

# CITY OF PORTLAND ECONOMIC OPPORTUNITIES ANALYSIS:

## Section 4 – Alternative Choices



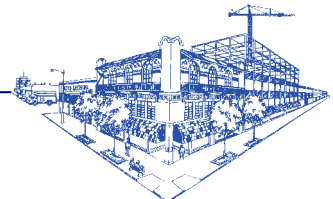
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Economic & Development Services



## EXECUTIVE SUMMARY

The EOA is an analysis of the 20-year supply and demand for employment development and land in the city. It is prepared according to State Administrative Rule OAR 660-09-0015 and consists of four sections:

1. Trends, Opportunities & Market Factors
2. Long Range Employment Forecast (Demand)
3. Buildable Land Inventory (Supply)
4. Policy Alternatives

This report is the fourth section of the EOA and identifies opportunities for policy changes, public investments, development incentives, and other public interventions that can help meet the development capacity shortfalls needed to accommodate the forecasted employment growth in a way that is consistent with the Portland Plan. These alternatives address both encouraging the job growth (demand) and the employment development capacity (supply).

### KEY FINDINGS

- The Metro regional employment forecast allocates 147,000 new jobs to the City of Portland by 2035.
- Portland job growth translates to a demand for 2,660 acres of employment land.
- Portland’s traded-sector economy needs an additional 580 acres of land for marine terminals, rail yards, and airport facilities.
- The City of Portland will need additional development capacity for industrial land, especially in the Columbia Harbor area.
- Additional development capacity is needed on the major institutional campuses, as well as in the Central City Incubator areas (the Central Eastside and Lower Albina districts) and the town centers.

### KEY OPPORTUNITIES

To increase the number of jobs in the city by nearly 150,000 jobs between now and 2035, private industry and the city must work together to implement the adopted Economic Development Strategy, address commercial and industrial land supply needs, redevelop brownfields, improve and expand infrastructure, and improve workforce training to better meet business and industry needs. Partnerships with our higher education and private sector partners will be crucial to our success.

The following summarizes the alternative actions that could be undertaken to increase or more fully realize the development capacity of the city’s supply of sites for employment-generating uses. The potential impact and trade-offs associated with these alternatives will be evaluated as part of the Comprehensive Plan process, or in the case of West Hayden Island as part of other

city decisions taking place during the Comprehensive Plan process. The alternatives are organized by the EOA’s “employment geographies.”

**Citywide**

- Establish a job capture rate target to help focus action and measure Portland’s performance over time.
- Create a strong business climate through cost-competitiveness, regulatory improvements, and business development.
- Provide a competitive employment land supply with a wide range of types, sizes and locations.
- Expand exports and grow traded sector businesses.

**Central City Commercial**

- Promote and invest in the Central City as the region and state’s office, employment, and cultural center.
- Provide incentives to support high/mid-rise office development and increase the Central City share of regional office market.
- Increase supply of lower cost Class B/C office space to support urban innovation and research commercialization initiatives.
- Support initiatives to enhance Portland as a national leader in urban innovation and sustainability, supporting entrepreneurship in the expanding creative and green sectors of the economy.

**Central City Incubator (the Central Eastside and Lower Albina districts)**

- Make Portland the preferred location for new and growing start-up businesses through Class B/C and small-site office development incentives, business development, and public investments.
- Expand the use of the “Employment Opportunity” overlay zone to increase the zoning capacity for lower cost Class B/C office space while sustaining close-in industrial businesses.

**Columbia Harbor and Other Industrial Areas**

- Annex and rezone West Hayden Island for industrial use to meet the demand for marine terminals.
- Identify other opportunities to create additional industrial capacity including:
  - Supporting remediation and reuse of brownfields
  - Making progress on the Portland Harbor Superfund cleanup program
  - Maintaining industrial sanctuary designations
  - Giving priority to investments that yield greater utilization of existing industrial properties
- Invest in Columbia Harbor as Oregon’s Trade and Freight Hub

- Create innovative approaches to improving the complex relationship between industrial uses and natural resources

***Neighborhood Centers (including Gateway, Town Center, and Neighborhood Commercial geographies)***

- Provide incentives and small business support in priority neighborhoods.
- Expand housing, retail and amenities to improve the attractiveness as live-work districts.
- Provide incentives to expand mid-rise office development as lower cost office space alternative.
- Provide incentives to create satellite facilities for campus institutions.

***Gateway Regional Center***

- Promote Gateway as Portland’s second business center.

***Town Centers***

- Promote midrise and institutional development.

***Neighborhood Commercial Districts***

- Add commercial and mixed use capacity in underserved neighborhoods.

***Campus Institutions***

- Expand development capacity to meet institutional employment demand.
- Reform land use regulations to meet institution and neighborhood needs.
- Integrate part of campus growth into nearby town centers and neighborhood commercial districts.

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## I. INTRODUCTION

The purpose of this section is to outline a framework for identifying alternative policy choices to address the employment land needs identified in this EOA. This framework draws heavily on the strategies and actions identified in the *March 2012 Recommended Draft of the Portland Plan*. It is intended to be the starting point for the public deliberations on the policy changes, public investments, and incentives that will be incorporated into the Comprehensive Plan Update. The decision about the specific policies and actions will be made as part of the adoption of the Comprehensive Plan.

Statewide Planning Goal 9 and the state administrative rules establish the basic requirements for all cities to adopt into their comprehensive plans. The comprehensive plan must include policies and implementation measures to provide an adequate number of sites of suitable sizes, types and locations needed to accommodate the forecasted employment growth. These actions can include:

- Policies committing the city to designate an adequate supply of land with the necessary supporting public facilities;
- Policies and programs to implement brownfield redevelopment strategies;
- Comprehensive plan map and zoning code changes;
- Capital improvement programming and funding;
- Tax incentives;
- Property acquisition and parcel assembly; and
- Public-private partnerships.

The Portland Plan’s Economic Prosperity and Affordability strategy sets a goal to:

*Expand economic opportunities to support a socially and economically diverse population by prioritizing business growth, a robust and resilient regional economy, and broadly accessible household prosperity.*

This strategy links policies and actions for business growth and prosperity to allow Portland residents to better access those economic benefits. It incorporates the priorities set in the City’s Economic Development Strategy and the regional economic development strategy.

This section of the EOA identifies opportunities for policy changes, public investments, development incentives, and other public interventions that can help meet the development capacity shortfalls needed to accommodate the forecasted employment growth in a way that is consistent with the Portland Plan.

This framework of alternatives is not comprehensive, but it is intended to be a summary of key opportunities to both address development capacity shortfalls and also identify steps to support an aggressive job growth forecast. This report includes a brief section on citywide opportunities,

but it is intended to focus on a menu of specific actions in each of employment geographies to support their growth potential.

To increase the number of jobs in the city by nearly 150,000 jobs between 2010 and 2035, private industry and the city must work together to implement the adopted Economic Development Strategy, address commercial and industrial land supply needs, redevelop brownfields, improve and expand infrastructure, and improve workforce training to better meet business and industry needs. Partnerships with our higher education and private sector partners will be crucial to our success.

Types of resources available to the City of Portland to impact economic development include:

- *Regulatory environment* – reflected through the City’s Comprehensive Plan, zoning and building development procedures.
- *Infrastructure investment* – transportation, sewer and water along with street and transit facilities, plus other utilities (electricity and telecommunications).
- *Brownfield remediation assistance* – incentives and support to make remediation financially feasible, especially in industrial areas.
- *Ongoing City services* – police, fire, parks/recreation, and development services essential for a quality working environment and timely response to business issues.
- *Direct business services* – as generally provided through the Portland Development Commission (PDC) including location and site selection, financial incentives and services, retention/expansion/recruitment services, development assistance, regional partnerships, workforce connections and promoting business cluster concentrations.
- *Technical assistance* – provided both directly to individual businesses or to neighborhood business districts as with Business Improvement Districts or the City’s *Main Street* initiative.
- *Direct financial incentives* – including resources available in designated portions of the City (primarily via PDC) as with urban renewal districts and associated tax increment funding, enterprise and e-commerce zones.
- *Quality of life* – Portland’s national reputation as a livable community can be a factor in attracting talent and a competitive skilled workforce.

## II. CITYWIDE CHOICES

There are a set of citywide employment policies related to growth targets, land capacity, public investment and incentives, and business climate that help set a framework for making specific choices in each of the employment geographies.

### EMPLOYMENT GROWTH TARGET

*Set a job capture rate target to help focus actions and measure performance over business cycles. The demand forecast could be used to set the target to capture 27% of regional (7-county PMSA) job growth in the 2010-2035 forecast period, adding 147,000 new jobs.*

The City of Portland has had a housing growth policy since the early 1990s to capture 20% of the region's housing growth, which has been successfully met. As the city was running out of capacity to develop new single-family housing at that time, the housing growth target supported new directions to expand multifamily housing capacity, expand tax incentives and tools to support multi-family housing development, and support livability investments that expand demand for housing growth in Portland. Setting a job-growth target provides a comparable opportunity.

The Portland Plan calls for actions and policies that elevate the growth and vitality of the City's employment districts. The economic growth of the city will take place in these districts – the Central City, industrial districts, the Portland harbor, hospitals and universities, and other commercial centers. Policies, programs and investments will continue to be needed to maintain and grow Portland's share of regional job growth and ensure these districts prosper.

Portland experienced notable job losses in the recent recession, and in prior years more new jobs were growing in suburban areas than in Portland. Despite Portland's historic and continued role as a major job center that serves the entire region, the experience of the last two economic downturns (since 2000) indicates that this continued role is by no means assured. The City only captured 5% of regional job growth between 2000-2008. With 370,000 jobs as of 2010, Portland accounts for 39% of the jobs in the 7-county metro area (PMSA). Due to Portland's historic and continuing role as a regional job center, the city's 39% share of the region's employment base is much higher than its 26% share of the region's 2.2 million residents.

The long-term employment trends analysis in Section 1 shows that the 2000-2008 job capture rate is inconsistent with long-term trends. The historic capture rate for Multnomah County from 1980-2008 is 25%, with a high of 31% in the 1990s.<sup>1</sup> Furthermore, the trendline analysis in Section 1 indicates a job growth level that would represent a 28% city capture rate of PMSA job growth to 2035. The Metro regional employment forecast of 147,000 new jobs for the City of Portland by 2035 equates to a 27% capture rate of regional employment growth.

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<sup>1</sup> The long-term employment trends analysis is based on county data because reliable, comparable city data is not available before 2000.



An employment target or job capture rate provides a benchmark to measure performance over time. A job capture rate expressed as a percentage of regional employment growth, rather than a fixed number of jobs, can factor in national, state, and regional economic cycles. The Portland Plan’s Economic Prosperity and Affordability strategy establishes an objective of capturing 27%. The Portland Plan makes the case for this target because Portland’s economy needs to grow to support both today’s and tomorrow’s Portlanders.

## **STRONG BUSINESS CLIMATE**

*Create a strong business climate in Portland through cost-competitiveness measures, regulatory and permitting improvements, and business development programs.*

In the business focus group results described in Section 1 of this report, the most frequently mentioned responses to the question about how to position Portland to remain a prosperous city were the following:

- Need for greater regulatory flexibility better tailored to unique needs of individual businesses and/or business types.
- More recognition of the contribution of business to Portland’s vitality – a change from regulators to partners – asking “what can we do to help”.
- Greater emphasis on cultivating business opportunity in Portland – with active marketing but without “picking winners”.
- Need for better business access to resources, incentives and/or tax structure reform – ranging from reforming the business income tax to loan/incentive programs for small business to a point person/advocate for business in City Hall.

Business owners and real estate investors make decisions about where and how to invest based on evaluation of the alternatives available. For many commercial businesses, the choice is between Portland and other communities of the metro area. For industrial and other traded sector businesses that compete globally, choices are often with locations well beyond the Portland metro area.

Making Portland’s business districts more attractive and competitive to a broader range of businesses will help diversify and expand the economy. Portland’s Central City, freight-oriented industrial areas (such as the harbor and airport districts), large hospital and college campuses, and other commercial centers and corridors make up a varied urban economy. In order to overcome constraints and strengthen location advantages to remain Oregon’s largest job center, the Comprehensive Plan will need to include policies and actions that will help Portland’s business districts be more attractive and support job growth within city limits.

Some of the guiding policies to create a better business climate are:

- Focus Portland’s limited strategic business development resources on enhancing the competitiveness of businesses in its target cluster industries.

- Focus business assistance efforts first on retention, then expansion, and then recruitment of businesses.
- Integrate traded sector competitiveness into the city’s planning and overall policy directions, with focus on export growth.
- Connect Minority, Women-owned and Emerging Small Business (MWESB) firms with target cluster opportunities.
- Consider the impact of regulations and fee structures on competitiveness.

Portland’s Economic Development Strategy calls for focusing business development resources on enhancing the competitiveness of five target industry clusters: advanced manufacturing; athletic and outdoor; clean tech; software; and research and commercialization.

The Portland Plan also includes specific actions to evaluate the cumulative impact of City fees, including Systems Development Charges, on location and growth decisions of businesses, especially for businesses seeking flexible and lower-cost Central City space; and to expand City assistance for businesses to increase sustainable business practices to reduce costs.

## **COMPETITIVE LAND SUPPLY**

*Provide a competitive employment land supply with a wide range of types, sizes, and locations. Take actions to meet the growth capacity shortfalls in Portland’s industrial, institutional, and town center geographies.*

Portland is a landlocked city with limited options to add more land to the City. The EOA identifies shortfalls in development capacity, primarily in Portland’s Central City Incubator area, the industrial districts, institutional campuses, and the town centers. The Portland Plan guiding policies include a policy to provide a land supply and development capacity to meet job growth targets, and improve the cost competitiveness of redevelopment and brownfields.

The Oregon statewide planning system requires that all cities have an adequate land supply to meet the needs for future job growth. The Portland Plan takes this farther with a specific action to ensure there is adequate development capacity for forecasted job growth, including the specific forecasted needs for different types of employment land including industrial, harbor-access, multi-modal freight facilities, Central City office, campus institutions and commercial corridors in underserved neighborhoods.

To address these shortfalls, the City of Portland needs either to increase land availability or greater utilize existing opportunities. Otherwise, the City of Portland risks losing some portion of its competitive share to other parts of the metro area (or to other areas outside the region). Primary options to increase employment development capacity are to:

- Increase productivity from existing employment land and facilities
- Redevelop the most promising brownfields and Superfund sites.

- Address difficult issues related to protecting environmentally sensitive land while removing obstacles to redevelopment, especially in the industrial areas along the riverfront.
- Increased reuse or redevelopment of previously developed properties through reinvestment and modernization.
- Greater market utilization of zoned capacity

In addition, the City, and the region, will need to develop new ways to fund infrastructure to provide a competitive and innovative business environment. This investment includes continuing to maintain and upgrade the existing transportation system and other service systems; freight mobility improvements; and implementing our broadband strategic plan to support high tech industry clusters.

## **EXPORTS AND TRADED SECTOR BUSINESSES**

*Implement actions to expand export and traded sector business activity in Portland, such as target cluster programs, urban innovation initiatives, and harbor/airport improvements as a West Coast international trade gateway.*

The Portland metro region relies on its export oriented economy. Exports are about 20 percent of the region’s total economy, supporting over 125,000 jobs. The Portland region exported about \$22 billion in goods and services in 2008, ranking 12th among the top 100 largest metropolitan areas. By 2035, the Portland Plan goal is for the metropolitan region to move up the list and achieve a rank of 10th or better.

Traded sector businesses have a central role in driving and expanding the region’s and Portland’s economy across the board.<sup>2</sup> Staying competitive in the changing global marketplace is essential to business survival and growth. Traded sector companies in related industries tend to collect in regions where they have competitive advantages, a phenomenon called industry clusters. This supports greater access to specialized services and suppliers, a strong industry knowledge base, and skilled, experienced workers.

Higher wage jobs continue to be associated with firms that have a *traded sector* focus, exporting a substantial portion of their goods and / or services outside the Portland metro area. This traded sector function traditionally has applied primarily to manufacturers; it also increasingly applies to a number of business, financial and creative service firms (including information and design services) who sell their goods or services throughout the U.S. or globally.

Portland has a strategy to support and expand a targeted set of business clusters – advanced manufacturing, athletic and outdoor, clean tech, software, and research and commercialization. This strategy focuses on traded sector growth. The target industry program focuses the limited

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<sup>2</sup> Traded sector businesses are companies that sell many of their products and services to people and businesses outside the Portland region, nationally and globally. Examples include most manufacturing and many professional and business service companies as well as smaller craft businesses with local and global customers. Traded sector businesses may be locally owned and can be small, medium or large in size.

public resources for business assistance on growing the traded sector prospects with the promise of increasing overall regional prosperity. The specific clusters may change in the future, but the focus on traded sector clusters and competitiveness will remain.

Portland's export role as a West Coast trade gateway and freight distribution hub is described below in the Columbia Harbor geography section, where those facilities are concentrated.

## IV. CENTRAL CITY COMMERCIAL

Geography description: The Central City Commercial geography is the region's high density commercial, mixed-use and cultural center. It is also the high-density core of the Central City, consisting of the Downtown, South Waterfront, Lloyd, University, and River subdistricts. It is primarily an office-sector geography (professional, business, financial, information and government services), concentrated in upper-floor spaces. Office sectors made up 72% of Downtown and 58% of Lloyd District jobs in 2008. Entertainment, restaurants, retail, and higher education are also major parts of this employment geography.

When compared to peer cities such as Denver, Austin and Charlotte, Portland's Central City excels. Nationally, central cities lost out to suburbs or to other regions. Portland's Central City, on the other hand, has benefited from an emphasis on access, especially transit, and livability for residents, workers and visitors.

2010-2035 job growth opportunity: 35,500 new jobs (24%)

Growth capacity: The Central City Commercial area appears to have adequate overall development capacity of vacant and underutilized sites, equivalent to 252% of forecast demand by 2035. Metro's robust regional job growth forecast in the office sectors suggests substantial opportunity to compete for a larger Central City share of office development that has been occurring primarily in suburban locations, where lower land costs, larger sites, and less-expensive surface parking patterns prevail.

### REGIONAL OFFICE AND EMPLOYMENT CENTER

*Promote and continue public investment in the Central City as the region's and state's office, employment and cultural center. For example, investments in urban renewal, transit and other major transportation projects, housing development, new parks, and amenities make the Central City a more attractive office, retail, and institutional development market.*

Over the last 20 years, the development focus of the Central City Commercial geography has shifted from office to residential and mixed use as new drivers of core area development. In recent years, this has had the previously unanticipated effect of generating new office demand closer to residential, notably in the Pearl District. The increased role that a mixed residential-commercial neighborhood can play for the downtown core area received particular attention and recommended priority from developers participating in the Central City office focus group.

Downtown Portland has 49% of the multi-tenant office space in the region. On average, eight peer cities have a 27% share of the multi-tenant office space in their respective regions. In the 2000-08 business cycle, the Central City's average annual job growth rate of 0.7 percent exceeded the national average of 0.5 percent.

Over the next five years, much of the office employment growth will be about job recovery and re-fill of vacant building space. The marketing of Central City office space options as a *preferred choice* for business location and workforce attraction will be critical.

The Central City 2035 Plan is in process to maintain and enhance a continued strong competitive position for Portland’s Central City as the dominant office center for the Portland region rather than encouraging undue decentralization of office employment as has occurred in many other metro regions of the U.S.

## OFFICE DEVELOPMENT INCENTIVES

*Expand incentives and new approaches to increase the Central City share of the regional office market.*

Development capacity for office development in the Central City is adequate. Even with a substantial amount of added residential, there should be more than adequate capacity to support added employment growth. But, the City needs to develop approaches to grow Portland’s share of regional office development and to maintain the Central City’s role as the region’s office and employment core. Examples include recruitment of large Class A and public tenants to leverage high-rise construction, incentives to increase development and rehabilitation of Class B/C office space, and Central City marketing as a preferred business and worker location.

Barriers to successful high-rise Class A office development have included lack of an existing critical mass of professional and financial sector office activity, lower market rents inadequate to support mid-high rise construction costs, and relative fragmentation of many of the vacant and lesser valued property holdings.<sup>3</sup> Continuing tightened pre-lease and financing requirements also could lead to some downsizing of future office projects that are dependent on anchor tenants that commit to lease in advance of a decision to construct.

The EOA focus group participants thought a new office district that could play the role of the next Pearl or South Waterfront would better enable the Central City to maintain a high share of regional office development. Potential candidates might include the Con-way property, the Post Office site, or high visibility/gateway locations within the Central Eastside. A new office and employment district in proximity to the Central City needs to be timed so that the next new district does not unnecessarily undercut an existing office center but offers the potential for office product and job capture that otherwise would not likely be attainable for Portland’s Central City. Absent an as yet-unforeseen catalyst project opportunity, active development and

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<sup>3</sup> Office development is typically differentiated between:

- Class A – the primary focus for most Central City new construction.
- Class B – representing older buildings generally constructed prior to the 1960s, often offering rehab or upgrading potential. May include newer low-mid rise structures with a lower level of interior finishes than Class A space.
- Class C – including historic Central City properties and more recent construction of lesser cost low rise office product generally at the edge of or outside the Central City.

marketing of a new or expanded Central City node would not be expected until the mid-latter part of the 25-year forecast period.

The EOA sees a growing demand among businesses that benefit from and prefer a central city location, but that do not need the amenities, and cost, of Class A space. Rather than focusing exclusively on high-rise Class A office space, the right-sizing of Central City office development to include Class B office space could meet the needs of businesses seeking flexible and low cost space. These businesses are seeking flexible and lower cost space but with the diversity of employment activities found in the Central City. This so-called “incubator space” can be defined as relatively lower cost areas of the city that accommodate a diversity of employment activities – ranging from manufacturing and distribution to office uses with particular focus on information and design services together with supporting retail. This activity is housed in a range of building types including older 2+ level industrial structures and Class B/C office space.

Encouraging this product type will likely require new development prototypes coupled with demonstration of significant cost advantages that can better meet required tenant price points outside the downtown and Pearl district office market.

## **URBAN INNOVATION INITIATIVES**

*Continue to invest in initiatives that enhance Portland as a national leader in urban innovation and sustainability, supporting entrepreneurship in the expanding creative and green sectors of the economy.*

Portland universities and businesses are active in research and development and the commercialization of new technologies. The development of the South Waterfront and University districts are directly linked to efforts to create a world-class educational and research complex anchored by OHSU and PSU with increasing opportunities for research commercialization.

Policies and programs, such as Clean Energy Works Oregon and Solarize Portland have contributed to growing the market for green building technologies and practices and have demonstrated how job creation can be part of reducing energy use and resource consumption.

Portland has a solid record of business growth related to urban innovation including startups and niche product development. Examples are bicycle manufacturing, green building and stormwater products and services, local food businesses, planning and design, and international tourism. Connections to other cities, nationally and internationally, and widening recognition of Portland as a sustainability leader have contributed to making the region and city more innovative and prosperous.

The Portland Plan also includes a specific action to support clean tech and green building innovation by supporting existing companies and recruiting new firms that design, apply or manufacture high-performance products that support resource conservation and green buildings. It also calls out the growing role of higher education institutions are playing in economic development and the need to pursue world-class research facilities and programs.

## V. CENTRAL CITY INCUBATOR

Geography description: The Central City Incubator geography consists of the industrial subdistricts of the Central City, which are Central Eastside and Lower Albina. Most of the low/mid-density edge area of the Central City is in this geography. Central Eastside and Lower Albina represent prototypes of incubator activity for new and expanding businesses.

2010-2035 job growth potential: 11,000 net new jobs with a significant share (75%) likely to be met by office flex space and institutional uses.

Growth capacity: This geography has an overall shortfall of development capacity of vacant and underutilized sites, equivalent to only 40 % of forecast demand. An additional development capacity is needed.

### LOWER COST/FLEXIBLE SPACE AND BUSINESS INCENTIVES

*Make Portland the first home in the region for new and expanding office businesses reliant on low-cost space, particularly traded sector and target cluster businesses.*

A portion of job growth within these districts has been fueled by the renovation of multi-story buildings into uses that support higher (largely service sector) job densities while offering competitive rents.

In effect, incubator space and incubator districts represent an increasingly important hybrid or cross over product positioned between traditional office and industrial-service segments of employment building space spectrum. Incubator space is intended to:

- Offer greater flexibility to the user – including pure office, exclusive industrial-distribution, and also mixed office-industrial functions.
- Be oriented to information and design applications – for which Portland is becoming better known both on the West Coast and nationally.
- Offer employment and functional business space at a cost below that of prime office – but with better finishes and in a more urbanized setting than would be possible in an exclusively industrial sanctuary setting.

Substantial redevelopment (including adaptive reuse) at increased FARs and employment densities will be required to accommodate the forecasted employment growth. To do so, means providing office development incentives, business assistance, fee approaches and public investments to meet this area’s expanding demand as an “incubator district.” The alternative would be to forego this opportunity for in-city incubator areas, with potential demand transferred more to other areas of the City, the region or outside the metro area.

There is a question as to how this adaptive reuse model can be applied to also leverage new construction, once the stock of the most prime existing multi-story older industrial spaces has been renovated. The primary challenge for creating new incubator space is to deliver a product



that meets current business needs at rental rates low enough to be competitive for start-up and emerging creative firms. Options to increase incubator development capacity include:

- Reductions in SDCs and permitting flexibility plus urban renewal funding and related incentives.
- Design and technical assistance and cost-gap development incentives to demonstrate feasibility of new construction for multi-level incubator facilities – including sustainable design and building operations.
- Target industry assistance of small businesses reliant on low-cost office space.
- Active public-private marketing of Portland as the *first home* for regional business start-up and entrepreneurial innovation.

### **EXPAND EMPLOYMENT OPPORTUNITY ZONING CAPACITY**

*Expand the Employment Opportunity Subarea zoning overlay to increase zoning capacity for Class B/C office tenants that rely on low-cost space in an industrial setting, while sustaining close-in industrial uses.*

The Central Eastside’s Employment Opportunity Subarea (EOS) zoning area extending from west of MLK/Grand to the Willamette River. The predominant industrial zoning in this geography has created an affordable environment for robust job growth by cost-conscious office tenants. Continued growth in this market appears to be reliant on hybrid zoning that retains industrial sanctuary cost levels while expanding development capacity of Class C office tenants. Options to increase incubator development capacity include:

- Expanding the range of information and design service uses (or the range of non-industrial uses) allowed outright in Employment Opportunity Subarea (EOS) zones to encompass a more diverse range of professional, technical and business service activity.
- Expand EOS-type overlay zoning to other areas of Central Eastside and Lower Albina.

## VI. COLUMBIA HARBOR AND OTHER INDUSTRIAL AREAS

Geography description: Columbia Harbor is the region’s large heavy industrial core and Oregon’s freight distribution hub. The Columbia East district runs east of the Portland Airport and is a mix of industrial and business flex space. The Dispersed Industrial geography consists of small industrial areas located in primarily residential settings.

2000-2035 job growth potential: 33,000 net new jobs – a 22% share.

Growth capacity: Development capacity limitations appear to be most pronounced for the industrial lands, especially the Columbia Harbor geography, with an overall need for 800 acres of additional land, especially for marine terminals and rail yards.

Portland has a strong traded sector job base. The export economy depends on the state’s global trade gateway in Portland’s harbor and Columbia Corridor industrial districts. The 80,000 jobs (or 21% of all employment in the City of Portland) in these districts are a core part of the city’s living-wage job base. These areas support employment and businesses statewide.

Portland remains a preferred industrial location in the region, in part due to Portland’s advantages as a trade and freight hub in the Portland Harbor and the Columbia Corridor and industrial sanctuary zoning. However, continued industrial growth in Portland faces challenges because Portland’s land supply is largely fixed. Other than West Hayden Island, Portland has virtually no opportunity to add land through annexation. Portland’s industrial freight districts, will continue to be a core part of the city’s living-wage job base, but strategic investments are warranted to maintain and grow this competitive position.

### WEST HAYDEN ISLAND

*Complete the master planning and annexation process for West Hayden Island and seek state and regional infrastructure funding to support marine terminal development.*

West Hayden Island represents the only significant opportunity to bring new capacity into Portland’s industrial land supply, especially for marine terminal use. The master planning and annexation process for West Hayden Island is underway and can add an estimated 300 acres of industrial land capacity, specifically to meet the need for marine terminals. Portland Harbor has insufficient land to accommodate the demand for marine terminals. Land assembly and assistance efforts could potentially be effective to expand and develop the 43-acre Time Oil site and 59-acre Atofina site for marine terminals, but the feasibility of doing so is challenged and falls far short of demand.

Vancouver is an alternative for marine terminals and their port has available land. However, the growth capacity of Portland and Vancouver harbors to meet regional demand is constrained, as analyzed in recent West Hayden Island analysis. It is more favorable to have this growth occur in the region, rather than outside the region. However, many of benefits in terms of jobs and future tax revenue would flow north to Washington.

## **ADDITIONAL INDUSTRIAL DEVELOPMENT CAPACITY**

*Consider a combination of actions to meet development capacity shortfalls in industrial areas, including investments and incentives to intensify industrial use of existing supply, rezoning additional industrial land, and maintaining existing industrial sanctuaries.*

Much of Portland’s vacant industrial land faces development constraints – lack of infrastructure, and brownfield contamination. This land also is often the location of high value natural resources. The challenge is, given these unique challenges and assets, to find innovative approaches to site design that improve development potential, environmental health, neighborhood livability and increase the development efficiency and number of jobs per acre.

Given the large amount of land need, a flexible, multi-pronged approach to assuring adequate capacity is necessary. Key elements of this adaptive strategy could be to:

- Prioritize remediation of brownfields to return those sites as a viable component of *shovel-ready* supply.
- The Portland Harbor Superfund liability and cost assignment for clean-up and restoration is a major drawback to reinvestment and redevelopment along the waterfront.
- Maintain industrial sanctuary designations and consider provisions to strengthen the industrial sanctuary designation to more actively discourage incompatible use.
- Encourage full-site utilization of existing industrial properties and on-going reinvestment to minimize the need for new greenfield sites.
- Expand the strategic investment program (SIP), enterprise zone and other economic development funding as incentive options available to encourage major capital intensive and high wage investment.
- Make transportation and utility improvements to sites accompanied by commitments for private investment and net new jobs (or maintenance of existing employment).
- Assist with large parcel assembly to satisfy specific site needs that may not be readily available on the market, including marine industrial, rail yard, and large manufacturing facilities.

## **PORTLAND HARBOR SUPERFUND**

*Encourage the prompt resolution and remediation of the Portland Harbor Superfund site, while providing innocent purchaser protection to encourage new investment on harbor brownfield sites.*

The Portland Harbor Superfund Site is one of the city’s and region’s largest brownfield problems. The large potential cleanup liability poses a threat to harbor businesses and creates a barrier to reuse of vacant harbor sites. Prolonged uncertainty over Superfund and related environmental remediation costs and responsibilities for underutilized and vacated industrial sites is a major drawback to reinvestment. The City needs to continue its a leadership role to facilitate resolution and cleanup of the Portland Harbor Superfund site.

## **BROWNFIELD REMEDIATION AND REUSE**

*Expand tools and cost-gap incentives to significantly increase remediation and redevelopment of brownfield sites.*

Site contamination is a major constraint in the industrial areas. Brownfields can be costly to redevelop due to higher cleanup costs and perceived risks compared to undeveloped suburban sites. There are important tradeoffs that have to be addressed where industrial sites are located in areas that are also critical to watershed health.

To unlock the development capacity in these brownfields, the City needs to develop a strategy to address the impediments to redevelopment of brownfields and to include brownfield redevelopment assistance in a regional investment strategy. While the City can influence this issue, cooperation with state and federal agencies is also necessary, which may require legislative changes to enable innovative remediation options and funding sources to accelerate clean up of brownfields.

## **INVEST IN PORTLAND'S TRADE AND FREIGHT HUB**

*Continue implementing the Freight Master Plan program of strategic investments to encourage reinvestment and industrial expansion in Columbia Harbor as Oregon's international trade gateway, freight distribution hub and international airport.*

Strategic investments in the freight transportation systems and infrastructure are needed to grow Portland's competitive position in the rapidly growing and changing international marketplace. Given geographic and competitive challenges, Portland's role as a leading exporter is fragile. Portland's success could be undermined without additional investment in our freight transportation network, which connects us to global markets.

The City needs to prioritize and better link freight transportation improvements with other infrastructure investments in employment districts. A starting point is working with regional partners to develop a regional freight rail strategy focused on enhancing rail access, travel time, and the efficiency of rail operations for competitive access to markets. The City also can begin to invest in the next five-year increment of the City's Freight Master Plan and Working Harbor Reinvestment Strategy and look at additional revenue options to support accelerated implementation.

## **INDUSTRIAL USES AND NATURAL RESOURCES**

*Create innovative approaches to improving the complex relationship between industrial uses and natural resources in Columbia Harbor and Columbia East.*

The industrial and river areas serve a key role as the location for port facilities, industry and other employment, as well as significant environmental resources such as wetlands and river habitat. The complex relationship between the river-dependent industrial uses and natural habitat areas is a pressing issue to address in this area. The EOA analysis has set aside 50% of the

development capacity of these lands to reflect the constraint on these properties. With mitigation and creative approaches to site development part of this land could be developed.

## V. NEIGHBORHOOD CENTERS

“Neighborhood Centers” include the Gateway, Town Center, and Neighborhood Commercial employment geographies described in the sections below. The options proposed for neighborhood centers apply generally to each of these EOA geographies.

Neighborhood centers are places with concentrations of businesses and services, housing, gathering places and green spaces that provide residents with options to live a healthy, active lifestyle. When services and other destinations are clustered in compact areas economic viability is strengthened and walking, transit and bicycling become more practical.

Currently, only 45 percent of Portlanders live in complete neighborhoods with frequent transit service, schools, parks or greenspaces and business and other amenities that are close enough to safely and easily walk or bike to in order to meet daily needs. In some areas, services are scattered or missing, or streets may lack sidewalks, bikeways or other safe connections providing local access. Commercial vitality is widely uneven among neighborhood business districts and only 30 percent of Portlanders live within a half-mile of a full-service grocery store or market that sells healthy, fresh food. The Portland Plan objective is that by 2035, 80 percent of Portlanders live in a complete neighborhood. Providing economic opportunities and effective business development will play an important role in achieving this objective.

In the past, Portland has primarily used zoning that promotes a compact mix of commercial uses and housing to cultivate places with a sufficient mix of uses and services. However, zoning alone has not been successful in producing these results evenly across the city. The Portland Plan’s Healthy Connected City strategy introduces a broader range of tools, including community partnerships and investments that will help achieve these objectives.

Neighborhood centers can vary in size and character depending on their location, but the Gateway regional center, town centers and neighborhood commercial districts all contribute to increasing economic opportunities and neighborhood vitality. There is a suite of strategies that apply across the board to these areas: 1) small business incentives and support; 2) improving attractiveness as a live-work district; 3) the creation satellite facilities for institutions; and 4) new office development.

### **SMALL BUSINESS SUPPORT AND NEIGHBORHOOD REVITALIZATION**

*Strengthen small business activity and support economic revitalization in priority neighborhoods by implementing and building on the City’s Neighborhood Economic Development Strategy.*

Small businesses are at the core of Portland’s neighborhood centers. Collectively, they offer diverse potential to improve job growth and raise wage levels, support community self-sufficiency, and add to the city’s economic resiliency.

Portland Plan guiding policies identify a community-driven neighborhood economic development approach to build local capacity, minimize involuntary displacement and spur

commercial activity in underserved neighborhoods. This includes support for entrepreneurship and microenterprise development as well as expanding community partnerships to leverage more public investments to advance neighborhood economic development goals.

While much of the public sector role has focused on one-time capital investments and incentives, a pivotal difference can be in the form of day-to-day technical, marketing and related business assistance. Portland has a solid base of business districts with supportive community organizing and small business resources. Recent initiatives include the East Portland Action Plan, the Neighborhood Economic Development Strategy and the Neighborhood Prosperity Initiative. PDC’s Neighborhood Economic Development Strategy includes a multi-pronged approach to measuring neighborhood business vitality, including new business licenses, new business growth, positive job growth, resident income, transit access and retail needs satisfaction.<sup>4</sup>

- Provide incentives and small business support in priority neighborhoods.
- Expand housing and amenities to.
- Provide incentives to create satellite facilities for campus institutions.
- Provide incentives to expand midrise office development.

## **LIVE-WORK DISTRICTS**

*Expand housing, retail and amenities to improve the attractiveness of neighborhood centers as live-work districts.*

In this context, the term “live-work” is applied as a general concept to encompass side-by-side or area-wide opportunities to better integrate housing and employment. Focus group research indicates that housing and retail developed in close proximity to each other is becoming the number one indicator for a desirable office location in Portland. This strategy could involve options ranging from redevelopment for residential or mixed use to construction of new projects with a mix of residential and office space.

## **INCENTIVES FOR MIDRISE DEVELOPMENT**

*Provide incentives to expand midrise office development as a lower-cost office space alternative.*

The neighborhood centers may be better positioned, especially in terms of land value, to utilize available development capacity for smaller scale Class B or flexible office space, which could be tailored to an incubator strategy. The key factor will be to find a mix of incentives that can increase the financial feasibility of mid-rise (2-4 stories) office development. One of the key elements will be to find innovative approaches to reduce the parking footprint while assuring

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<sup>4</sup> For detailed information on the neighborhood vitality index, please read the Neighborhood Economic Development strategy: [http://www.pdc.us/bus\\_serv/ned.asp](http://www.pdc.us/bus_serv/ned.asp)

customer and employee accessibility.<sup>5</sup> Making the introduction of larger buildings into traditionally lower density areas also depends on quality design that helps address neighborhood concerns about the change in scale and intensity of use.

## **SATELLITE INSTITUTIONS**

*As one option to reduce the shortfall of institutional campus development capacity, provide incentives to encourage development of satellite facilities in neighborhood centers, especially for health care facilities.*

Less critical outpatient facilities – urgent care, primary care physician offices – can be located in satellite locations, which in turn frees up space for core services on the campuses. Providence Hospital has taken this approach by locating some of their administrative facilities in nearby Hollywood. These satellite institutions can be both a source of services and employment in the neighborhood centers.

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<sup>5</sup> The City of Portland has relatively liberal off-street parking standards, with no required parking in many areas with supportive transit service. Off-street parking can have a big effect on the financial feasibility of development projects. The City of Portland’s regulations allow developer or business owner to determine their need for parking. This policy has benefitted small businesses and their ability to re-use older buildings and smaller commercial space.



## **VI. GATEWAY REGIONAL CENTER**

Geography description: Gateway is designated as a Regional Center and is planned to transition to a high-density, mixed-use area.

2010-2035 job growth potential: 4,100 net new jobs.

Growth capacity: Gateway has adequate overall development capacity of vacant and underutilized sites, equivalent to 272% of forecast demand by 2035.

### **GATEWAY AS PORTLAND'S SECOND BUSINESS CENTER**

*Promote Gateway as Portland's second regional business center through catalyst investments and incentives.*

For the Gateway Regional Center, substantial new office development has not yet occurred despite direct proximity to east-west and north-south freeway (I-84 / I-205) and light rail transit service coupled with availability of tax increment funding through the urban renewal area. Barriers to successful office development have included lack of a critical mass of professional and financial sector office activity, lower market rents that are inadequate to support mid-high rise construction costs, and relative fragmentation of many of the vacant and lesser valued property holdings.

First and perhaps most importantly, creation of added office centers provides greater opportunity for the City of Portland to offer office products that can compete more effectively with lower rise and larger footprint office parks currently focused in the suburban market around Portland. Greater diversity of office products would better enable Portland to recapture its competitive share of the office space market that has been lost over the last couples of decades.

Second, the ability to locate office space closer to where employees live offers the opportunity to better serve parts of the City that have significant concentrations of residential population but relatively limited access to higher concentrations of employment. Creating opportunities for new office space in the Gateway Regional Center would also achieve a decrease in both distance and frequency of commute trips.

Gateway's close proximity to PDX is among its advantages as a location for businesses requiring immediate access to air transport through personnel, customers, or high-value freight. Gateway has also been identified as a potentially emerging incubator district due to a legacy of lower cost industrial-service space and flexible Central Employment (EX) type zoning.

## VII. TOWN CENTERS

Geography description: The five Metro 2040 Growth Concept town centers are Hillsdale, Hollywood, Lents, St. Johns, and West Portland.

2010-2035 job growth potential: 6,300 net new jobs.

Growth capacity: Town Centers have a shortfall of overall development capacity of vacant and underutilized sites, equivalent to 64 % of forecast demand by 2035.

### **PROMOTE MIDRISE AND INSTITUTIONAL DEVELOPMENT**

*Provide development incentives to meet the town center capacity shortfall, promoting midrise office and institutional development.*

The majority of the land supply is associated with smaller, underutilized redevelopment sites rather than vacant sites. However, the current development trends indicate that the market is developing at a relatively low 0.5 FAR, which is consistent with a significant existing amount of surface parking lot area.

Achieving higher FARs in the town centers will depend on opportunities to reduce the proportion of land in surface parking. One of the key elements will be to find innovative approaches to reduce the parking footprint while assuring customer and employee accessibility. These strategies include support for prototype developments to show market viability. Innovations could include taking advantage of the reduced parking standards already in place, un-bundling of parking in real-estate transactions (for example, listing the price of a parking space separate from the residential or commercial lease, as an add-on), maintaining on-street parking, and initial structured parking with major development projects outside of the Central City.

## VIII. NEIGHBORHOOD COMMERCIAL DISTRICTS

Geography description: Neighborhood commercial geographies include over 90 neighborhood commercial corridors dispersed across the city.

2010-2035 job growth potential: 25,800 net new jobs, 17% share of forecasted growth.

Growth capacity: This geography has ample overall development capacity of vacant and underutilized sites, equivalent to 216% of forecast demand by 2035. The majority of the land supply is associated with smaller, underutilized redevelopment sites rather than vacant sites.

### COMMERCIAL CAPACITY IN UNDERSERVED NEIGHBORHOODS

*Add commercial and mixed-use capacity in underserved neighborhoods.*

The Portland Plan’s Healthy Connected City goal emphasizes creating complete neighborhood centers that provide access to services and destinations, locally and across the city. One of the key elements is to prioritize actions to reduce disparities and inequities. This strategy includes identifying zoning and regulatory changes to promote the growth of neighborhood commercial centers in underserved neighborhoods. It also requires the small business support necessary to create thriving neighborhood commercial districts.

A related element is access to healthy and affordable food by retaining and recruiting grocery stores and other sources of healthy food (e.g., farmers markets and small market farms) as a key component of neighborhood centers. This action could include expanding the Healthy Retail Initiative to support and encourage owners of existing small markets and convenience stores to provide healthy, affordable and culturally-relevant food, especially in underserved neighborhoods. The Portland Plan establishes an objective that 90 percent of Portlanders live within a half-mile of a store or market that sells healthy, affordable food.

## IX. CAMPUS INSTITUTIONS

Geography description: Campus institutions represent major medical and higher education uses located on defined campus settings. This geography consists of 17 of Portland’s 19 large hospital and college campuses.

2000-2035 job growth potential: 23,400 net new jobs, a 16% share of forecasted growth.

Growth capacity: The Campus Institutions have a significant shortfall of overall development capacity of vacant and underutilized sites, equivalent to 81 % of forecast demand by 2035.

### EXPAND DEVELOPMENT CAPACITY

*Expand allowable development capacity in the campus institutions geography to meet institutional employment demand.*

Realistic options for resolving the gap is extremely challenging not only because of the size of the gap (74 acres) but also the physical setting of many institutions – often bounded by residential neighborhoods. Options include:

- Increased density of development within the existing footprint.
- Increasing the campus footprint (with land acquisition), often requiring re-zoning and conditional use master plan (CUMP) approval processes.
- Creating satellite campuses taking advantage of opportunities elsewhere in Portland.
- Relocation of some portion of campus institutional activity elsewhere in the Portland metro area.

The Portland Plan specifically calls out an action to develop new land use and investment approaches to support the growth and neighborhood compatibility of college and hospital campuses.

Major issues affecting continued development of Portland’s campus institutions are complicated by the historic development of these campuses in what often proves to be unusual locations not consistent with typical commercial siting criteria, with resulting poor transit or arterial street access, proximity to residential neighborhoods that constrain campus expansion, and zoning regulations that appear to increasingly impede effective site planning to respond to rapidly changing educational and health care needs.

The EOA focus groups identified improved transit service as the single greatest public infrastructure need. Because Portland’s major medical and educational institutions have often been in place for many years, their needs for continued public investment and service reconfiguration can be easily overlooked. However, growing facility requirements gives rise to growing institutional frustration with what may be increasingly inadequate public infrastructure support.

## REGULATORY REFORM

*Reform land use regulations for campus institutions to meet institution and neighborhood needs, such as designation of campuses as employment land, increasing regulatory flexibility to accommodate rapid growth, and campus design and master planning that supports neighborhood livability.*

While it is premature with this EOA to recommend a single approach that will work equally well across all major health care and educational institutions, there appears to be great interest and support for considering some type of overall institutional zone designation that might be accompanied by a more flexible master plan amendment process. The master plan process could include designation of each institution's sphere of influence extending beyond its immediate campus boundary. As a separate but related matter, more clear outright use designations might be made for smaller satellite institutional uses in other commercial zones as around transit stations.

## INTEGRATED DEVELOPMENT AND SATELLITE FACILITIES

*Integrate part of campus growth into nearby town centers and neighborhood commercial geographies.*

An aspirational objective would be to *accommodate 100% of desired in-city campus institutional needs* for expansion and reconfiguration. However, another option to resolving the shortfall is to encourage satellite locations in neighborhood centers, especially for health care facilities. Less critical facilities could be located in satellite locations, which in turn frees up space for core services on the campuses. Providence Hospital has taken this approach by locating some of their administrative facilities in nearby Hollywood. These satellite institutions can be both a source of services and employment in the neighborhood centers. This often will mean more creative transportation and parking strategies – including more customized transit support to existing locations not as readily served by transit at present.

Recent institutional investment in the Central City and other corridors is already moving in this direction: University of Oregon and Oregon State University both have made (or plan to make) investments in Central City facilities. PCC is making significant investments in its campuses along Killingsworth and 82<sup>nd</sup> Ave that integrate the campus into the existing commercial corridor. While probably a unique case, OHSU is also making a very large investments in the South Waterfront district to create a new campus at the base of the aerial tram, and served by the new Portland-Milwaukie light rail line.