



Bureau of Planning and Sustainability
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MEMO

DATE: July 12, 2011

TO: Planning and Sustainability Commission

FROM: Eric Engstrom, Principal Planner

CC: Susan Anderson, Director; Joe Zehnder, Chief Planner; Alexandra Howard, Program Coordinator; Steve Dotterrer, Principal Planner; Sandra Wood; Supervising Planner; Julie Ocken; Executive Assistant; Al Burns, Senior Planner; Mark Walhood, City Planner II; Marty Stockton, Community Outreach Specialist

SUBJECT: Factual Basis - Buildable Lands Inventory and Background Reports

On June 28th you heard testimony regarding the residential Buildable Lands Inventory and the Watershed Health Background report. The purpose of this memo is to offer a brief response to that testimony and provide a revised list of requested Commission actions.

In addition to the Watershed Health report, several other background reports were transmitted for your consideration. You did not hear any testimony on the following:

- Arts and Culture - November 2009
- Modern Historic Resources of East Portland - May 2011
- Historic Resources Report 2: Data and Maps - November 2009
- Historic Resources Report 4: Additional East Portland Information - May 2011
- Updates on Key Housing Supply and Affordability Trends - May 2011
- Housing Supply - November 2009
- Housing Affordability - November 2009
- Housing Demand and Supply Projections - November 2009
- Urban Form - November 2010
- 20-Minute Neighborhood Analysis - May 2011



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- East Portland Historical Overview and Historic Preservation Study and Appendices - March 2009

Watershed Health Background Report

The purpose of the Watershed Health Background Report is to summarize watershed health conditions and trends, and describe how they might inform the Portland Plan and the Comprehensive Plan. Building on the framework outlined in the Portland Watershed Management Plan and informed by a number of related environmental assessments, the background report is organized around four watershed health goals: hydrology, water quality, habitat, and biological communities. It concludes with an “Implications” chapter, which offers possible actions or policies to further the identified watershed goals.

The Commission received comments on this report from the Port of Portland, and the Portland Business Alliance. Generally, the comments encourage greater acknowledgement of the urban context of Portland watersheds, and the potential policy conflicts that may arise from that context (for example, direct human management of the floodplain in the Columbia Corridor, the need for commercial river access, competition for limited land supply, etc). Some of the comments relate to points made in the pending Economic Opportunities Analysis report, which will more directly address economic policy and land supply.

In order to more thoroughly respond to the comments we received, I am recommending you hold adoption of the Watershed Health report, and BPS will bring back further amendments for your consideration in another hearing later this year.

Buildable Lands Inventory (BLI)

The BLI is an assessment of the City’s capacity to accommodate projected changes in housing and employment over at least the next 20 years. In May, staff briefed the Commission on the BLI assumptions, and reviewed the changes we have made in response to earlier public testimony (in December 2010, and earlier). On June 28th we asked for final public comment on the residential (housing) portion of that analysis. The employment portion is waiting on the completed Employment Opportunities Analysis, which will be brought to the Commission later this year.

The testimony received covered the following topics:

- Accuracy of specific capacity layers
- Parking as an additional constraint
- Household growth projections too aggressive
- The type of housing needed
- Climate change and peak oil
- Suggestions for further analysis of financial tools to shape development form
- Treatment of historic properties in growth scenarios

Constraints

Testimony has revealed three corrections that could be made to the constraint analysis:



- 1) The map of Private Common Open Space (P4) is missing some known private open space, particularly smaller tracts. BPS will continue to refine this map prior to City Council consideration of the BLI. Because the properties in question are small, and generally found in lower density areas, this refinement is not likely to have a significant impact on the overall capacity conclusions.
- 2) The map of Historic and Conservation districts (M1) was finished before the recent adoption of the Irvington Historic District. This map will be updated prior to City Council consideration of the BLI.
- 3) The FEMA floodplain was incorrectly labeled as having no impact on capacity. The narrative in the report is correct, but Table 3 should identify map N7 as “Some (Medium).”

The capacity model will be run again later this year upon incorporation of the employment data. The model will reflect these corrections at that time.

Parking

You heard a request that an additional constraint be added to represent the scarcity of parking in some areas (the example of hillside areas with narrow streets was given). The model already accounts for this to some degree because slopes, substandard streets, and traffic congestion are treated as constraints, and may serve as proxies for ease of parking. I do not recommend further changes in response to that testimony.

Growth Projections

You heard testimony that household growth projections are too aggressive, and potentially out of touch with trends. The collapse of the most recent housing boom was cited.

The current projection is 105,000 to 136,000 households by 2035. Technically, the growth projections are a Metro decision, and not before the Commission. The Metro projection will be updated when Metro acts later this year to make urban growth boundary (UGB) decisions. Metro will then make a new allocation to jurisdictions within the region. There are also adjustments being made to re-set base starting point to the 2010 census numbers.

That said, BPS staff have confidence in the Metro projections, and we expect the final allocation to fall somewhere within the existing range. The reasons for our confidence include:

- Portland’s share of all new residential units in the region; the regional “capture rate”, has grown remarkably, and this is not a new trend. Portland has averaged 35% for 15 years; 38% for 10 years; 42% the last 5 years and 45% the last 3 years - and 69% and 57% the last two years. There is a clear market trend favoring urban amenity-rich locations for housing development, and a reflection of rising transportation costs. Even if overall growth is slowing, an increasing percentage of regional growth is occurring in Portland.
- The forecast is a long term projection. As such, it is expected to span several business cycles. Housing development in Portland has tended to track with larger national economic cycles. For example, permit data shows that production was low from 1989-



1991, high from 1995-1999, low from 2001-2003, high again from 2005-2008, and low again from 2009-present. Based on that history, we expect the next 20 years will include at least two more active periods of economic activity, and probably several recessions.

- The most recent decade is somewhat unusual in that we experienced two downturns within one decade, one of which was especially deep. Over the past decade approximately 31,000 new housing units were built in Portland (this does not include existing homes annexed into the City). If the last decade were projected forward in a straight line, we could expect to see up to 77,000 new houses built by 2035. The current forecast range of 105,000 to 136,000 is higher than that straight line projection because economic forecasters believe that this decade was an especially bad decade for Portland, economically speaking.

Type of Housing Needed

Testimony raised concerns about the high percentage of housing need and capacity being defined as “high density” (meaning not single family).

The majority of our existing housing stock is single family, but permit records show that the majority of new dwellings are multifamily. Only 28 percent of new units built during the most recent decade were single family units. This trend reflects the fact that most of Portland’s single family neighborhoods are already fully developed, and is consistent with shrinking family sizes and the increasing diversity of household types.

The BLI does not include analysis to determine if the supply matches the expected demand. The BLI simply describes supply. The housing-related background reports describe the kinds of households we expect in Portland over the next 25 years. In the upcoming Scenarios Report, we will estimate what types of housing is likely to be produced given market trends and our existing Comprehensive Plan. The Scenarios Report is described in the Next Steps section of the BLI report.

Climate Change and Peak Oil

Both Climate Change and Peak Oil could impact growth projections and capacity, either positively or negatively. The BLI model does not explicitly include these factors. There are a lot of unknowns, and the impacts could be to either supply or demand. Some possible impacts might be:

- Climate Change could lead to more extreme weather events and make development of some lands (like slopes and floodplains) more difficult. This could reduce our capacity for growth in some areas, and impact our infrastructure systems.
- Climate Change could create impacts in other regions that lead to population migration. In some scenarios, it is possible that impacts elsewhere could lead to higher than projected growth in Portland (for example, if water supplies in the Southwest forced population growth northward). Individual weather events can also change population dynamics in unpredictable ways, for example thousands of New Orleans residents eventually settled in Houston after hurricane Katrina. International conflict over resources could also lead to new waves of immigration.



- Tight or volatile oil supplies are likely to lead to higher transportation costs. Higher transportation costs typically lead to higher land prices in central city locations. Higher land prices in Portland’s central city could change the type of development that occurs, pushing market supportable density higher.
- Oil prices also impact the availability of building supplies, food, and consumer goods. Interrupted supply chains could change the type of homes that can be built, or the range of feasible designs.
- Large swings in oil prices could also impact the way goods are transported in the global market. Higher or more volatile oil prices over the long term could make Portland a more attractive location for some kinds of business, because of our good access to marine transportation and rail (both are less oil-intensive methods of transportation relative to highways and air).

In general, the BLI helps us prepare for climate change by identifying sensitive lands, inventorying infrastructure systems, and planning for different levels of population growth.

Tools

There was some testimony about tax policy and growth-shaping financial tools. This testimony is related to policy development and next steps, but not directly related to the BLI.

Historic Properties in Growth Scenarios

There was some testimony that historic properties were not considered “constrained” in the BLI. Technically, the BLI analysis did apply a capacity deduction to historic resources (Table 4, M1 and M2). That said, we assume the underlying intent of the testimony is to suggest a greater level of protection for those resources in the future. If there is interest in the Commission, BPS can quantify the housing supply impacts of such protection.

Revised Commission Actions

I recommend you take the following action (modified from the recommendations delivered in memos dated June 28th).

FIRST - We are asking the Planning and Sustainability Commission to make an affirmative recommendation to City Council on the refined Residential Buildable Lands Inventory, including the three reports listed above. With that recommendation, BPS will bring this material to City Council in late 2011. City Council will be asked to adopt these reports by ordinance. They will then be delivered to DLCDD for acknowledgement, to satisfy a portion of Task 2 of Periodic Review.

The Commission could also direct BPS to make the three corrections noted above under “Constraints”, before we bring the analysis to City Council.

SECOND - Recommend the following reports to the City Council for review and approval as part of the factual basis of the Comprehensive Plan:

- a) Arts and Culture - November 2009
- b) Modern Historic Resources of East Portland - May 2011



- c) Historic Resources Report 2: Data and Maps - November 2009
- d) Historic Resources Report 4: Additional East Portland Information - May 2011
- e) Updates on Key Housing Supply and Affordability Trends - May 2011
- f) Housing Supply - November 2009
- g) Housing Affordability - November 2009
- h) Housing Demand and Supply Projections - November 2009
- i) Urban Form - November 2010
- j) 20-Minute Neighborhood Analysis - May 2011
- k) East Portland Historical Overview and Historic Preservation Study and Appendices - March 2009 (by reference)

THIRD - Several additional PSC recommendations will be necessary, later this year:

- a) BPS and BES will make further refinements to the Watershed Health background report, and bring that report back for Commission consideration.
- b) A Public Schools background report will be available for your consideration.
- c) A recommendation on the Employment Opportunity Analysis (EOA) will be necessary. A Summary of Employment Capacity will be prepared as a parallel document to the Residential Capacity Summary.
- d) Both the employment and residential capacity analysis are examined in relation to regional growth forecasts that Metro must adopt as part of its own Urban Growth Boundary decisions. Portland's assumptions about total housing and employment needs will be adjusted at that time. This will not change Portland's underlying capacity analysis, but it will change some of the stated need assumptions. In other words, our conclusion that we have enough capacity cannot be finalized until Metro adopts a revised forecast.

