

PORTLAND PLAN

Economic Development



PORTLAND PLAN BACKGROUND REPORT
FALL 2009

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City of Portland Bureau of
Planning and Sustainability
Sam Adams, Mayor | Susan Anderson, Director

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Ebraz Oregon Steel

Economic Development



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QUALITY OF LIFE, CIVIC ENGAGEMENT AND EQUITY



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Introduction

What choices should we make today to support Portland's economic prosperity in the years ahead? This report summarizes three research projects completed during the last 18 months that provide general background information to inform such choices. These projects describe citywide economic conditions and trends in three areas: policy evaluation, growth capacity and economic specialization. The first research project evaluated economic development policies in the City of Portland's Comprehensive Plan, last updated in 1994, in light of current trends, emerging issues, and findings from *visionPDX*, a 2-year community visioning project. The second research project analyzed the 25-year growth capacity of the city's employment areas, to evaluate needs and opportunities for changes to the Comprehensive Plan map, public investments, and development incentives. The third research project identified and analyzed the specializations of the city's economic base, to inform target industry programs and new directions for future competitiveness. This report summarizes the importance of these research topics, the scope of the research projects and key conclusions and implications.

Informing the Portland Plan and Portland Economic Development Strategy

The first two research projects summarized in this report were completed to inform the Portland Plan process over the next 3 years. The third project was done primarily to inform the Portland Economic Development Strategy, which was prepared by the Portland Development Commission (PDC) and adopted in July 2009. In general, the Portland Economic Development Strategy sets out a focused, five-year action plan of priorities for economic development projects in the city. The Portland Plan, in contrast, provides a comprehensive look and identifies long-term policies and investments that will support economic development and other city goals. The Economic Development Strategy focuses on business development programs that facilitate growth as it occurs, while the Portland Plan focuses more on land use and infrastructure policies and investments that support future growth and span multiple goals. Because the Economic Development Strategy and the Portland Plan also overlap in their roles, the staff at BPS and PDC have coordinated efforts and shared resources for efficiency and consistency.



Recent city job growth has been concentrated in neighborhood institutional campuses, such as the new Providence Cancer Center at SE 47th and Glisan (above), and in Central City offices like the new ZGF tower (below) at SW 12th and Washington.



1. Policy Evaluation

The Portland Plan represents a 20-30 year update of policies that will guide how the city develops and grows. The trends and issues that were most on peoples' minds in 1980, when Portland's Comprehensive Plan was first adopted, are different than those of today. What trends and issues should be central to the city's economic development policies for the coming decades? Answering this question was the main task of the report summarized below, which was completed in March 2008 to inform economic development components of the Portland Plan work plan.

Why Is This Important?

Although the local economy is driven primarily by private sector decisions, the city has a history of intentional public investment and policy support in its economy. For example, Portland's 1980 industrial sanctuary policy (zoning designed to encourage industrial growth in the city) and legacy of freight hub infrastructure investments (where Oregon's largest seaport, airport, railroad, pipeline, and freeway systems come together) have long supported the city's diverse industrial districts and its role as a West Coast gateway for international trade. Transit investments, regional growth management policies, and urban renewal have contributed to the economic vitality that has kept Central Portland the region's urban and commercial center. Also, the economic strength represented by Portland's growing talent base is linked in part to the success of the City's urban livability initiatives, in the form of land use planning, distinctive neighborhoods, extensive open spaces and multimodal transportation systems.

Research Product: ***Comprehensive Plan Evaluation: Economic Development*** (Bureau of Planning and Sustainability, March 2008, available on Portland Plan website)

This report is the product of a technical work group that included staff of the former Bureau of Planning, Portland Development Commission, Port of Portland, Bureau of Environmental Services, former Bureau of Housing and Community Development, and former Office of Sustainable Development. Existing policies were reviewed for completeness and continuing relevance. The report identified existing policy gaps, key issues and trends to address in the Portland Plan, and draft products for the Portland Plan work plan.

Key Issues and Trends Identified

The *Comprehensive Plan Evaluation: Economic Development* identified the following issues and trends, among others:

- *visionPDX* (2007), a two-year community outreach and visioning project, identified three core values of the community, which shape our economic aspirations and add to our competitive strengths: community connectedness and distinctiveness, equity and accessibility, and sustainability.
- Neighborhood prosperity is highly valued in Portland. City residents commonly see economic prosperity as something that occurs at the neighborhood level, especially in neighborhood commercial diversity, distinctiveness and

The Local Economy at a Glance – Portland is the urban core and economic center of the Portland-Vancouver Metropolitan Area (7-county MSA). In 2006, 40 percent of the metropolitan area's 1.015 million jobs were located in Portland, compared to 26 percent of the area's population. With 2.1 million residents that year, the MSA is Oregon's largest and the 23rd most populous in the country. From 1992 to 2002, total economic output grew at an average annual rate of 7.1 percent in the MSA, compared to 3.2 percent at the national level. The research projects summarized in this report present a broad range of information about the local economy, especially concerning economic performance, growth trends and economic specialization.

walkability. However, performance is uneven among Portland's 93 neighborhood commercial corridors. For example, sales by retail and service businesses in the Montavilla area, served by businesses along SE Stark and 82nd, met an estimated 220 percent of the market demand there in 2008, drawing in customers from surrounding areas; while sales in the Hillsdale area, served by SW Capital Highway, met only 12 percent of its market demand during the same period.



As the city grows, economic aspirations vary. For example, recent mixed-use developments like this one at SE Hawthorne and 34th (left) add to the vitality of Portland's distinctive neighborhoods. Less visible manufacturing growth like the new pipe mill at Evraz Oregon Steel (right) supports traded sector growth and overall regional prosperity and income equity.

- Portland is a comparatively middle class city nationally, but there has been a growing equity gap in who benefits from economic growth; this mirrors a national trend. In addition to declining affordability of housing, income gains (statewide) since 1980 have been concentrated in the highest earning quintile of households.
- Adjusting to climate change and rising energy costs will change how the city develops. Alternative energy and green development are emerging as propulsive growth industries, and Portland has an early competitive edge in core niches of these industries.
- The city has lagged in its share of the region's job growth, despite our growing share of the region's housing. Factors such as a tightening land supply and infrastructure deficiencies are limiting opportunities to increase job growth in the city. Section 2 of this report focuses on evaluating the current growth capacity of the city's business and industrial districts.
- Economic globalization since 1990 has put increasing pressure on cities to be competitive and adaptable in order to remain prosperous. Related trends include rapid growth of world trade, Asian-led economic growth, off-shoring of production and outsourcing of services to lower-cost locations, new decentralization technologies (such as the Internet), trade blocs such as NAFTA (North American Free Trade Agreement), and consolidation in international

firms. Local responses to these phenomena have emphasized “traded sectors” (those firms that compete in markets outside the region) and competitive local strengths that attract and keep them. Section 3 of this report focuses on identification and analysis of the city’s traded sector specializations.

2. Growth Capacity

The primary economic development task assigned by Oregon’s land use planning system in Statewide Planning Goal 9 is to provide adequate growth capacity in the city’s employment districts. Goal 9 and its Administrative Rule require that a city prepare an “economic opportunities analysis” (EOA) during periodic review of its comprehensive plan, including an examination of growth trends and evaluation of the capacity of its existing supply of developable employment land to accommodate the next 20 years of growth following plan adoption. A draft EOA for the City of Portland was prepared during the last year and is summarized here.

Why Is This Important?

Economic growth in Portland supports full employment, higher wages, and compact regional form. However, recent trends show a declining city share of the region’s jobs, despite an expanding share of the region’s housing. Among the inputs needed by businesses to grow, Portland generally has advantageous infrastructure and workforce capacity, with exceptions, but tightening land supply. As the annexations of recent decades build out in Portland, a land-locked city in the middle of the metropolitan area, the land supply for job growth has shifted away from greenfields to constrained vacant land and redevelopment at higher densities. These narrowing urban land supply options have not slowed local housing development, but they pose new expansion challenges for most types of employment land. How the available land supply responds to future demand will substantially guide where job growth occurs across the region. Land supply is affected by a variety of public choices, particularly in land use policy, infrastructure investments, and development incentives.

Research Product: *City of Portland Economic Opportunities Analysis* (E.D. Hovee & Co., June 2009, available on Portland Plan website)

Three primary objectives were set out for the EOA: to comply with Statewide Planning Goal 9, which requires an evaluation of the adequacy of the city’s employment land capacity to meet 20-year forecast demand; to build on and inform Metro’s regional forecast and capacity analysis; and to inform community choices regarding adequate capacity, investments, and incentives.

Three reports were completed:

1. *Trends, Opportunities and Market Factors*—Growth trends by employment sector (such as manufacturing or retail trade) at the national, state, regional, city and district geographies; results of six focus groups with business leaders on space and location needs; and analysis of market factors driving different types of employment land demand.
2. *Supply and Demand*—A 2010-2035 forecast of job growth and land absorption by building type and associated geography; inventory of available vacant and redevelopable land and constraints; and reconciliation of supply and demand.
3. *Alternative Choices*—Recommendations and analysis of growth targets, development capacity, market options, public investments and timing and geographic tradeoffs by demand type.

Overall Growth Trends, Forecast and Capacity

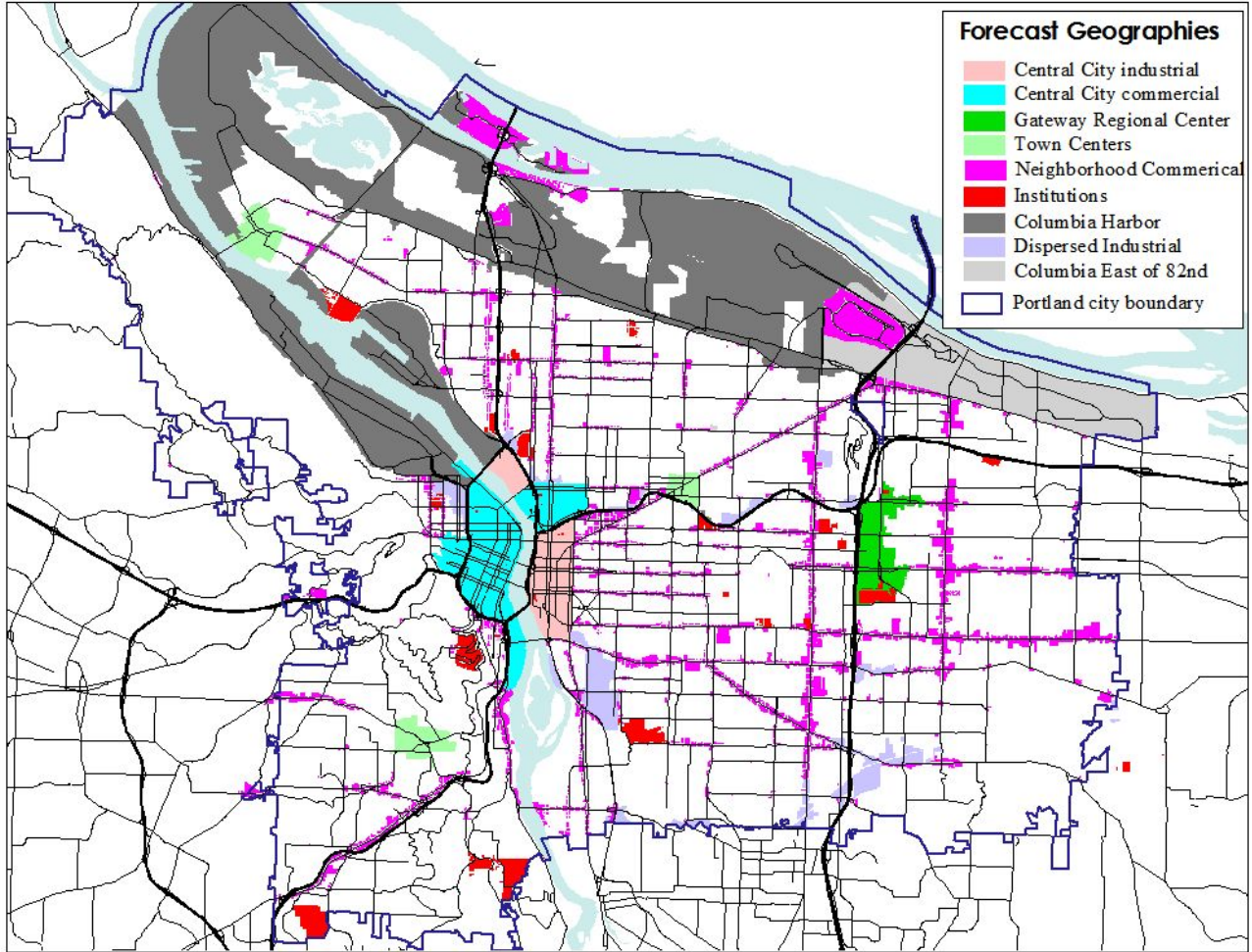
- Portland's 40-percent share of the total jobs in the 7-county metropolitan area (MSA) in 2006 is declining, sharply since 2000, eroding the city's position as a regional economic center. Portland's capture rate of regional job growth fell to 11 percent in the 2000-2006 period, down from about 27 percent in the 1980-2000 period. Central Portland has been an exception to this trend, adding about 12,000 jobs from 2000 to 2006, while the rest of the city altogether lost 7,000 jobs. (These 1980-1990, 1990-2000 and 2000-2006 growth periods generally reflect peak-to-peak spans of recent business cycles, which are periods that include recessions and subsequent expansion periods with fluctuating employment, selected to more accurately inform long-term job growth trends.)
- The annual average growth rate (AAGR) of jobs in the 2000-2006 period was just 0.2 percent in Portland, compared to 0.5 percent in the three-county area, 0.7 percent in the seven-county MSA, 1.6 percent in Central Portland, and 3.2 percent in the outer-ring sections of the three-county area.
- Recent job growth has been primarily in the institutional and office sectors. About 75 percent of the three-county job growth from 2000 to 2006 was in the health care sector, which added 17,000 jobs. However, recent job trends in the industrial and retail sectors have not been consistent with other measures of growth, including gross domestic product (GDP). In the region's industrial sectors, employment declined from 2000 to 2006, but GDP grew at a rapid rate (10 percent AAGR from 2001 to 2006), twice as fast as in the service sectors. Manufacturing, in particular, is becoming less labor-intensive to remain globally competitive.
- Metro's current draft employment forecast (May 2009) for the seven-county MSA is to add about 520,000 new jobs by 2035; this is a midrange estimate. The equivalent growth rate is 1.7 percent AAGR.
- Portland's draft mid-range forecast from 2010 to 2035 is for recovery to a 27-percent capture rate of regional job growth, which would add about 150,000 new city jobs (1.3 percent AAGR) and translate into demand for 3,200 acres of employment land absorption. (Land absorption is a measure of both the vacant land developed during the period and the sites redeveloped to higher density.) The high range forecast is for 200,000 new jobs (36 percent capture rate, 1.6 AAGR) and land absorption of 4,100 acres; the low range forecast is for 100,000 new jobs (18 percent capture rate, 0.9 AAGR) and land absorption of 3,200 acres at lower development densities.
- To meet forecast land absorption, 4,200 acres of developable employment land supply was identified, but roughly two thirds of that land has significant development constraints. (Supply was measured by vacant (unimproved) land and "less improved sites," measured by an improvements-to-land-value ratio less than 0.5.) For example, approximately 1,400 acres of the developable supply was mapped as potential brownfield sites (potentially contaminated and underutilized), of which only 33 percent is estimated to be available for development by 2035 under current market conditions. An additional 1,350 acres of the supply has existing or proposed environmental overlays that allow but limit development, of which 45 percent is estimated to be available for development by 2035.
- Comparing available supply to forecast demand by district geographies, significant shortfalls of developable land were identified for industrial district and institutional campus growth. The EOA provides detailed estimates of land absorption and existing capacity within nine employment land geographies, shown in Figure 1. This map essentially divides the employment lands currently designated in the Portland Comprehensive Plan into nine types

of areas that each represent a distinct mix of business sectors and real estate products (such as warehouses or retail stores).

Four Geographies of the Local Economy

Businesses locate to be competitive. In Portland, the local economy and its employment districts can be divided generally into four sectoral geographies, depicted by their employment concentrations in Figures 2-5: office, industrial, retail and related services, and institutional. Each of these sectors and associated geographies is important for different reasons, including that each provides roughly one-fourth of the city's jobs. Portland's office sectors are strongly concentrated in the Central City, as the region's high density center and transit hub. Industrial sectors mainly occupy the Portland Harbor and Columbia Corridor industrial districts at the nexus of Oregon's primary marine, rail, air, pipeline, and freeway infrastructure. The retail and related service sectors, where customers come to the site, are more dispersed in neighborhood markets. The rapidly growing institutional sectors are concentrated mostly on hospital and college campuses in neighborhoods. These four loose sectoral geographies highlight basic differences among the city's business and industrial districts. In contrast, regional location patterns are less pronounced along sectoral lines. For example, the linear development pattern along Highways 217 and 26 in Washington County shows concentrations of retail, office and industrial employment in close proximity, as shown in Figures 2-4. In the following sections, EOA results on employment land needs are grouped into these four sector types.

Figure 1. Employment Land Forecast Geographies



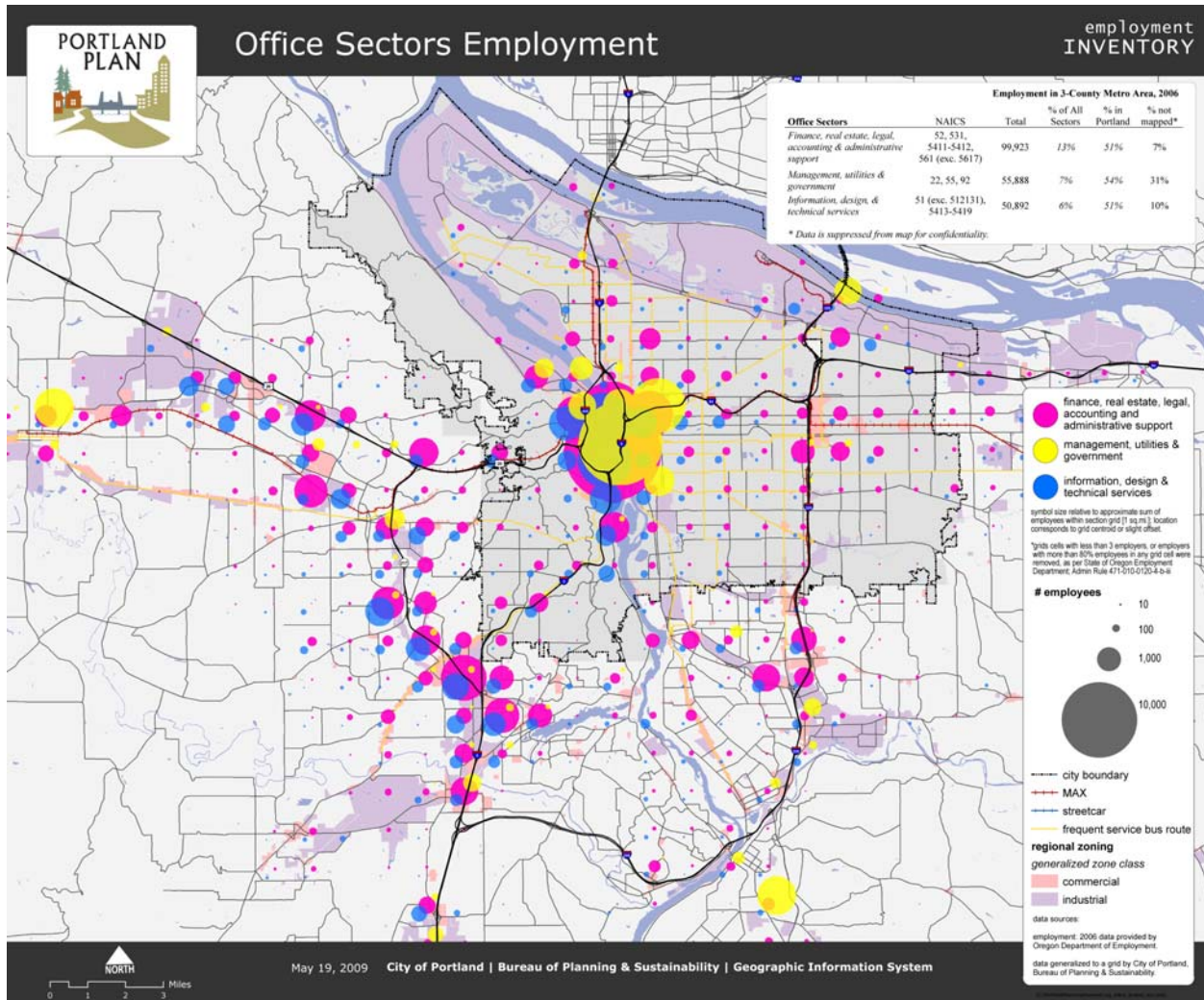
Source: E.D. Hovee & Co.

Office Sectors

Office sectors are characterized by their predominant office settings, which in Portland are typically in upper-floor spaces. They include finance, real estate, professional services, information, management, administrative services, utilities, and public administration.

- Location patterns—The city's office sectors are strongly concentrated in Central Portland. Office sectors made up 58 percent of Central Portland employment in 2006, compared to a range of 15 to 28 percent in other regional and town centers, 15 to 43 percent in industrial areas, and an average 30 percent along neighborhood commercial corridors. In addition, numerous home offices are also widely dispersed across inner Portland neighborhoods.

Figure 2. Office Sectors Employment, 2006



- Growth trends—The Central City had strong job growth from 2000 to 2006, adding about 12,000 jobs. Office sector job growth citywide was highest in management and administrative services. In the last 20 years, 28 new office buildings that were four stories or taller were built in the Central City, compared to eight in the rest of the city.
- Location policies—Policies for regional growth management, compact urban form, transit investment, and urban renewal support this office concentration in Central Portland as the region’s high density center and Oregon’s largest concentration of office services.
- Demand/supply for Central City commercial space—In the non-industrial subdistricts of the Central City, the mid-high range demand from 2010 to 2035 was estimated at 19 to 25 million square feet of office development, equivalent to 90 to 110 acres of land absorption. Available vacant and less improved sites more than meet forecast demand, resulting in a surplus of about 190 acres to meet the high-range forecast. However, current zoning also allows housing development in these areas, which could absorb much of that capacity. If two-thirds of the development density is used for housing, available capacity would still be adequate to meet midrange demand for commercial development in these subdistricts.
- Demand/supply for Central City Industrial / Incubator space—The primary growth potential in Central Portland industrial areas is forecast in information, design and other office services,

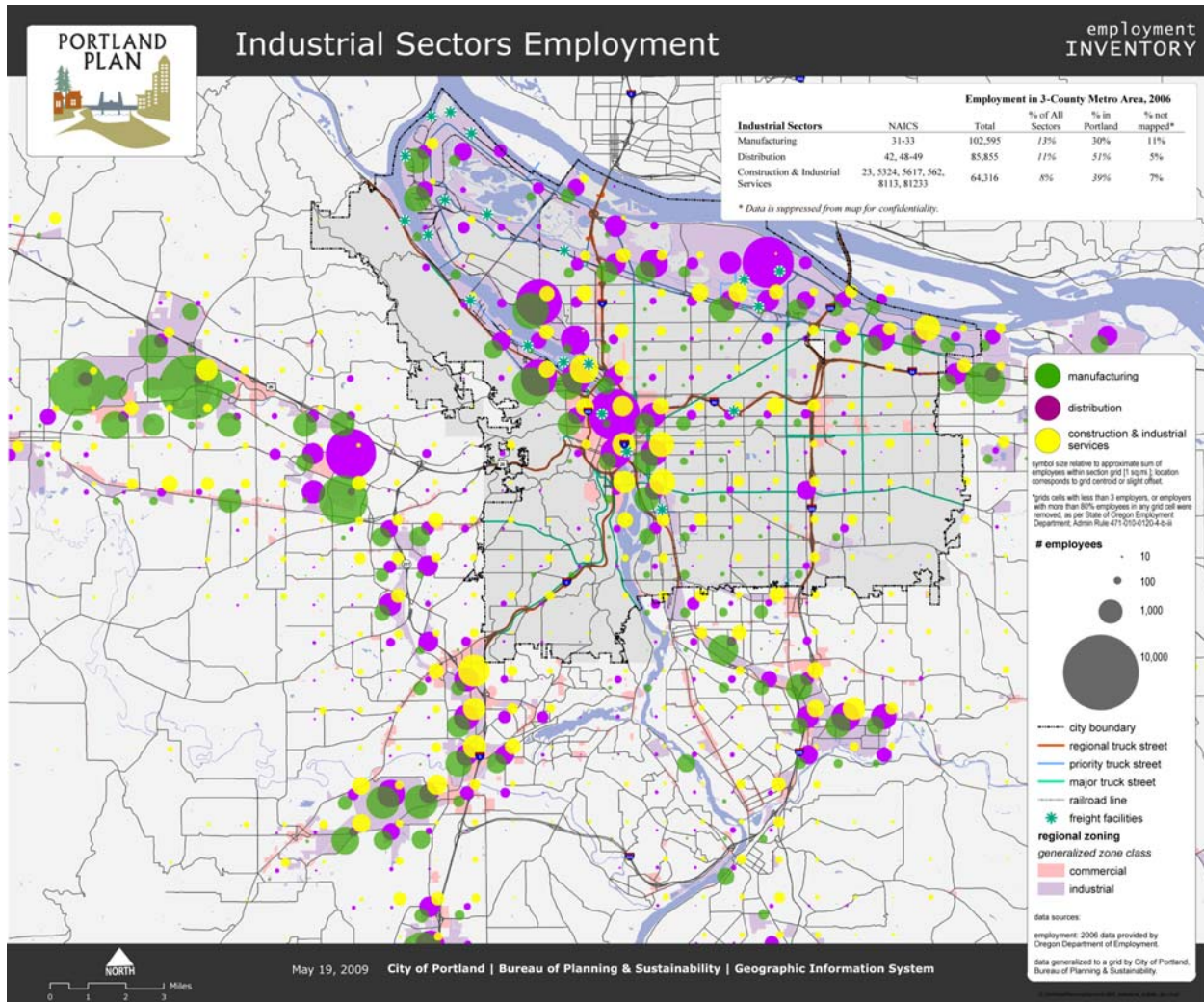
- Demand/supply at Gateway Regional Center—Estimated mid-high range demand results in a shortfall of 70 to 80 acres beyond available vacant and less improved sites. Meeting demand will likely require public intervention to facilitate more constrained redevelopment.

Industrial Sectors

Industrial sectors are characterized by their typical location in industrial districts, generally to meet infrastructure and compatibility needs. These sectors include manufacturing, wholesale trade, transportation, construction, and industrial services.

- Location patterns—The manufacturing and distribution sectors are strongly concentrated in industrial districts, along with about half of the city's construction and industrial service jobs.
- Location policies—The city's industrial districts are supported by Portland's 1980 industrial sanctuary policy (limited-use zoning designed for industrial growth, instead of general-use zoning to isolate industrial impacts) and a legacy of freight hub infrastructure investments (marine, rail, air, pipeline, freeways), supporting the city's roles as a West Coast trade gateway, statewide distribution hub and heavy industrial center.
- Growth trends—Industrial growth trends vary by different measures. From 2000 to 2006, the harbor and Columbia Corridor industrial districts lost about 2,000 jobs but had about 1.4 million square feet of new industrial construction annually (2003-2008). At the regional level, recent industrial sector job trends were also downward (-0.6 percent AAGR in the three-county area from 2000 to 2006), while GDP in industrial sectors grew rapidly (10.0 percent AAGR in the MSA from 2001 to 2006), twice as fast as in the service sectors.
- Land absorption forecast—The mid-high range demand from 2010 to 2035 was estimated at about 1,800 to 2,400 acres of industrial land absorption in the city. About one-third of that need is estimated to be for land-intensive freight terminals not reflected in onsite job trends.
- Available capacity and unmet needs to 2035—About 2,300 vacant acres was identified in the harbor and Columbia Corridor districts, of which about 1,100 acres is estimated to be available by 2035 due to development constraints on the remainder. Less improved sites were not included in the inventory as they were for other sectors, because industrial opportunities for redevelopment at higher building densities are very limited, and low-density sites (measured by floor area ratio or FAR) commonly include large employers and major freight terminals. Reconciling supply and mid-high range demand leave an approximate shortfall of 650 to 1,000 acres.

Figure 3. Industrial Sectors Employment, 2006



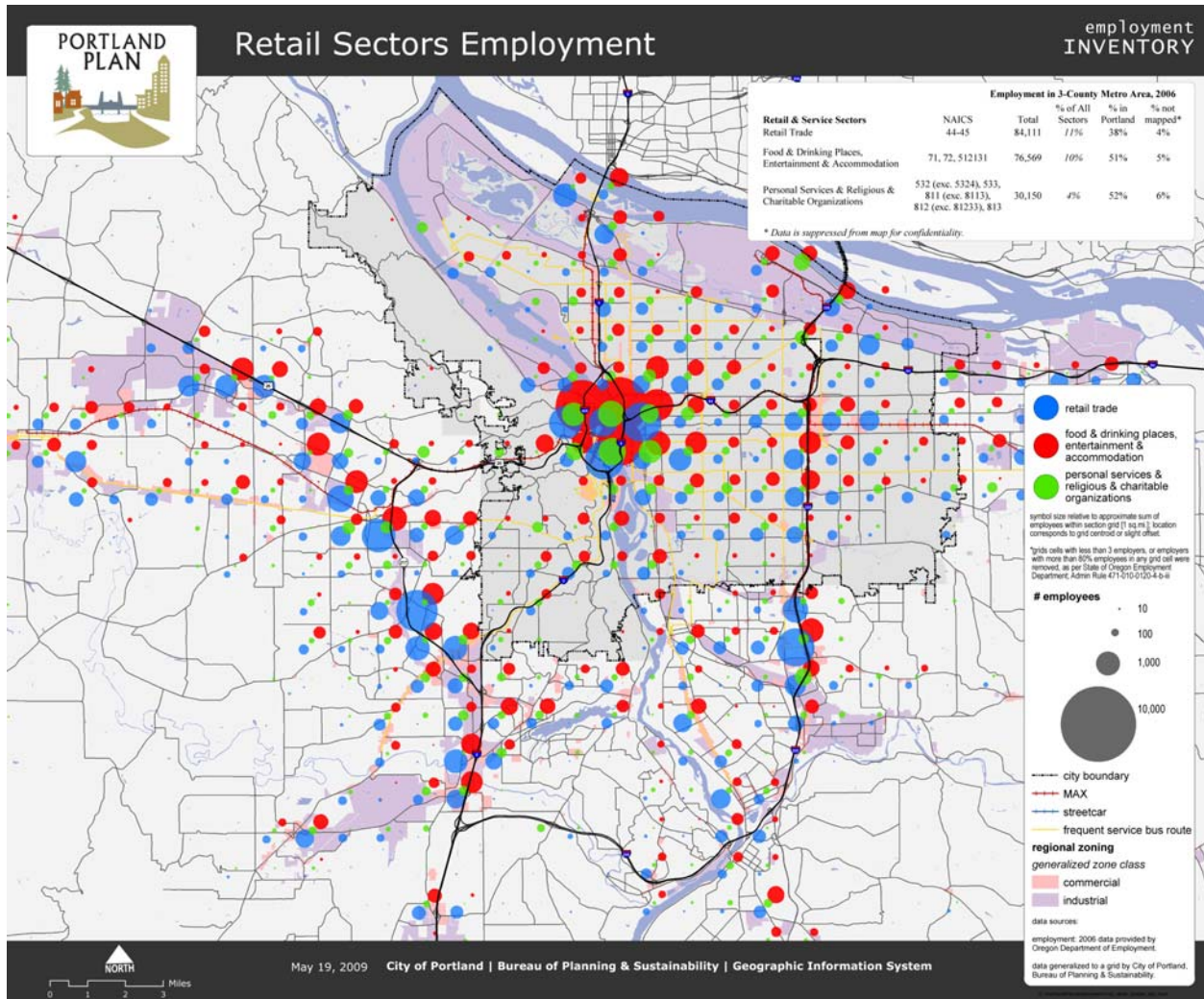
Retail and Related Service Sectors

Retail and related service sectors typically serve the general public at the site. They include retail trade, personal and community services, food and drinking places, entertainment, and accommodations.

- **Location patterns**—Retail and services are generally dispersed across city neighborhoods along commercial corridors. Anchor retailers in grocery, drug, and department stores are spaced to serve surrounding market areas and generally are located at high-volume intersections. A large concentration of retail and services is also present in the Central City, serving a more diverse market of employees, residents, regional shoppers, and tourists.
- **Growth trends**—The retail sector in Portland lost about 4,000 jobs, for varying possible reasons, from 2000 to 2006 in Portland, and other personal and community services lost about 1,400 jobs; in the same timeframe, food and drinking places added about 3,000 jobs. The net result was a loss of about 1,400 jobs in these sectors, despite expanding market size, substantial residential growth, and significant retail land absorption. Market performance among the 93 commercial corridor segments (average 1-mile length) outside of Central Portland varies widely. Independent businesses, specialty shops and “slow food” (in contrast to fast food) appear to be expanding niches.

- Location policies—Metro’s designated “town centers” and “main streets” in Portland generally do not match the more dispersed pattern of current development and substantial share of auto-oriented commerce. The forecast cited below does anticipate that most neighborhood commercial growth will be in higher-density mixed-use development along main streets, but the share of that growth in town centers remains relatively small.
- Land absorption forecast—Mid-high range demand from 2010 to 2035 was estimated at about 600 to 780 acres in neighborhood commercial corridor areas and 100 to 120 acres in town centers. An estimated two-thirds of that neighborhood commercial demand can be met by transit-oriented corridor development. Mid-high forecast job growth is projected at 29,000-39,000 new jobs in the commercial corridors. In comparison, only 4,000-5,000 new jobs are projected in town centers, reflecting their smaller share of neighborhood commercial space and slower growth trends.
- Available capacity and unmet needs to 2035—Reconciling supply and forecast demand, an approximate neighborhood commercial surplus of 120 acres was projected for the mid-range scenario and a shortfall of 10 acres was projected for the high-range scenario. In the town centers, a mid-high range shortfall of 60 to 80 acres was identified beyond available vacant and less improved sites.

Figure 4. Retail and Related Services Employment, 2006



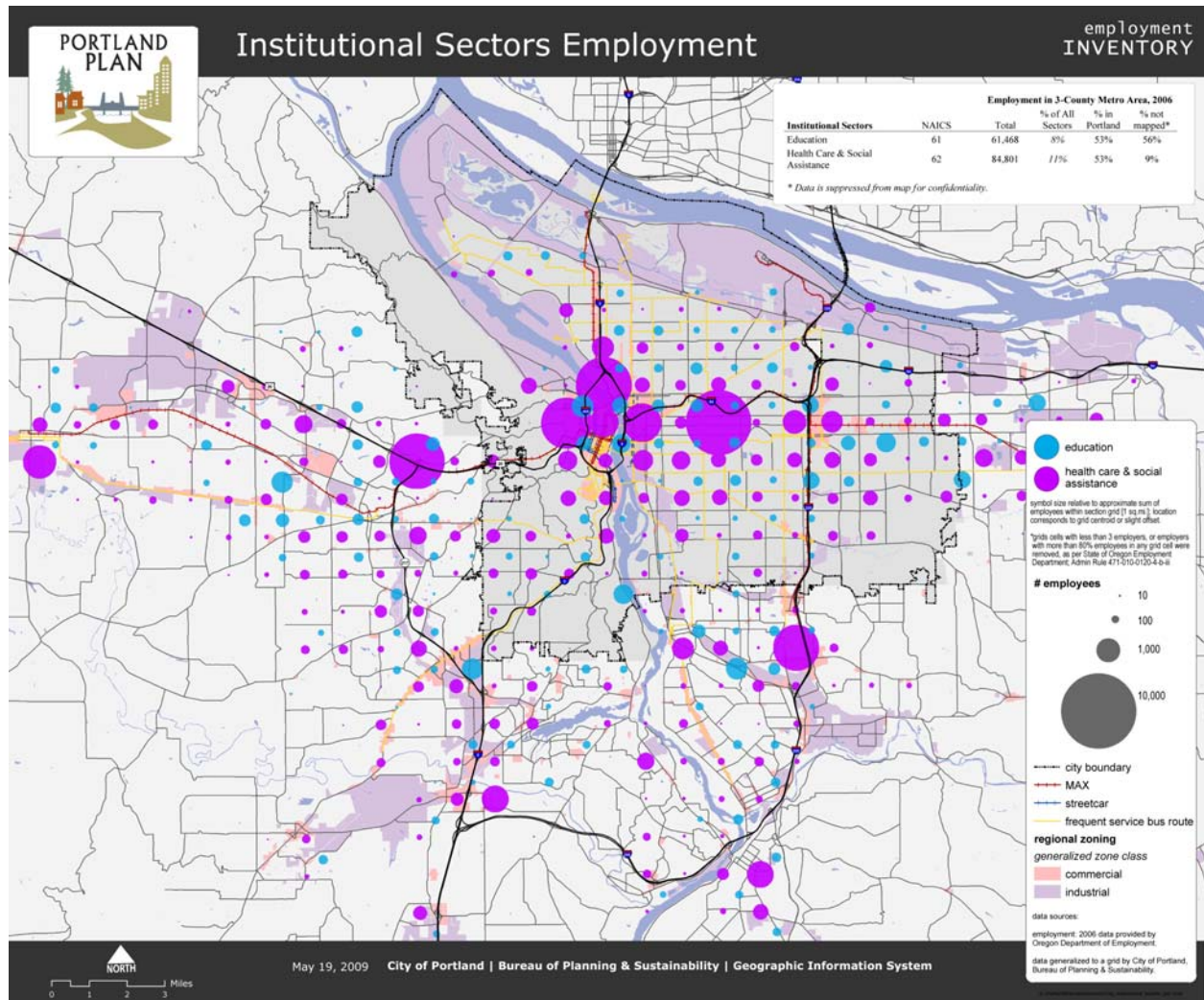
Institutional Sectors

Institutional sectors are characterized by their predominant institutional campus setting. They consist of health care and education.

- **Location patterns**—Like retail and related services, the institutional sectors are dispersed across the city, except that they are located more in neighborhood campuses than along commercial corridors. In 2006, about 45 percent of the institutional employment in Portland was in residential zones. About one-third of institutional jobs in the three-county metropolitan area in 2006 were on sites with more than 500 jobs.
- **Location policies**—Current land use policies in most cases do not acknowledge Portland's large institutional campuses as employment lands and limit their growth according to residential zoning standards. Because city job growth has been concentrated in these sectors, this land use policy has significant job growth implications for the city.
- **Trends**—Education and health care have been the city's largest job growth sectors overall since 2000, adding about 13,100 jobs in the city between 2000 and 2006. The campus institutional geographies outside of Central Portland included about 11,700 of those added jobs. These sectors have also continued to grow through the last and current recessions.

- Land absorption forecast—The mid-high range demand from 2010 to 2035 was estimated at about 470 to 550 acres in the campus institutional geographies outside of Central Portland, which consist of 29 identified campuses.
- Available capacity and unmet needs to 2035—Reconciling supply and mid/high-range demand, a sizable shortfall of 365 to 430 acres was estimated for these geographies beyond vacant and less improved sites. Meeting forecast demand would require expanding campus boundaries, increasing development density or both, options that are limited and uncertain in residential zones.

Figure 5. Institutional Sectors Employment, 2006



Draft Growth Targets and Alternative Choices

Should we set a regional-share job growth target, as currently done for housing, to more explicitly provide for adequate capacity to meet potential demand? Doing so would support continuing Portland's role as a regional employment center. What policy options to provide adequate growth capacity should be considered? The draft Economic Opportunities Analysis proposes preliminary job growth targets (consistent with mid-range forecasts) and options to meet them (summarized in Figure 6), to consider in the Portland Plan process.

Figure 6. Draft EOA Alternative Choices to Meet Forecast Demand

Demand Group	City Growth Target	Development Capacity	Market Options	Public Investment & Incentives	Timing & Geography
<p>CITYWIDE (394,000 jobs as of 2006)</p>	<ul style="list-style-type: none"> • Target Portland capture of at least 27% of forecast MSA mid-range job growth • Minimum 150,000 net added jobs (mid growth scenario) • Consider planning to assess high growth capacity for 200,000 net added jobs by 2035 	<ul style="list-style-type: none"> • Citywide target of 3,220 acres of land need, 75% met by vacant and less improved sites • Will need aggressive program to increase vacant developable supply plus some redevelopment of higher value sites 	<ul style="list-style-type: none"> • Build and sustain competitiveness by targeting business clusters of emerging opportunity • Extend beyond “picking winners” to culture of sustainability (yielding economic benefit across all business sectors) 	<ul style="list-style-type: none"> • Business district operating fund match (including district-level technical assistance extending beyond urban renewal areas) 	<p><i>Short-Term:</i> Update Comprehensive Plan with Goal 9 economic development objectives</p> <p><i>Long-Term:</i> Achieve recognition as a sustainable <i>global pathway city</i></p> <p><i>Trade-Offs:</i> Traded sector industrial v. commercial focus for sustained prosperity</p>
<p>Central City & Regional Center Office (116,500 jobs in Central City commercial areas and 7,400 jobs in Gateway as of 2006)</p>	<ul style="list-style-type: none"> • Minimum Central City target of an added 50,000+ jobs by 2035 • Target 5,000+ added jobs for Portland’s Gateway Regional Center area 	<ul style="list-style-type: none"> • Central City need more than amply met by available FAR headroom capacity • Gateway needs added land and/or increased density (as zoned) to achieve jobs target • Eastside office corridor (e. g. Gateway, PDX airport) for diversity • Central City large site expansion (next Pearl, SoWa) for diversity • Significant jobs capacity anticipated through redevelopment • Consideration of increased FAR at selected sites with demonstrated demand 	<ul style="list-style-type: none"> • Better districtwide live-work integration with workforce residential • Right-sizing of office development to demand – including mid-rise structures and public-private demand aggregation function • Renewed public-private marketing of Central City and Regional Center as the preferred business and worker choice 	<ul style="list-style-type: none"> • Continued investment in the Central City as the MSA’s vital core • Tax increment finance (TIF), transit and public parking incentives for high-wage employment and/or affordable residential • Investment in a second Portland office node outside the Central City • Regulatory streamlining with FAR and development-oriented permitting options. 	<p><i>Short-Term:</i> Regulatory streamlining, downtown marketing, office demand aggregation function and adaptive reuse for workforce housing</p> <p><i>Long-Term:</i> New construction with office/residential mixed use in downtown core and jump-start for new non-Central City office node</p> <p><i>Trade-Offs:</i> Location/timing of new Central City node and question of airport vs. Gateway as initial non-Central City priority</p>

Demand Group	City Growth Target	Development Capacity	Market Options	Public Investment & Incentives	Timing & Geography
Close-In Incubator (18,500 jobs as of 2006)	<ul style="list-style-type: none"> • Make Portland the <i>first home</i> for metro area business start-up activity (initially targeted to information and design firms) • Target 7,000+ added Central Eastside and Lower Albina jobs (up by nearly 40% over current conditions) 	<ul style="list-style-type: none"> • 75% of space need met by vacant and low value improved sites • Expand range of permitted information and design services for diverse creative plus business service firms • Expand Employment Opportunity Subareas (that allow more office use) to more of Central Eastside, Lower Albina and/or Gateway • Assure close-by, affordable residential 	<ul style="list-style-type: none"> • Encourage low cost building rehabilitation and new affordable Class B/C creative space design and construction options • Facilitate <i>green branding</i> of the Portland incubator initiative – with sustainability built into building design, operations and green business practices 	<ul style="list-style-type: none"> • Systems Development Charge (SDC), permitting, TIF and related incentives for low cost rehabilitation and rapid occupancy change • Financial incentives for housing investment in-district as allowed and in adjoining residential neighborhoods 	<p><i>Short-Term:</i> Planning, SDC and regulatory streamlining for more robust creative services</p> <p><i>Long-Term:</i> Design and technical assistance with nearby residential incentives and incubator space marketing</p> <p><i>Trade-Offs:</i> Pearl and Central Eastside focus near-term with questions of critical mass for Lower Albina, Gateway and town centers</p>
Manufacturing & Distribution (80,700 jobs as of 2006)	<ul style="list-style-type: none"> • Minimum 25,000+ added Willamette-Columbia corridor jobs (mid-growth scenario) • Add non-employment related industrial demand for transportation and logistics facilities of regional significance. • Consider more detailed analysis of other potential economic drivers demonstrated to serve as valid predictors of industrial land needs 	<ul style="list-style-type: none"> • Vacant inventory in balance with job-related demand but not for 640 acres of regional transport sites • Maintain industrial sanctuary • Provide for land extensive transport logistics and distribution functions of regional significance • Encourage full site utilization and on-going reinvestment • Consider options for an enhanced airport city concept around PDX 	<ul style="list-style-type: none"> • Investigate options for Portland manufacturing revitalization after economic recovery • Support opportunities for sustainable design and business practices and increased FAR and site use 	<ul style="list-style-type: none"> • Prioritize land uses to high-wage traded sectors offering a sustainability edge • Public gap funding to resolve brownfield issues in tandem with private investment (to be comparable to greenfield site options) • Continue state incentive programs (SIP) and other economic development investment funding • Make transportation and utility improvements for site development with commitment of private investment and jobs 	<p><i>Short-Term:</i> Industrial sanctuary and reserve capacity, post-recovery industrial strategy, economic <i>toolkit</i> and brownfield gap funding</p> <p><i>Long-Term:</i> Land and infrastructure for transport functions of regional significance, industrial transport investment program and airport city concept adoption</p> <p><i>Trade-Offs:</i> Primary tradeoffs between city and suburban metropolitan counties or other locations in the U.S. and globally</p>

Demand Group	City Growth Target	Development Capacity	Market Options	Public Investment & Incentives	Timing & Geography
Neighborhood and Town Center Commercial (79,500 jobs in corridor areas as of 2006 and 5,100 jobs in three town centers)	<ul style="list-style-type: none"> • Encourage full citywide 20-minute coverage with critical urban retail services • 29,000+ added neighborhood commercial jobs by 2035 (a mid-growth forecast target also including TOD corridor areas) • Added 4,000+ jobs in Hillside, Hollywood and St. Johns town centers 	<ul style="list-style-type: none"> • Neighborhood commercial land capacity adequate to overall need while town centers have 60% unmet need unless FARs increase threefold • Fill in 20-minute neighborhood gaps • Increase neighborhood commercial FAR for retail, complementary commercial, mixed-use 	<ul style="list-style-type: none"> • Mixed use with residential and low-impact industrial services that support street retail • Build neighborhood commercial and mixed-use development expertise (with small business emphasis) • Expand retail from 100% corners and nodes to diversify business mix 	<ul style="list-style-type: none"> • Multi-year <i>Main Street</i> approach to coordinated business district revitalization • Ongoing citywide commercial revitalization program • Incentives <i>toolkit</i> for business improvement, development and cooperative marketing 	<p><i>Short-Term:</i> Framework for 20-minute neighborhoods and incentives <i>toolkit</i></p> <p><i>Long-Term:</i> Greater development intensity with mix of retail/non-retail commercial; expand out from nodes</p> <p><i>Trade-Offs:</i> Local vs. destination customers (or layering); business community vs. public sector led approach</p>
Transit-Oriented Development (TOD) / Mixed-Use Corridors (51,000 jobs in 2006 as a subset of Neighborhood Commercial)	<ul style="list-style-type: none"> • Plan for capture of at least 2/3 of neighborhood commercial growth – or 19,000+ added corridor jobs • Target added demand to transit corridors (including an expanded citywide streetcar system) 	<ul style="list-style-type: none"> • Reach job targets via more FAR and higher value site development • Prioritize streetcar expansion to market ready corridors w/ FAR headroom (both jobs and residential) • Transition to form-based zoning for more mixed use 	<ul style="list-style-type: none"> • Create TOD building prototypes increasing the ratio of employment to residential space • Tailor the mixed-use formula to neighborhood market demographics and affordability 	<ul style="list-style-type: none"> • Fund citywide phased streetcar system extension • Provide incentives for mixed-use TOD with a significant job component (retail and other) • Provide incentives for amenities and placemaking features for pedestrian appeal 	<p><i>Short-Term:</i> Fund first phase streetcar system; set Comprehensive Plan and prototype TODs</p> <p><i>Long-Term:</i> Achieve transit build-out; build TOD expertise</p> <p><i>Trade-Offs:</i> Select corridors for existing density or to leverage new development?</p>
Campus Institutional (37,000 jobs +5,800 at PSU as of 2006)	<ul style="list-style-type: none"> • Accommodate 100% of desired in-city campus institutional expansion and reconfiguration • Minimum 29,000+ added in-city jobs by 2035 (mid-growth scenario) 	<ul style="list-style-type: none"> • Nearly 80% of need not met with current vacant and low-value sites • Master plan for density in on-site expansion and TOD satellite use • Provide institutional zoning with rapid response capability 	<ul style="list-style-type: none"> • Encourage traded sector specialization as part of institutional planning • Broaden full-service capacities with mixed-use development 	<ul style="list-style-type: none"> • Transit service customized to institutional needs and ridership opportunities with reduced auto footprint • Utility planning with updated master plans 	<p><i>Short-Term:</i> Set institutional mechanism for partnership roles and auto trip reduction</p> <p><i>Long-Term:</i> Facilitate traded sector and mixed-use capacity</p> <p><i>Trade-Offs:</i> Risks to core service mission</p>

Source: E.D. Hovee & Co.

3. Economic Specialization

Economic base theory explains that “traded sector” firms, which are those that compete in markets outside of a given region, bring income into that region and tend to drive its prosperity through growth, higher income levels, and wealth generation. In turn, each region tends to develop its own mix of traded sector specializations around its distinct competitive advantages and accumulated scale. While some specializations consist of a few unconnected firms, others develop into industry “clusters” with integrated local complexes (supply chains) of firms that compete and trade with each other. The Oregon Business Plan, recent regional business plans and Portland’s 2002 and 2009 Economic Development Strategies have focused attention on the growth of these regional clusters as drivers of economic competitiveness and prosperity.

A few recent studies have identified industry clusters of the Portland region, based on regional data, but specializations also vary among cities within the region. The clumping up of industries across regions also occurs inside regions; their workforce tends to be mobile, but past investments and some other types of capital are more fixed. Especially in Portland, the Central City and the large seaport/airport industrial districts are unique in Oregon and appear to support additional “big city” specializations that differ from the rest of the region. The study described below is unique in that it sets out to identify city and Central City specializations, based on city and Central City data relative to the nation and to similarly sized cities in the United States.

Why Is This Important?

Traded sectors tend to specialize in locations where they have competitive advantages and drive each region’s prosperity. Economic globalization trends since 1990 have put increasing pressure on regions to be competitive and adaptable in order to remain prosperous, as the international marketplace has opened up to increasing competition. Business leaders in local traded sector firms have commonly cited the need to reinvent themselves to remain competitive. The extent that they expand in Portland or elsewhere has come to depend more on competitive factors. Local responses to these globalization phenomena have emphasized traded sectors and competitive local strengths that attract and keep them, such as distinctiveness, innovation, talent, and productivity. How should Portland position itself to remain competitive and prosperous? In the short term, business development programs have targeted the growth of particular traded sector clusters and emerging industries. In the long term, other sources of local competitive advantage also become variables, such as the growth of the local talent base, new infrastructure systems, new and expanding business districts and local competitive strengths around sustainability and other expanding economic activities.

Draft Product: *Evaluation of Economic Specialization in the City of Portland* (ECONorthwest, June 2009, available on Portland Plan website)

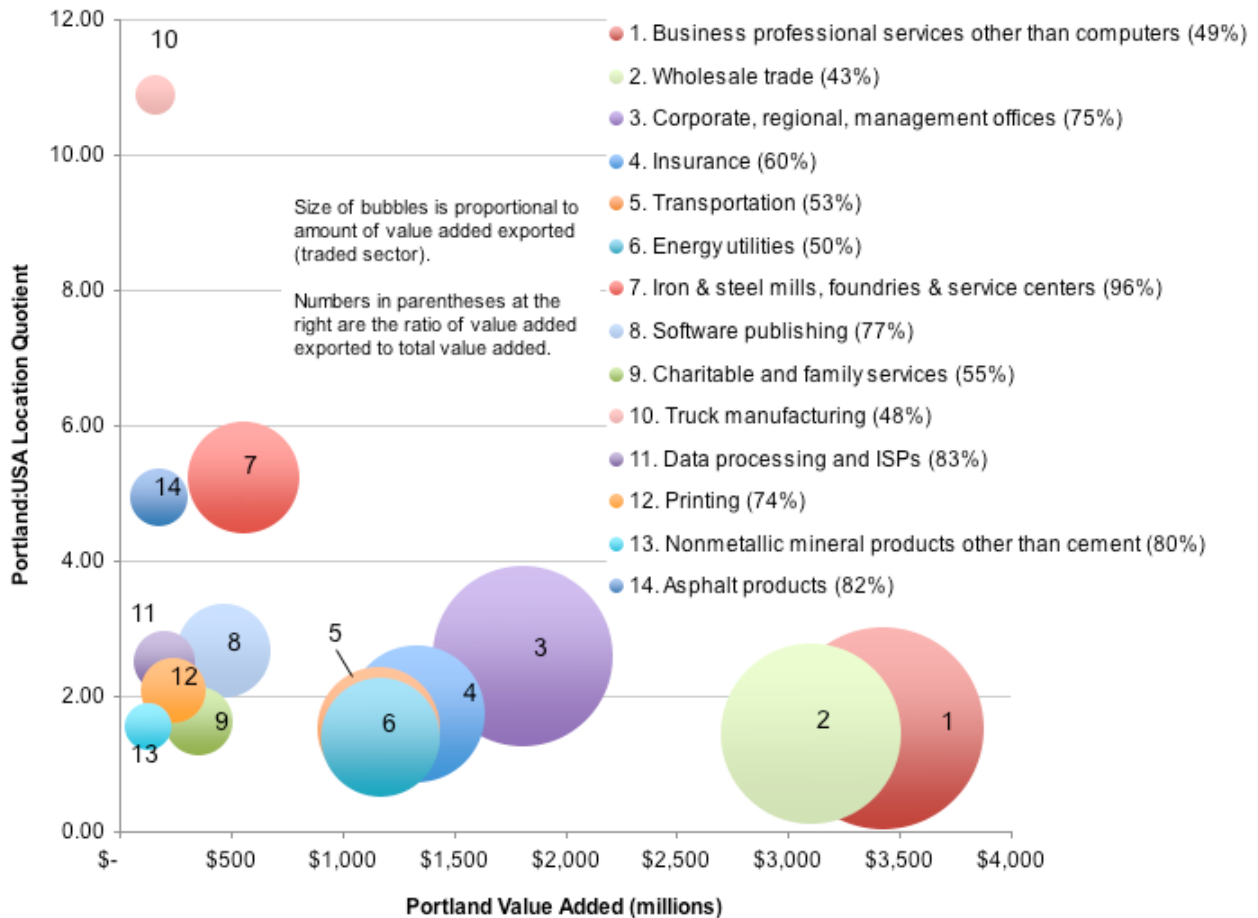
This study identified sector specializations of the city and the Central City through quantitative analysis based on 2007 “value added” data (similar to gross domestic product), measuring their concentration here relative to the nation. Specializations in Portland were then compared to 10 similarly sized cities in the United States. Lastly, a trend and shift-share analysis compared how industry segments grew in Portland relative to the nation from 2001 to 2007, focusing particularly on Portland’s current target industries.

Identification of Specializations

The largest economic specializations in the city, based on their “value added” in Portland relative to the nation, are identified in Figure 7, which also shows the traded sector component

of these specializations. (Value added is a measure of the locally produced component of total revenues from good and services output, comparable to GDP. The traded sector component of value added is measured by value of the goods and services exported out of the metropolitan area). Figure 8 maps the location of firms in the economic specializations identified in Figure 7, plotting their geography in the city. Figure 9 compares the local and national growth rates in value added among Portland's current target industries.

Figure 7. City of Portland Sector Specializations based on Value Added, 2007



Source: ECONorthwest, 2009, based on 2007 IMPLAN data.

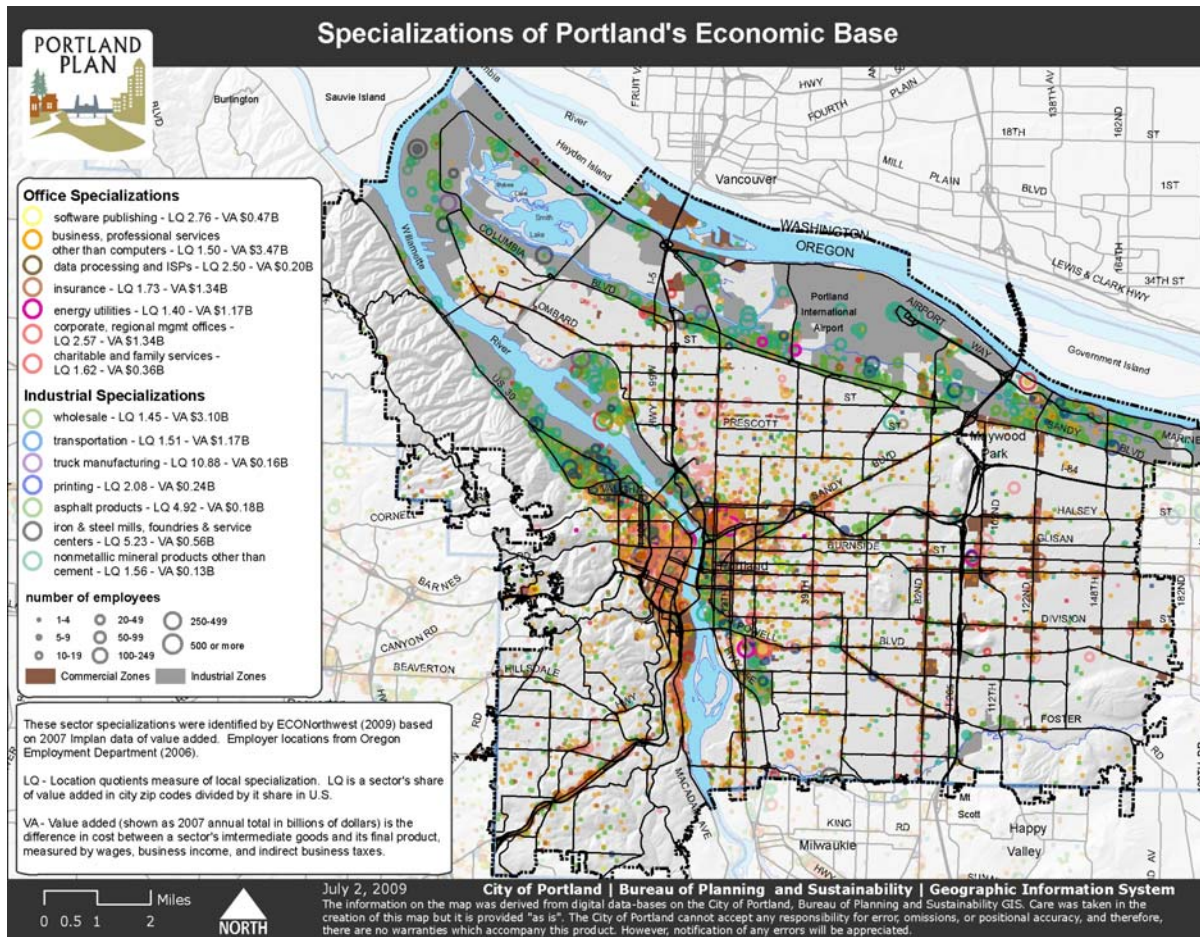
Conclusions and Implications

- The study results generally support the existing Target Industries (see Figure 9) designated in the Portland Economic Development Strategy. The City's four Target Industries are high performing, local components of regional specializations that compete in global markets: advanced manufacturing (e.g., metals), software, activewear and outdoor gear, and cleantech. These industries performed well in nearly every measure of specialization considered in the study. These specializations distinguish Portland on a global map.

The sector analysis also identifies other strong and growing specializations that the City might consider for policy initiatives. The six largest traded sector specializations of the city's economy in 2007 (measured by export value added) are professional services, wholesale

trade, corporate management (headquarters), insurance, transportation, and energy utilities. These are generally sectors that support other sectors. The total traded sector (export) value added of these specializations substantially exceeds that of other specializations that focus more on end-products for global markets (such as metals manufacturing and software).

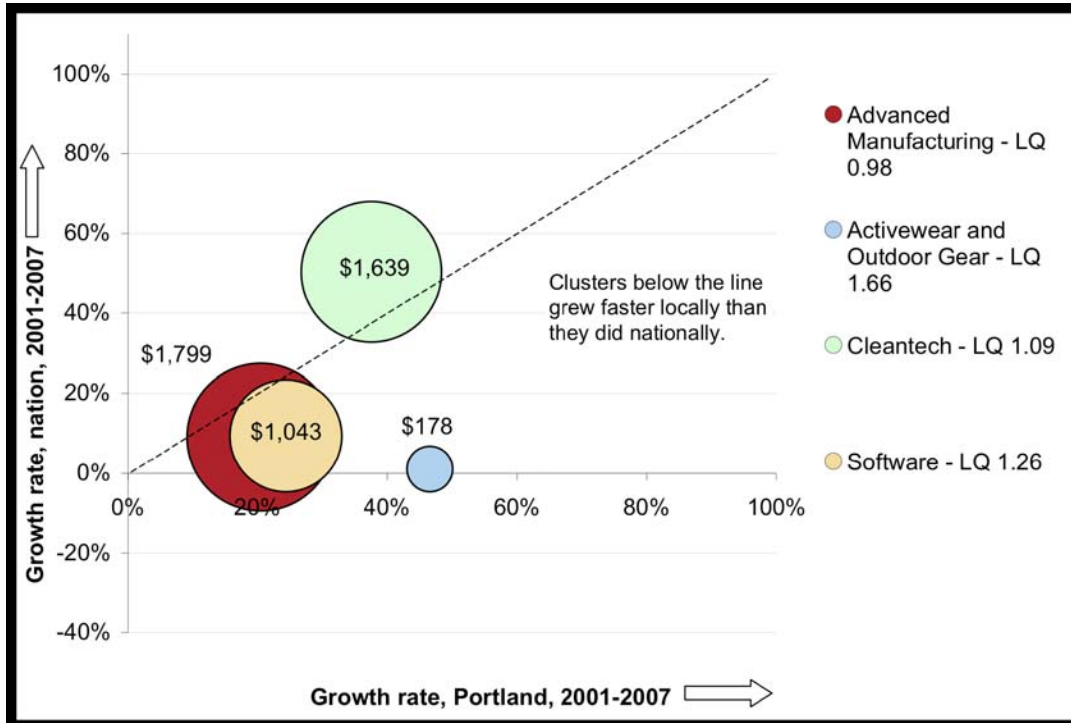
Figure 8. Location of Businesses in Identified City of Portland Sector Specializations, 2006



- Portland's largest specializations are, in part, typical of large cities. These specializations distinguish Portland in the region and state. However, most of them (such as corporate management, insurance, transportation and wholesale trade) are significantly more concentrated here than in the 10 similarly sized U.S. cities reviewed.
- The city also has an apparent incubator role that supports a relatively diverse mix of smaller niche specializations, the largest (by export value added) being charitable services, printing, glass and ceramic products, and asphalt products. Several others not large enough to include in Figure 7 were also identified.
- Figure 8 reveals that the city's largest specializations, which also represent its traded sector specializations, are mainly concentrated in the Central City (office sectors) and industrial districts (industrial sectors), indicating their economic role as traded sector districts. A

notable share of these specializations is also dispersed in home businesses across inner neighborhoods and small businesses along neighborhood corridors.

Figure 9. Comparison of City and National Growth Rates in Value Added among Portland's Target Industries, 2001-2007



Source: IMPLAN data for the nation and the City of Portland (approximated by zip codes) for 2001 and 2007. Calculations by ECONorthwest
 Note: Size of bubble shows value added in 2007. Each legend label shows the cluster's 2007 Portland/U.S. value added location quotient. The dotted arrow has a slope of 1; target industries (or clusters) located below the line grew faster in Portland than in the nation between 2001 and 2007.

The City of Portland identified its clusters using the North American Industry Classification System (NAICS), and ECO used IMPLAN data, which is based on NAICS data but has its own classification system. These differing industry classification systems resulted in a less-than-perfect translation of the industries in PDC's clusters. In some cases, a five-digit NAICS category only matched up with a portion of an IMPLAN industry sector, resulting in overstated values. In other cases, there is no good IMPLAN match for a four- or five-digit NAICS industry sector and no values are given. In all, however, translation issues arose in only 14 of the 153 IMPLAN industry sectors used in Exhibit ES.3. Due to translation issues, size of activewear cluster is underestimated, cleantech cluster is overestimated, and all other clusters were well-matched. Figures in millions of 2007 dollars.

- The economic specializations of the Central City are generally the identified citywide office specializations, with a few additions. The Central City's largest specializations by value added (in declining order) are professional and business services, real estate, insurance, management, energy utilities, state and local government education, securities and investments, software and telecommunications.
- Local specializations also are shifting. A few city specializations grew significantly faster than the nation in relative share from 2001 to 2007. Examples include business and professional services, iron and steel mills, software, data processing, and non-metallic minerals. Energy utilities declined locally relative to significant national growth.

