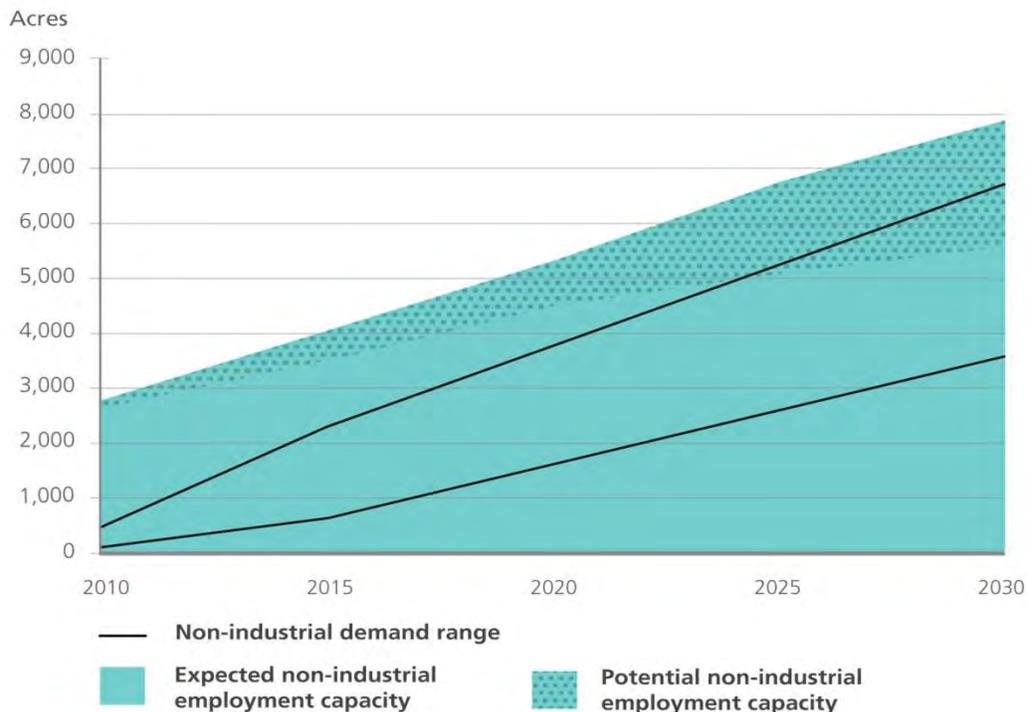
## 2009 UGR general non-industrial employment assessment

The non-industrial employment section of the UGR assessed the current UGB's capacity to accommodate non-industrial (e.g. office, retail, institutional) job growth on vacant land or through refill. The analysis indicated there is sufficient zoned capacity to meet the non-industrial employment need that is forecast for the next 20 years, but there is a need to make investments or policy changes to support the high end of the demand range.

**The 2009 UGR found that the UGB has adequate capacity for non-industrial employment except at the high end of the employment forecast range. There is no need for additional non-industrial capacity at the middle of the employment forecast range.**

Figure 6 depicts the range of non-industrial demand and capacity.

Figure 6: non-industrial employment capacity and demand from 2010 to 2030 (source: 2009 UGR)



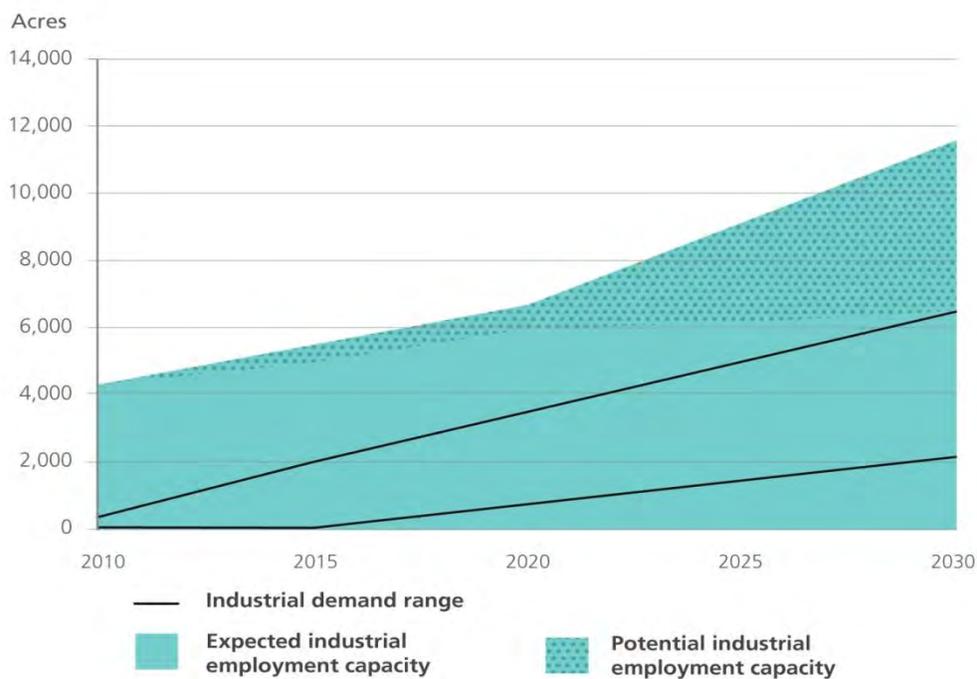
## UGR general industrial employment assessment

The general industrial<sup>2</sup> section of the UGR assessed the current UGB's capacity to accommodate industrial job growth on vacant land or through redevelopment and infill (refill). The assessment of industrial demand for large, vacant lots was handled separately.

**The 2009 UGR found that there is adequate capacity inside the current UGB to accommodate the next 20 years of general industrial job growth even at the high end of the employment forecast range.**

Figure 7 depicts the range of general industrial capacity and demand from 2010 to 2030.

Figure 7: general industrial capacity and demand from 2010 to 2030 (source: 2009 UGR)



<sup>2</sup> The “general industrial employment” portion of the 2009 UGR looked at industrial land capacity in aggregate, without regard for the configuration or size of individual tax lots. Industrial employment that requires large sites was assessed separately in the 2009 UGR and is addressed separately in this report.

## **UGR large-lot-industrial employment assessment**

The “large lot” portion of the 2009 UGR’s analysis was completed in recognition of the fact that some firms in traded-sector industries require large vacant sites. Demand for large sites is likely to be the product of the decisions of individual firms rather than broader industry trends. The UGR’s forecast-based assessment originally determined that, over the 20-year period, there is demand for 200 to 800 acres of additional large-lot capacity on sites with 50 or more buildable acres. This range is based on the amount of employment growth realized as well as whether assembly of adjacent lots is assumed.

As a matter of economic development policy, the Metro Council, on the advice of MPAC, has agreed to consider a wider range of potential large-lot demand than what was indicated by the forecast-based approach:

- Large-lot demand will be the result of the decisions of individual firms, so it is inherently difficult to forecast.
- Some cities in the region have identified large, traded-sector firms as the focus of their economic development plans.
- It may be preferable from a policy standpoint to have flexibility to accommodate traded-sector firms.
- The use of an employment forecast may be an inadequate means of estimating large-lot demand for freight, rail, and marine terminal uses.

**With economic development considerations in mind, the Metro Council accepted the 2009 UGR, which indicated traded-sector industrial employment demand for 200 to 1,500 acres of additional capacity on sites with 50 or more buildable acres.**

## ADDRESSING RESIDENTIAL GROWTH

### Efficiency measures

The 2009 UGR indicated that there is ample zoned capacity within the current UGB to accommodate the next 20 years of residential growth, but that different investments and policies are needed to make the most of that capacity. Depending on the amount of residential growth that is realized, the UGR identified a need for additional capacity for 27,400 to 104,900 dwelling units. This capacity gap is expressed in dwelling units because there are a variety of ways to accommodate households, each with its own implications for how the region and its communities function.

Because a residential capacity gap is identified in the UGR, Oregon Revised Statute 197.296 instructs Metro to expand the UGB and/or amend plans in ways that increase the likelihood of higher density development inside the existing UGB. These latter actions are referred to as “efficiency measures” in this document. The statute states that efficiency measures may include, but are not limited to:

- Increases in the permitted density on existing residential land
- Financial incentives for higher density housing
- Provisions permitting additional density beyond that generally allowed in the zoning district in exchange for amenities and features provided by the developer
- Removal or easing of approval standards or procedures
- Minimum density ranges
- Redevelopment and infill strategies
- Authorization of housing types not previously allowed by the plan or regulations
- Adoption of an average residential density standard
- Rezoning or re-designation of nonresidential land

Cities and citizens throughout the region have indicated their desire to make better use of the land inside the current UGB to enliven their downtowns and main streets. Many of these local efforts are ongoing or are in their formative stages. These include several cities in the region that are undertaking a periodic review of their comprehensive plans. These cities include Portland, Lake Oswego, Forest Grove, Troutdale, and Tigard. Several other cities in the region will be undertaking this periodic review in the near future (Happy Valley, Milwaukie, Sherwood, and Tualatin). The efficiency effects of these cities’ updated plans will be accounted for in the 2014 urban growth report.

There are also a number of regional and local policies and plans that have recently been adopted that are expected to lead to more efficient use of land inside the UGB. State law directs Metro to assess how these adopted efficiency measures may influence future use of zoned capacity. Actions

that encourage more compact growth will reduce the need for UGB expansions. These adopted actions are described in this report and its appendices.

The 2009 UGR's calculation of residential need included three main measures of possible market responses to zoned capacity. To inform the 2010 growth management decision, these three measures have been reevaluated with newly-adopted actions in mind:

Refill rate:

The refill rate represents the share of new residences that are built through redevelopment or infill. Refill occurs on land that is not vacant. Refill rates may be tracked historically or forecasted. The 2009 UGR assumed that 33 percent of future residential growth through the year 2030 would occur through refill.

Vacant mixed-use and multi-family capacity:

The 2009 UGR applied an assumption that, by the year 2030, only 50 percent of the capacity on vacant multi-family land would be developed. This underutilization was assumed for a number of reasons including lagging market demand and inadequate public investments in some centers and corridors.

New urban area<sup>3</sup> capacity:

The 2009 UGR assumed that only 50 percent of the capacity in new urban areas would be market feasible through the year 2030.

### **Sources relied on for assessing efficiency measures**

There are a wide variety of public policies and investments that can influence long-term residential development. Because of this variety, there is no single analytic approach that can be applied across the board. In completing this analysis of the effects of newly-adopted residential efficiency measures, Metro relied on several methods, listed below, that are further described in the appendices.

MetroScope scenarios:

MetroScope, an integrated transportation and land use scenario model, is well-suited to assessing the regional effects of changes to policies and investments such as the adoption of the 2035 Regional Transportation Plan (RTP), local adoption of urban renewal programs, and the region's designation of urban and rural reserves. Among other outputs, MetroScope can provide an assessment of the redevelopment and infill rates (refill rates) that may be achieved in the future. The input assumptions for the draft scenario conducted to inform the 2010 Capacity Ordinance are intended to represent policies and investment strategies that are adopted or are expected to be adopted by the end of 2010. More detail regarding this MetroScope scenario's assumptions and results can be found in Appendix 1.

---

<sup>3</sup> New urban areas are areas that were added to the UGB from 1998 to 2005.

#### Development form assessment tool:

Metro staff worked with Johnson Reid, LLC to develop an assessment tool to illustrate how public investments in amenities such as pedestrian improvements may increase the likelihood that the market will utilize multi-family and mixed-use residential capacity in urban centers and corridors. The assessment tool was used to illustrate these likely effects in several districts in the region, but to avoid double-counting with other information sources, its results are not explicitly included in overall calculations of capacity.

The assessment tool was designed to work like pro forma analyses used by developers which compare construction and land costs with achievable rents. These calculations indicate to a developer what the highest-and-best use of a property is, determining whether it is rational to build, for instance, a townhome or a high rise. Public actions or investments that reduce costs to a developer (for example, lower parking requirements) or that boost achievable rents can shift the highest-and-best use to a different development form.

The price premiums associated with a variety of public investments were determined through a literature review, statistical analysis of local property sales, and the professional expertise of Johnson Reid. Additional background on this work is available in Appendix 2.

#### City and county staff knowledge:

City and county planning staff are an important source of information about development trends in their jurisdictions. In several instances, Metro staff consulted with city and county staff for their professional knowledge of local conditions. These consultations helped to inform the assessment of potential development readiness of new urban areas as well as refill rates. City staffs were also important sources of information for identifying efficiency measures that have been recently adopted.

### **Summary of efficiency measures that were assessed**

#### 2035 Regional Transportation Plan

The 2009 UGR assessment assumed the transportation network described in the 2035 financially-constrained RTP. Since then, the 2035 RTP update was adopted in June 2010. The updated RTP includes additional transportation facilities and funding strategies and is expected to lead to more efficient use of residential capacity inside the existing UGB. The RTP project list is divided into two categories, “mobility projects” and “community-building projects.”

Many of the projects listed below are in addition to the projects included in the financially-constrained RTP. Those additional projects are marked “\*.”

#### *RTP mobility projects*

Mobility projects in the 2035 RTP include facilities such as arterial roads, highways, and light rail. These facilities connect locations in the region to one another, allowing people to exercise greater choice on where to live and work. Mobility projects from the 2035 RTP have been incorporated into the assumed transportation network in the draft MetroScope scenario that informs the 2010 Capacity Ordinance. Notable mobility projects in the 2035 RTP are summarized as follows:

#### *Notable transit mobility projects*

- Columbia River Crossing light rail transit
- Milwaukie light rail completion
- Southwest corridor (Hwy. 99W) light rail development\*
- Westside Express Service (WES) service improvements\*
- I-205 bus rapid transit from Clackamas Town Center to Tualatin\*
- On-street bus rapid transit on Southeast Division Street and Southeast Powell Boulevard\*

#### *Notable throughway mobility projects*

- I-5 Columbia River Crossing (10 lanes with tolling)
- Sunrise Corridor development from I-205 to 172nd Ave.
- OR 217, US 26 & I-5/I-84 interchange improvements
- Operational improvements on I-205\*
- Operational improvements on I-5\*
- Additional interchange improvements on OR 217, US 26, I-5, I-205, and I-84\*

#### *Notable arterial mobility projects*

- I-5/99W Connector Alternative 7 (three arterial improvements including Southern Arterial)\*
- Sellwood Bridge reconstruction

#### *RTP community-building projects*

The community-building projects in the 2035 RTP are intended to foster the types of communities that the region's citizens have indicated they prefer. These community-building projects constitute over \$5.3 billion (year 2007 dollars) in public investments, with over \$3 billion of it going to centers, corridors, main streets, and station areas. There is a substantial body of academic research that has demonstrated that these types of public investments are associated with increased residential demand. Appendix 2 includes a literature review on this topic. For MetroScope modeling purposes, input assumptions that describe the relative desirability of different locations were conservatively adjusted to reflect the significant nature of these investments.<sup>4</sup> Community-building projects in the 2035 RTP include facilities such as:

---

<sup>4</sup> This input assumption, "neighborhood score," is typically based on a statistical assessment of historic single-family residence sales data and is usually held constant in scenarios. Neighborhood scores have been adjusted in the scenario that informs the 2010 Capacity Ordinance to recognize the magnitude of community-building investments that have been adopted. Appendix 2 contains a fuller explanation of the adjustments that were made. The work completed by Johnson Reid (see Appendix 4) corroborates the relationship between these types of investments and higher sales prices. A 2010 study by Metro (see Appendix 9) illustrates the types of design features found in neighborhoods with lower and higher neighborhood scores.

- New streetcar lines in Portland\*
- Portland-to-Lake Oswego streetcar
- Pedestrian and bike improvements throughout the region\*
- Streetscaping throughout the region\*

### New incentives

Since the Metro Council acceptance of the 2009 UGR, several cities have adopted or indicated their intent to adopt urban renewal or other financial tools.<sup>5</sup> These financial tools typically fund public investments in urban amenities such as streetscape and pedestrian improvements that help to attract residential growth to these locations. By focusing demand in urban renewal areas, it becomes financially feasible for developers to build at higher densities, which makes more efficient use of existing capacity inside the UGB.

#### *Beaverton urban renewal*

In 2008, the City of Beaverton's voters approved a city charter amendment that makes urban renewal available as a tool for the city to use, subject to voter approval. A January 2010 urban renewal feasibility study conducted for the city recommends that an urban renewal program should focus on community amenities that will encourage private development. Although an urban renewal program is not yet adopted, it is expected that an urban renewal plan will be on the ballot in Beaverton in November 2010. Progress made by the city and citizen support indicate that urban renewal or a comparable investment mechanism will be in place during the 2010 to 2030 planning period that is the focus of the 2010 Capacity Ordinance. Consequently, urban renewal is assumed for Beaverton in the MetroScope scenario that informs this analysis.

#### *Hillsboro urban renewal*

In May 2010, the Hillsboro City Council approved the formation of a downtown urban renewal district. The city intends to invest in public amenities and storefront improvements that will foster a vibrant downtown district and will encourage private investment. The draft Capacity Ordinance scenario assumes that urban renewal is available in downtown Hillsboro.

#### *Milwaukie urban renewal*

The City of Milwaukie is currently writing an urban renewal plan for its downtown. The city intends to adopt the plan by the end of 2010. The draft Capacity Ordinance scenario assumes that urban renewal is available in downtown Milwaukie. This would complement the city's existing vertical housing tax abatement program, helping to focus growth in the downtown center.

#### *Portland transit-oriented development tax abatement*

The City of Portland currently has a Transit-Oriented Development Tax Abatement program in effect. The full extent of the program was not adequately reflected in the input assumptions for the

---

<sup>5</sup> In recent months, the City of Tualatin has indicated its intent to not extend the life of its urban renewal program. That decision is also reflected in updated scenario assumptions.

scenario that informed the 2009 UGR (the program was only assumed in Hollywood Town Center). The draft Capacity Ordinance scenario assumptions reflect the full extent of the program.<sup>6</sup>

#### *Public investments in AmberGlen*

In January 2010, the City of Hillsboro adopted the AmberGlen Community Plan, which envisions a thriving mixed-use, transit-oriented community consisting of approximately 600 acres located at the southern edge of the Tanasbourne Town Center area, bounded by 185th Avenue on the east, Cornell and Walker roads on the north, 206th Avenue on the west, and the Westside light rail line on the south. The city intends to make substantial investments in high-quality pedestrian and environmental amenities such as parks and streetcar. These investments combined with the area's access to existing light rail are expected to spur medium-to-high-density development. The draft Capacity Ordinance scenario carries an assumption that these public investments will be made.

#### New local policies and investments:

Cities and counties in the region have taken a number of other actions that increase the likelihood that residential capacity inside the existing UGB will be used more efficiently. Appendix 3 includes an inventory of community-building investments in centers and corridors that are included in local capital improvement plans. Typical investments in this inventory include parks, plazas, pedestrian and bike improvements, and civic buildings. The inventory only includes community-building investments in centers and corridors, which total almost \$350 million. Because of the scope of the inventory of planned local capital improvements, not all projects have been explicitly or individually assessed for their potential effects on market use of zoned capacity. Instead, the inventory points to a more general conclusion that cities throughout the region are planning significant investments that will improve their communities and support more efficient use of zoned capacity in centers and corridors.

Appendix 3 describes a variety of other recently adopted local government actions that range from the adoption of vertical housing tax credit programs to community-building investments in public amenities.

#### Zoning and comprehensive plan updates

In recent months, Tigard and Hillsboro (for AmberGlen) have updated their zoning or comprehensive plans to focus growth in targeted locations. Both cities also intend to make substantial public investments to realize their community visions.

#### Urban and rural reserves

Though the designation of urban and rural reserves is not technically an efficiency measure, this agreement indicates the region's intent to grow in a more compact fashion than in the past. The draft MetroScope scenario that informs the 2010 Capacity Ordinance assumes that future UGB expansions will occur on urban reserves, which total 28,615 acres. This is in contrast to the scenarios that informed the 2009 UGR, developed before the designation of urban reserves, where substantially more land was assumed available for prospective UGB expansions. The assumption

---

<sup>6</sup> Locations where the program overlaps with urban renewal are not double-counted in the scenario. Only urban renewal is assumed in those locations.

that many fewer acres will be available for prospective UGB expansion contributes to the higher refill rate observed in the scenario that informs this analysis.

### Likely effects of efficiency measures

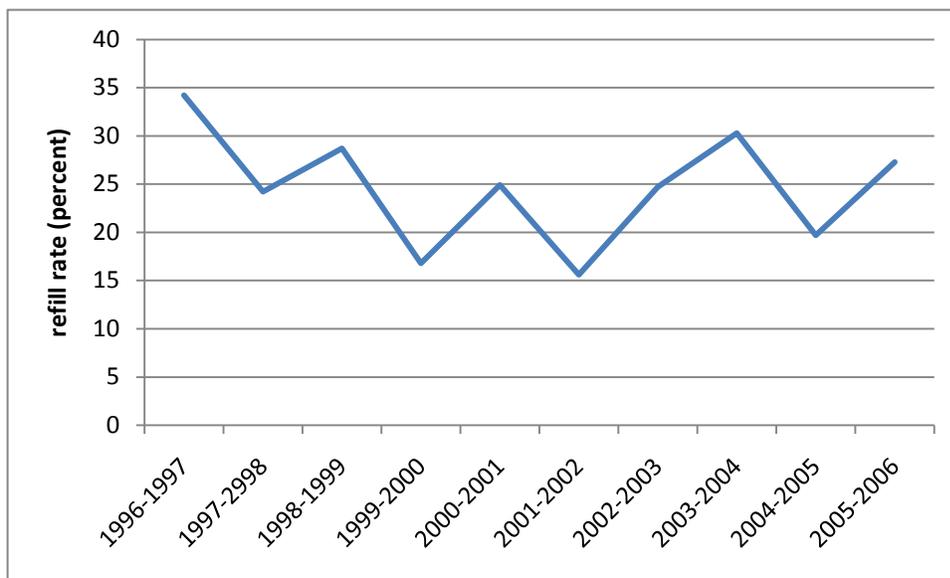
As previously described, the 2009 UGR and this assessment of residential efficiency measures take into account several market factors, which account for the share of zoned capacity that is likely to be developable with current policies, and anticipated investment trends and economic conditions. The effects of recently-adopted efficiency measures on these market factors are described below.

#### Refill rate:

The refill rate is an important measure of how efficiently development is occurring. Based on policies in place at the time, the 2009 UGR included an assumption that the refill rate through the year 2030 would be 33 percent. What this means is that the 2009 UGR assumed that 33 percent of all new dwelling units in the UGB from 2010 to 2030 would occur through redevelopment or infill. Several sources of information were consulted to determine a likely refill rate that may result from newly adopted efficiency measures.

Figure 8 depicts the historic residential refill rate inside the Metro UGB from 1996-2006. As can be seen in the chart, the rate varies from year to year.

Figure 8: Historic residential refill rates inside the Metro UGB from 1996 to 2006 (source: Metro)



The MetroScope scenario that was conducted to inform this assessment indicates that newly-adopted policies and investments will result in more efficient market use of zoned residential capacity. In particular, this scenario indicates that 41 percent of new residential units developed through the year 2030 will occur through refill. This same MetroScope scenario also indicates that

this rate moderates somewhat by the year 2040 (35 percent refill). This is likely because additional UGB expansion capacity is assumed to be available in the scenario's later years.

In recent years, researchers have pointed to some fundamental demographic shifts and changes in housing preferences that favor urban redevelopment and infill (Nelson, 2006) (Leinberger, 2008) (United States Environmental Protection Agency, 2010) (Leinberger, 2010). The City of Portland's experience with redevelopment indicates that a widely-written-about shift in residential preferences is well under way. This shift in preferences is leading to more redevelopment and infill in existing urban areas that offer a variety of community amenities within walking distance. To better understand this dynamic, City of Portland staff recently examined residential permit data for several mixed-use corridors and centers.<sup>7</sup> For example, from 2004 to 2009, a total of 423 new dwellings developed within the Hollywood Town Center and Belmont and Interstate Avenue corridors. This development occurred on 62 separate sites, with only seven of those sites being vacant prior to development. In terms of individual dwelling units, only 19 of the 423 units, or about five percent, were developed on vacant sites, which tended to be smaller and in lower-intensity zones. In most cases, single-family homes were replaced with new four- or six-plex developments or single-story commercial buildings, and surface parking lots were replaced by multi-story mixed-use development.

The development form assessment tool, created with the assistance of Johnson Reid, LLC, indicates that planned public investments will influence developer's choices, leading to more efficient redevelopment. The assessment tool was only applied to five case study areas<sup>8</sup> and is, therefore, intended to be illustrative and does not provide a comprehensive assessment of redevelopment potential in the existing UGB. However, the assessment tool, which considers development potential from a developer's perspective, indicates that planned public investments are likely to increase market utilization of zoned capacity in three out of the five case study areas. The redevelopment form assessment tool indicates that, in these three case study areas alone, an additional 1,000 to 5,200 dwelling units are likely to be market feasible because of planned public investments.

---

<sup>7</sup> Source: June 10, 2010 memo from Susan Anderson (Portland Bureau of Planning and Sustainability) to Robin McArthur (Metro)

<sup>8</sup> Areas tested include downtown Lake Oswego and Gresham, Lents, Foster Blvd., and Interstate Ave. The areas tested vary in size. In all cases, existing zoning was assumed.

Based on these sources of information, it is estimated that policies currently in place, including recently adopted efficiency measures, are likely to result in a refill rate of 38 percent through the year 2030. Refill rates are translated into dwelling unit capacity in Table 1.

**Table 1: Refill capacity with efficiency measures (assuming medium growth forecast through 2030)**

	<b>Refill Rate</b>	<b>Refill Capacity (dwelling units)</b>
2009 UGR	33%	86,600
With efficiency measures	38%	99,700
<b>Difference</b>	<b>+5%</b>	<b>+13,100</b>

Vacant multi-family capacity:

The 2009 UGR assumed that only 50 percent of the region’s residential capacity on vacant lands zoned for multi-family housing would be market feasible through the year 2030. Because this is vacant land, it is a separate source of capacity from refill. Two sources of information are relied upon to determine how recently-adopted efficiency measures may affect the market viability of these types of residential capacity. These sources include a MetroScope scenario and the development form assessment tool created by Johnson Reid, LLC.

The updated MetroScope scenario that was conducted to inform this analysis indicates that newly-adopted strategies and investments are likely to lead to more efficient use of residential capacity in areas zoned for multi-family development. The new scenario indicates that 60 percent of the capacity in these zoning categories is likely to be developed through the year 2030. Because MetroScope is a regional model and because several major scenario assumptions were updated (for example, the transportation network now reflects the adopted 2035 Regional Transportation Plan and the scale and location of prospective UGB expansions reflect the adopted urban reserves), it is difficult to isolate specific reasons why a greater share of capacity on vacant land zoned multi-family gets developed under the updated scenario.

The development form assessment tool developed by Johnson Reid, LLC also indirectly informs this portion of the analysis. As previously described, the tool was used to assess the effects of newly-adopted strategies in several districts in the region. Though the assessment was focused on illustrating redevelopment potential (rather than development on vacant land), its general conclusions support MetroScope results pertaining to multi-family residential development on vacant land.

Based on these sources of information, it is expected that 60 percent of the zoned capacity on vacant land zoned for multi-family will be market feasible through the year 2030. As summarized in Table 2, this would amount to capacity for 3,700 additional dwelling units that is attributable to adopted efficiency measures.

**Table 2: market feasibility of vacant land zoned multi-family with efficiency measures (through 2030)**

	<b>Percent market feasible through 2030</b>	<b>Dwelling units</b>
2009 UGR	50%	18,400
With efficiency measures	60%	22,100
<b>Difference</b>	<b>+10%</b>	<b>+3,700</b>

New urban area capacity<sup>9</sup>

In the 2009 UGR, it was assumed, across the region, that 50 percent of planned residential capacity in new urban areas would not be developed by the year 2030. This discount was assumed based on the current status of planning and development as well as MetroScope scenario results. In 2010, various city and county staff were consulted to determine if the current planning status of new urban areas indicates that more of their residential capacity may be development-ready by 2030.

MetroScope scenarios were also used to test how the combination of newly-adopted strategies may increase development readiness in new urban areas. This new assessment indicates that a greater-than-50-percent share of the region’s residential capacity in new urban areas is likely to be developed through the year 2030. Because MetroScope is a regional model and because several major scenario assumptions were updated (for example, the transportation network now reflects the adopted 2035 Regional Transportation Plan and the scale and location of prospective UGB expansions reflect the adopted urban reserves), it is difficult to isolate specific reasons why individual new urban areas perform better in the updated scenario. Updated 20-year-capacity estimates for new urban areas are summarized in Table 3 and are rounded to the nearest 50.

---

<sup>9</sup> “New urban areas” refers to areas added to the Metro UGB from 1998 through 2005

Table 3: 20-year residential capacity estimates for new urban areas

New urban area	Dwelling units				Reasoning
	Planned capacity	2009 UGR capacity assumption (50%)	2010 Capacity Ordinance assumption	Difference (additional capacity)	
Beavercreek Rd	1,023	500	700	200	MetroScope scenario indicates that 70 percent of capacity is market feasible through 2030.
Bonny Slope	524	250	450	200	MetroScope scenario indicates that 82 percent of capacity is market feasible through 2030.
Brookman Rd	1,239	600	1,150	600	MetroScope scenario indicates that 94 percent of capacity is market feasible through 2030.
Bull Mountain	2,450	250	2,200	1,950	UGR assumption was erroneous. December 2009 planning estimates for Alternative B are for approximately 2,450 units. MetroScope scenario indicates that 99 percent of capacity is market feasible through 2030. Because of incorporation issues, staff believes that 90 percent is a more reasonable estimate.
Cooper Mountain	1,019	500	950	450	MetroScope scenario indicates that 92 percent of capacity is market feasible through 2030.
Damascus Boring	24,952	12,500	12,500	-	Draft comprehensive plan indicates expectation of 12,500 units over the 20-year timeframe. No basis for changing UGR assumption.
East Wilsonville	183	100	183	83	MetroScope scenario indicates that 100 percent of capacity is market feasible through 2030.
North Bethany	5,000	2,500	3,300	800	Urban reserves decision added Peterkort property, whose owners have donated sewer easements to the County, which will reduce infrastructure costs for North Bethany. A MetroScope scenario indicates that 82 percent of capacity is market feasible through 2030. Washington County staff indicated that 50 percent of capacity is market feasible through 2030. This analysis splits the difference and assumes 66 percent.
Park Place	1,091	550	800	250	MetroScope scenario indicates that 70 percent of capacity is market feasible through 2030.

New urban area	Planned capacity	2009 UGR capacity assumption (50%)	2010 Capacity Ordinance assumption	Difference (additional capacity)	Reasoning
Pleasant Valley	5,066	2,550	4,000	1,450	Per City of Gresham, 80 percent of capacity is market feasible through 2030 (all necessary facilities included in adopted plans; SDC mechanisms ensure that revenues match costs). A MetroScope scenario indicates that 76 percent of capacity is market feasible through 2030. This analysis splits the difference and assumes 78 percent.
South End Rd	413	200	350	150	MetroScope scenario indicates that 87 percent of capacity is market feasible through 2030.
Springwater	1,456	750	1,100	350	Per City of Gresham, 70 percent is market feasible through 2030 (all facilities included in adopted plans; SDC mechanisms ensure that revenues match costs). Some residential development will be contingent upon industrial area developing. A MetroScope scenario indicates that 82 percent of capacity is market feasible through 2030. This analysis splits the difference and assumes 76 percent.
Study Area 69 and 71	1,300	650	1,050	400	Per City of Hillsboro, 80 percent of capacity is market feasible through 2030 (assuming S. Hillsboro is added to UGB in 20-year timeframe). A MetroScope scenario indicates that 84 percent of capacity is market feasible through 2030. This analysis splits the difference and assumes 82 percent.
Villebois Village	2,390	1,200	2,100	900	Per City of Wilsonville (all facilities included in adopted plans). Wilsonville says 100 percent of capacity is market feasible through 2030. A MetroScope scenario indicates that 75 percent is market feasible through 2030. This analysis splits the difference and assumes 88 percent.
Witch Hazel	1,766	900	1,465	565	Per City of Hillsboro, 80 percent of capacity is market feasible through 2030. A MetroScope scenario indicates that 85 percent of capacity is market feasible through 2030. This analysis splits the difference and assumes 83 percent.
<b>TOTAL</b>	<b>48,000</b>	<b>24,000</b>	<b>32,550</b>	<b>+8,350</b>	

## Summary of plan and zoning changes since the 2009 UGR

Recently, many cities in the region have implemented new strategies to achieve their community visions. These efforts include Wood Village’s code update to allow cottage housing and zoning updates in downtown Gresham. These and other recently-adopted planning efforts are described in Appendix 3. In particular, since the Metro Council’s acceptance of the UGR in December 2009, there have been two notable planning efforts that have resulted in an increase in zoned residential capacity. Table 4 provides a summary of new zoned capacity.

**Table 4: summary of notable changes in zoned or planned residential capacity since the 2009 UGR**

City	Location of adopted plan or zone change	Zoned or planned capacity (dwelling units)		
		2009 UGR	2010 Capacity Ordinance	Additional capacity (difference)
Hillsboro	AmberGlen	2,000	7,000	5,000
Tigard <sup>10</sup>	Downtown	1,000	2,900	1,900
<b>Total new zoned residential capacity</b>				<b>+6,900</b>

Both cities intend to make substantial public investments to realize their community visions. In the case of Hillsboro, that intent is documented in the AmberGlen Community Plan adopted in January 2010 (City of Hillsboro, 2010). The City of Tigard has documented its intent to make significant community investments. These efforts are described in Appendix 3. Because of the highly-strategic and intentional nature of these investments, all of the newly-zoned capacity in these two locations is assumed developable in the 20-year timeframe.

<sup>10</sup> In order to create the kind of community that its citizens envision, Tigard considered further increasing the zoned capacity of its downtown but has been prevented from doing so because of limitations imposed by the state Transportation Planning Rule.

## Illustrations of possible impacts of efficiency measures

Public investments in amenities such as street cars and sidewalks can make a location more desirable to residents. With increased demand, developers can profitably build at higher densities than they would without the public investments. Using an approach developed by Johnson Reid, LLC and Fregonese and Associates, Metro staff examined how a variety of newly adopted public investments can increase the feasibility of higher-density residential development in urban centers and transportation corridors, helping to align development with community goals and plans. For illustrative purposes, the assessment tool was preliminarily applied to two areas, downtown Lake Oswego and a commercial area of the Lents neighborhood in Portland. A more complete discussion of the methods used can be found in Appendix 4.

The following figures illustrate how redevelopment may look in two local communities, based on the pro forma assessment.

### Lake Oswego

Figure 9: Existing Conditions: 2nd Street, facing north towards B Avenue



Figure 10: Initial Public Improvements



Figure 11: Redevelopment Potential



City of Portland-Lents/Foster Corridor

Figure 12: Existing Conditions- Foster and 84th Avenue, facing west



Figure 13: Initial Public Improvements



Figure 14: redevelopment potential



## Summary of additional residential capacity generated through efficiency measures

Table 5 summarizes the additional capacity generated through adopted efficiency measures.

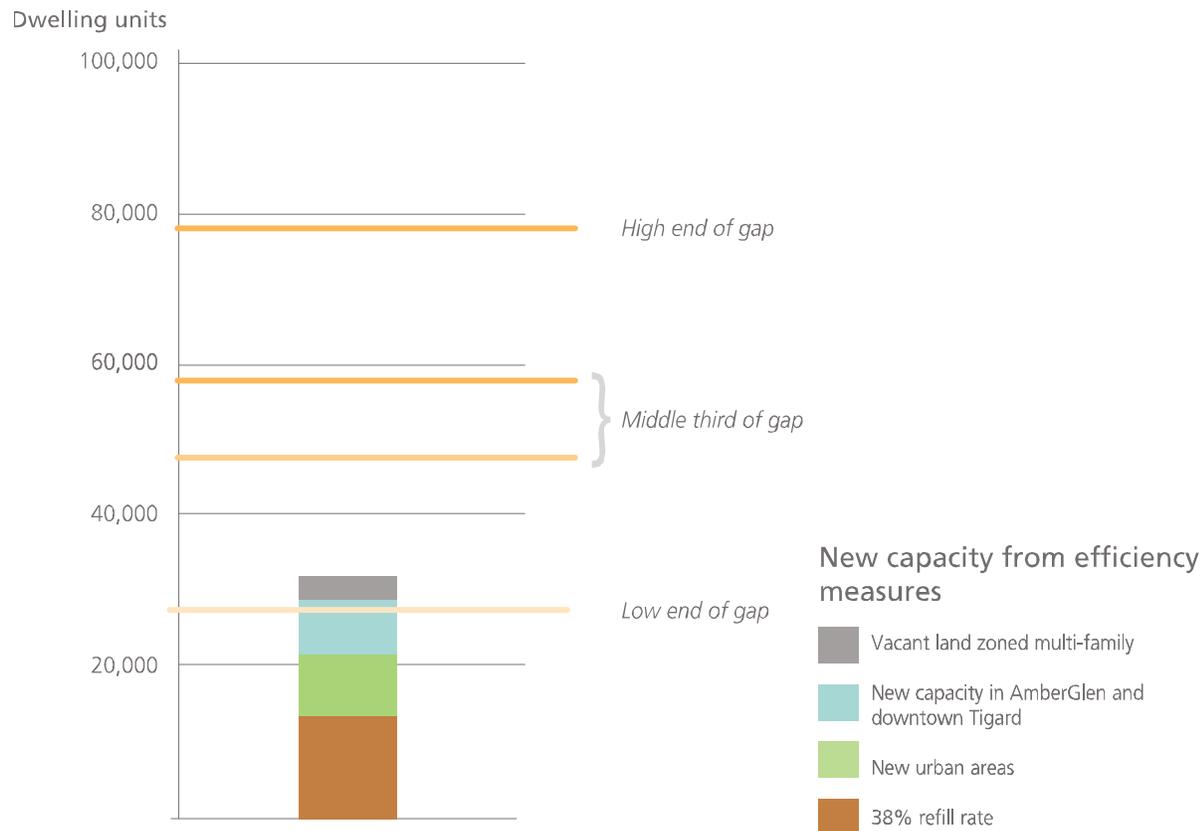
Table 5: summary of additional residential capacity resulting from adopted efficiency measures (through 2030)

Source of additional capacity	Additional capacity (dwelling units)
38% refill rate	13,100
New urban areas	8,350
Market feasibility of vacant land zoned mixed-use (60%)	3,700
New capacity in AmberGlen and Tigard	6,900
<b>Total</b>	<b>+32,050</b>

## Remaining gap after efficiency measures are accounted for

The efficiency measures that have been described in this document are likely to produce, over the next 20 years, capacity for an additional 32,050 dwelling units beyond what was counted in the 2009 UGR. As depicted in Figure 15, this additional capacity exceeds the lower end of the range capacity gap identified in the 2009 UGR, but does not address the middle third of the range forecast. The adoption of additional efficiency measures is not expected to occur before the end of 2010 and therefore cannot be counted towards addressing the residential need identified in the 2009 UGR.

Figure 15: New residential capacity inside the current UGB from adopted efficiency measures<sup>11</sup>



<sup>11</sup> Refill is a share of total growth. In figure 15, the high end of the gap (79,300 units) is different than what was identified in the 2009 UGR (104,900), which, for illustrative purposes, held constant the dwelling unit capacity generated through refill (rather than expressing it as a share of the high demand forecast). Using a 38 percent refill rate, figure 15 adjusts refill capacity according to the point on the forecast range that is used. This in turn affects the gap. When the Council makes its growth management decision, they will identify the point in the forecast for which they are planning. Refill capacity will be calculated as a share of that number.

## **Potential residential capacity in urban reserves**

With the efficiency measures documented to date, sufficient residential capacity has been identified to accommodate demand on the lower end of the range. However, the Metro Council may wish to consider the likelihood that residential demand will end up at a different point on the range forecast. The Metro Council may also determine that strategic UGB expansions into urban reserves will produce better community and regional outcomes. To provide the Council with options, staff has analyzed urban reserves for possible inclusion in the UGB.

### **Purpose of urban reserves**

In the past, when considering expansion of the UGB, Metro was required by state law to consider the agricultural quality of the soil above everything else. Protecting high-quality farm soils is important and this approach provided a way to decide where not to develop. But it did not provide a method for determining the ideal locations and conditions for developing vibrant urban communities. Nor did it address all of the factors that this region values in its rural lands. With the adoption of urban and rural reserves, the region has a formal method and set of factors for considering what makes a good site for a city. Areas that are currently outside the UGB and that are suitable for urbanization over the next fifty years have been designated as urban reserves. At the same time the designation of rural reserves provides protection for the region's most valuable and financially viable farms and commercial forests. This designation also protects significant natural features like wetlands, rivers and their floodplains and buttes from urban development. If the Metro Council chooses to expand the UGB, the expansion will take place in urban reserves.

### **Comparison of different UGB expansion options for providing additional residential capacity**

The process of narrowing potential options for UGB expansion areas began several years ago with the Shape of the Region study. Throughout 2006, Metro, in partnership with Clackamas, Multnomah and Washington counties; the Oregon Department of Agriculture, and the Oregon Department of Land Conservation and Development, conducted a comprehensive study of the various factors that influence the shape of our region and contribute to the quality of life we enjoy. The study sought to identify how the agricultural economy, natural areas and urban communities all contribute value to this region.

There were three components to the Shape of the Region study:

- An assessment of the agricultural lands surrounding the Metro region and their long-term commercial viability, developed by the Oregon Department of Agriculture
- An inventory of the natural landscape features that define this region
- An analysis of factors that contribute to the development and enhancement of great urban communities

The Shape of the Region study informed the comprehensive and collaborative process that ultimately led to the designation of urban and rural reserves in June 2010. That decision designated 28,615 acres as urban reserves, lands outside the current UGB that will provide for: (a) future

expansion over a long-term period and (b) the cost-effective provision of public facilities and services within the area when the lands are included within the urban growth boundary.

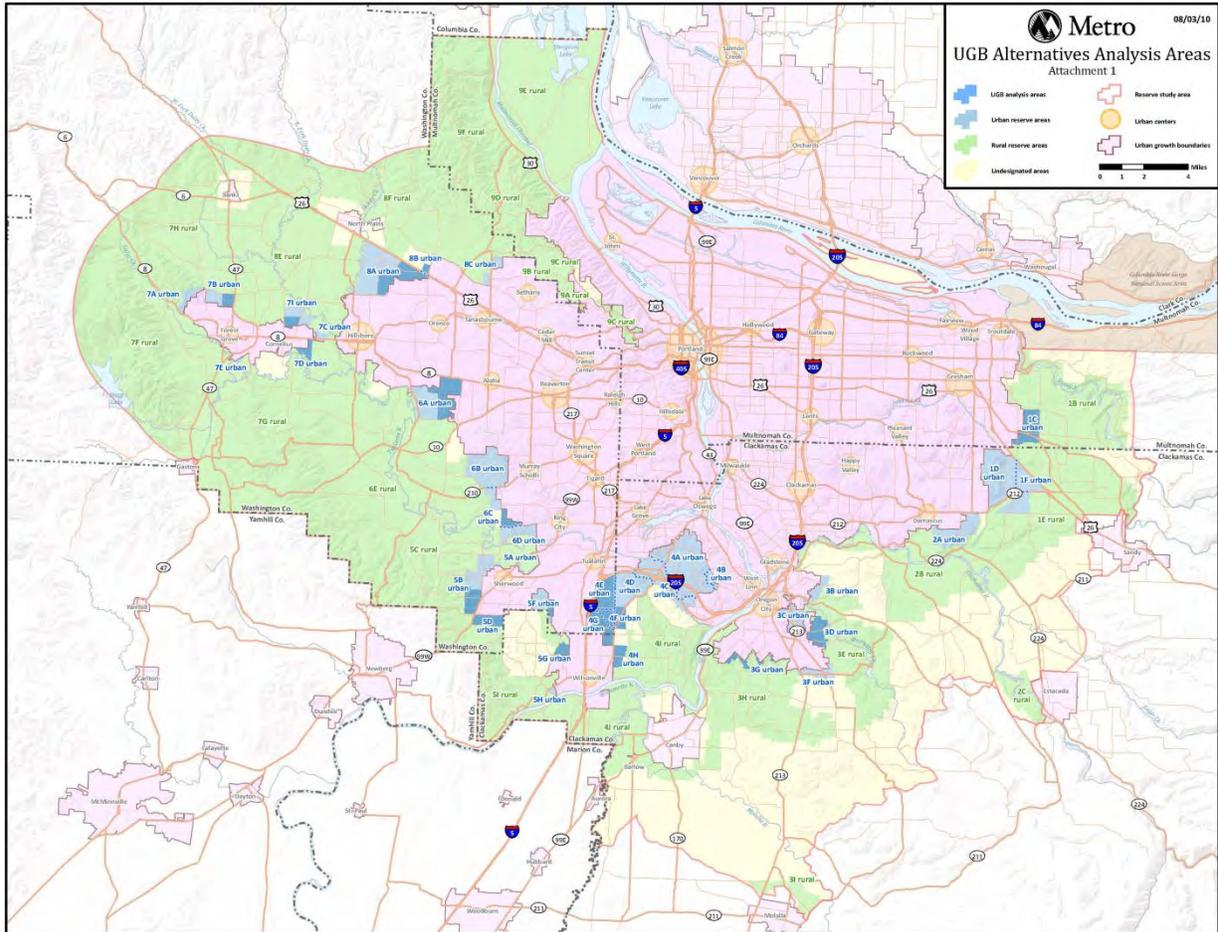
The studies and discussions that led to the designation of urban reserves provide a solid foundation for narrowing the options for possible UGB expansion areas for consideration in December 2010. With that base of knowledge, Metro staff worked with city and county staff during the spring of 2010 to identify 8,298 acres of urban reserves for further study as UGB candidate areas. Those study areas are identified in Figure 16.

In order to satisfy state law, Metro staff needed to study more acres than were identified as being of interest to cities in the region. To provide a comprehensive assessment these 8,298 acres were chosen because they represent a variety of locations around the region and have a variety of topographical characteristics. Additional information about this analysis can be found in Appendix 8.

During the summer of 2010, several cities identified additional lands that they wished to have evaluated as UGB candidates. In order to conduct the analysis necessary to release this recommendation, staff was not able to honor local requests that were received after June 2010. The Metro Council has directed Metro staff to accept additional requests from cities by September 3, 2010. While any additional proposals will not be included in the recommendation issued for public comment beginning August 10, they will be offered for public comment in September and considered by MPAC and the Metro Council before a final recommendation in October and subsequent public hearings in November. Submittals should include the following:

- A formal letter of support from the governing body of the jurisdiction;
- A map of the subject area; and
- An assessment of how the subject area is responsive to Metro's legislative UGB amendment criteria, contained in Metro Code 3.01.020(c) and (d).

Figure 16: UGB alternatives analysis area map



**Policy choices (residential)**

**Comparison of different UGB expansion options**

As previously noted, the efficiency measures assessed in this document are sufficient for addressing the low end of the range of need for new dwelling units identified in the 2009 UGR. The Metro Council may determine, however, that strategic UGB expansions into urban reserves will produce better community and regional outcomes.

Appendix 8 describes in detail how the UGB candidate areas are assessed according to the requirements found in Metro Code Section 3.01.020, which implements the UGB factors found in Statewide Planning Goal 14 (Urbanization) and listed as follows:

- Efficient accommodation of identified land needs
- Orderly and economic provision of public facilities and services
- Comparative environmental, energy, economic and social consequences

- Compatibility of the proposed urban uses with nearby agricultural and forest activities occurring on farm and forest land outside the UGB

In addition to the requirements found in Statewide Planning Goal 14, Metro Code calls for the consideration of five additional factors when evaluating land for inclusion in the UGB. The approach to addressing these five factors is also described in Appendix 8.

- Equitable and efficient distribution of housing and employment opportunities throughout the region (this factor will be addressed with further analysis in the fall of 2010)
- Contribution to the purposes of Centers
- Protection of farmland that is most important for the continuation of commercial agriculture in the region (this factor)
- Avoidance of conflict with regionally significant fish and wildlife habitat (this factor is addressed in the assessment required by the state)
- Clear transition between urban and rural lands, using natural and built features to mark the transition (this factor is addressed in the assessment required by the state)

### **Considerations when determining where to plan in the range**

The 2009 UGR identified a need for 27,400 to 104,900 additional dwelling units. There are several factors that should be considered that may make it relatively less risky to plan for the lower- to-middle portion of the residential range:

#### Short-term versus long-term risks

Planning for lower or higher points in the residential demand range could carry different benefits and risks depending on the timeframe.

- Oregon land use law requires that, every five years, Metro assess the region’s capacity to accommodate the numbers of people anticipated to live inside the Metro urban growth boundary (UGB) over the next 20 years. Since this assessment occurs every five years, there is an ability to make course corrections.
- In the short-to-mid-term, there is a surplus of residential capacity in the region, both in the form of vacant land in past UGB expansion areas and in the region’s centers and corridors. There are also numerous opportunities for redevelopment and infill.

*“Next-generation projects will orient to infill, urbanizing suburbs, and transit-oriented development. Smaller housing units—close to mass transit, work, and 24-hour amenities—gain favor over large houses on big lots at the suburban edge. People will continue to seek greater convenience and want to reduce energy expenses. Shorter commutes and smaller heating bills make up for higher infill real estate costs.”*

*(Urban Land Institute / PricewaterhouseCoopers, 2010)*

- The regional and world economies are only beginning to show signs of recovery from the recent recession. Many economists and financiers concur that, in the short-term, little development will be occurring anywhere. This is probably particularly the case with master-planned communities and complicated town center developments (Urban Land Institute / PricewaterhouseCoopers, 2010). Development that does occur in the short-term is likely to be of a smaller scale.

There are, however, longer-term risks associated with planning for the lower end of the residential demand range. Most notably, a UGB expansion is just the first step in making land developable. Planning and infrastructure provision can take years, impacting the region's ability to produce housing quickly when it is ultimately needed. This development lag could lead to longer-term housing shortages inside the UGB. If population growth occurs at a faster rate, a certain amount of residential growth (primarily single-family residential) that would otherwise occur in the Metro UGB may be displaced to neighboring cities and to Clark County, Washington. Many of these displaced households would commute back to the Metro region for work, resulting in increased carbon emissions and transportation infrastructure costs.

#### History of development in past UGB expansions

The region's original UGB was put into place more than thirty years ago (1979) with the purposes of encouraging the efficient use of land, creating vibrant communities and protecting the region's agricultural and natural heritage. The original UGB contained 227,491 acres. Subsequent expansions have added approximately 28,000 acres to the UGB and make up about 11 percent of the land area of the current UGB. These expansions have been made with the aim of complementing development inside the UGB and minimizing impacts on farmland while providing additional residential and employment capacity.

Residential permit data for the ten-year period from 1998 through 2008<sup>11</sup> indicate that relatively little new development has occurred in these UGB expansion areas (approximately five percent of permitted units) when compared with the amount that has occurred inside the original UGB (approximately 95 percent of permitted units).

UGB expansions are intended to address 20-year needs for housing capacity and some amount of development lag is to be expected. However, our region's ability to develop UGB expansion areas appears hampered by a number of factors including city annexation issues, conflicting visions for urbanization, and a simple lack of funding to pay for infrastructure.

---

<sup>11</sup> Caveats: A limitation of this data is that not all permitted units were necessarily built. All permit data is from the *Construction Monitor* and is not from Metro's Regional Land Information System, limited efforts were made to remove duplicate records and correct unit values. Locations of building permits are derived by geocoding address information and include an inherent level of error. Permit and unit summaries include the entire 1998-2008 data set, not limited to the range of historic annexations.

The designation of urban reserves provides a new way of identifying lands suitable for urbanization. If UGB expansions are made as part of the 2010 growth management decision, it is hoped, but is an untested theory, that urban reserves have characteristics that will lend themselves to quicker and more efficient urbanization than has occurred in past UGB expansions.

### Changing preferences

An increasingly wider share of American households wish to have more housing choices, including living in active urban settings and relying less on an automobile to get around (Leinberger, 2010) (Leinberger, 2008) (Nelson, 2006) (United States Environmental Protection Agency, 2010) (Urban Land Institute / PricewaterhouseCoopers, 2010). In 2009, the Institute for Portland Metropolitan Studies convened the Expert Advisory Group on Developing Centers and Corridors. In its report, the advisory group concluded that market trends indicate that compact mixed-use development will be the primary development prototype for the next several decades (The Expert Advisory Group on Developing Centers and Corridors, 2009). This is corroborated by numerous academic studies and MetroScope scenarios.

*Looking forward, multifamily development is "...the only place with a hint of hope, because of demographic demand... Locations near transit corridors are prime."*

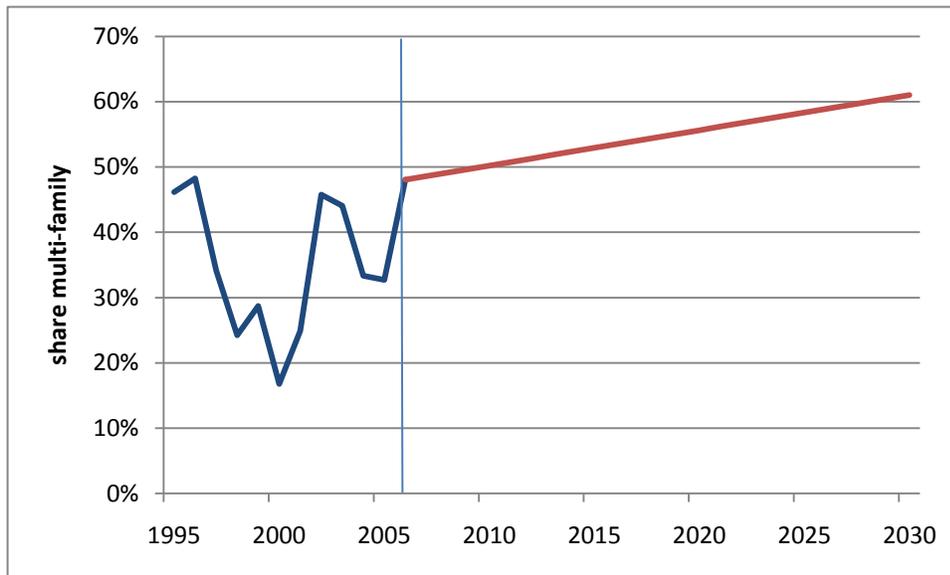
(Urban Land Institute / PricewaterhouseCoopers, 2010)



Figure 17: Orenco in Hillsboro (photo: Metro)

Figure 18 depicts the historic and forecast share of new dwelling units inside the Metro UGB that are multi-family.<sup>12</sup> It is expected that, through the year 2030, approximately 60 percent of demand for new dwelling units inside the Metro UGB will be for multi-family residences. Our region will need to find new ways to ensure that there are adequate multi-family housing options to satisfy future demand.

Figure 18: multi-family share of new dwelling units inside Metro UGB (historic and forecast)



Practical effect of planning for the high end of the residential demand range

In determining where within the range to plan, the Council may want to consider the fact that using a higher point in the range would entail large UGB expansions or aggressive assumptions about the densities that can be achieved in UGB expansion areas. Making large UGB expansions may frustrate regional and community development goals and would be contrary to prevailing public sentiment (Davis, Hibbitts, and Midghall, Inc., 2009).

If it is to meet its goals of reducing carbon emissions, the region must accommodate a substantial amount of future growth as compact, mixed-use development in existing urban centers and corridors (The Expert Advisory Group on Developing Centers and Corridors, 2009) (MacLean & Kennedy, 2006). Large UGB expansions would detract from this effort.

It is also unclear whether UGB expansions will produce the variety of housing choices that may be desired or affordable for the region’s future residents. Scenario analysis indicates that, with the levels of public investment that are currently contemplated, economic conditions may not support high densities in many potential UGB expansion areas in the 20-year timeframe.

<sup>12</sup> Forecast is from the MetroScope scenario that informs this analysis.

Table 6 compares the size, price, and type of residences constructed and sold after 1997 in the 1997 UGB with those in post-1997 UGB expansion areas. The median sales price of new homes in post-1997 UGB expansion areas is 140 percent that of new homes in the 1997 UGB. This can be explained by the larger median size of the homes and lots in post-1997 UGB expansion areas as well as the apparent lack of multi-family housing options. These expansion areas would not appear to offer adequate market rate choices that match the budgets of households with low to median incomes, particularly when higher transportation costs are considered.

**Table 6: Comparison of sales of newly constructed residences in the 1997 UGB and post-1997 UGB expansion areas**

	<b>1997 UGB</b>	<b>Post-1997 UGB expansion areas</b>
Median sales price	\$262,000	\$367,500
Average square feet of residence	2,008	2,801
Average lot square feet	4,622	13,906 <sup>13</sup>
Total residential tax lots (with sales data)	64,724	1,432
Total number of multi-family residences built and sold post 1997	17,073	0
Share of multi-family residential	26%	0%

*Source: Regional Land Information System (RLIS) tax lot data*

*Analysis only includes tax lots zoned single-family, multi-family, mixed-use, and rural residential*

*Only tax lots with a residence constructed and sold after 1997 are included*

*Limitations: analysis excludes tax lots that have no associated sales data*

Finally, with the designation of a 50-year supply of urban reserves in 2010, the region indicated its desire to grow in a more compact fashion than it has in the past. This intent is expressed in the assumptions that helped to size urban reserves, such as an assumption that future UGB expansions would produce an average of 15 dwelling units per acre over the life of urban reserves. Large UGB expansions in 2010 would set the region on a course of using urban reserves at a faster rate than can be sustained and may compete with efforts to develop the region's centers and corridors.

<sup>13</sup> The average lot size of new construction in recent UGB expansion areas is likely large because there are many such areas that have not yet been zoned at urban densities. Over time, urban zoning is anticipated to reduce this average lot size.

## Recommendation on residential capacity

Since the adoption of the 2040 Growth Concept, cities throughout the region have taken actions that will help create the compact communities originally envisioned in the Growth Concept. As was the case with the 2009 UGR, this staff recommendation is informed by an analysis of likely market responses to public policies and investments. This report describes many of the actions taken at the local and regional level that are expected to encourage development at levels closer to what adopted plans describe. Those actions are “counted” in the Capacity Ordinance to the degree that they are likely to produce results over the 20-year time horizon.

The 2009 UGR identified a residential capacity need for an additional 27,400 to 104,900 dwelling units. Out of that range of need, the efficiency actions described in this document are expected to provide capacity for 32,050 dwelling units.

When making the 2010 growth management decision, the Metro Council must decide where to plan in the range forecast of household demand. If the Council decides to plan for a point that is lower in the household range forecast, there is no need for a UGB expansion. However, the Council may wish to consider planning for more residents.<sup>14</sup> In that event, a UGB expansion would be needed.

In regards to the question of where in the range to plan, policy makers should consider:

- The implications for communities in the larger seven-county region as well as the possible impacts on the region’s transportation facilities if residential growth is displaced.
- The likelihood that actual residential growth will be closer to the middle of the range forecast.
- The fact that the Metro Council will make another growth management decision in 2015, allowing for course corrections, if needed.

To provide the Metro Council with UGB expansion options, staff has analyzed 8,298 acres of urban reserves. Staff’s analysis confirms that these areas are all suitable for long-term urbanization. Out of those 8,298 acres, Metro staff analysis identified several possible UGB expansion options that are particularly worthy of consideration in the 2010 growth management decision. These locations all provide substantial areas of flat or relatively flat land that is unconstrained and can be developed at higher densities with minimal impacts to environmental resources (see Appendix 8 for further details on the analysis). If the Metro Council wishes to plan for a point closer to or in the middle-third of the range forecast, Metro’s Chief Operating Officer recommends consideration of one or more of the UGB expansion options depicted in Figure 19.

---

<sup>14</sup> In the middle third of the 20-year forecast range, there is a gap of 44,100 to 62,100 dwelling units

Figure 19: Metro Chief Operating Officer recommendation on options for residential UGB expansions



The amount of additional capacity that would be added from these expansions would depend on the areas that are included as well as the conditions, if any, that are placed on the expansion. Policy makers should make clear their expectations for any UGB expansion areas.

Each of these potential expansion areas comes with unique opportunities and challenges. Staff believes that additional effort is required to ensure that these potential UGB expansions do not have the same outcomes as UGB expansions of the last decade, where there has been little development and the development that has occurred has often consisted of larger, more expensive homes with relatively low densities. Common challenges include:

- Several of the cities that would be responsible for providing governance are still attempting to complete concept plans for previous UGB expansion areas;
- Many of the cities that would be responsible for providing governance have indicated that they currently are not interested in having a UGB expansion that would add territory to their city;
- Infrastructure funding remains a serious challenge for all jurisdictions;
- Topographical and environmental constraints in many candidate areas may preclude higher-density, mixed-use development;

- Many candidate areas are broken into multiple ownerships that may make higher-density, mixed-use development difficult; and
- In the 20-year timeframe, it is unclear that higher-density development is market feasible in urban fringe locations.

Encouraging mixed-use and multi-family development in future UGB expansion areas will be necessary for producing housing that responds to anticipated changes in demographics and housing preferences. As was noted throughout the UGR's analysis, focused public investments are needed to encourage the development of mixed-use communities. This is the case in existing urban centers and corridors and is likely to be even more important in potential UGB expansion areas that currently lack the amenities and commercial cores necessary to support higher densities. Just as it is needed in existing communities, an investment strategy will be essential to realize the full potential of UGB expansion areas. This is illustrated by MetroScope scenario results that indicate that multi-family development is likely to lag in future UGB expansion areas with the levels of community investment that are likely with current funding sources.<sup>15</sup>

Opportunities and challenges for the UGB expansion options depicted in Figure 19 are described below.

### **South Hillsboro**

The Metro Council may wish to consider expanding the UGB to include 1,063 acres in the South Hillsboro area. Among the urban reserves studied as UGB expansion candidate areas, the South Hillsboro area provides a unique opportunity to achieve different outcomes than can be achieved in most other potential UGB expansion areas.

Demonstrating a considerable amount of political will to build a community in the South Hillsboro Area, the City of Hillsboro has done extensive work to plan for this area. Consequently, this area appears more likely to develop in the short-term than other UGB expansion options. Under the existing South Hillsboro concept plan, this proposed UGB expansion would provide capacity for approximately 7,150 additional dwelling units.<sup>16</sup> At the densities contemplated in the South Hillsboro concept plan, this UGB expansion combined with adopted efficiency measures would be sufficient to address the lower end of the range of residential need identified in the 2009 UGR, but would not add sufficient capacity to address the middle-third of the forecast demand range.

Additional qualities that recommend the South Hillsboro area include:

- Large, flat area with a few landowners that control the majority of the land and that are focused on developing their property

<sup>15</sup> MetroScope scenarios indicate that only 17% of the assumed multi-family capacity in prospective UGB expansions may be developed by the year 2030.

<sup>16</sup> The South Hillsboro concept plan assumes capacity for 8,451 dwelling units. The plan includes two areas (Areas 69 and 71) that were previously added to the UGB. Capacity in areas 69 and 71 are already accounted for in the 2009 UGR. Areas 69 and 71 contribute about 1,300 of the 8,451 dwelling units contemplated in the concept plan.

- Few environmental constraints that are located in such a way that development could occur without significant impact to the resources
- Proximity to Tualatin Valley Highway
- Adjacency to other recent UGB expansion areas, whose development would be facilitated by the development of the larger South Hillsboro area<sup>17</sup>

Because of these unique characteristics, it is important that the region not squander the opportunities that the South Hillsboro area provides. Building a community that makes use of this land's full potential will be critical for ensuring that remaining urban reserves last for their intended timeframe. The City of Hillsboro has already undertaken a planning effort for the area and has indicated its intent to develop the area at 12 dwelling units per net buildable acre. This would exceed the requirement for 10 units per net buildable acre found in Title 11 of the Urban Growth Management Functional Plan, but falls short of the 15 units per net buildable acre assumption that was used to size urban reserves. Constraints in other UGB candidate areas mean that the South Hillsboro area likely needs to achieve higher densities in order to help the region achieve the 15 units per net buildable acre average in future UGB expansion areas.

Developing at 12 units per acre will not come without challenges and building at higher densities will require even more regional collaboration. Infrastructure costs are a major concern, particularly the transportation costs associated with crossing an existing heavy rail line. Planning for additional density in this area is not likely to substantially increase infrastructure costs. Because these costs will be substantial regardless of planned densities, staff proposes that it makes sense to maximize public investments for the greatest return.

However, staff suggests that policy makers also consider whether it may be wise to consider postponing a UGB expansion into South Hillsboro until a later date when economic conditions are more favorable for higher density development. A UGB expansion now may allow parcelization and lower-density development to occur, making more ambitious efforts difficult in the long-term.

Another consideration that should be weighed by policy makers is whether a UGB expansion into South Hillsboro may compete with efforts to foster great communities in downtown Hillsboro and AmberGlen, both of which are already inside the UGB and need focused investments. As described in this report and its appendices, the City is petitioning the Metro Council to designate AmberGlen as a regional center. Focused public and private investments will be needed to make the proposed designation amount to more than a name change.

### **Cornelius South**

The Cornelius South area consists of 210 gross acres. The City of Cornelius supports a UGB expansion in the Cornelius South area and its location close to downtown Cornelius may help support the proposed Town Center that the City is petitioning the Metro Council to designate. The

---

<sup>17</sup> The South Hillsboro area is adjacent to Witch Hazel and Areas 69 and 71, which were added to the UGB in recent years.

Cornelius South area includes a site owned by the Hillsboro School District where it intends to eventually build a high school. A UGB expansion would in this area would allow that to occur.

However, adding residential land to the City of Cornelius will only exacerbate the current imbalance of jobs and housing that Cornelius staff and elected officials often cite. Furthermore, adding land for residential development does not appear likely to improve the fiscal health of the city. The city has requested that the Metro Council consider designating downtown Cornelius a Town Center on the 2040 Growth Concept Map. Adding a new urban area may compete for investments aimed at revitalizing downtown Cornelius. It may also compete with Cornelius' efforts to annex and plan the industrial land that was added to the UGB in 2005.

### **Advance area (Wilsonville)**

The Advance area consists of 316 acres adjacent to the City of Wilsonville. The Advance area is near a previous UGB expansion area that remains undeveloped. Adding the Advance area may offer an opportunity to provide urban services to both areas in a more efficient manner. Alternatively, adding more land in this area may compete with efforts to complete the concept plan for the area added to the UGB in 2002. The Advance area includes an undeveloped site owned by the Wilsonville / West Linn School District where it intends to eventually build a school. A UGB expansion would in this area would allow that to occur.

The city is concentrating on redeveloping its center and has indicated that urban reserve areas adjacent to the city are for longer-term growth aspirations.

### **Maplelane area (Oregon City)**

The Maplelane area consists of 573 acres adjacent to Oregon City. The city is concentrating on redeveloping its center and has indicated that urban reserve areas adjacent to the city are for longer-term growth aspirations. The Maplelane area is near a previous UGB expansion area that remains undeveloped and has not been annexed to the city. Adding the Maplelane area may offer an opportunity to provide urban services to both areas in a more efficient manner. However, adding more land in this area may compete with efforts to complete the concept plan for the area added to the UGB in 2002. Additionally, Oregon City has a requirement that annexations receive voter approval. Any UGB expansion that would add territory to Oregon City would be subject to an annexation vote. The recent history is that proposed annexations have been rejected by voters.

### **Sherwood West**

The Sherwood West area consists of 496 acres adjacent to Sherwood. An additional new urban area in Sherwood may compete for attention with the city's update of its comprehensive plan, development of the Brookman Road expansion area and the planning necessary to prepare the City for future high-capacity transit along the Barbur Boulevard/Highway 99, connecting downtown Portland to Tigard and Sherwood as outlined in the Regional High-Capacity Transit System Plan. Recently, Sherwood has experienced very rapid residential growth but has not seen the same growth in non-residential development, resulting in a jobs-housing imbalance. Adding additional residential land to the city will only worsen the situation.

## ADDRESSING EMPLOYMENT GROWTH

The 2009 UGR included analyses of three different types of employment capacity and demand:

- Non-industrial employment
- General-industrial employment
- Large-site industrial employment

The employment section of this document is organized around these categories.

### **Non-industrial employment**

The 2009 UGR identified a potential capacity gap of zero to 1,168 acres for non-industrial employment. Non-industrial jobs are typically found in population-serving sectors such as education, health care, retail, and finance.

### **Considerations when determining where to plan in the non-industrial employment range**

Because the 2009 UGR identified a range of possible capacity needs, this document provides attempts to frame additional factors for Metro Council consideration as it decides where within the range to plan.

### **Cyclical growth management decisions**

Every five years, the Metro Council makes a new growth management decision. Because of the cyclical nature of these decisions, in the short term, there is a reduced risk of planning for the lower end of the range. If growth occurs at a faster rate than anticipated, corrective actions can be taken in the 2015 growth management decision. This reduced risk is reinforced by a number of other factors described below.

### **Non-industrial employment forecast**

The 2009 UGR indicates that, even at the high end of the forecast range, there is adequate non-industrial employment capacity inside the current UGB through the year 2025. At the middle of the forecast range, there is ample capacity inside the current UGB beyond the year 2030. There is a potential capacity gap of 104 acres at the high end of the middle-third of the forecast range.

### **Preferred locations for non-industrial employment**

Non-industrial jobs are typically best-located close to where people live. Higher-density building formats are feasible and common for these types of employment uses. It is expected that many of the adopted efficiency measures assessed in the residential portion of this analysis will also increase the likelihood that zoned employment capacity will be used more efficiently. These efficiency measures are anticipated to sufficiently address any non-industrial employment capacity gap that may exist.

## Office vacancy rates



Figure 20: Kruse Way (photo: Cathy Cheney, Portland Business Journal)

*“The suburban markets will continue to struggle throughout the year in the face of significant vacancy. Competition for tenants is fierce and concession packages are generous, pushing effective rates down to levels not seen in many years in both the Washington Square/Kruse Way and Sunset Corridor submarkets.” (Grubb and Ellis, 2010)*

Vacant buildings are not counted as capacity in the UGR (aside from being potential sources of redevelopment capacity, depending on market conditions). Current office vacancy rates indicate that there is considerable existing building capacity to be absorbed before there is any need for additional raw land. This is particularly the case in the region’s suburban submarkets. Table 7 summarizes vacancy rates by submarket. These rates are conservative since they do not report tenants seeking sublets to take over unwanted leases.

Table 7: office vacancy rates by submarket, second quarter 2010 (Grubb & Ellis)

Submarket	Vacancy Rate
Portland central business district	10.7%
Clackamas / Sunnyside	13.6%
Columbia Corridor	25.2%
Eastside	7.6%
John’s Landing / Barbur Blvd.	14.4%
Lloyd District	6.2%
Northwest	11.8%
Sunset Corridor	27.6%
SW / Beaverton / Sylvan	17.3%
Tualatin / Wilsonville	36.1%
Washington Sq. / Kruse Way	21.7%
Vancouver suburban	17.6%

## **Recommendation on non-industrial employment**

Based on the factors cited above and the fact that the 2009 found no capacity gap at the middle of the forecast demand range, it is recommended that the Metro Council not expand the UGB to provide additional non-industrial employment capacity.

## **General-industrial employment**

The 2009 UGR found that even at the high end of the employment range forecast, there is adequate capacity inside the current UGB to accommodate the next 20 years of general industrial job growth.<sup>18</sup>

## **Recommendation on general-industrial employment**

Because the 2009 UGR did not identify a capacity gap for general industrial employment, no actions to provide additional general-industrial capacity are recommended.

---

<sup>18</sup> The “general industrial employment” portion of the 2009 UGR looked at industrial land capacity in aggregate, without regard for the configuration or size of individual tax lots. Industrial employment that requires large sites was assessed separately in the 2009 UGR and is addressed separately in this report.

## Large sites for traded-sector industrial uses



Figure 21: SolarWorld site, Hillsboro

Attracting and retaining traded-sector industrial companies is important to the region's economic prosperity. Traded-sector companies sell goods to buyers outside of the Metro region, bringing additional wealth into the region. The 2009 UGR identified demand for an additional 200 to 1,500 acres in sites with 50 or more buildable acres for traded-sector industrial uses.

### Factors that influence an industrial firm's location choices

The Portland metropolitan region competes with other regions around the country and world to attract new industrial firms. A variety of factors can influence an individual company's location choices. These factors may include:

- Availability of suitable sites
- Presence of research institutions
- Transportation accessibility, including freight connections
- Access to a skilled workforce
- Availability of specialized infrastructure and utilities
- Access to venture capital
- Quality of life
- Tax environment
- Public incentives
- Presence of an industry cluster
- Availability of workforce housing
- Proximity of suppliers
- Proximity of markets
- Personal preferences of company executives

## Local and regional efforts to provide additional large industrial sites inside the current UGB

A variety of local efforts are under way to help make better long-term use of large sites already within the UGB and to make the region more attractive to large, traded-sector industrial companies. Some of these efforts are summarized below.

### Employment toolkit

Recognizing that the regional vision is implemented at the local level, Metro has been working with its partners to identify new strategies for employment areas and documenting them in the third volume of Metro's Community Investment Toolkit, *Eco-efficient Employment*, that will be released in fall 2010. Metro's Community Investment Toolkit provides tools that support communities in their efforts to create thriving, vibrant places. This volume provides information on specific tools and best practices that governments can implement for designing employment areas in response to climate change and promoting job opportunities for the 21st century. The strategies described in the toolkit fall into three categories:

- **High Performance Infrastructure:** model approaches for building more environmentally and economically sustainable infrastructure systems that reduce resource waste and demand on our current systems.
- **21st Century design:** code changes and planning tools for designing employment areas that facilitate community, attract industry, and reduce the impacts of climate change.
- **Redevelopment:** strategies for redeveloping and reusing underutilized employment and industrial areas for future economic growth.

### Brownfield cleanup

Around the region, a number of efforts are under way to clean up brownfields. These efforts will eventually make additional large sites available for new industrial uses, but more work is needed before these sites are available. The Portland Harbor is a uniquely situated multi-modal freight transportation hub with marine, airport, freeway and rail access and is home to several traded-sector industries. Despite strong demand for land in the harbor, there remain several important sites that require additional cleanup. Eighteen such sites have river frontage and range from six to nearly 60 acres, totaling just over 333 acres.

### Potential short- term and long-term strategies for providing large sites

During the spring of 2010, Metro convened an MPAC employment subcommittee to discuss strategies for ensuring that the region maintains a competitive supply of large sites to attract traded-sector industrial firms. The recommendations that the subcommittee made to MPAC can be categorized as short-term and long-term strategies.

#### *Potential short-term strategies*

- Strengthen Title 4 of the Urban Growth Management Functional Plan (Industrial and Other Employment Areas) to protect against specific conflicting uses (parks, schools, places of assembly) in Regionally Significant Industrial Areas

- Create a large-site-replenishment system
- When making a growth management decision in 2010, consider factors such as the current trend in unemployment rates, the employment forecast, the need for site choices, and the region's history of developing large lots added to the UGB.

*Potential long-term strategies*

- Pursue new infrastructure funding strategies to make sites development-ready
- Elevate brownfield cleanup to a regional priority
- Require concept planning of urban reserves before UGB expansion
- Revamp Title 4 of the Urban Growth Management Functional Plan to recognize blurry boundaries between employment uses
- Explore the concept of large-lot industrial tax deferral

**Potential large-industrial-site capacity in urban reserves**

Though several cities around the region have long-term programs to provide additional large-site capacity,<sup>19</sup> there currently is no firm basis for counting any of these actions towards the range of 200 to 1,500 acres identified in the 2009 UGR. Consequently, any additional capacity documented in the 2010 Capacity Ordinance will necessarily result from UGB expansions into urban reserves. Designated urban reserves contain many hundreds of farmland acres that are suitable for industrial purposes.

**Urban reserves purpose**

In the past, when expanding the boundary, Metro was required by state land use laws to consider the quality of the soil above everything else. Protecting high quality farm soils is important and that system provided a way to decide where not to develop. But it did not provide a method for determining the ideal locations and conditions for developing vibrant urban communities. With the adoption of urban and rural reserves, the region has a formal method for considering what makes a good site for a city. Areas that are currently outside the UGB and that are suitable for urbanization over the next fifty years have been designated as urban reserves. If the Metro Council chooses to expand the UGB, the expansion will take place in urban reserves.

**Comparison of different UGB expansion options**

The process of narrowing potential options for UGB expansion areas began several years ago with the Shape of the Region study. Throughout 2006, Metro, in partnership with Clackamas, Multnomah and Washington counties; the Oregon Department of Agriculture, and the Oregon Department of Land Conservation and Development, conducted a comprehensive study of the various factors that influence the shape of our region and contribute to the quality of life we enjoy. The study sought to

---

<sup>19</sup> Cities in the region are working to provide eventual large sites through brownfield cleanup, tax lot assembly, or planning new urban areas.

identify how the agricultural economy, natural areas and urban communities all contribute value to this region.

There were three components to the Shape of the Region study:

- An assessment of the agricultural lands surrounding the Metro region and their long-term commercial viability, developed by the Oregon Department of Agriculture
- An inventory of the natural landscape features that define this region
- An analysis of factors that contribute to the development and enhancement of great urban communities

The Shape of the Region study informed the comprehensive and collaborative process that ultimately led to the designation of urban and rural reserves in June 2010. That decision designated 28,615 acres as urban reserves, lands outside the current UGB that will provide for: (a) future expansion over a long-term period and (b) the cost-effective provision of public facilities and services within the area when the lands are included within the urban growth boundary.

The studies and discussions that led to the designation of urban reserves provide a solid foundation for narrowing the options for possible UGB expansion areas for consideration in December 2010. With that base of knowledge, Metro staff worked with city and county staff during the spring of 2010 to identify 8,298 acres of urban reserves for further study as UGB candidate areas. Those study areas are identified in Figure 16. In order to satisfy state law, Metro staff needed to study more acres than were identified as being of interest to cities in the region. Additional information about this analysis can be found in Appendix 8.

During the summer of 2010, several cities identified additional lands that they wished to have evaluated as UGB candidates. In order to conduct the analysis necessary to release this recommendation, staff was not able to honor local requests that were received after June 2010. Metro's Chief Operating Officer has agreed to accept additional requests from cities by September 3, 2010. While any additional proposals will not be included in the recommendation issued for public comment beginning August 10, they will be considered by MPAC and the Metro Council before a final recommendation in October and subsequent public hearings in November. Submittals should include the following:

- A formal letter of support from the governing body of the jurisdiction;
- A map of the subject area; and
- An assessment of how the subject area is responsive to Metro's legislative UGB amendment criteria, contained in Metro Code 3.01.020(c) and (d).

The same factors that were used to assess UGB study areas for residential uses were used for large industrial site uses. A full report is available in Appendix 8.

## **Considerations for determining where in the range to plan for large industrial sites**

Because the range of 200 to 1,500 acres is broad, this document is intended to provide additional information to assist the Metro Council in deciding where within the range to plan. Among the factors to consider are:

- Employment in small businesses
- Employment forecast
- Short-term vs. long-term risks
- Market choices of sites
- Current unemployment rates
- Current industrial building vacancy rates
- History of development on large lots brought into the UGB
- Key traded-sector uses will require cleanup of brownfield sites
- Protection of industrial areas
- Whether a large-site replenishment system will be adopted

### **Employment forecast**

The UGR's original forecast-based assessment indicated that there was unmet demand for 200 to 800 acres in large-lot configurations. However, there are limitations to predicting future large-lot demand with an economic forecast-based approach. Large-lot demand will be the product of the decisions of a relatively small number of large companies along with the broader sector trends anticipated in the forecast. The region's recent history indicates that development of large lots for industrial uses is a relatively rare occurrence.

There are legitimate policy reasons to consider a wider range of demand for large lots, using the initial forecast-based approach for a sense of scale. Doing so gives policy makers the flexibility to weigh the risks and benefits of providing too much or too little large-lot capacity. With that reasoning and on the advice of the Metro Policy Advisory Committee, the range of 200 to 1,500 acres was accepted by the Metro Council.

### **Short-term vs. long-term risks**

The 2010 growth management decision is intended to provide capacity for large-lot industrial employment through the year 2030. However, the Metro Council will again face this question in 2015, allowing for course corrections if necessary. To help foster a prosperous economy, it is important that the Council make a decision that positions the region for prosperity for the next five years, a time period over which the forecast indicates little positive job growth as the economy slowly recovers from the current recession. However, because planning, annexation and infrastructure provision take time, the Council should also consider this decision in light of the longer twenty-year timeframe.

### **Market choices of sites**

Individual industry sectors and clusters have specific transportation network, infrastructure, and labor needs. Efforts to attract firms in these sectors could be more successful if there were a variety of sites from which to choose. When deciding where within the 200-to-1,500-acre range to plan, the Metro Council should consider whether future firms have adequate site choices.

### **Current unemployment rates**

Though land availability is just one factor that affects local employment prospects, it can be an important factor for attracting large, traded-sector industrial employers. Opportunities to create new family-wage jobs should be cultivated, particularly given the Portland metropolitan area's higher-than-average unemployment rate. As of May 2010, the unemployment rate for the Portland region was 10.2 percent (not seasonally adjusted), compared to the United States average of 9.3 percent (United States Bureau of Labor Statistics, 2010). According to the 2009 regional employment forecast, jobs lost during the recession are not expected to be fully recovered until 2014 or 2015.

There are a variety of reasons why the Portland metropolitan area has a track record of higher-than-average unemployment. In part, the region's reliance on the manufacturing sector and, historically, extractive industries have left it susceptible to economic downturns. It is also widely acknowledged that another reason for the Portland area's high rate of unemployment is that the region continues to attract young, well-educated people who arrive despite not having job prospects. In the long-run, the region's youth-magnet status is expected to help the economy turn around (Grubb and Ellis, 2010). Likewise, the high-tech manufacturing sector is anticipated to be one of the first to generate jobs.

### **Current industrial building vacancy rates**

The UGR does not inventory the region's supply of vacant industrial buildings.<sup>20</sup> This is a potential source of additional short-term capacity for some firms. However, many traded-sector firms, particularly those with substantial capital investments in equipment, may prefer to own buildings that are constructed to specification. Nevertheless, current rents and vacancy rates can be informative if taken in context. Rents for existing industrial buildings are at their lowest rates in 10 years,<sup>21</sup> which may encourage more firms to locate in existing buildings, perhaps easing short-term competition for large, vacant parcels.

---

<sup>20</sup> The UGR inventories vacant land capacity and capacity that may be generated through infill and redevelopment. In the case of large lot capacity, the UGR assumes that vacant land was the only potential source of capacity.

As of the first quarter of 2010, the average industrial vacancy rate for the greater Portland market was 8.8 percent (Grubb and Ellis, 2010). Table 8 summarizes industrial vacancy rates by submarket.

**Table 8: Industrial Vacancy Rates by submarket-- First Quarter 2010, Portland, OR (source: Grubb and Ellis)**

Submarket	Total Vacant
217 Corridor / Beaverton	12.4%
Clark County	9.9%
Close-in SE	5.7%
Gresham / outer SE	10.8%
I-5 South Corridor	11.6%
Milwaukie / Clackamas	7.9%
NE / Columbia Corridor	8.9%
Northwest	10.6%
Rivergate	11.4%
Sunset Corridor	7.1%
Swan Island / Close-in NE	1.8%

**History of development on large lots brought into the UGB since 2002**

In 2002, 2004 and 2005, the Metro Council expanded the UGB to provide 20-year capacity for employment growth. These UGB decisions added to the UGB a total of 53 large lots (25 or more gross acres) with Title 4 designations (Industrial and Other Employment Areas). Of those 53



**Figure 22: Genentech, Hillsboro (photo: Genentech)**

large lots, one has developed, resulting in jobs (Genentech in Hillsboro). Genentech currently uses 15 of its 75 acres. These expansions were intended to meet 20-year demand, so it is premature to conclude that the lots are not needed. To date, barriers to development in UGB expansion areas have included city annexation difficulties, shortages of infrastructure funds, and economic

conditions. Meanwhile, there have been a number of recent instances of high-tech manufacturing firms choosing to locate in existing urban areas or existing buildings.<sup>22</sup>

### **Key traded-sector uses will require cleanup of brownfield sites**

The UGR did not include brownfields in its inventory of large lots. Some of these contaminated sites provide irreplaceable marine terminal access. Key traded-sector industries will require marine terminal access and cannot be accommodated through UGB expansions.<sup>23</sup> Clean-up will be essential in order to accommodate these priority sectors. New sources of funding are needed for clean-up. Federal and state legislative changes are needed to reduce future property owner liabilities. However, no new commitments to clean up brownfields have been adopted to support the development readiness of large sites in the region.



Figure 23: Arkema site, Portland (photo: Arkema Group)

### **Protection of industrial areas**

Title 4 (Industrial and Other Employment Areas) of the Urban Growth Management Functional Plan seeks to provide and protect a supply of sites for employment by limiting the types and scale of non-industrial uses in Regionally Significant Industrial Areas (RSIA), Industrial and Employment Areas. In recent years, the Metro Council and others have expressed concern that Title 4 does not preclude certain non-industrial uses. Metro's Chief Operating Officer recommends that the Metro Council consider adopting changes to Title 4 that would prohibit schools, places of assembly, and parks in RSIA. These restrictions would apply to existing and future RSIA-designated lands, including any areas added to the UGB in 2010 and designated RSIA. These changes would help to protect the region's long-term supply of large industrial sites and would reduce the potential risk of planning towards the higher end of the 200-to-1,500-acre range.

### **Large-site replenishment mechanism**

As described in the section of this document on proposed Framework and Functional Plan changes, Metro's Chief Operating Officer recommends the creation of a large-site replenishment system that ensures that the region maintains a competitive supply of large sites inside the UGB for traded-sector industrial uses. Having this type of system in place would reduce the risk of planning towards the lower end of the 200-to-1,500-acre range.

<sup>22</sup> Recent examples include Solaicx in Portland, Sanyo in Salem, XsunX in Wood Village, Oregon Crystal Technologies and Solexant in Gresham, Uni-Chem in Eugene, and SolarWorld and Allvia in Hillsboro.

<sup>23</sup> The 2009 forecast did not determine what share of future employment would require marine terminal access. In some cases, marine terminal uses have relatively less-intensive employment, but play a critical role in the regional economy for freight movement.

## Recommendation on large-site industrial capacity

The 2009 UGR indicated that there is traded-sector-industrial demand for 200 to 1,500 additional acres on sites with 50 or more acres. Metro's Chief Operating Officer recommends that the region support the traded-sector economy by maintaining an adequate supply of large industrial sites with the following actions:

- Elevate brownfield cleanup to a regional priority and target efforts on large industrial sites within the Urban Growth Boundary;
- Limit division of large industrial sites;
- Create a large-site inventory<sup>24</sup> and a system to replenish this inventory upon development;
- Strengthen protection of key traded-sector industrial sites by prohibiting new schools, places of assembly and parks and recreational facilities; and

With the above conditions assumed, Metro's Chief Operating Officer recommends that the Metro Council strategically add 310 acres of industrial land to the urban growth boundary north of Hillsboro. This expansion should only be made if there is certainty that this land will supply lots over 50 acres. This recommended UGB expansion for industrial employment is depicted in Figure 24. Staff believes that this area lends itself to large-site industrial development for the following reasons:

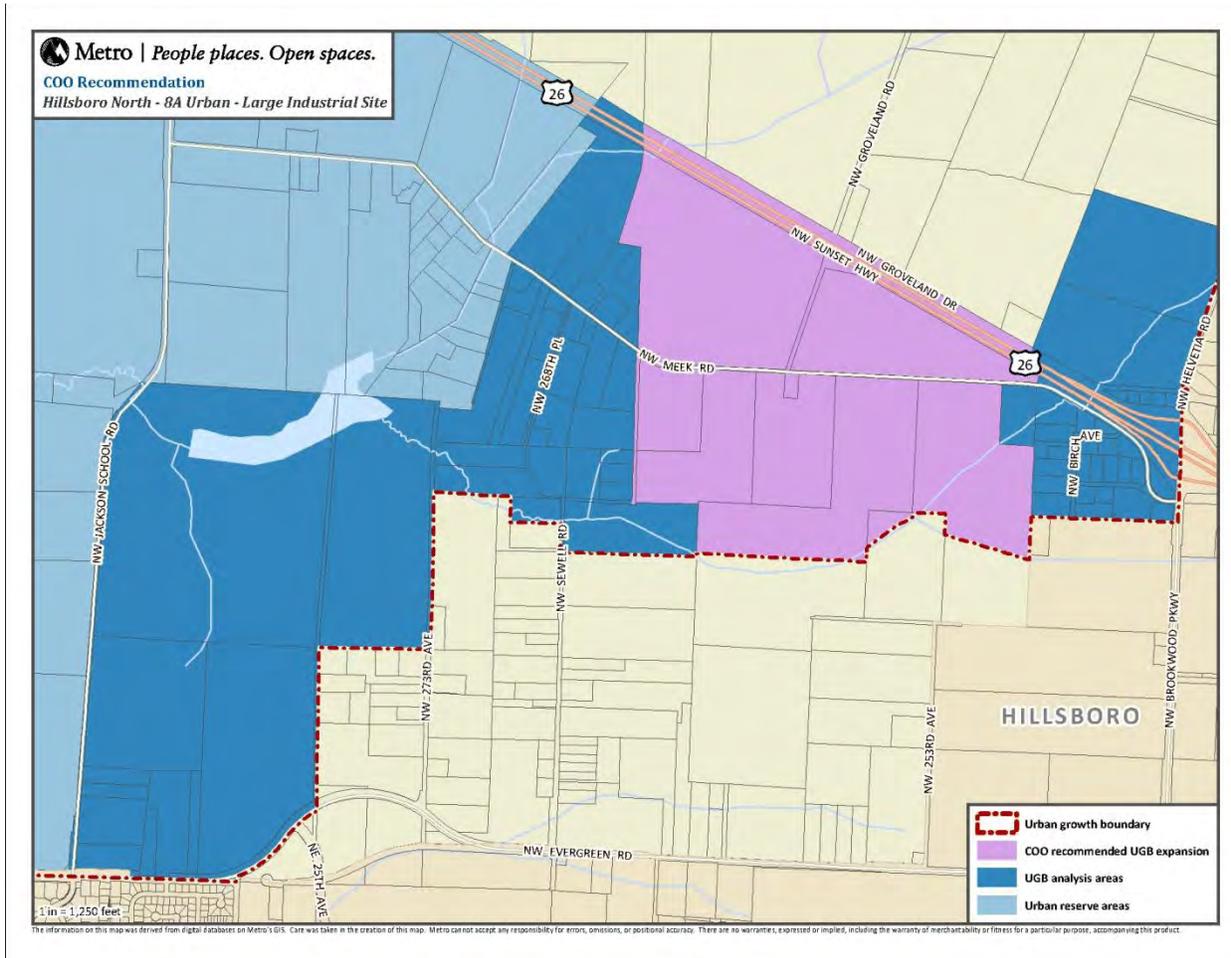
- The site is flat, a requirement for the large industrial building format
- Infrastructure services could be extended from future development of the Evergreen area
- The site has access to Highway 26
- The site would complement an existing high-tech manufacturing cluster in the City of Hillsboro
- The City of Hillsboro has a track record of successfully delivering infrastructure services to UGB expansion areas
- The City of Hillsboro is actively engaged in efforts to recruit high-tech manufacturers

If the Council wishes to plan for a higher point in the range of large-site industrial demand, there are additional urban reserves north of Hillsboro that are suitable.

---

<sup>24</sup> For the purposes of this inventory, large sites are defined as single or contiguous tax lots in common ownership, totaling at least 50 gross buildable acres that have been designated under Title 4 as Industrial or Regionally Significant Industrial Areas. The large-site inventory is described in more detail in Appendix 5.

Figure 24: Metro Chief Operating Officer recommended UGB expansion to meet large-site industrial employment demand



To ensure that the area is protected for industrial uses, Metro’s Chief Operating Officer recommends that the Metro Council apply the Regionally Significant Industrial Area designation to this expansion area. Recommended changes to Title 4 (Industrial and Other Employment Areas) of the Urban Growth Management Functional Plan would prohibit several uses in Regionally Significant Industrial Areas. Prohibited uses would include new schools, places of assembly, recreation facilities and parks (with exceptions for habitat protection).

In weighing large-site industrial growth management options, policy makers should consider several questions, including:

- Will the proposed UGB expansion help the region to achieve its six desired outcomes?
- What conditions, if any, should be placed on this proposed UGB expansion area? What conditions or tools would encourage landowners to assemble their tax lots, making the site more development ready?

If the Metro Council expands the UGB as proposed, the region would have a supply of 18 large industrial sites inside the UGB.<sup>25</sup> To maintain this target number of large industrial sites inside the UGB, Metro staff recommends that the Council consider adopting the large-site replenishment system described in Appendix 5.

## **PROPOSED UPDATES TO THE REGIONAL POLICIES**

The region has worked for the last 15 years to implement its long-range plan, the 2040 Growth Concept. The Regional Framework Plan and the Urban Growth Management Functional Plan have helped to guide those efforts. In some cases, however, it has become clear that these implementing plans need updating to reflect today's better understanding of how to support community and regional goals. Likewise, contemporary concerns such as global climate change may deserve greater recognition in regional plans.

Over the years, the Metro Council, MPAC, and the Metro Technical Advisory Committee (MTAC) have sought several updates to these plans. The proposed updates would help the region to realize its long-term vision and would support the 2010 growth management decision.

### **Proposed changes to the Regional Framework Plan**

The Regional Framework Plan was originally adopted in 1997. The Framework Plan is a statement of the Metro Council's policies concerning land use, transportation and other planning matters that relate to the implementation of the 2040 Growth Concept.

In June 2010, the Metro Council adopted several changes to the Framework Plan as a part of the urban and rural reserves ordinance (Ordinance no. 10-1238A). Those changes to the Land Use chapter of the Framework Plan are:

- A new section that describes Metro Council policy on urban and rural reserves
- An updated section that sets Metro Council policy on the management of the urban growth boundary
- An updated section on neighbor cities in light of the urban and rural reserves decision
- A repeal of the section on protection of Agriculture and Forest Resource Lands in light of the designation of rural reserves

Based on Council and advisory committee discussion over the last few years, Metro staff proposes a number of additional updates to the policies set forth in the Land Use chapter of the Framework Plan. Staff believes that the proposed changes remain true to the original intent of the 2040 Growth Concept and more clearly articulate the Metro Council's policy positions.

---

<sup>25</sup> For the purposes of this inventory, large sites are defined as single or contiguous tax lots in common ownership, totaling at least 50 gross buildable acres that have been designated under Title 4 as Industrial or Regionally Significant Industrial Areas. The large-site inventory is described in more detail in Appendix 7.

The proposed changes to the Land Use chapter of the Framework Plan are summarized below. The full text of the proposed update to the Framework Plan is included as Exhibit A to the draft Capacity Ordinance. A redline version is also included to show proposed changes.

### **Use the defined six desired outcomes for a successful region to guide growth management decisions**

In June 2008, the Metro Council, with the endorsement of MPAC, adopted Resolution no. 08-3940 which defined six desired outcomes for a successful region. Staff proposes incorporating the six desired outcomes into the Framework Plan to give them more official status as Metro Council policy. The six desired outcomes are:

- People live and work in vibrant communities where they can choose to walk for pleasure and to meet their everyday needs.
- Current and future residents benefit from the region's sustained economic competitiveness and prosperity.
- People have safe and reliable transportation choices that enhance their quality of life.
- The region is a leader in minimizing contributions to global warming.
- Current and future generations enjoy clean air, clean water and healthy ecosystems.
- The benefits and burdens of growth and change are distributed equitably.

These would replace the fundamentals currently found in the Framework Plan.

### **Measure performance to guide growth management decisions**

The Metro Council has expressed its desire to take an outcomes-based approach to growth management. Reporting the region's historic and forecasted performance is an important element of implementing that type of decision-making model. Staff proposes that the Framework Plan should express the intent to provide performance information to help guide growth management decisions.

### **Prioritize public investments in Centers, Corridors, Station Communities, Main Streets, Employment and Industrial Areas**

The region intends to focus population and employment growth in centers, corridors, station communities, main streets and employment areas, but has not yet expressly stated its intent to strategically invest scarce public dollars in these specific 2040 design types. Staff proposes making this policy intent explicit.

### **Encourage elimination of barriers to compact, mixed-use, pedestrian-friendly and transit-supportive development in centers, corridors, station communities, and main streets**

Since the adoption of the 2040 Growth Concept, some of the barriers to compact development have become more apparent (such as some parking requirements). Staff proposes that the Framework Plan should be amended to expressly state that it is the policy of the Metro Council to encourage the elimination of such barriers in targeted 2040 design types. Staff also proposes that the Framework

Plan should underline the importance of creating the conditions for infill and redevelopment to occur in targeted 2040 design types.

**Address housing affordability through a combination of actions, including investments in transportation facilities and transit services that make transportation more affordable, which in turn make more household income available for housing and other needs**

An unintended side effect of improving communities is that they often become more expensive places to live, reducing housing options for lower-income or fixed-income households. Second to housing costs, many households spend a substantial portion of their income on transportation expenses. Metro staff proposes that it be the policy of the Metro Council to take a holistic approach to ensuring an affordable cost-of-living that acknowledges both housing and transportation costs. This would be an addition to existing housing affordability policies.

**Provide affordable housing in UGB expansion areas**

Planning for new urban areas offers a unique opportunity to ensure that development forwards community and regional goals. A commonly-held goal is that households of a variety of incomes have choices of where to live. Metro staff proposes that it should be the policy of the Metro Council to ensure that affordable housing is addressed in planning for new urban areas. Councilor Robert Liberty is convening a group of MPAC members to come up with new policy language.

**Provide urban areas with access to parks, trails and natural areas**

Currently, the Land Use chapter of the Framework Plan addresses access to parks, trails and natural areas in several sections. Staff proposes that an integrated system of parks, trails and natural areas is essential for fostering vibrant communities and that it should be a clearly stated Metro Council policy to provide urban areas with access to these amenities. The proposed change would add a section to the Land Use chapter that would specifically address this policy.

**Strengthen employment in the region's traded-sector industries**

Attracting and retaining traded-sector industrial firms is important to the region's economic prosperity. Traded-sector industrial firms sell products to consumers elsewhere in the country and world, bringing wealth into the Metro region. MPAC and its 2010 employment subcommittee proposed that the Metro Council should consider adopting a policy to maintain a supply of large sites for traded-sector industrial uses inside the UGB.

Staff's proposal for implementing such a system is described in concept in Appendix 5 and the proposed implementing legislation is found in Titles 4 and 14 of the Urban Growth Management Functional Plan (proposed revisions are described later in this document). With a large-industrial-site replenishment system, a target number of large vacant sites would be maintained inside the UGB. If construction begins on a large site, within a year the target inventory would be replenished either through tax lot assembly or brownfield cleanup. If a site is not made available through an efficiency measure, a fast-track UGB expansion would be made into urban reserves. In order to reflect changing economic conditions, the target number of sites would be reassessed every five years in a new UGR.

## **Proposed changes to the Urban Growth Management Functional Plan**

The Urban Growth Management Functional Plan contains the detailed requirements that are intended to lead to implementation of the 2040 Growth Concept and the policies found in the Framework Plan. City and county comprehensive plans and implementing ordinances must be consistent with the Functional Plan. Experience has pointed to the potential need to revise portions of the Functional Plan to lead to more effective implementation of the 2040 Growth Concept. Some proposed changes are also necessary to make the Functional Plan conform with proposed changes to the Framework Plan.

As a reminder, the Metro Council has recently made several changes to the Functional Plan:

- On June 10, 2010, the Metro Council, as part of its consideration of the 2035 Regional Transportation Plan, repealed Title 2 (Regional Parking Policy) and included the topic in the revised Regional Transportation Functional Plan. (Ordinance no. 10-1241A)
- As part of its June 10, 2010 decision on urban and rural reserves, the Metro Council repealed Title 5 (Neighbor Cities and Rural Reserves) and amended Title 11 (Planning for New Urban Areas). (Ordinance no. 10-1238A)

### **Title 1 (Requirements for Housing and Employment Accommodation)**

Currently, Title 1 specifies minimum zoned capacity for jobs and housing for each city and unincorporated area within the UGB. Many cities have now exceeded these requirements. Staff proposes that Title 1 should apply to housing capacity only and that Table 1, which specifies minimum zoned capacities for each city and each county's unincorporated areas, should be replaced with a no-net-loss policy. The proposed Title 1 and a redline version are included as Exhibit D to the draft Capacity Ordinance.

### **Title 4 (Industrial and Other Employment Areas)**

Title 4 is intended to protect industrial areas and the public facilities that serve them from conflicting uses. Title 4 does not, however, prohibit several uses that have occurred that diminish the region's capacity for industrial employment. Staff proposes that Title 4 be amended to prohibit new schools, places of assembly, recreational facilities and parks (with exceptions for habitat protection) in Regionally Significant Industrial Areas. Staff also proposes amending Title 4 to implement the large-site replenishment concept, which is described in Appendix 5. Proposed revisions to Title 4 include limitations on the division of tax lots that comprise large sites. The proposed Title 4 and a redline version are included as Exhibit E to the draft Capacity Ordinance.

### **Title 6 (Central City, Regional Centers, Town Centers and Station Communities)**

Many of the Corridors identified on the 2040 Growth Concept map have tremendous potential for revitalization. Currently, Title 6 seeks to encourage development in centers and station communities but is silent on corridors. Staff recommends the inclusion of corridors in Title 6 and revisions that include provisions that would link strategies for centers and corridors with a community investment strategy. Staff also recommends revisions to Title 6 that would provide local jurisdictions with a safe harbor for addressing the state Transportation Planning Rule as they

update plans for their communities. The proposed Title 6 is included as Exhibit H to the draft Capacity Ordinance. Proposed changes are minimal, so no redline version is provided.

To identify investment priorities and to provide local jurisdictions with a means to address Transportation Planning Rule requirements, staff proposes that the Metro Council adopt a revised Title 6 map, which would depict center boundaries and indicate instances where a city had officially adopted center boundaries.<sup>26</sup> Proposed revisions to Title 6 would make cities that have adopted official center boundaries eligible for regional investments.

In 2009, Metro released a State of the Centers Report that profiled the region's 37 town and regional centers, reporting the numbers of people, types of businesses, and activity levels (such as whether the centers are intended to be 18- or 24-hour communities) in each center. These descriptions generally resonated with city and county elected officials and staff, allowing them to envision how their communities might grow. Staff proposes that setting targets for activity levels in the Functional Plan for targeted 2040 design types (such as centers and corridors) would help communities and their elected officials to examine whether current policies are likely to produce desired community outcomes.

### **Title 8 (Compliance Procedures)**

Title 8 outlines the requirements for local jurisdiction compliance with the provisions of the Functional Plan. Experience has demonstrated that the compliance process and annual compliance reporting place onerous burdens on cities, counties, and Metro. The Metro Council has indicated its desire to emphasize a more collaborative, outcomes-based approach to implementing the 2040 Growth Concept. Consequently, staff recommends revisions to Title 8, which would streamline the compliance process. The proposed Title 8 and a redline version are included as Exhibit I to the draft Capacity Ordinance.

### **Title 9 (Performance Measures)**

Staff recommends repealing Title 9, which calls for a biennial report on performance and specifies several performance measures that should be included. Competing staffing priorities have resulted in sporadic completion of the performance report. Additionally, the Functional Plan is intended to articulate requirements for cities and counties, not for Metro. As written, Title 9 instructs Metro to track performance. The Functional Plan is, therefore, not the appropriate location for this type of requirement.

As part of an outcomes-based approach to growth management, performance measures (historic and forecasted) have been incorporated into the 2009 urban growth report and this report. These measures of performance include such factors as the share of the region's households and jobs in centers and corridors, the percentage of residential units built through redevelopment or infill (refill) and measures of affordability for residents. These measures will continue to be tracked to illustrate progress in meeting the region's six desired outcomes. Staff believes that this approach to performance reporting is more useful for informing policy decisions.

---

<sup>26</sup> The proposed Title 6 map is included as Exhibit H to the draft Capacity Ordinance

Other efforts are underway that will refine measures of performance and link the reporting directly to decision-making. These efforts include the analysis proposed in the Climate Prosperity initiative<sup>27</sup>, the Climate Smart Communities program<sup>28</sup>, and in the next Nature in Neighborhoods<sup>29</sup> reporting. Additionally, the “Greater Portland Vancouver Regional Indicators” project being led by the Portland Institute for Metropolitan Studies will provide periodic performance reporting on a variety of measures. Through the engagement of a diverse group of stakeholders, the Regional Indicators project will define desired outcomes, measures, and targets for a broad range of economic, environmental and equity factors. The Metro Council and Metro’s policy advisory groups will be able to consider these results to inform policy decisions.

### **Title 10 (Functional Plan Definitions)**

If the Metro Council decides to adopt some or all of the proposed changes to the Urban Growth Management Functional Plan and the Transportation Functional Plan, it will be necessary to revise definitions in Title 10. The proposed Title 10 is included as Exhibit K to the draft Capacity Ordinance. Given the purpose of Title 10, no redline version is provided.

### **Title 14 (Urban Growth Boundary and Urban Reserves)**

Currently, urban growth boundary and urban reserves procedures are located in Metro Code Chapter 3.01. Staff proposes repealing Chapter 3.01 and moving its contents to a new Title 14 of the Urban Growth Management Functional Plan. This change will make it easier for local government staff and the public to find the requirements associated with the UGB and reserves. Title 14 would also implement the previously described large-site replenishment concept. The proposed Title 14 is included as Exhibit M to the draft Capacity Ordinance. Because this is a new title, no redline version is provided.

## **Proposed 2040 Growth Concept map changes**

### Center designations

Initially adopted in 1995, the 2040 Growth Concept presents a vision that guides development in the region. The 2040 Growth Concept Map illustrates this regional vision through the designation of centers, corridors, employment and industrial areas and other regional transportation, parks, trails and natural area features. Though local jurisdictions determine the boundaries of their centers and corridors, changes to the location or type of Center on the map require Metro Council action. In

---

<sup>27</sup> The Portland Metro Climate Prosperity Greenprint is the joint effort of public and private sector representatives from the Portland metropolitan area. It provides a roadmap to accelerate the region’s leadership in green development and clean technology. It starts from the premise that the Portland metropolitan region can simultaneously strengthen its economy, reduce carbon emissions, and maintain a focused leadership position in the global green economy.

<sup>28</sup> Under legislation passed in 2009 (House Bill 2001), Metro, as the Metropolitan Planning Organization for the Portland metropolitan area, must plan for reductions in transportation-related carbon emissions. The State of Oregon will provide Metro with greenhouse gas reduction targets in 2011. Metro is actively engaged with local elected officials and advisory committees to begin the scope of work on developing scenarios for consideration in 2012.

<sup>29</sup> Nature in Neighborhoods is Title 13 of Metro’s Urban Growth Management Functional Plan. The purpose of this title is to conserve, protect and restore a continuous ecologically viable streamside corridor system that is integrated with upland wildlife habitat and the surrounding urban landscape.

making their determination, Council must consider consistency between the changes and adopted center and corridor policies.

Three local jurisdictions, Happy Valley, Cornelius and Hillsboro, have requested changes to centers on the 2040 Growth Concept Map in order to better align their development aspirations with regional policies and investments. The Chief Operating Officer recommends that Metro Council approve these changes as illustrated in the revised 2040 Growth Concept Map as shown in Exhibit O. These requests are to:

- Relocate the existing Town Center in Happy Valley from King Road to Sunnyside and SE 172nd Avenue, about two miles to the east.
- Change the Main Street designation in downtown Cornelius to a Town Center designation.
- Expand the existing Tanasbourne Town Center to include the adjacent AmberGlen area and change the designation from a Town Center to Regional Center.

As described in more detail in Appendix 6, these changes are consistent with existing Metro policy. They are also consistent with newly proposed policies for centers that would link regional investments with local actions. In order to receive the benefits of regional investments, these centers will be expected to implement the mix and intensity of zoning, parking management, street and access improvements and other investments that support walkable areas, productive bus or high-capacity transit service and leverage successful private investments. In order to develop as successful, vibrant centers, the Chief Operating Officer advises that, if the Council approves these changes, the Council should be explicit in its expectations for local actions. Each center will require additional investments and actions, including:

- Additional development and intensity in Happy Valley Town Center necessary to support transit service, mixed-income housing, public spaces, and employment.
- Continued and more diverse public, private and non-profit partnerships to supplement the limited resources in Cornelius to help develop their downtown as a 2040 Town Center.
- New implementation strategies in Hillsboro's AmberGlen/Tanasbourne area to encourage the provision of mixed-income housing, densities necessary to support future high-capacity transit and to achieve non-single-occupant-vehicle targets, and bring the existing development up to the mixed-use and multi-modal transportation standards envisioned for a Regional Center.

The revised 2040 Growth Concept Map in Exhibit O also includes some changes to the depiction of the major highways and arterials, high capacity transit lines, parks, trails, and open space in order to reflect the new Regional Transportation Plan investments, changes to Vancouver and Clark County Plans and other updates. In addition to identifying the urban growth boundary location, the 2040 Map now depicts adopted urban and rural reserves.

#### Title 4 Map designations

The Title 4 Map depicts the locations that are subject to the provisions of Title 4 of the Urban Growth Management Functional Plan (Industrial and Other Employment Areas). Title 4 is intended to protect industrial areas and the public facilities that serve them from conflicting uses. Staff has

received formal requests from Oregon City and Tigard to amend the Title 4 Map. Staff anticipates including a proposal for these amendments to the Title 4 map in the Capacity Ordinance that will be considered by the Metro Council in December 2010. Additional information regarding this proposal will be available in the fall of 2010.

## **LONGER-TERM RECOMMENDATIONS**

In the course of the public discussion of the 2009 UGR and the 2010 Capacity Ordinance, there have been several recurring topics that deserve greater attention in coming years. No specific action is recommended on these issues in the context of the 2010 Capacity Ordinance, but staff recommends that they be considered as future work programs.

### **Protect industrial lands**

Stakeholders have indicated the importance of maintaining a competitive supply of large sites to attract traded-sector industrial firms. Regulations are essential for protecting large industrial sites from conversion to non-industrial uses. However, there is a need to tailor land use regulations and other strategies to achieve a better balance of public and private sector benefits and burdens. MPAC has recommended further work on two possible options:

#### Balance public and private interests with a large-lot industrial tax deferral program

Oregon's farm use tax assessment program could serve as a model for tax assessment of large, vacant industrial sites. Under the farm use assessment system, lands kept in active farm use are assessed at a lower rate through use of a tax deferral. The MPAC employment subcommittee recommended Metro staff research the feasibility of an industrial tax deferral program. Such a system could offset the use restrictions placed on these sites as they await industrial development. The program would also seek to ensure that public infrastructure investments serve their intended purpose (to serve future industrial areas). Depending on the circumstances, market-rate back taxes could be collected on properties that get used or rezoned for non-industrial purposes.

MPAC also recommended further exploration of the applicability of this concept for large, vacant industrial sites. Because this type of program would require legislative changes, it is a longer-term recommendation.

#### Issues for further discussion regarding a large lot tax deferral system

- How much foregone tax revenue would such a system entail? Are there other funding mechanisms that could limit the fiscal impacts to cities if this program were instituted?
- What are the financial incentives and disincentives that would need to be created in order for the program to work? For example, what level of back taxes may need to be incurred to discourage conversion of industrial land to non-industrial uses?
- Is there a way to use this type of program as an incentive to encourage lot assembly?
- What legislative changes would be necessary and how likely is it that efforts to change the law would be successful?

### Focus Title 4 of the Urban Growth Management Functional Plan on protecting Regionally Significant Industrial Areas

Title 4 of the Urban Growth Management Functional Plan seeks to provide and protect a supply of sites for employment by limiting the types and scale of non-industrial uses in Regionally Significant Industrial Areas, Industrial and Employment Areas. In the longer-term (during 2011), MPAC recommended changes to Title 4 and the Title 4 map. These changes would implement the recommendations of the 2004 Greater Metropolitan Employment Lands Study (GMELS). Generally, the proposed changes are:

- Work with local governments in the region to identify key industrial sanctuaries with unique site characteristics or infrastructure facilities.
- Focus regulations on protecting the region's most important industrial areas and their associated public facilities (e.g. transportation facilities)
- Loosen regulations in other employment areas to allow for a wider range of uses that reflects the sometimes blurry lines between industrial and non-industrial uses

### **Monitor development in UGB expansion areas**

UGB expansions into urban reserves will represent an attempt to improve on the outcomes of previous UGB expansions which, for a variety of reasons, have sometimes failed to develop. Typical obstacles to development have included:

- Infrastructure funding shortfalls
- Infrastructure funding timing issues (system development charges do not provide up-front funding)
- City annexation issues
- Concept plan disagreements
- Lack of development demand in some locations
- Topography

Though state law requires Metro to assess the likelihood that local and regional actions and investments will increase development inside the UGB, there is not a similar burden of proof that there are public resources to pay for infrastructure in UGB expansion areas. In light of this, staff recommends ongoing monitoring of development in UGB expansions. If, over the longer-term, UGB expansions into urban reserves fail to develop, staff recommends working with the legislature to create a requirement for a finding that urban services and municipal governance can be provided and development is likely to occur in UGB expansion areas in order to expand the boundary. State law requires Metro to assess the likelihood that local and regional actions and investments will increase development inside the UGB. The burden of proof should at least be in balance, allowing a

richer conversation about investing in existing communities or choosing to develop farm and forest land. Staff also recommends a policy discussion about the relationship among land use law, city government and municipal finance. The lack of connection among these topics makes implementation of good planning challenging.

### **Monitor performance**

One aspect of implementing an outcomes-based approach to growth management is to have reliable performance information and targets. This report and the 2009 UGR attempt to provide performance information, including scenario results, to inform policy deliberations. There is, however, a need for ongoing work to further refine performance measures, data collection, and the process for how performance information gets used in policy decisions. Staff recommends that this work proceed on several fronts, including staff and Council engagement in the Climate Prosperity initiative, the Climate Smart Communities program, and the Regional Indicators project.

## ADVISORY COMMITTEE AND PUBLIC REVIEW PROCESS AND TIMELINE

The recommendations described in this document are being released now to allow for further discussions to inform the growth management decision that the Metro Council intends to make in December 2010. A draft of the Capacity Ordinance that will be considered by the Metro Council in December 2010 is included as an attachment to this report. Discussions this fall represent a continuation of the last several years of dialogue on how the region can best position itself to foster communities that best embody the six desired outcomes. During the fall of 2010, a number of open houses will be held to allow for members of the public to comment on the proposed strategies. During the fall, proposed strategies will also be discussed on several occasions by MTAC and MPAC, including topics such as:

- Where in the residential forecast range should the Metro Council plan?
- The 2009 UGR identified unmet demand for 200-to-1,500 acres in large-site configurations for traded-sector industrial uses. Where within this range should the Metro Council plan?
- If UGB expansions are to be made, where should they occur?
- How might UGB expansions benefit existing communities?
- How would necessary public facilities be paid for in UGB expansion areas?
- What conditions should be attached to any UGB expansions?
- Are the proposed updates to the Regional Framework Plan and the Urban Growth Management Functional Plan likely to lead to improved regional and community outcomes?
- Should the Metro Council adopt proposed changes to the 2040 Growth Concept map, recognizing new center boundaries and new centers?
- How might the region collaborate to move forward with a community investment strategy?

### Next steps

- Fall 2010:** MPAC and MTAC discussions of growth management options; open houses to solicit public input
- December 2010:** The Metro Council will submit plans to accommodate at least 50 percent of any 20-year capacity need (through local and regional actions inside the boundary or through expansions) to the Oregon Land Conservation and Development Commission. The Metro Council intends, however, to make a complete growth management decision in December 2010.
- December 2011:** Final state deadline to accommodate identified 20-year capacity need through urban growth boundary expansions. The Metro Council intends, however, to make a complete growth management decision in December 2010.

## Bibliography

City of Hillsboro. (2010). *AmberGlen Community Plan*. Hillsboro.

Davis, Hibbitts, and Midghall, Inc. (2009). *Public Attitudes about Quality of Life and Growth Management Issues*. Portland.

Grubb and Ellis. (2010). *2010 Forecast Report: Portland*. Retrieved March 29, 2010, from Grubb and Ellis: <http://www.grubb-ellis.com/forecast2010/ReportLoader.aspx>

Grubb and Ellis. (2010). *First Quarter 2010 Office Trends Report: Portland*. Portland: Grubb and Ellis.

Grubb and Ellis. (2010). *Industrial Trends Report - First Quarter 2010 Portland, OR*. Retrieved May 7, 2010, from Grubb and Ellis: <http://www.grubb-ellis.com/SitePages/GetFileFromDB.ashx?type=9&id=545>

Leinberger, C. (2010, June). Here Comes the Neighborhood. *The Atlantic Monthly* .

Leinberger, C. (2008, March). The Next Slum. *The Atlantic Monthly* .

MacLean, N. J., & Kennedy, C. (2006). Comparing High and Low Residential Density: Life-Cycle Analysis of Energy Use and Greenhouse Gas Emissions. *Journal of Urban Planning and Development* , 132 (1), 10-21.

Nelson, A. C. (2006). Leadership in a New Era. *Journal of the American Planning Association* , 72 (4), 393-409.

The Expert Advisory Group on Developing Centers and Corridors. (2009). *Achieving Sustainable, Compact Development in the Portland Metropolitan Area: New Tools and Approaches for Developing Centers and Corridors*. Portland: The Institute for Portland Metropolitan Studies.

United States Bureau of Labor Statistics. (2010, May). Retrieved May 2010, from United States Bureau of Labor Statistics: <http://www.bls.gov/web/laummtrk.htm>

United States Environmental Protection Agency. (2010). *Residential Construction Trends in America's Metropolitan Areas*. Washington, D.C.: EPA.

Urban Land Institute / PricewaterhouseCoopers. (2010). *Emerging Trends in Real Estate 2010*. Washington, D.C.: Urban Land Institute.