



Bureau of Planning and Sustainability

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DATE: April 24, 2012

TO: Planning and Sustainability Commission

FROM: Tom Armstrong, Supervising Planner

CC: Susan Anderson, Director; Joe Zehnder, Chief Planner; Eric Engstrom, Principal Planner

SUBJECT: Economic Opportunities Analysis (Proposed Draft, Revised March 2012)
(Factual Basis - Portland Plan Background Report Update)

Overview

As part of Periodic Review, the City of Portland is required to complete an Economic Opportunities Analysis (EOA) to comply with Oregon Statewide Planning Goal 9. The EOA evaluates the types and amounts of employment land needed to accommodate expected growth to 2035.

Methodology

The EOA methodology has two parallel steps for estimating land demand to 2035 and current supply (or development capacity) available to meet it. The first part determines the demand for developable land based on a future employment forecast. The process of estimating demand has many steps to translate Metro's regional employment forecast (jobs) into a demand for land (building square footage/acres). The second part establishes the amount of the employment land supply available for development and is based on the Buildable Land Inventory (BLI). The BLI estimates the development capacity of vacant and underutilized land that is available for development, while factoring various constraints on development such as lack of infrastructure, natural resources, or brownfields. The final step is a reconciliation or comparison between the demand for employment land and the available supply to identify any unmet land needs - the shortfalls or gaps. Measures to address these gaps to ensure an adequate supply of land to meet forecasted demand will be addressed through the comprehensive plan update process.

Key Findings

- Portland is projected to gain 147,000 over the 2010-35 forecast period - an annual average growth rate of 1.3% and a 27% capture rate of regional employment growth.
- This job forecast translates into a demand for the equivalent of 2,660 acres of employment land.
- Plus, Portland's traded-sector economy needs an additional 580 acres of land for marine terminals, rail yards, and airport facilities.



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- The BLI identifies a supply of 3,100 acres of vacant and underutilized employment land, but it is not always the right type or in the right location.
- 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 addressing zoning capacity and market supply issues in the Central City Incubator areas (the Central Eastside and Lower Albina districts) and the Dispersed Industrial and Town Center geographies.

EOA Changes since 2009 Draft

The first draft of the EOA was completed in July 2009, as part of the other background reports. In January 2011, BPS undertook an update of the EOA to include a variety of refinements and additional analysis. An interim draft was published in June 2011, which was reviewed by an EOA technical advisory committee. The draft EOA was also presented and discussed in various business association meetings and written comments have been submitted by intergovernmental partners and business associations. This iterative process has resulted in a number of revisions to the 2009 EOA. Some of the most substantial changes include:

- Development trends from 1999 to 2011 in Portland were refined to verify assumptions about redevelopable land supply, development on constrained sites, and development intensification.
- The employment trends were updated and expanded to include a lengthened 2000-2008 trend period to more closely approximate business-cycle peaks, GIS corrections in employment data, and analysis of post-1980 countywide data to estimate long-term local growth trends. Employment multiplier effects were also analyzed to estimate regional impacts of employment lands in Portland.
- The employment land needs of “harbor access lands” were analyzed as a separate subgeography of Columbia Harbor.
- Demand estimates for marine terminals, rail yards, and airport facilities were updated to be consistent with Airport Futures and West Hayden Island project forecasts, coordinated with the Port of Portland.
- The EOA land supply methodology was revised to align with the Buildable Land Inventory, allowing for coordinated residential and employment allocation of capacity in mixed-use areas, more detailed analysis of development constraints, and inventory refinements to better fit specific employment geographies.
- The demand forecast was updated to be consistent with Metro’s updated 2011 forecasts, including replacement of the high/medium/low scenarios forecast with a point forecast. Modeled 2010 employment estimates in the demand forecast were also replaced by reported 2010 data.
- Land demand by site size was projected from development trends analysis, in order to more specifically reconcile supply and demand by site size.
- The Task 4 Report of policy alternatives was updated and clarified to reflect recent strategies and planning projects, including the Portland Plan, Central City 2035, and West Hayden Island planning.



Decisions and Actions Requested

We are asking the Planning and Sustainability Commission to make an affirmative recommendation to City Council on the revised Economic Opportunity Analysis. With that recommendation, BPS will bring this material to City Council. The City Council will be asked to adopt these reports by ordinance. They will then be delivered to DLCD for acknowledgement, to satisfy a portion of Task 2 of Periodic Review.



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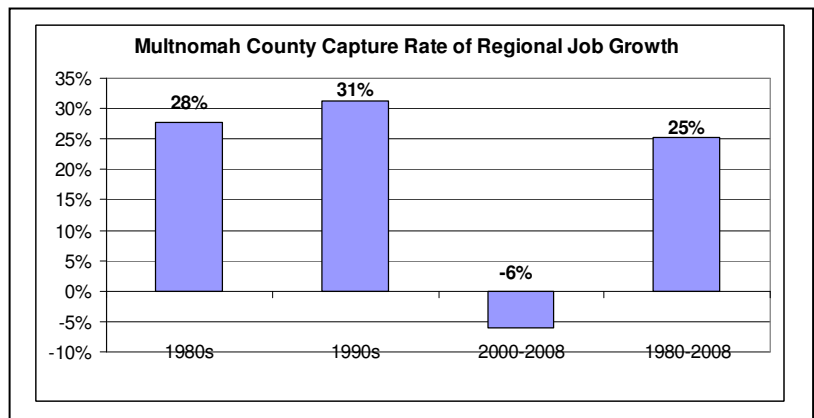
Portland Economic Opportunities Analysis March 2012

The EOA is an analysis of the long-term supply and demand for employment land. It consists of four sections:

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

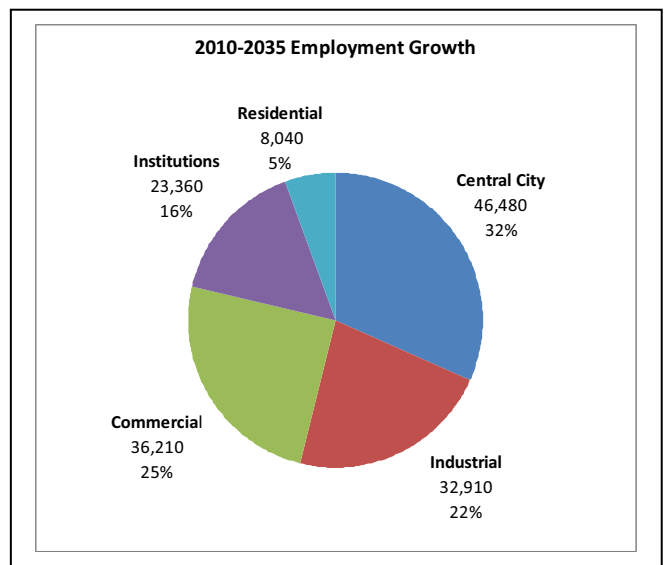
Employment Trends

- Portland is the regional job center - 39% of the jobs versus 26% of the population.
- Nearly flat city job growth since 2000. Portland regional capture rate was only 5%, compared to a historic rate of 25%.
- Institutional and office are leading sectors, with employment shift from manufacturing to services.
- Manufacturing remains a key sector with above-average wages and high employment multiplier effects - one manufacturing job supports 3.69 total jobs in the region. Manufacturing output (or GDP) has actually been growing faster than the service sectors.



2035 Employment Forecast

- Metro allocates **147,000** new jobs to Portland - with a **27% job capture rate**.
- Need **additional 580 acres of land for traded-sector transportation facilities** such as airport facilities, rail yards, and marine terminals.



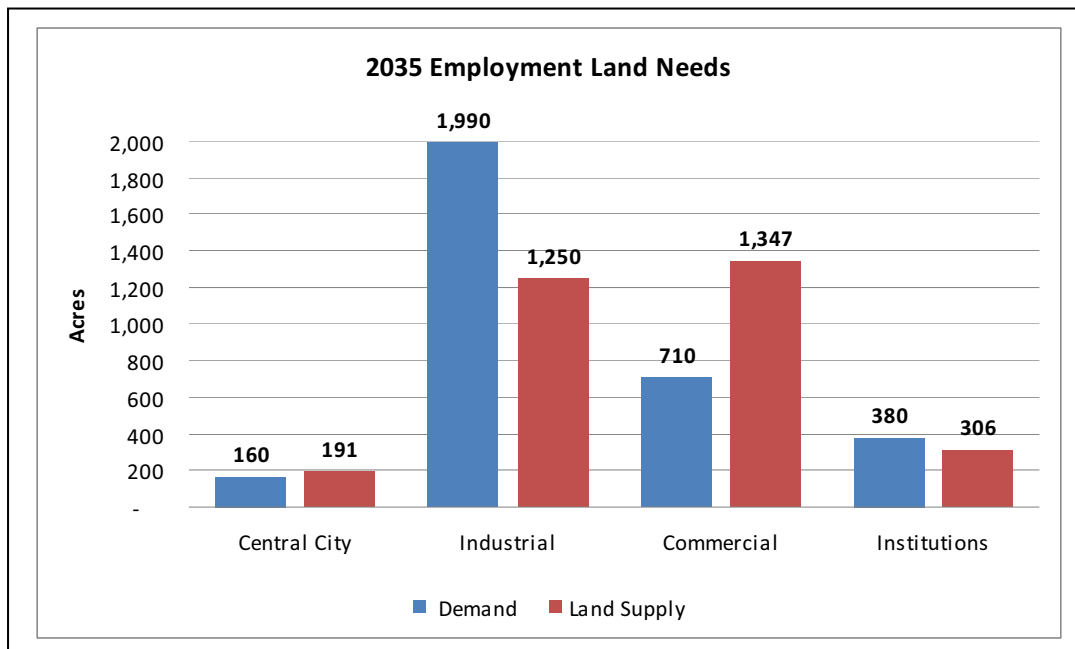
Buildable Land Inventory

The Buildable Land Inventory (BLI) is a series of steps or filters to identify the gross acreage of land that is available for development or redevelopment in Portland.

1. Identify vacant land.
2. Identify land likely to redevelop.
3. Discount capacity based on physical constraints
4. Adjust capacity for mixed use development and market factors

Employment Land Need Reconciliation

- The **Central City** has a surplus of capacity, but the Central Eastside and Lower Albina districts have a shortfall, especially for cheaper, Class B office space that account for about 48% of the employment growth.
- In the **Industrial** areas, Portland only has about 60% of the land needed, with a shortfall of about 800 acres.
- The **Commercial** areas have a surplus of capacity, but specific areas may be underserved.
- **Institutions** have strong demand but current master plans and zoning accounts for only 80% of the demand.



Portland Economic Opportunities Analysis

March 2012

Key Opportunities

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

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

Central City Commercial

1. Promote and invest in the Central City as the region and state's office, employment, and cultural center.
2. Provide incentives to support high/mid-rise office development and increase the Central City share of regional office market.
3. Increase supply of lower cost Class B/C office space to support urban innovation and research commercialization initiatives.
4. 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)

1. 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.
2. 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

1. Annex and rezone West Hayden Island for industrial use to meet the demand for marine terminals.



2. 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
3. Invest in Columbia Harbor as Oregon’s Trade and Freight Hub
4. Create innovative approaches to improving the complex relationship between industrial uses and natural resources

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

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

Gateway Regional Center

1. Promote Gateway as Portland’s second business center.

Town Centers

1. Promote midrise and institutional development.

Neighborhood Commercial Districts

1. Add commercial and mixed use capacity in underserved neighborhoods.

Campus Institutions

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



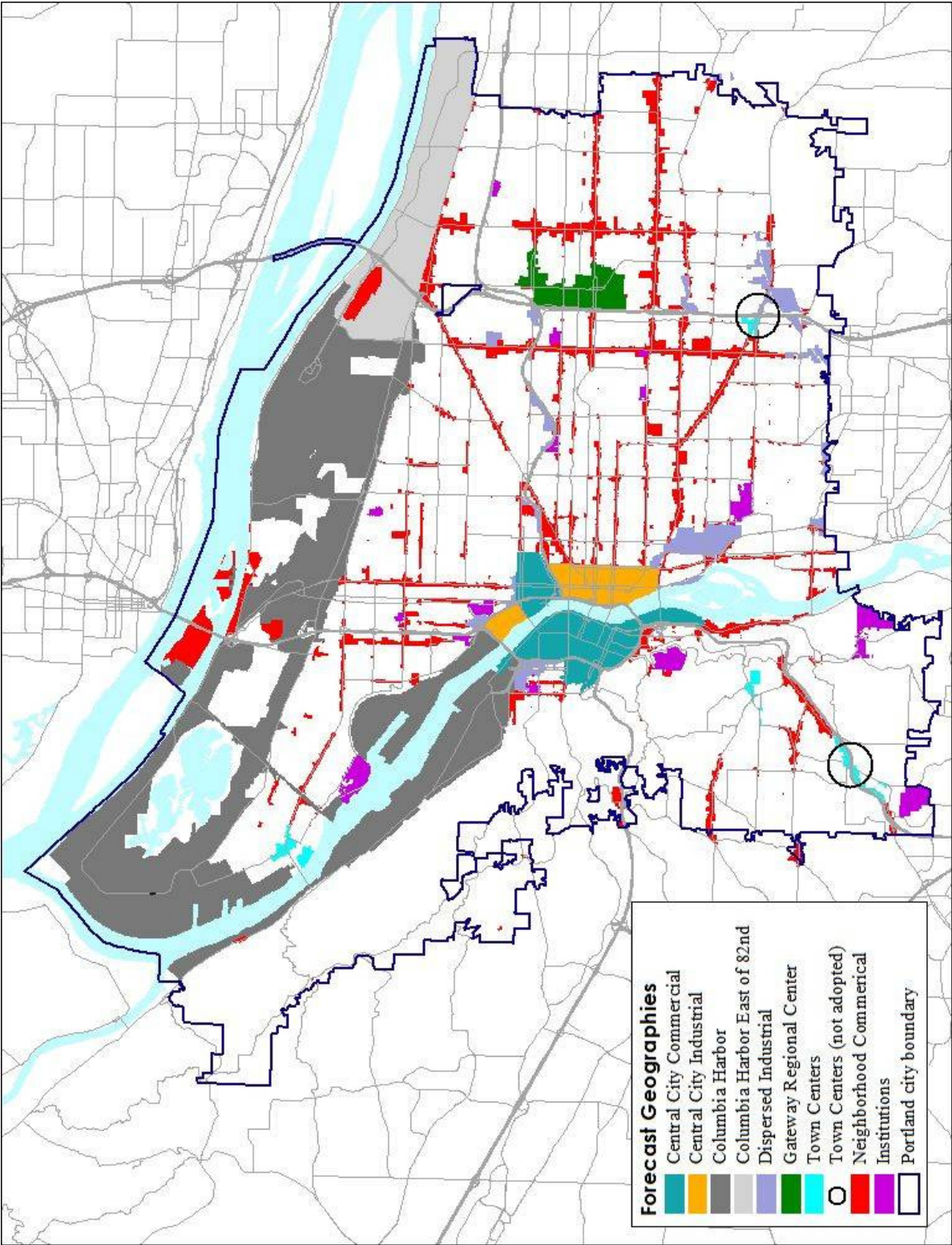
Employment Land Need Reconciliation

Employment Geography	Added Jobs	Land Demand	Land Supply	Surplus/Deficit	% Capacity
Central City Commercial	35,540	60	151	91	252%
Central City Incubator	10,940	100	40	(60)	40%
Columbia Harbor	18,900	1,490	800	(690)	54%
<i>Harbor Access Lands</i>	2,020	450	108	(342)	24%
Columbia East of 82nd	9,600	360	387	27	108%
Dispersed Industrial	4,410	140	63	(77)	45%
Gateway Regional Center	4,110	50	136	86	272%
Town Centers	6,340	140	90	(50)	64%
Neighborhood Commercial	25,760	520	1,121	601	216%
Institutions	23,360	380	306	(74)	81%
Residential	8,040	-	-	-	-
Total	147,000	3,240	3,094		

Aggregate Geography

Central City	46,480	160	191	31	119%
Industrial	32,910	1,990	1,250	(790)	61%
Commercial	36,210	710	1,347	637	190%
Institutions	23,360	380	306	(74)	81%
Residential	8,040	-	-	-	-
Total	147,000	3,240	3,094		

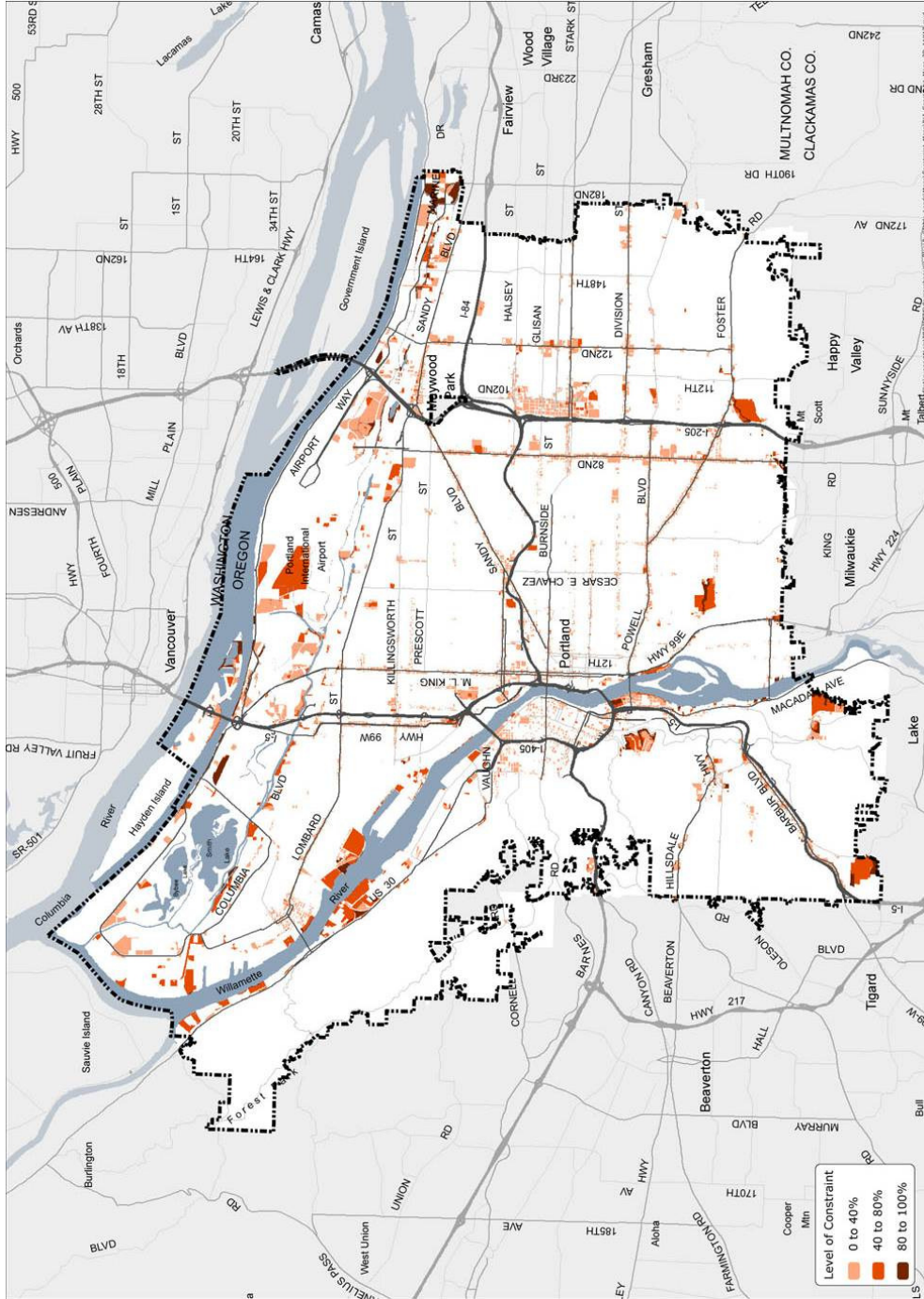
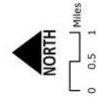




Buildable Lands Inventory Underutilized Capacity and Employment Constraints

April 2, 2012 City of Portland | Bureau of Planning and Sustainability | Geographic Information System
This work was supported, in part, by a grant from the Oregon Department of Land Conservation and Development.

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