



October 15, 2009

David Bragdon, President
Metro Council
600 NE Grand Avenue
Portland, Oregon 97232

Dear David:

Thank you for the opportunity to comment on the Chief Operating Officer Michael Jordan's Report and Recommendation for "*Making the Greatest Place*" (the Recommendation). We appreciate the many hours of work that have gone into this effort and recognize that the integration of land use and transportation policies, planning and investments is the cornerstone for accomplishing many of our regions' desires. In this region, where incentives are limited and regulation is not, these same levers - land supply and transportation investment - have a profound effect on our region's attractiveness for job growth and economic vitality.

Measures of economic performance, including unemployment rate and per capita income growth, indicate we are facing some of the worst economic challenges since the early '80s. However, only one of the 16 performance measures in the Recommendation relates to economic prosperity ("wealth creation"), and none relate directly to economic competitiveness. From my perspective, we do not have the right formula or focus, to influence a positive sustainable outcome for this region's economy without taking major action. For that reason we would like to discuss some of the current assumptions in "*Making the Greatest Place*" and propose changes for your consideration. Detailed discussion of these issues is attached.

Industrial land supply within the Urban Growth Boundary (UGB)

The Urban Growth Report (UGR) suggests that we have an adequate supply of industrial land within the UGB, but much of it is not ready for development due to substantial constraints including brownfield status, location or lack of infrastructure, and regulatory overlays. A fundamental for economic growth is land supply. The land must be the right amount in the right location for the needed purpose. The availability of industrial land that is developable for the expected market is the key.

To address the issues of industrial land supply, we **recommend** Metro:

1. Take an active role in reconciling conflicting policies and implementation at both the regional and local level to ensure an adequate supply of industrial land is available for our region's projected growth.
2. Link the UGR and transportation investment strategy with industry cluster needs and expand the industry cluster list to include a broader representation of the region's employment base. This includes a hard look at the role of trade, transportation and distribution and logistics in the regional economy.

3. Commit resources to redevelopment of brownfields within the UGB, using the Transit Oriented Development model, - which underwrites land cost to facilitate development.

Employment Land Forecast Assumptions

While we appreciate Metro's effort to develop a new employment demand paradigm as a part of the forecast, we remain concerned about some critical gaps in the methodology and assumptions. For example, the forecast does not address land supply needs associated with commodity flow forecasts and associated freight facilities. In addition, the assumptions associated with declining capture rate are not well explained and the implications are not adequately discussed in the Recommendation. Metro's declining capture rate stands in sharp contrast to the doubling of the capture rate proposed by the City of Portland in their Economic Opportunities Analysis for the Portland Plan. It also does not comport with the historical capture rate of the region. Tim Duy, an economist with the University of Oregon, states that:

"...if you assume firms will locate outside the core, and then you do not plan for sufficient growth and infrastructure opportunities, then firms will be forced into the periphery. Or avoid the region altogether..."

To address these concerns, we **recommend** Metro:

1. Modify the capture rate to reflect a more aggressive effort at capturing economic activity in this region.
2. Reconcile the large lot land demand needs among major jurisdictions within the region to reflect the "State Goal 9: Economic Development" methodology and approach.
3. Account for freight facility demand in its evaluation of industrial land supply.
4. Account for land needs associated with commodity flows and the international gateway function of the Portland region.

Urban Reserves for Future Growth

We believe based on our industrial land development experience that the Recommendation includes an insufficient aggregate amount of urban reserve land for future industrial uses and the locations do not match market demand. We believe that evaluation criteria developed by Metro in 2004, with input from the Port, local governments and other stakeholders, as well as criteria elicited in expert interviews conducted by Metro in spring of 2009, more accurately identifies those areas suitable as future industrial land to be brought into the UGB.

As such, we **recommend** Metro reevaluate their criteria for Urban Reserves to include:

1. Freeway access within three miles of an interchange via an arterial street, with no intermediate conflicting uses;
2. I-5, I-84, I-205 and US 26 access, with I-5 being most important;
3. Access and proximity to multimodal freight infrastructure (rail, marine and air cargo);
4. Proximity to other industrial uses (clustering potential);

5. Slopes of less than 5%;
6. Potential for property aggregation into large acreage industrial sites; and
7. Work force access.

Transportation Investment

The Port appreciates the work that has gone into the Regional Transportation Plan (RTP), particularly the Regional Freight Plan. Our transportation investment strategy must match up with our land use and economic development objectives (investment in the transportation system for freight or other modes can translate to a direct benefit to existing businesses as evidenced by the Cost of Congestion to the Economy of the Portland Region Study.) Our region's small market size and status as a gateway to the world and interior US, dictates that we both plan for and invest in the transportation infrastructure to ensure goods and services can reach their markets cost effectively. For these reasons, we **recommend** Metro:

1. Continue to involve the Freight Task Force in helping to shape and implement the Regional Freight and Goods Movement Action Plan and RTP work program.
2. Ensure a funding allocation for freight out of Metro Transportation Improvement Plan (MTIP) flexible funds, consistent with other modes.
3. Allocate MTIP flexible funds based on an economic filter, considering return on investment.
4. Require accounting of project performance from recipients for all funding allocations using metrics such as project cost, implementation deadlines and actual demonstrated benefit.

The Port appreciates the opportunity to comment on the COO's Recommendation. My staff and I are committed to assisting your staff on this important effort. We look forward to continued opportunities for discussion of these regional issues as Metro moves forward on several policy fronts: UGB, RTP, Urban reserves. We view this as the beginning of an important conversation about our region's future, including continued discussions about the potential development of a Regional Infrastructure Fund to ensure the Greatest Place vision and our economic aspirations can be realized.

Sincerely,



Bill Wyatt
Executive Director

Attachment

cc: MPAC
JPACT
TPAC
MTAC
ECAC
Freight Task Force

Detailed Comments from the Port of Portland on Chief Operating Officer Michael Jordan's Report and Recommendation for "Making the Greatest Place"-October 15, 2009

Process

- The Port has been an active participant in the different components of the Recommendation through a number of advisory committees including among others, MTAC, TPAC, ECAC and JPACT. Despite this active participation, we believe that 30 days is not an adequate amount of time to comment on 1,700+ pages of material, much of which was new information not previously shared with Metro advisory committee members.
- The Port is concerned that several key elements of the recommendation will be left undefined until after the close of public testimony on October 15th. Two examples include a viable process for adding large industrial parcels to the regional land supply in a timely manner and a viable process for converting brownfields into productive industrial use in a timely manner.

Economic Development Role and Focus of Metro

- While Metro is not the regional economic development agency, regional policy choices related to land supply and the transportation system will determine the economic future of the region.
- One of the desired outcomes stated in the Recommendation is "Economic Competitiveness and Prosperity". However, this statement is not followed up with actions or a strategy to achieve this outcome, nor an assessment of how other desired outcomes may conflict with this outcome.
- Only one of the 16 performance measures relates somewhat to economic prosperity ("wealth creation"), and none directly to economic competitiveness.
- The Aspirations and Investments matrix of actions largely ignores the role of private investment in implementing our regional aspirations. Instead the matrix suggests that the private sector role is limited to "collaboration" with local and regional governments.
- Choice of Clusters: The target industry clusters in the Recommendation reflect clusters identified by PDC for the City of Portland including the following:
 - Active wear and outdoor gear;
 - Advanced manufacturing;
 - Bioscience;
 - Cleantech; and
 - Software.

These clusters represent only about 105,000 jobs out of more than 700,000 jobs in the Metro region. Advanced manufacturing is not well differentiated from basic manufacturing, so if it is excluded, these clusters only reflect about 40,000 jobs out of more than 700,000 jobs in the region.

The Port believes a better regional representation of industry clusters comes from Portland Regional Partners for Business. These clusters include:

- High Tech;
- Metals;
- Machinery and Transportation Equipment;
- Nursery Products;
- Specialty Foods and Food Processing;
- Creative Services;
- Bioscience;
- Sustainable Industries; and
- Distribution and Logistics.

Employment Land Forecast Assumptions:

- Capture rate: The Recommendation provides little explanation about why employment capture rates for the Metro portion of the seven counties are assumed to drop 5% to 7 % (to 73-75%) by 2030 and then drop an additional 5% by 2060. Yet, the trend over the last 25 years has been for the capture rate to vary up and down between 80-85%. As noted in the UGR (p. 33) "Capture rates tend to rise and fall relative to changes to the phase of regional business cycles". As a result, the way in which the Recommendation addresses the capture rate raises some major policy questions/concerns:
 - There is an assumption that has not been tested, that neighboring communities in the seven county study area have the capacity and the desire to take the amount of new growth implied by a reduced capture rate of 73-75%.
 - If the capture rate has been undercounted, then future land demand has not been fully accounted for since more growth was assumed to occur outside of Metro's service boundary; and
 - Even if the capture rate is accurate at 73-75%, it seems as if Metro would want to consider policies to counter this capture rate forecast, given the negative implications of increased vehicle miles traveled and increased greenhouse gas emissions.
- Large lot demand: Assumptions in the Recommendation for demand for industrial land in general and for large lots specifically appear to be much too low. The Cities of Hillsboro and Portland each conducted their own Economic Opportunities Analysis (EOA) earlier this year and projected a shortfall of several hundred acres for Portland and several thousand acres for Hillsboro and western Washington County over the next 20 years. These EOAs projected future industrial land demand using Goal 9 methodology acknowledged by the State DLCDC.
- Future land demand for Freight Facilities excluded from the analysis: The UGR (p.58) states "Large-lot demand for marine and rail terminal uses is not included in this analysis", based on the rationale that freight facilities would not expand on the fringe of the region. However,

freight facility expansion would likely consume other industrial land which in turn would trigger demand for additional industrial land elsewhere in the region. Ignoring this piece of the demand forecast likely undercounts total industrial land need by several hundred acres.

Industrial Land Supply within the Urban Growth Boundary:

- **Development within the UGB and Conflicting Regulation:** The Port is supportive of maximizing development of existing land within the UGB. However, often Metro's own policy decisions stymie this development potential, most notably through the local implementation of Title 13 Nature in Neighborhoods. For example, while Metro has made some effort to account for riparian areas protected under Title 13 and 3 in its employment land assumptions, it has not considered the impact of upland areas proposed for protection as "Habitats of Concern" under Title 13. Likewise, implementation policies and regulations of individual jurisdictions may hinder or limit development that could otherwise occur within the UGB. The Port recommends that Metro take an active role in reconciling these conflicting policies and implementation issues at both the Metro and local level.
- **Brownfields:** The Port as a brownfield developer supports a strategy of focusing on brownfield development within the UGB. However, the Port also believes that the existing tool box is not adequate to incent redevelopment of most brownfield sites. Even though brownfield redevelopment is a key component and assumption of the Recommendation, there are no new strategies proposed to implement this approach. One specific suggestion is that Metro take the Transit Oriented Development model and adopt it for brownfields, to underwrite land cost and facilitate development potential.
- **Infrastructure:** The Port is supportive of maximizing development within the UGB by providing infrastructure to underserved industrial sites. Although the concept is not fully developed, the Port believes a regional infrastructure fund could aid in providing infrastructure funding to make existing industrial sites "shovel ready".
- **Lack of Development on Land Brought into the UGB:** The Recommendation (COO report p. 19) suggests that areas added to the UGB since 1998 have not developed due to lack of infrastructure and local governance. At least from an industrial land perspective, much of the land brought in since 1998 does not meet the industrial land characteristics required for many industrial businesses. Other land meeting most of the criteria, in particular the Evergreen expansion area in Hillsboro, has developed quickly. In short, land brought into the UGB with characteristics suitable for industrial land is likely to develop relatively quickly for industrial uses.
- **Problem of Industrial Land Conversion:** The Recommendation implies that Metro Title 4 has been ineffective in preventing conversion of industrial land to non-industrial uses. The Port believes that Title 4 in its current form is very clear in limiting the amount of non-industrial uses on Title 4-designated lands. Jurisdictions across the region, including Portland, Troutdale and Hillsboro have strictly adhered to the requirements of Title 4 through the implementation and enforcement of their local zoning codes. If other jurisdictions have approved uses not in compliance with Title 4, the Port believes this is an enforcement issue for Metro, not an issue that requires modification to Title 4.

Future Availability of Industrial Land:

- **Fast-Track Addition of Large Lots to the UGB:** The Recommendation (COO Report p. 15) suggests that Metro could make "...strategic UGB expansions as needed to take advantage of real opportunities to attract key employers." However, as mentioned earlier, the Recommendation is not specific about how such a "fast-track" process to add large lots to the UGB would function. Even assuming that large lots could be brought into the UGB quickly, the site would not be "shovel-ready" for up to two years, given the legal requirements of annexation, comprehensive plan amendment and zone changes, as well as the time to install public infrastructure. Few if any businesses are willing or able to wait that length of time for land entitlements only.
- **Market Choice:** The Port is also concerned that the Recommendation does not acknowledge the need for a choice of sites throughout the region. Providing a theoretical minimum amount of employment land does not provide for the needs of businesses from both inside and outside the region seeking to expand or locate here. Businesses all have different needs related to site size, market access, and work force access, to name but a few. Expert interviews with industrial land brokers conducted as a part of the UGR process this spring indicated limited site choices in the region today, particularly for large lots. In short, the Recommendation does not consider the risk to the regional economy if there is not enough supply to comprise a viable industrial land market.
- **Urban Reserves:** The Port recommends adoption of urban reserves for future industrial use with the following characteristics:
 - Freeway access within three miles of an interchange via an arterial street, with no intermediate conflicting uses;
 - I-5, I-84 and I-205 and US 26 access, with I-5 being most important;
 - Access and proximity to multimodal freight infrastructure (rail, marine and air cargo);
 - Proximity to other industrial uses (clustering potential);
 - Slopes of less than 5%;
 - Potential for property aggregation into large acreage industrial sites; and
 - Work force access.

Based on these characteristics, the Port is concerned that an insufficient amount of urban reserve land is proposed in aggregate in the Recommendation for future industrial uses and is not well distributed across all counties, in particularly Multnomah and Clackamas Counties. As noted in the Recommendation (COO Report p. 17), one of the six desired outcomes is "Equitable distribution of the benefits and burdens of growth", which includes in large part, geographic distribution.

Transportation Investment

- The Port appreciates the work that has gone into the Regional Transportation Plan (RTP), particularly the Regional Freight and Goods Movement Action Plan. However, the Port believes

there are a number of ways in which Metro can improve its commitment to freight mobility, given the importance of these projects to the regional economy:

- Continue to involve the Freight Task Force in helping to shape and implement the Regional Freight and Goods Movement Action Plan and RTP work program.
- Ensure a funding allocation for freight out of Metro Transportation Improvement Plan (MTIP) flexible funds, consistent with other modes.
- Use an economic filter, describing return on investment to prioritize and allocate MTIP transportation dollars.
- Require accounting of project performance from recipients for all funding allocations using metrics such as project cost, implementation deadlines and actual demonstrated benefit.