185657

Parsons, Susan

From: Lundgren, Christina (Perkins Coie) [CLundgren@perkinscoie.com] on behalf of Pfeiffer, Steven L. (Perkins Coie) [SPfeiffer@perkinscoie.com]
Sent: Wednesday, September 12, 2012 4:54 PM
To: Moore-Love, Karla; Parsons, Susan
Cc: Krawczuk, Dana (Perkins Coie)
Subject: Periodic Review / Task 2 Supplemental Evidence
Importance: High
Attachments: Letter.pdf

Please include the attached letter in the record of proceedings.

Thank you for your assistance. Please contact me if you have any questions.

Steven L. Pfeiffer | Perkins Coie LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
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FAX: 503.346.2261
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September 12, 2012

VIA EMAIL

AUDITOR 09/12/12 PM 4:55 SP

Mayor Sam Adams
Commissioner Nicholas Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
City of Portland
1221 SW Fourth Avenue
Portland, OR 97204-1995

Re: Periodic Review/Task 2 Supplemental Evidence Related to Unique Site Characteristics and the Intensity of Development (FAR) in the Columbia Harbor and Harbor Access Lands

Dear Mayor Adams and Commissioners:

As you know, this office represents Schnitzer Steel Industries, Inc. regarding the Periodic Review Task 2 and particularly the draft Economic Opportunities Analysis ("EOA"), that is under consideration by the Council. Thank you for leaving the record open to this date to allow additional written testimony.

As you recall, two specific issues we raised in our September 5th testimony are: (1) that site characteristics of industrial uses in the Columbia Harbor and Harbor Access Lands have not been clearly identified or applied in the demand analysis, the buildable lands inventory or the reconciliation of demand and supply; and (2) the evidentiary basis and reasonableness of assumptions about the intensity of existing development and the potential for future development or redevelopment in the Columbia Harbor and Harbor Access Lands are unclear and likely legally deficient. This letter supplements our verbal and written testimony from September 5, 2012 by offering information related to these issues. Please include this letter in the record of these proceedings.

Subsequent to the recent hearing, we surveyed a variety of landowners and employers in the Columbia Harbor and Harbor Access Lands area regarding their specific site characteristics and the intensity of development on their various properties. As expected, we found that the City's assumptions about the FAR for land in the Columbia Harbor (0.35) and Harbor Access Lands (0.34) substantially overestimate the actual intensity of site development, in terms of FAR. More specifically, our sampling of 6 sites revealed a range of FAR from 0.019 to 0.17, with a median FAR of 0.069. The City's assumption that the working harbor is developed at an intensity of a 0.35 FAR is 5 times more intense than the median FAR of our sampling.

Our analysis included employers such as marine terminals, energy supply entities and similar water dependent related industrial uses. For example, the chart below is a calculation of the Port of Portland's marine terminals, using publicly available GIS data:

Site	Building sf.	Site sf.	FAR
Terminal 2	358,259 sf.	2,143,344 sf.	0.167
Terminal 4	411,067 sf.	11,369,229 sf.	0.036
Terminal 5	744,579 sf.	7,984,220 sf.	0.093
Terminal 6	432,640 sf.	22,717,904 sf.	0.019

The reason that the FAR in the Harbor Access Lands geography is so low is very little of the unique industrial economic activities in this area occur within structures. Unless there is an on-site processing facility, an employer's need for buildings is limited to housing operations and other personnel, and for operation support services (i.e., maintenance shops, equipment storage, garages, warehouses etc.). The universal feedback we received was that to the degree buildings are relied upon, they seldom need nor do exceed one story. Instead of buildings, Harbor Access Lands are occupied by lay down areas, pipelines, docks, and infrastructure (ship, rail and trucking loading and unloading facilities). Simply stated, the water dependant and water related operations in the working harbor simply do not function in a multi-story environment, either currently or in the foreseeable future. Despite the lack of buildings, the working harbor is a highly productive and job rich environment, as demonstrated by the attached *The Local and Regional Economic Impacts of Portland Working Harbor, 2011*, July 16, 2012.

We believe that this additional information supports our concern that the EOA fails to consider and accurately reflect the demonstrable unique characteristics of the Columbia Harbor and related low FAR. As explained in our September 5th testimony, while the evidentiary basis for the FAR assumptions is unclear, the tables assume that the working harbor is developed at FARs of either 0.35 or 0.34. FAR of this intensity does not reflect the unique site characteristics of the working harbor, and it does not appear if site characteristics unique to Harbor Lands have been identified or applied in the EOA. The EOA also assumes, without an evidentiary basis, that

office uses in the Columbia Harbor will intensify over time. We are unable to find evidentiary support in the EOA for any of these assumptions, and they are not supported by our analysis.

The consequence of not identifying or applying unique site characteristics in the working harbor is the supply of Columbia Harbor and Harbor Access Lands is overestimated. As described by Johnson Reid, applying a FAR of 0.35 to Harbor Access Lands "may miss key industry characteristics in the Harbor Access Lands subcategory of the Columbia Harbor" and would "likely understate land needs and/or overestimate the development capacity of land adjacent to the harbor. The net result is an underestimation of the true land need in total acres for river related companies doing business in the Portland Harbor." Johnson Reid, *Revised Review of the City of Portland's Draft Economic Opportunities Analysis*, September 4, 2012, attached to our September 5, 2012 testimony.

It is critically important that the EOA accurately reflects the supply of Columbia Harbor and Harbor Access Lands because it provides the framework for the policy choices the City must make to ensure that we have an adequate supply of land to ensure a healthy and robust economy. We request that the City "re-run the numbers" in the land inventory and comparison of land demand and supply so that site characteristics that are unique to the Columbia Harbor and Harbor Access Lands, including but not limited to an accurate FAR assumption, are considered. Without this analysis, the EOA will not only fail to provide us an accurate and reliable assessment of the land supply in our working harbor, it will also fail to be supported by an adequate factual base.

Very truly yours,

Steven L. Pfeiffer

Dana L. Krawczuk

Enclosure

THE LOCAL AND REGIONAL ECONOMIC IMPACTS OF PORTLAND WORKING HARBOR, 2011

Prepared for:

PORT OF PORTLAND

JULY 16, 2012

Martin Associates

941 Wheatland Ave., Suite 203

Lancaster, PA 17603

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Economic Impacts of Portland Working Harbor

Portland's Working Harbor (referred to as Portland Harbor) is the deep water shipping channel and surrounding marine, commercial, industrial and transportation infrastructure from about the Broadway Bridge on the Willamette River (RM 11.65) to Terminal 6 on the Columbia River. (Refer to Figure 1). Portland Harbor includes public and private marine terminals, industrial parks, and other commercial and warehousing businesses. Martin Associates was retained by the Port of Portland to prepare a study that presents the economic impacts of the terminals and firms located within Portland Harbor.

As background, Martin Associates recently completed two related studies for the Port of Portland that were reported in The Local and Regional Economic Impacts of the Port of Portland, 2011 (the "Port of Portland Economic Impact Study"):[1]

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(2) The Economic Impact of the Port of Portland's Industrial Parks. This study included the economic impacts of the tenants located in the industrial parks developed by the

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Martin Associates was retained to expand the Port of Portland Economic Impact Study to identify the total economic impacts of the companies located within Portland Harbor, regardless of whether the uses were water dependent or whether the firms are located within the Port's Rivergate and Swan Island industrial and business parks.

The 2011 Economic Impact of the Portland Harbor only included the economic impacts of the service providers and marine terminals and tenants that were dependent on the use of the marine terminals to ship and receive cargo. For those tenants and service providers that were only partially dependent upon the use of the marine terminals, employment was adjusted down to only reflect the portion that is dependent on the use of the terminals. Employment with the firms that were not directly dependent on shipping and receiving cargo via the terminals was not included in the economic impact analysis.

Similarly, the economic impacts measured for the Port of Portland developed industrial parks only include the impacts of the tenants of these parks, particularly the Rivergate and Swan Island industrial parks, and not the economic impacts of firms located within the harbor as a whole. Therefore, the marine cargo and real estate tenant economic impacts measured in the Port of Portland Economic Impact Study are a subset of the total economic impacts of the Portland Harbor.[3]

To measure the total impacts of the Portland Harbor, Martin Associates was provided access to the Oregon Employment Department (OED) data base by Port of Portland. This confidential data base was used to identify those firms not included in the Portland Harbor Economic Impact Study, as well as the employment of the firms that were only partially included in the impact analysis based on the degree of dependency on shipping and receiving cargo via the public and private marine terminals. Similarly, those non-maritime dependent firms located within the geographical boundaries of the Portland Harbor, but not tenants of the Port of Portland's Rivergate and Swan Island industrial and business parks were identified from the OED data base. The OED data base includes employment and average salary for each firm. The data in the OED data base was used to match the employment data measured for each firm included in the Port of Portland Economic Impact Study with that firm data in the OED data

[2] Also included were the economic impacts generated by the Port of Portland International Airports and general aviation activity at the Port operated airports of Hillsboro and Troutdale.

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base, so as to identify employment that was not dependent upon the cargo activity at the private and public marine terminals.[4] In addition, the OED data base was used to identify non-maritime cargo related firms that were not tenants of the Rivergate and Swan Island industrial and business parks.

The firms from the OED data base were categorized by NAICS code, and then the additional employment not included in the Port of Portland Economic Impact Study was identified by NAICS code. The real estate models developed by Martin Associates as part of the Port of Portland Real Estate Economic Impact Study were then used to estimate the economic impacts of the additional employment not included in the Port of Portland Economic Impact Study. These models are NAICS code specific and developed from the actual data provided to Martin Associates as part of the Port of Portland Economic Impact Study. The Martin Associates' Marine Seaport Impact Model was used to estimate the economic impacts of firms whose employment was only partially counted in the Port of Portland Harbor Economic Impact Study.

The results of the analysis of the additional economic impacts were then combined with the previously estimated economic impacts measured for the marine cargo activity at the Portland Harbor and the economic impacts of the tenants of the Swan Island and Rivergate Industrial Parks.

The economic impacts measured are:

- Employment impact;
- Personal earnings impact;
- Business revenue impact; and
- Tax impact.

Direct jobs are those jobs held by employees of a particular firm, and are measured in terms of full-time equivalent workers. The employment is based on a survey of more than 800 firms conducted by Martin Associates as part of the Port of Portland Economic Impact Study, and combined with the firm-specific employment data provided from the OED data base.

Those directly employed by firms in a given industry receive wages and salaries. A portion of the wages and salaries is saved; another portion is used to pay personal taxes, while a final portion is used to purchase goods and services. A percentage of these purchases are made

[4] The employment data used in the Port of Portland Economic Impact analysis of the Portland Harbor is based on detailed survey data collected by Martin Associates, and the jobs are expressed in terms of full-time employees. The OED data is number of jobs. However, budget limitations did not permit a detailed survey of all firms located in the Portland Working Harbor.

in the Portland metropolitan area, while some consumption purchases are made outside the area. These consumption purchases, in turn, generate additional jobs in those firms supplying the goods and services. The ***induced jobs*** measured in this study are only those generated in the Portland metropolitan area.

Jobs, which are created due to the purchases by firms, not individuals, are classified as ***indirect jobs***. These jobs are estimated based on the local purchases made by the firms located within the Portland Working Harbor.

The ***income impact*** consists of the level of wage and salary earnings associated with the jobs created by the maritime, aviation and real estate tenants, and is adjusted to reflect re-spending throughout the economy. The personal income impact is, for the most part, based on salary and annual earnings data provided from the survey conducted by Martin Associates. As described above, individuals directly employed by a firm use a portion of their income to purchase goods and services. A portion of these purchases is made from firms located in the Portland area, while another portion is used for out-of-region purchases. Re-spending of income within a geographical region is measured by an income multiplier. The size of the multiplier varies by region depending on the proportion of in-region goods and services purchased by individuals. The higher this percentage, the lower the income leakage out-of-region.[5]

The ***revenue impact*** is the measure of direct business revenue received by firms located in the Portland Working Harbor.

The ***state, county and local tax revenues*** are generated by economic maritime activity at the marine terminals and by the activity of the real estate tenants of the Port of Portland Business and Industrial Parks and other firms located within the Portland Working Harbor.

[5] It is to be noted that different income multipliers are used to estimate the induced job impacts and the re-spending and consumption impacts for seaport activity and real estate activity. The income multipliers, as estimated for Martin Associates by the U.S. Bureau of Economic Analysis for the Portland regional economy, reflect the level of salary associated with each industry group, as well as the leakages of income from the Portland economy for the specific industry sector. Because of the higher direct wages and salaries associated with seaport activity, the direct income multiplier used to measure the impacts of the seaport activity is higher than the direct income multiplier associated with the real estate tenants.

The combined economic impacts of the Portland Working Harbor are presented in Exhibit I.

Exhibit I
Economic Impact of the Portland Harbor

	TOTAL HARBOR WIDE
Jobs	
Direct	23,646
Induced	14,739
Indirect	14,399
Total	**52,784**
Personal Income	
Direct	$1,182,639,000
Re-Spending/Local Consumption	$1,720,553,000
Indirect	$714,306,000
Total	**$3,617,498,000**
Business Revenue	**$7,607,030,000**
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In summary, 52,784 direct, induced and indirect jobs are supported by the Portland Harbor:

- 23,646 jobs are directly created by the firms located within the Portland Harbor.
- As the result of local purchases by the 23,646 directly employed workers, an additional 14,739 induced jobs are supported in the local economy to provide goods and services to those directly employed.
- 14,399 indirect jobs are also supported in the local economy as the result of the local purchases of goods and services by the firms located within the Portland Harbor.

Businesses located within the Portland Harbor received $7.6 billion of direct business revenue. The $7.6 billion of revenue received by the businesses providing the services in the Portland Harbor does not include the value of the cargo moving over the marine terminals, since the value of the cargo is determined by the demand for the cargo, not the use of the marine terminals.

The business activity located within the Portland Harbor also created $3.6 billion of direct, induced and indirect personal wage and salary income and local consumption expenditures for Portland metropolitan residents. The consumption expenditures are a part of the direct multiplier effect, and measure the local consumption expenditures by those directly employed. The consumption expenditures support the induced jobs. The 23,646 direct job holders received $1.2 billion of direct wage and salary income, for an average salary of $50,000.[6]

A total of $350.7 million of state and local tax revenue was generated by activity in the Portland Harbor in calendar year 2011.

[6] The re-spending and local consumption impact cannot be divided by induced jobs to estimate average induced salary, since local consumption expenditures are counted in the re-spending effect. This would overstate the average induced wage and salary per induced job.

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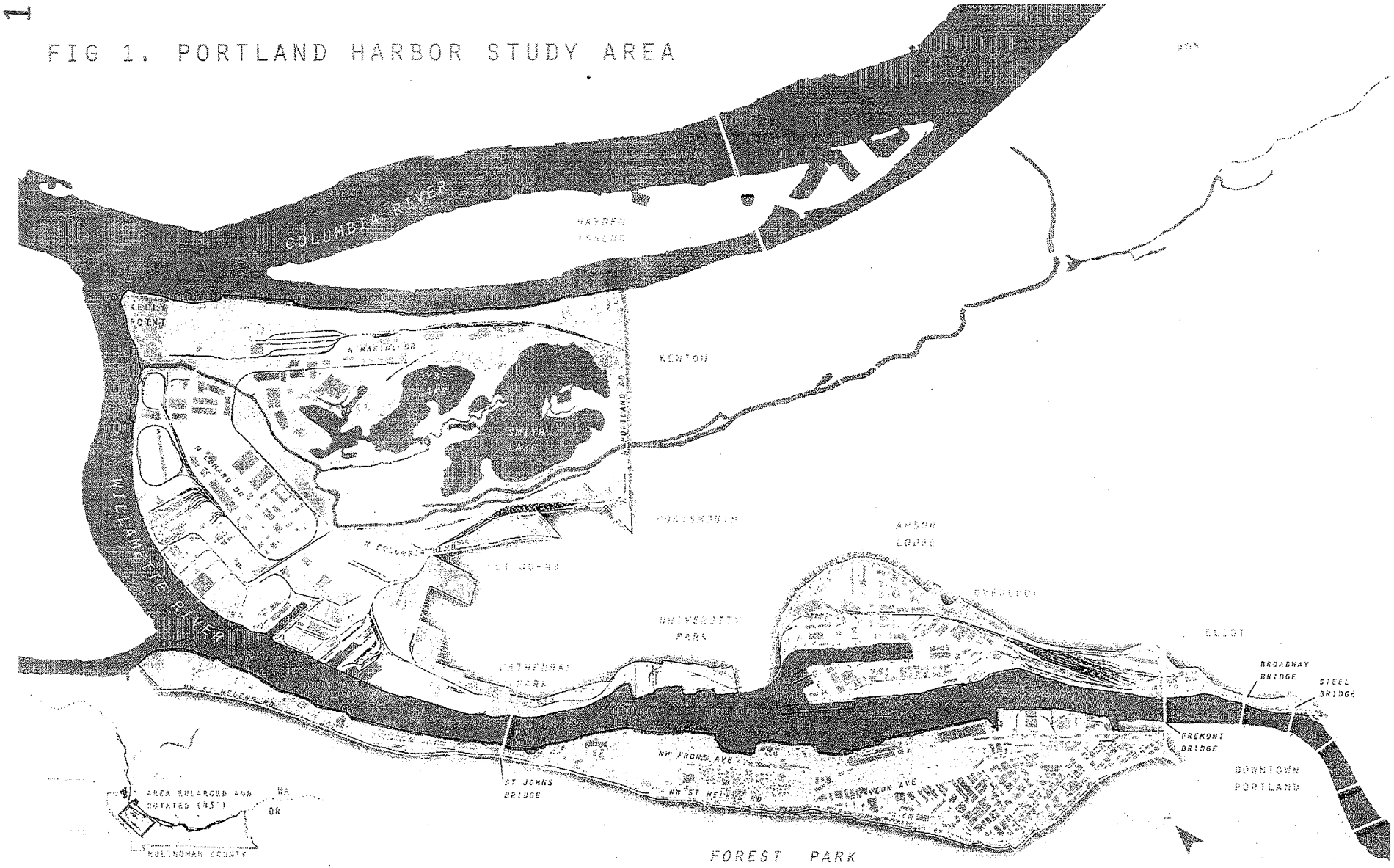
FIG 1. PORTLAND HARBOR STUDY AREA



185657

Parsons, Susan

From: Lahsene, Susie [Susie.Lahsene@portofportland.com]
Sent: Wednesday, September 12, 2012 2:53 PM
To: Moore-Love, Karla
Cc: Anderson, Susan; Engstrom, Eric (Planning); Papaefthimiou, Jonna; Kountz, Steve; Armstrong, Tom; Glancy, Lise; Bouillion, Tom
Subject: Additional information from the Port of Portland for the Comprehensive Plan Update decision.
Attachments: Portland Working Harbor EI Study - FINAL-.pdf

Karla

Attached is information on the Portland Harbor that provides additional information for the foundation documents for the City's Comprehensive Plan Update and discussion. Please include this in the record.
Thank you
Susie

Susie Lahsene
Senior Manager, Transportation and Land Use Policy
Public Affairs
Port of Portland
(503) 415-6517
susie.lahsene@portofportland.com

Please note my new phone number

THE LOCAL AND REGIONAL ECONOMIC IMPACTS OF PORTLAND WORKING HARBOR, 2011

Prepared for:

PORT OF PORTLAND

JULY 16, 2012

Martin Associates

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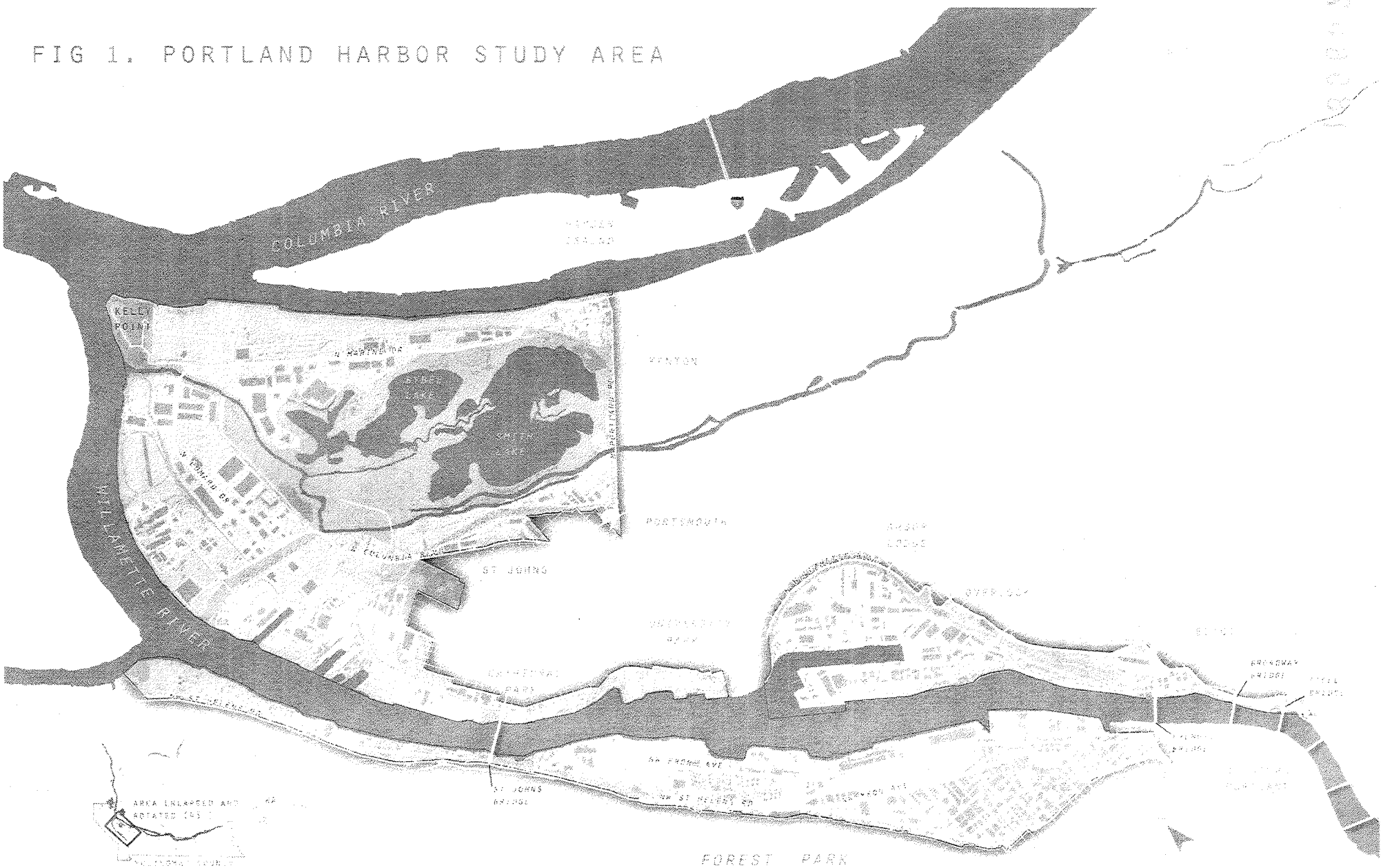
FIG 1. PORTLAND HARBOR STUDY AREA



185657

Agenda Item 1001 | TESTIMONY | 2:00 PM TIME CERTAIN

SUPPORTING DOCS FOR COMP PLAN UPDATE

IF YOU WISH TO SPEAK TO CITY COUNCIL, **PRINT** YOUR NAME, ADDRESS, AND EMAIL.

NAME (print)	ADDRESS AND ZIP CODE	Email
✓ Tom Bouillion	PO Box 3529 Portland 97208	Tom.bouillion@portofportland.com
✓ Dave Harvey	working waterfront coalition, gunderson	david.harvey@gbrx.com
✓ Steve Pfeiffer	Perkins Coie ~~on b~~ representing Schnitzer Steel	spfeiffer@perkinscoie.com
✓ Peter F Fry	Central Eastside Industrial Council	peter • finleyfry.com
Bob Salling[illegible]	Av[illegible]	bsalling[illegible]@[illegible]
had to leave. written statement		

Date 9-5-12

Page 1 of 1

185657

GUNDERSON
A GREENBRIER COMPANY

Gunderson LLC
4350 NW Front Avenue
Portland, Oregon 97210
Phone: (503) 972-5700
Fax: (503) 972-5986

September 5, 2012

VIA E-MAIL AND HAND DELIVERY

Mayor Sam Adams
Commission Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
City of Portland
1220 SW Fourth
Portland, Oregon 97204

Re: Economic Opportunity Analysis (EOA) and Industrial Land Supply Analysis, City of Portland, September 5, 2012 Testimony

Dear Mayor Adams and Commissioners:

On behalf of Gunderson LLC, we provide the following comments regarding the Economic Opportunities Analysis and the Portland Harbor Industrial Land Supply Analysis. Gunderson appreciates the outreach and engagement by the Bureau of Planning and Sustainability on the economic analysis. Overall, there are many positive attributes regarding the process and the analysis represented in the subject documents. To ensure the family-wage jobs that serve the entire community remain and grow in Portland, work on the analyses remains to be done and we ask the approval await the needed revisions.

Having a complete and accurate analysis is critically important for Gunderson to maintain and grow our family wage jobs that serve the entire community. As a Portland-based manufacturer, Gunderson sells products to markets throughout North America. This contributes to prosperity on the part of our workers, Gunderson, and the City (through increases tax revenue). Conserving the industrial land supply and unique aspects of Harbor lands is essential in maintaining and increasing this prosperity for all.

If you have any questions or comments, please call me at (503) 598-3805.

Sincerely,

David J. Harvey

David Harvey
Environmental Director

Enclosures
Cc: Peter Finley Fry

Enclosure
EOA, City of Portland, September 5, 2012 Testimony
September 05, 2012

Detailed Comments

As stated in the Gunderson letter, overall the Bureau of Planning and Sustainability has done a good job in performing the analyses. They have shown an institutional ability to understand economics and economic conditions.

The focus of Gunderson relative to the analyses is on the special nature of Harbor land. Portland is the confluence of transportation, which is the main reason Gunderson exists in its current state. The Willamette and Columbia River provide economic access to North America and the entire world. Portland exists because it is a port with access to the world via the rivers and access both north/south and east through at grade interstate freeways and rail systems. The eastern access to the entire United States is unique on the west coast with the only at grade access through the Cascade and Sierra Mountains.

With respect to the analyses for the Industrial Land Supply and the EOA, a model's purpose is to explore scenarios, understand the mechanics, and create a factual framework for the development of goals, policies, and strategies. The goal is not to manipulate the assumption to get to zero. The analysis is to discover how it works.

With this in mind and particularly for Harbor lands and heavy manufacturing, employment is not always the best measure as a surrogate for economic expansion, even though that is often the goal. A company, in a competitive environment, every company must become more efficient with materials, labor, and cost of capital for each unit of output. As the last rail car manufacturing facility north of the Mason-Dixon Line, Gunderson needs to be able to increase efficiency in all of those categories. In so doing, Gunderson works to maintain and increase market share, and, thus, jobs. With this in mind, the use of output is a more appropriate measure of land intensification.

As companies become more efficient on a per unit basis, it can competitively compete for more business and thus increase employment if infrastructure and regulations do not restrict a company's access to market and reinvestment in modern equipment and production. Uses can intensify by activity and not by more or taller structures. With this in mind, Floor to Area Ratio (FAR) is not an appropriate measure of intensity in an industrial harbor context as so much activity occurs outside of buildings. The yards are critically important for the staging and movement of equipment and products.

The concern with the analyses is that the assumptions made are pessimistic in regards to employment growth (demand) and optimistic in regards to land supply (supply). And, the assumptions determine the result.

A simplified version of an Economic Opportunity Analysis is to determine projected regional employment growth; growth captured by Portland by geographic sector (Columbia harbor is relevant to us); available land; handicap the land supply due to constraints; attribute job growth and density of job growth to different geographies and then (based on assumptions regarding employment density) determine the available land or lack thereof. Each step is based on assumptions that are wrong over time.

The first assumption is an average regional growth rate of 1.7% for the region. During the last twenty-five years the growth rate ranged from less than 0%, 4%+, 3%, and .5%. The extremely low rates were due to two dramatic national economic market corrections reminiscence of the Great Depression. Will our economy grow at an anemic state for the next twenty-five years; experience booms and busts; or mimic the economy that came roaring out of the wars. Further, will Portland's intrinsic social stability, good environment, and forward planning cause the region to gain higher and higher shares of the national economy.

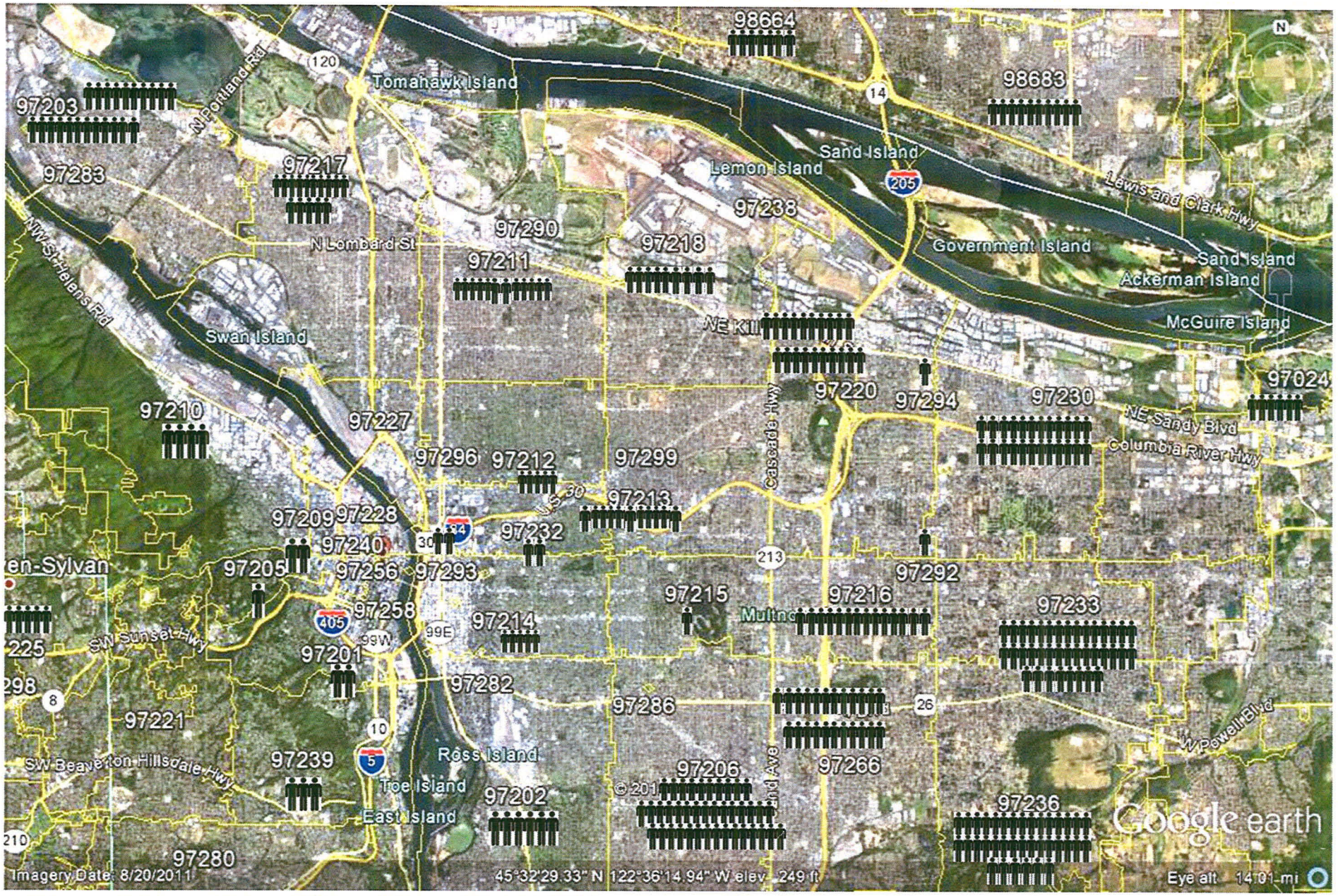
The second assumption is Portland's capture rate. During 2000-2008, Portland's capture rate of regional jobs was relative low at 5%. This reflects the continued suburbanization of American cities. Significant long lasting trends have emerged that cause one to question a continuation of Portland's low capture rate. These trends are the rapid increase in energy costs; the rapid expansion of the internet that actually is a centralizing force; and the emerging desire to be located near the center. These trends are evidenced by the enormous and recent growth in downtown residential and inner-city urban industry.

The consequence of a too pessimistic view of Portland employment growth is to underestimate land demand. An optimistic view on the supply side significantly exacerbates the problem.

The constrained land analysis is problematic. For example, the City utilizes a 40% discount factor for brownfields environmentally constrained land when 100% is a more likely discount due to the threat of litigation and the high risk of environmental cleanup. Sites are cleaned up for a use, not made into pristine landscapes. The south waterfront will continue to pollute the Willamette River for generations. Recent litigation and case law may make undeveloped land with flood hazard 100% constrained. Finally, the City estimates a 50% constraint for land with environmental attributes – natural resources. The city is currently advocating that Hayden Island be constrained to 37.5% of the land area.

The result is a too great of an undersupply of industrial harbor land and not enough prosperity for Portland workers, companies, and government entities.

The public should encourage these harbor industrial companies to invest in their production capacity on land that is already earmarked for industrial use and to expand Portland's economy. In so doing, land elsewhere is preserved for other uses.



Gunderson Employees Living in Portland

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GUNDERSON

A GREENBRIER COMPANY

Workforce Diversity

Gunderson	Ethnicity
4%	African American
17%	Asian
58%	Caucasian
10%	Caucasian-Russian/Slavic
9%	Hispanic
2%	Native American
0	Other/Not stated

- Approximately 40% of the workforce speaks English as a second language (ESL).
- Upwards of 18 languages is the primary language of workers at Gunderson and we regularly translate training materials into Vietnamese, Russian, and Spanish.
- We train people on "Gunderson English" if they need it so they can function in the workplace. And we offering continuing education on ESL to employees.
- We train many of our employees from scratch to perform skilled labor because a qualified workforce is not readily available; for example, we train welders' onsite.

Sent to Council 9/6

CENTRAL EASTSIDE INDUSTRIAL COUNCIL

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185657

September 5, 2012

Mayor Sam Adams
Commission Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
Portland City Hall
1220 SW Fourth
Portland, Oregon 97204

AUDITOR 09/11/12 PM 2:02

RE: Buildable Land Analysis (BLA)
Economic opportunity Analysis (EOA)

Bureau of Planning and Sustainability has done well in communication with us. While these documents are not perfect, they are a huge step forward in the understanding of our City's economic structure.

The EOA captures an emerging business activity – industrial office. Industrial office is different from commercial office in form and function. Industrial office occupies buildings with high ceilings, large open flexible spaces, concrete floors, industrial size elevators, and interior truck loading/unloading. The industrial businesses create physical and intellectual products that may be produced anywhere in the world. The internet opens the world's market to Portland.

The City's ability to distinguish between the two types of office is challenged and, frankly, industrial office has wrongly been categorized as commercial office and employment growth has been lost. We intend to work with the City to create clearer methods to sort these uses.

The City's recognition of this market and the obstacles to our growth; specifically barriers such as seismic requirements is important. The EOA concludes that Central Eastside and Lower Albina have a scarcity of more than 20% of the area's industrial acres to accommodate the coming demand.

The final phase needs to creatively provide additional capacity.

Sincerely;

Peter Finley Fry, co-chair
Central Eastside Land Use and Urban Development Committee

185657

Working Waterfront
COALITION

200 SW Market St., Suite 150
Portland, OR 97201

September 12, 2012

Testimony of David Harvey
Portland City Council
Economic Opportunity Analysis

Good afternoon Mayor Adams and members of the City Council. My name is David Harvey and I am the president of the Working Waterfront Coalition. The WWC represents the businesses and manufacturing entities in Portland's working harbor, along the Willamette River, Swan Island and out to the confluence of the Columbia River. As such, that includes many of the traded sector businesses that provide more than 20,000 direct family-wage jobs and about 40,000 in total related jobs in the working harbor. The wages paid to our employees averages more than $46,000 per year, which, as you know, is higher than the average employment wage for the Portland metropolitan area.

The Working Waterfront Coalition has been working collaboratively with several other organizations to monitor the Economic Opportunity Analysis, including the Portland Business Alliance. I want to avoid being redundant with my testimony but we do have a couple of points that we think require our comments. I do want to thank the City staff for their hard work in addressing some of the concerns that we've brought to their attention and I personally commend them for their commitment.

I also want to thank you for the opportunity to speak briefly to a couple of issues today. As you all know, the EOA becomes the informing document for many future decisions and therefore it is imperative that the information is as accurate as is humanly possible. In accuracies can lead to future economic consequences, and, quite frankly, that will result in a downturn in the quality of life for the hundreds of people who work in the harbor and hundreds more who live in the region. Needless to say, we have to get this right as the future of our children depends on it.

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Portland, OR 97201

In his memorandum dated May 21, 2012, Tom Armstrong referenced some of the concerns that have been voiced regarding the EOA and the methodology. There have been questions and strong concerns shared about the various potential number of acres cited as the shortfall within the industrial lands category. While the reduced number of acres determined has been attributed to a change in the methodology, there has really never been a valid explanation as to why BPS decided to adopt a new methodology, the basis for the new methodology and the science behind it. This is rather disconcerting as we are planning for future job opportunities in the traded sector of Portland's economy and a lack of industrial land will mean that these jobs could very well go elsewhere forever. We believe that the determination of new a methodology should have been better vetted with the many experts who are available in this region.

In the same memorandum, in item #3 titled risk assessment, regarding higher job growth demand, staff has noted that there could be a shortfall of up to 430 acres under certain conditions. Here again, this could create not only a shortfall of inventory in the Portland industrial land inventory but cause business owners and operators to locate their operations elsewhere. Once these types of decisions are made, investors are not prone to turn back the hands of time and relocate back in Portland at a later date. These types of investments are lost forever and the revenue opportunities to the City, County and the State of Oregon would be lost forever as well. This is clearly stated in the concluding remarks in section 5, page 4 of the memorandum, detailing the relationship between warehousing and manufacturing jobs, the wages associated with those jobs and the problem that arises when the economy is based upon consumer expenditures and buying power versus the strength of family-wage jobs created through a strong manufacturing economy. The WWC has long heralded this significant economic factor and we are pleased to see this detailed in the EOA.

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Working Waterfront
COALITION

200 SW Market St., Suite 150
Portland, OR 97201

Finally, the memorandum also specifically suggests that the focus of policy and projects in moving forward should therefore be based upon some of these factors that I have mentioned. The WWC applauds this comment and would like to move it a step closer to an actual policy position. The purpose of an Economic Opportunity Analysis is to provide a model for planning. However, planning without specific policy reinforcement amounts t little more than an academic study. Our challenge today is to reinforce the suggestions on policy found in the EOA by making sound policy decisions. As the EOA documents move forward, the real measure of the success in Portland future will be how well the economy is encouraged to grow and thrive. In the area of industrial manufacturing, that translates into not just allowing manufacturing to exist but in fact encouraging it. Policies that provide encouragement and incentives to develop responsibility should be the focus of future decisions and planning efforts. Seeking a balance between the need for a strong economy and support for a vibrant ecology can and should co-exist.

The Working Waterfront Coalition understands that need and appreciates the balance that is needed to maintain and grow the traded sector of our economy in a responsible manner. Our record demonstrates that we want to worm compatibly with the City on these matters and we look forward to such an opportunity.

Thank you for your time and consideration today and I would be happy to answer any questions you might have.

185657

Bureau of Planning and Sustainability
Innovation. Collaboration. Practical Solutions.

DATE: May 30, 2012

TO: Planning and Sustainability Commission

FROM: Tom Armstrong, Supervising Planner

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

SUBJECT: Buildable Land Inventory (Proposed Draft, Revised March 2012)
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 a Buildable Land Inventory (BLI) and an Economic Opportunities Analysis (EOA). The BLI assesses the City's development capacity to accommodate projected housing and employment growth. The EOA evaluates the types and amounts of employment land needed to accommodate expected growth to 2035.

Changes to the Reports

Changes to BLI

1. New Brownfield database from DEQ/Metro
   BPS has received an updated DEQ brownfield database (April 2012) that we have incorporated in the BLI. The new database increases in the amount of brownfields by 120 acres (12%).

2. Adjust Greenway constraint layer
   The key element of the Greenway overlay constraint is the perceived burden of going through a Greenway review and the potential added costs of that review. A review of the Greenway constraint layer showed that some upland parcels in the River Industrial subarea (that would not be subject to Greenway reviews) were included in the constraint analysis. These parcels have been removed from the Greenway constraint, but other constraints still apply to these parcels. Also, we have expanded the coverage area of the constraint layer by increasing the buffer distance from Ordinary High Water (OHW) from 75-feet to 125-feet. We are now using 50 feet from OHW as a proxy for top of bank. In the River Industrial subarea, development that occurs within 75 feet of the top of bank triggers a greenway review. Therefore, parcels with more than 10 percent of the site

area within 125 feet of the Ordinary High Water (OHW) line are included in this constraint.

3. Add redevelopment of EX and EG sites into industrial geographies
   The three industrial geographies (Columbia Harbor, Columbia East, and Dispersed) include a mix of comprehensive plan designations with about 80 percent of the capacity in the Columbia Harbor and Columbia East geographies in the Industrial Sanctuary (IS) designation. Likewise, there is a sizeable portion (25-36 percent) of the employment forecast that is non-industrial building types in these geographies. Therefore, we propose to include redevelopment of non-vacant, underutilized sites in the EX and ME designations. This change adds about 152 acres to the BLI.

The net result of these changes to the BLI is an increase of 105 acres for a total land supply of 3,198 acres (see table below).

4. Add new table with detailed housing type capacity
   DLCD requested that we provide additional detail on the residential supply beyond the single-family and multi-family split. For the growth scenarios we have created a range of 11 housing types. Based on past development trends we are able to allocate residential capacity by comprehensive plan designation by housing type to generate the table that will be included in the BLI report.

Changes to EOA Employment Forecast

1. 2010 employment distribution correction
   We discovered that the 2010 employment in Goose Hollow was assigned to the Residential geography instead of the Central City Commercial geography. This correction does not change the employment forecast or demand for land.

2. Shift some non-conforming uses from Residential to Neighborhood Commercial
   The employment forecast shifted 270 jobs from the Residential geography to the Neighborhood Commercial category to account for some sites that are non-conforming commercial uses along commercial corridors that are better fit in that geography. It increases the land demand by 10 acres - no real impact on the overall development capacity picture.

Response to Selected Comments

1. Constraint Sensitivity Analysis
   A couple comments suggested that our analysis was too optimistic when we addressed constrained lands in the BLI. We ran a sensitivity test that shows about one-third of the development capacity is associated with some kind of constraint. On the high end of the range, 56 percent of the Central City Incubator capacity and 44 percent of the Columbia Harbor capacity has some kind of constraint. This test indicates that for these geographies we need to focus our policies, programs, and projects on addressing these constraints and monitoring the development performance over time.

2. Brownfield Constraint Sensitivity Analysis
   There was particular concern about our treatment of brownfields and the amount of remediation or redevelopment that we assume will occur. In general, capacity attributable to brownfields remediation only makes up about ten percent of the development capacity (300 acres of assumed brownfield remediation of out 3,200 acres of total capacity). About half of the brownfield capacity is in the Columbia Harbor geography. This factor is relatively low because of the overlapping nature of the constraints - if you remediate the brownfield contamination, the site still may have infrastructure or floodplain issues.

3. Risk Assessment: Higher Industrial Growth Scenario
   There was testimony that the EOA is too "pessimistic" in terms of forecasting industrial land demand. First, we note that the industrial employment forecast has been increasing over the various drafts. The Columbia Harbor forecast has gone from 16,400 jobs in the 2009 draft, to 17,300 jobs in the 2011 draft, to 18,900 jobs in the current draft.

   In addition, we have conducted a sensitivity test to look at a higher rate of industrial growth. The employment forecast assumes a higher short-term industrial/manufacturing job growth in the Columbia Harbor that shifts to warehouse and distribution employment by 2035. Modeling this higher level of industrial employment over the long term results in 53 acres of additional land demand. Second, the marine cargo forecast has used the mid-point as the "most likely" scenario. Utilizing the high growth scenario from the EcoNorthwest study, the demand for marine terminals could be more than double the "most likely" scenario, or an additional 380 acres of marine terminals. Therefore, a high growth industrial/traded sector scenario could increase the demand for industrial land by 430 acres.

4. Redevelopment of Industrial Land
   We analyzed redevelopment (refill) rates on industrial land in EOA Section 1 Figure 32 (page 82). From 1999-2011 about 36% of industrial development in the Columbia Harbor occurred on land that was not vacant - this rate is consistent with Metro's 2009 Urban Growth Report refill rate assumptions. This is development activity and not necessarily tied to employment growth. As such, we have not included redevelopment of underutilized industrial parcels in the BLI in order to be conservative (pessimistic) in our assumptions on development capacity. A refill factor could be part of closing the shortfall gap, but we recommend exploring other options first (i.e. brownfield remediation, freight infrastructure investment) through the comp plan process.

   Utilizing a 36% redevelopment assumption would reduce the land demand in the Columbia Harbor by 245 acres.

The sensitivity test result is the Columbia Harbor shortfall could be somewhere in range of 364 acres (refill) to 1,039 acres (high growth/no refill). Note: An aggressive redevelopment assumption is compatible with a high growth scenario - more pressure to use land efficiently, greater market demand for redevelopment sites. The combination of the two factors results in an added demand for 185 acres, or a total shortfall of 794 acres

5. Relationship Between Job Sector Growth and Wages
   There was a discussion about the relationship between manufacturing/traded-sector job growth, the multiplier effect in creating service sector jobs, and wage levels. The premise was that without family-wage jobs in the manufacturing sector, there would be nothing to support the service sector job growth and/or the service sector jobs tend to have lower wages, which will be a drag on household prosperity.

   Research into income data and historic trends yields some insights. Higher job-rowth rates in office and institutional services will not necessarily translate to wage sluggishness. On the contrary, the office and institutional sectors tend to require higher educational levels and pay higher wages. In 2011 in Multnomah County, average wages in professional and business services were 129% of the average wage; 133% in financial services; 94% in education and health care. However, traded sector growth (and retention) and overall job growth may have a bigger impact in wage trends. In the 1970s and 1990s, the Portland region had significantly higher rates of job growth than the nation, partly linked to high-tech industry growth, and average regional wages rose faster than the nation. In the 1980s and 2000s, average job growth rates in the region matched the nation, and regional wage levels declined relative to the nation. Theoretically, increasing productivity in a region's traded sector firms provides an income source for rising wages, while the income growth potential of other sectors is limited to the buying power of the regional population.

   Income distribution and relative cost-of-living are also significant factors that affect real average incomes for much of the community, regardless of average wages. For example, national trends have shown a slightly eroding share of "middle-skill jobs" requiring more than a high school degree and less than a 4-year college degree, declining from 54% of all jobs in 1986 to 48% in 2006. Another factor is the relatively high housing costs of West Coast cities relative to the nation. In the 1970s and 1990s, rising wage levels in the region outpaced the cost of living, but inflation-adjusted wages declined in much of the 1980s and 2000s.

   The manufacturing and warehouse/distribution jobs represent a big chunk of family wage jobs. If we loose (or fail to retain) jobs is these sectors, then the average wages will fall even further.

Proposed PSC Action

We are asking the Planning and Sustainability Commission to recommend that the City Council adopt the revised Buildable Land Inventory and Economic Opportunity Analysis with the revisions described above (updated data tables per changes to BLI and employment forecast).

With that recommendation, BPS will forward this material along with the other background reports 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.

Employment Land Need Reconciliation (revised 5-30-12)

Employment Geography	Added Jobs	Land Demand	Land Supply	Surplus/Deficit	Capacity
Central City Commercial	35,500	60	149	89	248%
Central City Incubator	10,950	100	40	(60)	40%
Columbia Harbor	18,900	1,490	855	(635)	57%
Harbor Access Lands	2,000	*450*	*94*	*(356)*	21%
Columbia East of 82nd	9,600	360	394	34	109%
Dispersed Industrial	4,400	140	112	(28)	80%
Gateway Regional Center	4,100	50	135	85	270%
Town Centers	6,350	140	90	(50)	64%
Neighborhood Commercial	26,100	530	1,118	588	211%
Institutions	23,350	380	306	(74)	81%
Residential	7,800	-	-	-	-
Total	**147,000**	**3,250**	**3,198**		

Aggregate Geography					
Central City	46,480	160	189	29	118%
Industrial	32,910	1,990	1,361	(629)	68%
Commercial	36,210	720	1,342	622	186%
Institutions	23,360	380	306	(74)	81%
Residential	8,040	-	-	-	-
Total	**147,000**	**3,250**	**3,198**		

<table>
<tr><th>Organization</th><th>Comment</th><th>BPS Response</th></tr>
<tr><td>1. DLCD 4/17/2012</td><td>Clarify how the EOA distinguishes vacant land from the state definition of vacant land (OAR 660-009-0005). This definition has some specific size (0.5 acres) and development limitations for considering whether a lot is vacant.</td><td>The BLI uses the 0.5 acre minimum parcel size threshold for vacant industrial land, but includes commercial land down to 1,500sf parcels. In general, Portland's land development pattern has smaller parcel sizes. We analyzed the share of smaller parcels (less than 0.5 acres) in the BLI compared to past development trends. They are comparable with the BLI running at a higher rate, which suggest that we might want to explore parcel assembly programs and incentives. The small parcels are a particular issue in the Central City Incubator geography. We have the latitude to include the smaller parcel size based on development trends and the nature of our existing parcelization.

<table>
<tr><th></th><th colspan="2">Parcel Size <0.5 acres</th></tr>
<tr><th>EOA Geographies</th><th>New Development (1999-2011)</th><th>BLI Supply</th></tr>
<tr><td>Central City Commercial</td><td>31%</td><td>43%</td></tr>
<tr><td>Central City Incubator</td><td>39%</td><td>70%</td></tr>
<tr><td>Neighborhood Commercial</td><td>41%</td><td>53%</td></tr>
<tr><td>Town Centers</td><td>39%</td><td>47%</td></tr>
<tr><td>Regional Center</td><td>22%</td><td>28%</td></tr>
</table>
</td></tr>
<tr><td>2. DLCD 4/17/2012</td><td>Explain the coordination with other public agencies (Port of Portland, Business Oregon) in regards to the determination for the traded sector land needs such as marine terminals.</td><td>Port of Portland has been an integral partner on the EOA project, especially with respect to determining the need for traded-sector transportation facilities (see Port of Portland testimony letter). We also coordinated with Port of Portland staff for consistency on BLI mapping of sites in Port ownership.</td></tr>
</table>

3. DLCD 5/7/2012	BLI does not sufficiently break down the housing supply by housing type (mix and density) per the "needed housing" definition.	We will add a table that distributes the housing capacity into expected dwelling unit types based on past development trends.
4. DLCD 5/7/2012	The BLI should calculate the housing units per acre to make it clear that the 10 units per acre standard in the Metropolitan Housing Rule (OAR 660-07) has been met.	We have calculated the residential capacity is approximately **130** units per acre – based on 83% of the residential capacity is multi-family housing types. We will include these findings in the BLI report.
5. Gunderson/Peter Finley Fry 5/8/2012	Employment as a surrogate for economic expansion is not always appropriate. The use of output is a far more appropriate measure of land intensification.	We agree that is why we used the cargo forecast to establish the future need for marine terminals. Employment is also used as a general demand indicator for various reasons, including consistency with regional forecasts, estimation of varying growth rates between sectors and small geographies, and accounting for the policy value of job growth for community prosperity.
6. Gunderson/Peter Finley Fry 5/8/2012	Floor-to-area ratio (FAR) is not appropriate in an industrial harbor context as so much activity occurs outside the buildings. A low FAR is not a measurement of underutilized land for industrial uses.	The Harbor Lands Inventory also studied trends on land efficiency, in terns of cargo volumes per acre, dollar value outputs per acre, and employment per acre. While direct on-site employment per acre has dropped, total output has gone up, as measured in terms of value and tonnage. The efficiency increase is 1-4% annually. This difference is why we included the need for traded-sector transportation facilities as a separate line item. Since cargo terminals come in fixed sizes, it might not have any significant impact on the land need (we still may need the same number of new terminals, with the same acres consumed).
7. Gunderson/Peter Finley Fry 5/8/2012	The employment growth (demand) assumptions are pessimistic and the land supply assumptions are optimistic. The result will be a far greater undersupply of industrial harbor land.	We disagree. The employment forecast can be characterized as optimistic based on recent job growth trends. In the 2000-08 business cycle, Portland only captured 5 percent of the regional job growth, whereas Metro's long term forecast has Portland with a 27 percent capture rate. We think the BLI is generally conservative in its approach, especially if you consider that we have not included any development capacity from higher value/higher FAR lands even though past trends shows that a significant amount of development occurs on these parcels.

8. Gunderson/Peter Finley Fry 5/8/2012	The brownfield constraint analysis is problematic. A 100% discount rate is more likely due to the threat of litigation and high risk of environmental cleanup.	We disagree, primarily because this is a long-term analysis. We agree that in the short-term that discount factor may be higher, especially due to the uncertainty surrounding the Portland Harbor Superfund liability. We have included that higher discount rate in our short-term analysis. However, over the long-term we think the Portland Harbor Superfund liability issues will be resolved and market pressures for Portland's location as a freight hub with harbor access will drive the market for redevelopment of 40% of the industrial brownfields. A sensitivity analysis of the brownfield constraints shows that there are about 960 gross acres of brownfields in the BLI. However, when you factor in the overlapping constraints, there is only 300 acres of development capacity attributable to brownfields.
9. Gunderson/Peter Finley Fry 5/8/2012	The 50% discount for environmental lands is too low. Recent litigation may make undeveloped floodplains 100% constrained. The city is currently advocating for Hayden Island to be constrained at 37.5% of the land area.	We disagree. Our zoning code allows for development within environmental conservation zones (c-zones) and floodplains, so it is reasonable to assume that some development will occur on these sites. Over time, it is nearly impossible to replicate Portland's freight hub with access to the harbor, rail, airport, and freeway system, which will result in market pressure to develop more difficult sites with brownfield contamination or natural resource constraints. It is difficult to apply a site-specific analysis like the West Hayden Island plan as a generalization to be applied citywide. The constraint discount factors represent a citywide average with variation (high or low) expected for any specific site.
10. Working Waterfront Coalition 5/8/2012	Concerned about the accuracy of the BLI because the supply numbers are considerably different than previous drafts.	The difference is largely due to changes in methodology because we felt the previous versions did not accurately reflect the conditions. The base inventories are largely the same, the differences are largely due to adjustments to the discount factors for constraints, mixed use development, and market caps.
11. Working Waterfront Coalition 5/8/2012	Floor-to-area ratio (FAR) is not appropriate in an industrial harbor context as so much activity occurs outside the buildings. A low FAR is not a measurement of underutilized land for industrial uses.	We agree concerning industrial zones. But we recommend adding redevelopment capacity to the BLI in EG/EX zones of industrial geographies to account for the comparable share of commercial demand in industrial geographies and past redevelopment trends.

12. Working Waterfront Coalition 5/8/2012	The employment growth (demand) assumptions are pessimistic and the land supply assumptions are optimistic. The result will be a far greater undersupply of industrial harbor land.	We disagree. The employment forecast can be characterized as optimistic based on recent job growth trends. In the 2000-08 business cycle, Portland only captured 5 percent of the regional job growth, whereas Metro's long term forecast has Portland with a 27 percent capture rate. We think the BLI is generally conservative in its approach, especially if you consider that we have not included any development capacity from higher value/higher FAR lands even though past trends shows that a significant amount of development occurs on these parcels.
13. Port of Portland 5/8/2012	Need qualitative analysis of constraints to address what is actually on the ground. These impacts need to be assessed at a parcel-level to truly understand the impact of the constraint.	We disagree. Qualitative analysis is important for specific site development, but less so for average development impacts in aggregate geographies. Goal 9 does not require an analysis of individual parcels. The constraint discount factors represent citywide averages – some sites will be more constrained, some sites will be less constrained.
14. Port of Portland 5/8/2012	Remove references to land capacity at the Port of Vancouver.	The reference to land capacity at the Port of Vancouver does not impact the BLI or the EOA analyses. No Vancouver capacity is included in the EOA or BLI shortfall calculations. The passing reference is an acknowledgement that some people see Vancouver as a relief valve for our marine industrial capacity shortfall. We have included the reference to note that there is cost to that job shift in terms of lost opportunity, wages, and tax revenue.
15. Port of Portland 5/8/2012	Detail vs. Precision: detailed data can imply a level of precision that may not exist. Need to consider appropriate context.	We agree, which is why we think we need a set of indicators to track our performance and to update the EOA on a regular basis tied to Metro's 5-year schedule of regional population and employment forecasts.
16. Port of Portland 5/8/2012	Jobs is not the only factor, need to consider wage levels, aspirations, and the City's role in the region.	We agree. The consideration of wage levels and multiplier effect of traded sector jobs is the main reason we have included the additional land need for freight facilities.

17. Port of Portland 5/8/2012	Risk Assessment: what might cause this forecast to change – big gamer changers that might spur increased economic growth.	This type of assessment is highly speculative and not required by Goal 9. However, we think there are three major factors that could change the employment forecast: 1. The pace of economic recovery. Metro's forecast assumes a fairly robust recovery with a leveling off of growth in the out years of the forecast. Continued sluggish recovery or a sudden increase in job growth will impact the long term forecast. 2. Fuel costs. Increasing fuel costs could further slow the economic recovery. It also could shift freight to more cost effective modes such as marine and rail. It also could increase Portland's competitive position in the region as people and businesses seek more centralized locations. 3. Climate change. Climate change and adaptation may result in increase migration to the Pacific Northwest which could drive service sector job growth. 4. Accelerated industrial growth. A high scenario demand forecast for marine terminal and general industrial development could add demand for an additional 430 acres, which could be fueled by robust West Coast port growth and shifting manufacturing trends. The speculative nature of these scenarios is another reason to commit to updating the EOA on a regular basis tied to Metro's 5-year schedule of regional population and employment forecasts.
18. Audubon Society of Portland 5/8/2012	The primary challenge for industrial lands is Portland is a landlocked city with no potential to expand its boundaries. The Statewide Planning Goals do not give primacy to Goal 9. Need to balance demand for industrial lands with other equally important objectives.	We agree that the primary challenge is Portland's limited and constrained supply of development land for all types of uses. The statewide planning system does provide for balancing between conflicting policy goals. One of the legal issues in recent decisions such as the North Reach of the River Plan has been the lack of a factual basis to make a balancing decision. This EOA will provide the necessary basis to evaluate different policy choices.

19. Audubon Society of Portland 5/8/2012	Need to include underutilized industrial land (not just vacant land) to determine development capacity.	We analyzed redevelopment (refill) rates on industrial land in EOA Section 1 Figure 32 (page 82). From 1999-2011 about 36% of industrial development in the Columbia Harbor occurred on land that was not vacant – this rate is consistent with Metro's 2009 Urban Growth Report refill rate assumptions. We have not included redevelopment of underutilized *industrial* parcels in the BLI in order to be conservative (pessimistic) in our assumptions on development capacity. A refill factor could be part of closing the shortfall gap, but we recommend exploring other options first through the comp plan process.
20. Audubon Society of Portland 5/8/2012	Need to assess industrial capacity on a regional basis with interstate (Lower Columbia) collaboration to explore efficiencies.	We agree that Portland should advocate for a more comprehensive Lower Columbia River planning effort to allow more integrated planning of marine terminals over the long term. However, for the purposes of the EOA we still need to work within the current state and regional regulatory framework.
21. Audubon Society of Portland 5/8/2012	The constraint analysis is too restrictive for environmental and greenway constraints. The zoning code allows for development in these areas as long as impacts are avoided, minimized, and mitigated.	We disagree. We think the constraint analysis strikes a balance between accounting for permissive development as allowed by code and the market response to those regulations in terms of avoidance and underdevelopment that is a drag on full utilization of the zoned capacity.
22. Audubon Society of Portland 5/8/2012	Remove references about the future development capacity of West Hayden Island.	The EOA and BLI do not assume any development capacity on West Hayden Island. The only reference to West Hayden Island is in Section 4, which presents next step policy options for the Comprehensive Plan.
23. Audubon Society of Portland 5/8/2012	The BLI and EOA need to be fact based not prescriptive or advocacy oriented. They should provide a factual basis for decision-making but not promote specific outcomes or solutions.	The EOA and BLI are fact-based. Section 4 of the EOA is a transition to the Comprehensive Plan policy discussion and presents a starting point for what we can do to fill our shortfalls in development capacity. It is not intended to limit the discussion or prohibit the consideration of other ideas.

185657

9 5 2012

To: Mayor Adams and City Council
From: Mike Houck
Re: Today's Hearing on Factual Basis for Comprehensive Plan Update

Mayor Adams and Commissioners,

I am writing to highlight an overarching problem with the Factual Basis for the Comp Plan update which you will be considering today. I am not challenging the methodology BPS staff has utilized to complete its factual basis study. I am, however, reiterating an ongoing concern which was also highlighted by the Planning and Sustainability Commission in a letter to you pointing out that there is an inherent conflict between the city's mandate to address Goal 9 (employment lands) and Goal 5 (fish and wildlife, open space, wetlands, etc) issues.

In my opinion Metro's existing "targets" for industrial land needs has set up an untenable position for the city with regard to natural resource protection. It is a fact that Portland is "land locked" with regard to industrial land supply, specifically marine industrial. As a result of this fact the city's efforts to meet Metro's assigned targets, that we are moving in a direction that will result in unacceptable negative impacts on natural resource lands.

Our work on the Healthy Watershed and Environment PEG and Economic Development PEG and its industrial lands subcommittee has lead to choices that have potential serious negative environmental consequences as a result of a real or perceived "mandate" to remedy a projected industrial land supply deficit. Several options to eliminate this projected deficit would, in my opinion, seriously compromise the city's effort to meets its obligations to protect and restore natural resources.

The upshot of this dilemma is we are out of synch with Metro's cycle of assigning targets to meet projected job growth and housing needs, the problem being that the city has a limited land base for some uses, in particular marine industrial development. Is the city prepared, in order to address the industrial lands deficit, to reduce protections of fish and wildlife habitat, go to green field sites, and compromise watershed health? Projecting ahead where will the city expand the next deficit during the next round of meeting Metro's industrial lands targets--------Sauvie Island?

I am not arguing that the city does not need to address employment land issues, but it's clear that industrial land supply needs to be addressed, at a minimum, on a regional basis. Ideally marine industrial needs would be considered on a collaborative, bi-state basis as well as on the lower Columbia River. Unfortunately, we are stuck in the current land use cycle that I fear will lead to negative consequences for natural resources and livability within the city under the current system of allocating land use targets, jurisdiction by jurisdiction.

Respectfully,

Mike Houck

185657

September 4, 2012

Dear Mayor Adams and Portland City Council,

Please accept the following comments on behalf of the Audubon Society of Portland and our 13,000 members in the Portland Metropolitan Region regarding the City's Factual Basis for the Comprehensive Plan Update. Our comments focus specifically on the Buildable Lands Inventory and Employment Opportunities Analysis. Audubon has several concerns with these reports that we would like to bring to your attention.

1. **The Analysis does an inadequate job of addressing the primary challenge facing the city on industrial lands---A landlocked city with virtually no potential to expand its boundaries cannot continue to expand its industrial land base in perpetuity without sacrificing livability, environmental health and other community values**: Statewide Land Use Planning Goal 9 requires that cities maintain a 20-years supply of buildable industrial lands. However at the time the land use planning system was adopted there was no accommodation made for cities that are surrounded by other cities and have no capacity to expand their boundaries. A city such as Portland with a finite land supply ultimately cannot expand its industrial land supply in perpetuity unless it is willing to sacrifice its neighborhoods, parks and natural resources to meet demand. This is not a situation of *reductio ad absurdum*--- Portland will be hard pressed to meet the demands of the current analysis without compromising neighborhoods and critically important natural resources and this challenge will only grow more acute in future decades. We have already seen the city put in a position where it believes it is unable to implement cornerstone environmental programs such as River Plan, the Citywide Tree Project and Airport Futures environmental overlays on industrial lands due to perceived deficiencies in the industrial land base. The land use planning system does not give primacy to Goal 9. However, the manner in which Goal 9 has been implemented in recent years on industrial lands has in fact treated it as though it trumps other land use planning goals and other core city priorities. We would urge the City to place the highest priority on determining how it will balance demand for industrial lands with other equally

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important objectives including equity, protection of our neighborhoods and protection of our environment. In particular we would draw your attention to the following language from Goal 9:

Bob says read this.

> *Plans directed toward diversification and improvement of the economy of the planning area should consider as a major determinant, the carrying capacity of the air, land and water resources of the planning area. The land conservation and development actions provided for by such plans should not exceed the carrying capacity of such resources.*

The city's inability to implement the River Plan, fully implement its new tree code and its consideration of development in critical natural resource areas such as West Hayden Island suggests to us that the City has already reached its carrying capacity for air, land and water resources, and further expansion of the industrial land base as currently being contemplated would violate this important aspect of Goal 9.

2. **The City should analyze both vacant industrial land and underutilized industrial land when it analyzes the amount of capacity the city currently has to maintain a supply of industrial land ("development capacity").** Currently the City's methodology includes under-developed and under-utilized lands when it assesses residential and commercial capacity for growth, but it excludes these lands when assessing employment capacity on industrial lands.

> *Industrial zones parcels are limited to vacant parcels. Underutilized parcels are not included in this analysis because there are no FAR limits in the Portland industrial zones and industrial development tends to have lower building coverage with large areas for outdoor storage and vehicle maneuvering areas.* (Buildable Lands Inventory-Summary of Future Development Capacity at 22)

We question why the city would ignore under-developed and under-utilized industrial lands in its model. Doing so dramatically underestimates that actual industrial land capacity of the city and presumes no increase in efficiency on these lands over time. This represents a fundamental flaw in the analysis.

In fact many a significant percentage of the city's industrial lands have redeveloped over time and gained significant increases in efficiency. The recent Airport Futures Process stands as a case in point where the incorporation of innovative strategies into long-term planning resulted in a situation in which the existing footprint was determined to be sufficient to meet future growth demands after decades of controversy over assertions that the airport would need to expand its footprint to meet future demand. Likewise West Hayden Island stands as another case in point where

innovative planning has determined that as many as three terminal facilities, on-site manufacturing and a unit train loop track can be accommodated on 300-acres after more than a decade of assertions that 500-700 acres was the bare minimum required support a terminal facility. The city should be building compact form and innovative efficiency strategies into its industrial land analyses rather than presuming that we will carry forward flagrantly inefficient industrial development scenarios into the future.

It is inconsistent with both the State and City's innovative land use planning program to presume that we can't and won't do better over time on industrial land. The City should revise its model to incorporate under-utilized and under-developed industrial lands.

3. **We question whether the City is the right scale at which to analyze industrial land capacity under the statewide land use planning system**: While there is some logic in allocating growth to individual jurisdictions, far more emphasis needs to be placed on regional solutions as well as also looking a potential collaboration with Vancouver, especially on Port related issues. The heavy emphasis on proportional allocation of growth to individual jurisdictions creates a situation where we fail to fully investigate geographic or capacity advantages that me not be equally distributed over the landscape. It also results in a situation where we fail to fully explore efficiencies that may be gained by inter-jurisdiction or interstate collaboration and coordination.

4. **We challenge the assumption that C-zones result in a situation where industrial land is significantly constrained**: In fact C-zones and the greenway code do allow development. Instead they set in place a process by which developers are required to ensure that impacts that cannot be avoided are minimized and potentially mitigated. We believe the reports overstate the constraints imposed by conservation zones and the greenway code.

5. **Industrial Land Related Processes should include more diverse stakeholder representation**: Currently industrial land related "public" processes are extremely insular and non-transparent relative to other city led public processes. We would note for example that when the city evaluates environmental programs it includes not just conservation advocates but rather a broad array of stakeholders; industry is always heavily represented often comprising 50% of the participants in order to ensure "balance." However when the city develops economic programs and plans, it is usually exclusively industry and their consultants at the table. Plans and forecasts rely heavily on confidential interviews with economic interests with a vested financial interest in the outcome. Often city economic plans directly incorporate reports generate directly by industry and their consultants. Consultants appear to move

seamlessly back and forth between working for industry and working for the city. It is often difficult to discern a clearly defined line between objective, non-biased data and information generated directly by industry. We believe that the city has created the proverbial echo chamber when it comes to conducting industrial land and job analyses. There have recently been some small steps in the right direction in terms of incorporating greater diversity into these processes, but we believe that it is critical that the city develop a much more inclusive and transparently model of economic development related public processes. We are pleased that the City appears to be beginning to remedy this issue in the Comprehensive Plan Process and appreciate the opportunity to be included in the Industrial Land Capacity Working Group.

Thank you for your consideration of these comments.

Respectfully,

Bob Sallinger
Conservation Director
Audubon Society of Portland

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185657

Moore-Love, Karla

From: Bernie Bottomly [BBottomly@portlandalliance.com]
Sent: Wednesday, September 05, 2012 1:49 PM
To: Moore-Love, Karla
Subject: FW: Alliance Comments on Economic Opportunities Analysis
Attachments: Memo to City Council RE EOA 9-5-12.pdf

Karla,

The Portland Business Alliance would like to submit the attached comments on the city's proposed Economic Opportunity Analysis into the public record. At the same time, the Alliance would like to incorporate by reference the comments of the Schnitzer Corporation submitted on their behalf by Dana Krawczuk dated September 5, 2012.

If you have any questions, please don't hesitate to contact me.

Bernie Bottomly
Vice President, Government Relations & Economic Development
The Portland Business Alliance
Greater Portland's Chamber of Commerce
200 SW Market St., Suite 150
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connect with the Alliance on:

and on the PBA Blog

185657

PORTLAND BUSINESS ALLIANCE
Leading the way

Memorandum

Date: September 5, 2012
To: The Honorable Mayor Adams and Portland City Council
From: Portland Business Alliance
Re: Comments on Economic Opportunities Analysis

Thank you for the opportunity to comment on the Factual Base for the City of Portland's Comprehensive Plan update. The Alliance would like to provide some comments on one of the key documents of the factual base, the Economic Opportunity Analysis.

We appreciate that city staff has worked to produce a document that accounts for the complexities of development, particularly with constrained land and industrial land supply. The city has put considerable effort into this important document, which will inform policy decisions that will affect long-term economic outcomes. Our intent to comment on the Economic Opportunities Analysis is to identify where market feasibility needs to be calibrated further in the assumptions and methodology, so that the city's employment capture rate can be realized. Encouraging employment growth within the city of Portland is of critical importance to the long-term health of the city, the Portland-metro region and the state.

Encouraging employment growth within the city of Portland is also necessary to ensure implementation of regional growth plans. Metro's 2040 Growth Concept, and related Centers and Corridors strategies and their infrastructure investment decisions are predicated on the city of Portland capturing a significant amount of employment and population growth. Additionally, the Portland Plan calls for more living-wage jobs within the city of Portland. These plans and strategies rely on the city making the necessary policy decisions to promote and accommodate growth within the boundaries of the city. If the city fails to meet these population and job growth targets, the entire regional land use and transportation strategies will be undermined.

Capture Rate

We believe that the forecast demand numbers that support the Economic Opportunities Analysis assumption that the city can capture 27 percent of the regional employment growth is reasonable. The question of whether the city will be able to capture 27 percent depends on the land use and regulatory decisions of policy makers and elected leaders. If the city fails to make the necessary accommodations and decisions to provide sufficient employment land and a reasonable regulatory process, firms will choose to relocate, expand or locate elsewhere.

The demand forecast does not account for the elasticity of jobs moving to neighboring jurisdictions due to land availability and cost of development. The demand forecast needs to have a sensitivity analysis built in to test the impact of policy decisions, such as presence of incentives or not, cost of taxes and fees, regulatory overlays, etc. These policy decisions have a material affect on the availability of land supply and should be factored in at the onset of implementation alternatives. Any assumption that demand will remain constant, regardless of policies affecting development cost or feasibility is unrealistic.

1. Industrial Land

a) Shortfall

Of significant concern is the analysis' identified shortfall in industrial and marine industrial lands. Concurring with this analysis, the recent Value of Jobs study *Land Availability; Limited Options* shows that the Portland-metro region has a very limited supply of large lot industrial land that is readily available to attract and cultivate the types of catalytic, traded-sector employers that will help our region grow and thrive. This is concerning because a development-ready inventory of sites is a key requirement for meeting market demand, either through expanding local employers or attracting new employers to our region.

Given that we already have a shortfall that could mean the inability to accommodate more than 20,000 direct and 42,000 indirect jobs, any policy alternative for overcoming industrial land shortfalls should not make the shortfall greater. This means that no additional overlays or policy constraints which limit the utility of the land for employment purposes should be imposed on industrial land. As a note, the upcoming Superfund decisions and resulting Natural Resource Damage requirements will exacerbate the harbor land supply shortfall. Adding city-level policy "requirements" on top of the Superfund impacts is counterproductive to addressing the Harbor and Harbor Access lands shortfall forecasted in the EOA.

b) Port of Vancouver land

We strongly disagree with the recent suggestion that the Port of Vancouver could accommodate some of Portland's marine industrial shortfall. While the Alliance supports regional coordination, the Ports of Portland and Vancouver are already well-coordinated in areas that make economic and logistical sense for both facilities, as documented in the memo from the Port of Portland dated August 27, 2012 to Eric Engstrom et al.[1] The city's responsibility to address the current shortfall cannot be put on another state's shoulders. Such a strategy both falls outside of Oregon Land Use law and is not a sound economic policy. Rather, the city must make land use policy decisions that will encourage development within the city, or either pressure to expand the urban growth boundary will increase or our economic success will be reduced. We request that the city remove any reference to land in the Port of Vancouver as a part of the employment land supply strategy and any document supporting the Economic Opportunities Analysis.

c) Land constraints and their impact on short and long term supply

We appreciate the considerations made to the methodology in the Economic Opportunities Analysis, particularly relating to development and redevelopment capacity of industrial lands. Parcels constrained by environmental or other overlays, slope, and contamination or in flood hazard areas should always be discounted for their capacity to deliver a supply of development-ready industrial land. While these constraints can be addressed over time with financial and regulatory incentives, many of the alternatives will likely take place in the out-years of the planning horizon, leaving many of the sites essentially off the market until they are implemented or until market forces and pricing catch up to the costs of mitigating the issues. These delays are especially impactful on industrial development, as the majority of industrial development occurs in relatively short time frames over the longer business cycle. This is seen in some of the demand work recently completed by the Metro Regional Industrial Lands Inventory Study, which showed that almost 50 percent of the demand over the last 20 years came over two relatively short three year cycles. Such policy and investment alternatives should be part of a longer term strategy and not counted as acres in the industrial land supply available to the market in the short-term.

We do not believe that the Economic Opportunities Analysis goes far enough to account for the constraints in the Portland Harbor Superfund area, and the unlikely scenario of any development taking place in the timeline of the plan, as documented in the ECONorthwest report titled Portland Harbor Industrial Land Supply Analysis.[2]

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[1] Port of Portland, Port of Vancouver Columbia Gateway: Harbor Land Supply Analysis. August 27, 2012.

[2] ECONorthwest, Portland Harbor: Industrial Land Supply Analysis. 2012.

Land in the Portland Harbor Superfund should not be counted in the short or mid term supply.

The Economic Opportunity Analysis lacks the calculus on the diminishing rate of feasibility for developing sites with constraints over time. Land assembly, contamination and other constraints, infrastructure investment and conversion will become more difficult over time as the easier parcels will be developed or redeveloped first. This means that the economics of developing the remaining industrial lands in the city will diminish, and the need for subsidy and delay for market forces and pricing to make the site feasible will increase. The calculation of land supply addressed by such alternatives needs to incorporate the increasing difficulty of constraints over time and adjust accordingly.

The Economic Opportunity Analysis does not acknowledge the cost associated with elements typical in harbor industrial lands, including infrastructure improvements, site readiness activities and environmental mitigation and brownfield remediation. The costs associated with such sites exceed the current market-supported value and therefore should not be considered part of a market-ready supply of land. We urge the city to derive the supply assumptions through a model that is both market based and cost-constrained. It should be acknowledged that cost, and regulatory structures will likely delay many of the sites for years, if not decade(s). For example, while we all agree that brownfield reinvestment is an important aspiration, and the city should make it a goal to identify resources to help owners and investors reclaim brownfields, the magnitude of cost for reinvesting in brownfields to put back in to industrial use has not been established, and is not supported by market realities at this time, and is not likely to improve significantly in the next 25 years (the life of the plan). This is demonstrated in the recent study of the Time Oil and Atofina sites in ECONorthwest's Portland Harbor: Industrial Land Supply Analysis.

2. Supportive Infrastructure

We appreciate the acknowledgement of the importance of public investments in freight facilities, including airports, marine terminals, rail yards and truck terminals. A recent study on our traded sector economy shows that Portland-metro is stronger than both peer regions and the national average for traded-goods industries. Traded-sector jobs pay, on average, 42 percent more than non-traded sector jobs. Having supportive infrastructure, as well as sufficient land, are necessary components for this important sector to continue to thrive in Portland. The Economic Opportunities Analysis methodology has accounted for changes in through-put and considered distinct facility characteristics to generate an estimate of the land need.

3. Central City

a) Development feasibility

We agree with the Economic Opportunities Analysis' characterization of the Central City as having the capacity to capture a majority of employment growth. The Alliance supports the Central City as the regional economic and employment hub, and policies to encourage the Central City to maintain this primacy are essential to our regional investments in land use, infrastructure, and amenities. However, the ability to maximize the development capacity of the Central City depends on investment and regulatory policies adopted by the city. Fees, exactions and complex permitting processes have a material impact on development feasibility and market demand. These policy decisions should be factored in to the assumption of development that can be achieved in the short, mid and long term of the plan.

Maximizing the use of Floor Area Ratio (FAR) will be dependent on market feasibility of development. Historically, development incentives have been available to offset some of the cost and risk of Central City mixed use, high density development. However, tax increment financing is increasingly constrained and other incentives are being pared back or eliminated, meaning past performance can not be project forward. Analysis should be conducted to calculate the amount of Central City development that used some development incentive, including tax abatements, tax increment financing, etc. versus no incentives used. This ratio of subsidy used or not for development should inform the actual amount of development that the city can expect to occur without subsidy, and should inform investment alternatives needed to achieve the capacity documented in the Economic Opportunities Analysis.

b) Underutilized land

The Economic Opportunities Analysis characterizes underutilized land (land with 20 percent of improvement relative to capacity) as the inventory to most likely accommodate new building space, based on development trends. Similar to industrial land constraints, as the "low hanging fruit" parcels in the Central City are redeveloped, the ability to redevelop underutilized land becomes difficult and more costly over time. Many sites with underutilized improvements have historic buildings, fractured ownership among parcels, or limitations to a quarter or half block size. These factors make developing to a higher density financially difficult. The presence of public development subsidy should overlay historic redevelopment trends to determine, at what level these tools were used. This trend should dictate the assumption of redevelopment rates with and without subsidies, and guide policy decisions on providing investment tools accordingly.

c) Central City Incubator

With respect to the Central Eastside and Lower Albina districts; we appreciate the acknowledgement that these districts are significant employment centers, and that zoning capacity and market supply need to be calibrated to support flexibility while protecting the functional operations for existing business. We urge the city to protect freight capacity and access throughout this evolution, to ensure that these districts remain an environment where business operation is encouraged and projected. Of particular concern in this area is the impact of growing residential development that is incompatible with traditional manufacturing uses that create noise, dust and truck traffic. Residential development in and around industrial sanctuaries needs to acknowledge the historical industrial uses.

4. Institutional and Neighborhood Commercial

a) Institutional

The growing institutional employment demand is important to note. This sector will continue to expand, and the city must do everything it can to resolve local land use conflicts, as many of these institutional employers are within or abut residential districts. On a general note, as the city continues to increase density, land use and transportation conflicts will arise. The city should have a prioritization framework that can resolve these conflicts quickly and with certainty for all parties involved.

b) Neighborhood Commercial

The Economic Opportunities Analysis has identified significant development capacity in neighborhood districts. Similar to institutional development, we urge the city to consider the increasing likelihood of conflicts that will arise as mixed use, higher density development occurs, and identify a system to address conflicts the supply analysis of buildable land is that a large part of their calculations take into consideration underdeveloped or redeveloped land. The complexity and uncertainty that arises from land use conflicts impacts development feasibility; if unaddressed, these density goals may not be realized.

Conclusion

Thank you for the opportunity to provide comments on the Economic Opportunities Analysis. The methodology used and assumptions contained in this analysis has material impact on the economic development of the city of Portland. We urge you to

consider our comments and address areas needing further analysis so that the resulting implementation alternatives are grounded in market reality.

cc: Susan Anderson
Joe Zehnder
Steve Kountz

185657

Moore-Love, Karla

From: Lundgren, Christina (Perkins Coie) [CLundgren@perkinscoie.com] on behalf of Pfeiffer, Steven L. (Perkins Coie) [SPfeiffer@perkinscoie.com]

Sent: Wednesday, September 05, 2012 11:36 AM

To: Moore-Love, Karla

Cc: Krawczuk, Dana (Perkins Coie)

Subject: Agenda #1001 - Adoption of EOA Documentation

Importance: High

Attachments: City of Portland June.pdf

Please include the attached document in the public record of the City Council hearing scheduled today, Wednesday, September 5, 2012, at 2:00 p.m. time certain.

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185657

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September 5, 2012

VIA EMAIL AND HAND DELIVERY

Mayor Sam Adams
Commissioner Nicholas Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
City of Portland
1221 SW Fourth Avenue
Portland, OR 97204-1995

Re: City of Portland June 2012 EOA Testimony

Dear Mayor Adams and Commissioners:

This office represents Schnitzer Steel Industries, Inc. regarding the Economic Opportunities Analysis ("EOA") that is under consideration by the Council. Thank you for your ongoing efforts to ensure our region's continued economic prosperity, and for continuing to solicit comments during the periodic review process regarding the City's current and future supply of needed employment lands.

The EOA that is under consideration by the Council is both a snapshot of our forecasted employment demand, as well as our existing land supply. Our objective with these comments is to assist the City with the establishment of the most accurate database possible. Our concern is that some of the assumptions in the EOA lead to an overestimate of available land, which will result in an inadequate supply of land in the Columbia Harbor over both the short and long term.

Consistent with our interest in the working waterfront, these comments focus on the Columbia Harbor and Harbor Access Lands. Our analysis is limited to Sections 1, 2 and 3 of the EOA. Testimony submitted by others addresses the policies considered in the "Alternative Choices" in Section 4 of the EOA. While we share the concerns raised by the WWC, Port of Portland and other interested stakeholders, we understand that future Council review of Periodic Review Work Tasks 3, 4 and 5 will include the opportunity for public testimony in regard to the plans

and policies that are adopted to address the deficit of employment land identified in the EOA. Please advise if this understanding is incorrect.

I. Summary of Issues

Industrial uses in the Columbia Harbor and Harbor Access Lands, and their related site requirements, are unique. Portions of the EOA acknowledge these particular needs, but the Columbia Harbor and Harbor Access Lands employment geographies are not consistently considered independent of other "industrial" uses. When citywide industrial assumptions are applied to the Columbia Harbor and Harbor Access Lands, such as assumptions about brownfield remediation or the intensity of development, the demand for land is underestimated and the inventory of available land is overestimated. To resolve the factual, evidentiary and interpretational deficiencies we have identified, the EOA should be refined so that:

- The site characteristics of Columbia Harbor and Harbor Access Lands are clearly identified, substantiated and considered in the demand analysis, the inventory, and the reconciliation of demand and supply;

- Columbia Harbor and Harbor Access Lands-specific assumptions about brownfield remediation and intensity of development are identified, substantiated and applied;

- The cost of developing in the Columbia Harbor and Harbor Access Lands is recognized as a development constraint, similar to the "market factor" adjustment applied to other employment geographies;

- The internal conflict in the EOA related to redevelopable land in the inventory of industrial land is resolved; and

- Infrastructure-based development constraints in the Columbia Harbor and Harbor Access Lands are identified and substantiated.

II. Legal Standards

The EOA is a proposed amendment to the comprehensive plan that is being considered through periodic review. It is well established that the EOA must be supported by an adequate factual base and substantial evidence in the record as a whole, be in compliance with all applicable laws, and include findings that connect the applicable standards with relevant evidence.

A. Adequate Factual Base and Substantial Evidence

The Goal 2 requirement for an adequate factual base requires that a legislative land use decision be supported by substantial evidence. *1000 Friends of Oregon v. City of North Plains*, 27 Or LUBA 372, 376-378, *aff'd* 130 Or App 406, 882 P2d 1130 (1994), *DLCD v. Douglas County*, 37 Or LUBA 129, 132 (1999). Substantial evidence exists to support a finding of fact when the record, viewed as a whole, would permit a reasonable person to make that finding. ORS 183.482(8)(c), ORS 197.633(3) and *Dodd v. Hood River County*, 317 Or 172, 179, 855 P2d 608 (1993). Where the evidence in the record is conflicting, if a reasonable person could reach the decision the City made in view of all the evidence in the record, the choice between the conflicting evidence belongs to the City. *Mazeski v. Wasco County*, 28 Or LUBA 178, 184 (1994), *aff'd* 133 Or App 258, 890 P2d 455 (1995).

The EOA, and decision adopting it, will include both basic findings of fact and inferences drawn from those facts. Accordingly, substantial evidence review involves two related inquiries: "(1) whether the basic fact or facts are supported by substantial evidence, and (2) whether there is a basis in reason connecting the inference to the facts from which it is derived." *City of Roseburg v. Roseburg City Firefighters*, 292 Or 266, 271, 639 P2d 90 (1981). Where substantial evidence in the record supports the adopted findings concerning compliance with the goals and the Commission's administrative rules, the Commission nevertheless must determine whether the findings lead to a correct conclusion under the goals and rules. *Oregonians in Action v. LCDC*, 121 Or App 497, 504, 854 P2d 1010 (1993).

B. Compliance with Applicable Laws

The City's decision on the whole must comply with applicable statutes, statewide land use planning goals, administrative rules, the comprehensive plan, the regional framework plan, the functional plan and land use regulations. While the City enjoys deference on its interpretation of its comprehensive plan or land use regulations in the manner provided in ORS 197.829, no deference is owed to the City's interpretation of statewide planning goals or related administrative rules. ORS 197.633(3). For the purposes of periodic review, "compliance with the goals" means that the EOA on the whole, conforms with the purposes of the goals and any failure to meet individual goal requirements is technical or minor in nature. ORS 197.747.

C. Adequate Findings of Fact

There is no statute, statewide planning goal or administrative rule that generally requires that legislative land use decisions be supported by findings. *Port of St. Helens v. City of Scappoose*, 58 Or LUBA 122, 132 (2008). However, there are instances where the applicable statutes, rules or ordinances require findings to show compliance with applicable criteria. In addition, where a statute, rule or ordinance requires a local government to consider certain things in making a

decision, or to base its decision on an analysis, "there must be enough in the way of findings or accessible material in the record of the legislative act to show that applicable criteria were applied and that required considerations were indeed considered." *Citizens Against Irresponsible Growth v. Metro*, 179 Or App 12, 16 n 6, 38 P3d 956 (2002).

III. Analysis of Specific Issues

A. Site characteristics of industrial uses in the Columbia Harbor and Harbor Access Lands have not been clearly identified or applied in the demand analysis, the buildable lands inventory or the reconciliation of demand and supply.

The EOA must identify the projected land demand by type, which the City has addressed by identifying employment geographies such as Columbia Harbor (and the Harbor Access Lands subcategory) and specific building types. The identified site types must be based upon site characteristics. OAR 660-009-0015(2). The buildable land inventory must include an inventory of vacant sites, including a description of site characteristics. OAR 660-009-0015(3)(a)(B). Uses with "Special Siting Characteristics" may be identified in the demand and inventory. OAR 660-009-0025(8).

"Site characteristics" are defined in OAR 660-009-0005(11) to include attributes necessary for particular industrial uses to operate. Examples include minimum site size and configuration, but the City has discretion in determining what constitutes a site characteristic. Carefully identifying site characteristics is critical for having an accurate projection of land demand, supply and the resulting deficit or surplus. For example, if a site characteristic of Harbor Access Lands is that the uses tend to require at least 5 acres, and the inventory of Harbor Access Lands includes parcels that are less than 5 acres, then the inventory will overestimate the supply of land.

We have been unable to identify where in the EOA site characteristics for industrial uses in the Columbia Harbor and Harbor Access Lands have been identified and substantiated by evidence, and if those site characteristics were applied to the projection of land demand, analysis of the buildable lands inventory, or the reconciliation of the two.[1] Our concern is echoed by Johnson Reid, who reviewed the EOA and prepared the attached *Revised Review of the City of Portland's Draft Economic Opportunities Analysis*, September 4, 2012.

[1] The EOA does recognize that shipping/transportation related facilities are specialized, land-intensive building types that do not match the typical building needs of industrial uses, and some site characteristics could be extrapolated out of the narrative (i.e., a range of parcel sizes). However, the industrial uses in the Columbia Harbor and Harbor Access Lands are not limited to shipping/transportation related facilities, so the EOA does not include site characteristics that apply generally in these employment geographies.

If site characteristics are not identified, the EOA is not in compliance with the Goal 9 rules and would not be supported by an adequate factual base or substantial evidence.

B. The EOA applies citywide "industrial" assumptions about brownfields remediation to the Columbia Harbor and Harbor Access Lands, which fails to recognize the complexities associated with the Portland Harbor Superfund site.

The EOA applies a "discount factor" methodology for quantifying the impact of development constraints on the buildable lands inventory. Based upon Section 2/3, Table 19, it appears as if the EOA includes an across the board assumption that all vacant industrially zoned land that includes a brownfield will develop at 40% capacity, an assumption that is based upon historic rates from 1999-2011. See Section 2/3, Appendix B, Figure 37. No analysis that is limited to brownfield remediation rates in the Columbia Harbor or Harbor Access Lands has been provided. Absent this analysis, the EOA is not supported by an adequate factual base or substantial evidence.

It is inappropriate to apply a citywide historic rate of brownfield remediation of "industrial" property to the Columbia Harbor and Harbor Access Lands, which are affected by the Portland Harbor Superfund site. The rate at which non-Superfund-related brownfield sites redevelop is not an accurate predictor of how brownfields in the Columbia Harbor and Harbor Access Lands will redevelop because adjacency to the Portland Harbor adds an element of uncertainty and increased cost. For example, in our experience, although Prospective Purchaser Agreements with DEQ may still be obtained, similar settlements with EPA and NOAA addressing CERCLA response costs and natural resource damage liability, respectively, are not readily available. This is likely due to the fact that Portland Harbor response costs remain highly uncertain.[2] Further, the timeline for investigation and remediation of the Portland Harbor continues to be extended, with the EPA Record of Decision now delayed until at least 2014 and cleanup on hold until 2015 or later.

The heightened economic uncertainty associated with the Portland Harbor Superfund Site is likely the result of numerous factors, including:

- the scientific complexity of remediating sediments in a dynamic urban river system;
- identifying and controlling ongoing upland sources of contamination;

[2] Because the EPA has not yet determined the target clean-up thresholds for Portland Harbor, it is impossible to say with certainty what the costs of clean-up will be. According to the Lower Willamette Group draft feasibility study, which was submitted to EPA in March 2012, cleanup costs range from anywhere between $400 million and $1.2 billion. These estimates do not include the $100 million spent to date on investigation.

- an EPA moratorium on most maintenance dredging in the federal navigation channel, limiting access for deep draft vessels;

- the involvement of more than 100 potentially responsible parties spanning a 150-year period of industrial development; and

- a multi-layered federal, state and local regulatory system seeking to protect endangered salmon, marine habitat, historic tribal fishing rights and water quality.

These Superfund-specific issues were not considered in the inventory analysis. The consequence of applying non-Superfund related brownfield remediation assumptions to the Harbor is to overstate the potential extent that brownfields contribute to the supply of industrial land within the Columbia Harbor and Harbor Access Lands employment geographies. This deficiency is particularly acute in regards to short-term demand and supply. Figure 17 on Page 20 identifies a Short-Term (5-Year[3]) Employment Land Demand of 60 acres in the Harbor Access Lands geography. Figure 23 and Page 28 identifies a short term supply of 29 acres. Stated another way, it is highly questionable that this short term supply exists at this time, or will be available in the inventory due to the brownfield and Superfund issues associated with Harbor lands.[4]

We also question the reasonableness required under applicable Goal requirements of relying upon historic brownfield remediation rates to forecast future remediation rates. As noted in testimony by the Portland Business Alliance (attached) and confirmed by Johnson Reid, parcels

[3] The "short term" employment land supply described in the EOA is land available within 5 years. See Figure 17. OAR 660-009-0005(1) defines the "short-term supply of land" as being land that is ready for development within one year of an application for a building permit or request for service extension.

[4] The complexities and skepticism about when land affected by or proximate to the Superfund site may be available for development is noted a number of times in the EOA. *Portland Harbor: Industrial Land Supply Analysis*, prepared by ECONorthwest states under 3.2.3 Implications section, on Page 29 "Ultimately, issues related to the Superfund cleanup of the Willamette River make all sites in the Portland Harbor unfeasible for development in the near future. Until a final agreement is reached, determining the specific liability for all property owners in the Harbor, there is too much cost uncertainty to negotiate a reasonable price for the land acquisition that would be necessary to assemble a site large enough for a new marine terminal." The report also makes specific comments on two particular sites that were identified as opportunities sites, saying regarding Time Oil, "it will be difficult, however, to negotiate any real estate transactions for this site while liability for the Lower Willamette River Superfund remediation remains uncertain"; and in regards to the Atofina site "The potential liability for remediation of the Superfund adds a high level of risk for all affected properties, making prospective real estate transaction or development unlikely."

with the fewest constraints develop first. Each successive parcel is more difficult to address. Over time, unless new resources are made available to offset the increasing challenges of the remaining sites, the rate of remediation may decline. While changes in policies or funding for brownfield remediation are potential solutions to the deficit of land in the Columbia Harbor and Harbor Access Lands that we strongly support pursuing, the analysis of the existing supply of industrial land cannot rely upon speculative remediation strategies.

C. The evidentiary basis and reasonableness of assumptions about the intensity of development in the Columbia Harbor and Harbor Access Lands are unclear and may be inconsistent.

Industrial uses adjacent to the harbor (the Harbor Access Lands employment geography) have a different development pattern than typical industrial users; one that uses less building square footage and more yard area for lay down, storage, maneuvering, assembly, processing and other non-building activities. Section 2/3 of the EOA explains that "harbor industrial development tends to have low floor area ratios (FAR) and a relatively low number of jobs per acre" and that industrial uses in the Harbor Access Lands employment geography are "exceptionally land intensive." Section 2/3, pages 16-17. Despite the land-intensive character of Harbor Access Land uses, the EOA uses virtually the same FAR assumptions for Columbia Harbor lands (0.35 FAR) and Harbor Access Lands (0.34 FAR). Section 2/3, Figure 11. The FAR tables in Figure 34 do not evaluate Harbor Access Lands separately; only Columbia Harbor lands are included, with a FAR of 0.35 for most building types. As described by Johnson Reid, applying a FAR of 0.35 to Harbor Access Lands "may miss key industry characteristics in the Harbor Access Lands subcategory of the Columbia Harbor" and would "likely understate land needs and/or overestimate the development capacity of land adjacent to the harbor. The net result is an underestimation of the true land need in total acres for river related companies doing business in the Portland Harbor." Johnson Reid, *Revised Review of the City of Portland's Draft Economic Opportunities Analysis*, September 4, 2012, attached.

The evidentiary basis for the FAR assumptions is unclear. Figure 37 lists that the historic rate of development on "unconstrained" "industrial" sites was a FAR of 0.32. There is no data for historic FAR for Columbia Harbor or Harbor Access Lands. Additionally, the EOA notes that it does not assume that industrial development in the Columbia Harbor will intensify (in terms of increased FAR) during the planning period,[5] but Figure 34 indicates an increase in FAR from 0.35 to 0.41 for office uses in the Columbia Harbor.

[5] Section 2/3, pg. 5 and Figure 5.

D. The cost of developing in the Columbia Harbor and Harbor Access Lands should be recognized as a constraint, similar to the "market factor" adjustment applied to other employment geographies.

The capacity of land within the inventory was adjusted to reflect various development constraints. "Market factor" is a development constraint and adjustment that reduces the inventory from zoned capacity to reflect the situation when more development is allowed, but it is not expected to supported by the real estate market in 2035. Figure 4 and Section 2/3, pg. 25. The EOA only applies the "market factor" adjustment to commercial geographies. No analysis of the cost to develop in the Columbia Harbor and Harbor Access geographies is provided, and no explanation of why a geographically specific market factor was not applied to Columbia Harbor and Harbor Access Lands is offered.

We are concerned that the inventory analysis and reconciliation of demand and supply overestimate the capacity of land because it does not recognize the development constraint of the extraordinary cost to develop land in the Harbor Access Land geography. As explained below, a recent study of the Time Oil parcel (which is located in the Harbor Access Lands area) found that there is an approximately $30.5 million market viability gap for developing the parcel, due in part to the off-site infrastructure costs of $15.6 million, and estimates that the parcel's time to market feasibility is 46 years. These are significant constraints on development in the Harbor Access Lands geography, which call into question the availability of land for industrial use during the EOA's planning horizon.

The *Regional Industrial Site Readiness Project* is a public-private sponsored analysis of market-ready industrial sites that are 25 acres or larger. Phase 2 of the *Project* evaluated a few sites with development constraints, and identified the time and amount of investment required to make the parcels market-ready. Among the parcels analyzed in Phase 2 was the Time Oil parcel. Below are excerpts of the analysis of Time Oil, which are offered to provide an example of the order of magnitude of cost and uncertainty associated with developing land in the Harbor Access Lands area. Also see excerpts from the *Project*, attached. The *Project* explains:

> **Environmental:**
>
> The site is adjacent to the Portland Harbor Superfund Site and is considered a potential contributor to contamination in the Portland Harbor. As a result, owners and operators of the site (future, current and/or former) may be assessed some share of the costs for conducting the remedial investigation and implementing a remedy in the Portland Harbor. The remedy has not been selected and allocation of costs are ongoing, therefore it is not possible to

estimate what amount, if any, will be apportioned to owners/operators of the site.

Transportation:

In order to meet the river-dependent industrial requirement, the construction of a marine dock is assumed to take place prior to or during site development and construction. Development of the dock will require a total of 6 years, 3 years for permitting associated with demolition, construction and upland work; plus 1 year for demolition of current dilapidated dock; plus two years for construction. Project includes ocean-going barge and dolphins for mooring and positioning; roadway trestle connections; bank treatment, stabilization and greenway mitigation; fish habitat credits; and permitting. Cost estimate is $14.18 million.

To avoid internal inconsistencies and reflect significant development constraints related to cost, the EOA should be modified so that a geographically specific market factor adjustment is applied in the Columbia Harbor and Harbor Access geographies.

E. The EOA's consideration of redevelopable land within the Columbia Harbor and Harbor Access Lands appears to be internally inconsistent.

The EOA explains that the inventory of industrial zoned parcels is limited to vacant parcels, and "redevelopment" lands are excluded. Section 2/3, pg. 23. The inventory for other employment geographies, such as Central City, identified redevelopable land by analyzing factors such as FAR, improvement to land value and proximity to transit, and included redevelopable land in the inventory. The rationale for not conducting a similar analysis for potentially underutilized industrial parcels is that by nature industrial uses have low FAR, so building coverage is not a reliable predictor of the likelihood of redevelopment.

While we support excluding redevelopable land from the inventory, as explained in the text of the EOA, the BLI calculation figures (Figures 38-41) appear to include "redevelopment" land in the Columbia Harbor geography. Johnson Reid estimates that 11% (152 acres) of the total supply of industrial land is "redevelopment." If redevelopment land is included in the inventory for Columbia Harbor, then the EOA is internally inconsistent, not supported by an adequate factual basis or evidence, and overestimates the capacity of land in the Columbia Harbor.

F. It is unclear if the EOA considered the lack of infrastructure availability as a development constraint in the Columbia Harbor.

The EOA describes in general terms infrastructure deficiencies in the Columbia Harbor. For example, the Columbia Harbor is described as having much of its vacant land constrained by "brownfield contamination, infrastructure deficiencies, and environmental overlays..." Section 2/3, pg. 32.[6] Figures 19 and 37 describe the "infrastructure" development constraint for all "industrial" land (not specifically limited to Columbia Harbor or Harbor Access Lands) as adjusting the development capacity of the inventory by 75%. The basis for the 75% constraint is unclear, and it does not reflect the unique infrastructure constraints in the Columbia Harbor or Harbor Access Lands. As noted in Section III.D. of this letter, the cost of developing in the Harbor Access Lands area is extraordinary, in part because of needed infrastructure. By way of example, the off-site infrastructure costs for the Time Oil site are estimated to be $15.6 million, in addition to on-site costs of $3.5 million. *Regional Industrial Site Readiness Project.*

The nature of the infrastructure deficiencies in the Columbia Harbor employment geography are significant but are not identified, and the resulting land supply consequences are not identified or substantiated by evidence.

IV. Conclusion

In furtherance of this process, we request that you hold the record open to allow staff consideration of these and other comments received, together with any further modifications to the EOA that may be necessary.

In closing, we appreciate the opportunity to provide these comments regarding the Periodic Review Task 2 documentation pending before Council, and we welcome the City's continued solicitation of such comments from the full range of stakeholders in support of a prosperous Portland.

Very truly yours,

Steven L. Pfeiffer

Dana L. Krawczuk

Enclosures

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[6] The overlapping constraints of infrastructure deficiencies and natural resource protections in the Portland Harbor Superfund area are also noted in Section 2/3, pg. 27. Also see Section 1, pg. 35.

JOHNSON REID
LAND USE ECONOMICS

MEMORANDUM

DATE: September 4, 2012

TO: Schnitzer Steel Industries, Inc.

FROM: Jerry Johnson
JOHNSON REID LLC

Mark Clemens
GROUP MACKENZIE

SUBJECT: Revised Review of the City of Portland's Draft Economic Opportunities Analysis

Johnson Reid and Group Mackenzie were asked to review the most current version of the City of Portland's Economic Opportunities Analysis, with a particular focus on Sections 2, 3 and 4.[1]

GENERAL COMMENTS ON THE EOA

Demand for Employment Land

The employment land demand reflects employment forecasts by industry converted to land needs based on a combination of recent patterns and some aspirational assumptions. The analysis does include some detailed evaluation of shipping/transportation needs, as outlined in the Executive Summary:

> *Executive Summary Pg. iii:*
> .....
> *"Portland is a key freight distribution hub on the West Coast. As such, in addition to the building space and related land needed for employment uses, additional land is needed for shipping/transportation related facilities, such as air, marine and rail terminals that are needed.....These types of freight transportation drivers are treated as separate line items of land demand, because they are estimated primarily by transportation throughput. They also represent specialized, land-intensive building types that do not match the typical building needs....An additional 580 acres of land is needed for these facilities and is added to the demand for industrial land."*

[1] PSC Recommended Draft, June 2012

The employment land forecast is based primarily on Metro's allocation of regional forecasts over the 2010-2013 period. This employment forecast is translated into an estimated demand for over 2,660 acres of employment land. This is consistent with previous versions of the report.

The conversion of employment projections into land needs is done based on relatively generic Floor Area Ratios (FARs) as opposed to real estate product type, which simplifies the analysis but at the cost of some often useful detail. The employment land forecast assumptions include a building-land need component (Page 5, Figure 5). One of the measures included in this component is Floor Area Ratios (FARs). These are used to identify hypothetical building coverage on a site and are used to determine development capacity.

One specific area in which we feel this may miss key industry characteristics is in the Harbor Access Lands subcategory of the Columbia Harbor. The Employment Forecast Land Demand for 2010-2035 (Figure 11 and Page 12) identifies a total building square footage capacity demand in the Columbia Harbor of 13,985,000 SF on an acreage demand of 910 acres, using a 35% FAR. Harbor access lands would be expected to have relatively lower FAR ratios, as these uses have operational characteristics that would substantially increase land needs associated with a set employment forecast. Uses adjacent to the harbor have a different development pattern that typical industrial users, one that uses less building square footage and more yard area for lay down, storage, maneuvering, assembly, processing and other non-building activities. The Portland Harbor, Industrial Land Supply report prepared by ECONorthwest supports this pattern: "Harbor industrial development tends to have low floor area rations (FAR) and a relatively low number of jobs per acre". Using the same FAR for Harbor Land as for general industrial land is not appropriate and understates the Harbor Land need.

While we view an FAR of 0.35 was to be generally consistent with our experience for industrial uses, when applied to the harbor access lands it would likely understate land needs and/or overestimate the development capacity of land adjacent to the harbor. The net result is an underestimation of the true land need in total acres for river related companies doing business in the Portland Harbor.

Our primary concern with the land forecast remains a lack of specificity in the nature of this demand. While the report delineates demand by geographic area, with the exception of rail yards, marine terminals and airport facilities, the specific requirements of individual sectors are not considered in any substantive detail. This would be expected as part of the "site characteristics" as defined in OAR 660-009-005(11), which includes attributes necessary for a particular industrial use to operate, and is a required element of the land inventory. The land demand is broken down by sectors, which should allow for consideration of specific needs criteria for those industrial sectors to the extent readily available. While we appreciate the additional work done on the aforementioned special use types, there are also distinct and specific site criteria associated with more general categories such as warehouse/distribution and specific manufacturing types.

Capacity (Supply)

The base land supply was adjusted to account for a series of widely accepted development constraints. The analysis used a database of development rates for constrained and unconstrained sites within the City from 1999 through 2011, and used the experience of these sites to inform assumptions regarding the appropriate discounting of capacity associated with the identified constraints. We think the methodology is quite good, and represents a strong approach to this type of issue. I would contend

though that in my experience it would be expected that short term utilization of constrained sites would likely reflect sites that had an attractive mix of high marketability and relatively low cost to address the constraints. Using a relatively short experience period to establish a sustainable rate would be likely to overstate the ability to overcome these constraints. I would refer to recently completed work completed by Group Mackenzie and our office that takes a detailed look at the challenges in developing many industrial sites.[2]

The focus of our review is on the industrial capacity in the EOA. It would appear as though the industrial zoned capacity has been limited to vacant parcels. There are portions of the report though that would appear to contradict this, but we are assuming in this review that redevelopment and "underutilized" sites are not considered in capacity calculations for industrial need.[3] From our analysis, 11% (152 acres) of total supply of industrial land (after constraints are deducted) is from the category identified as "redevelopment". Review of the BLI Employment Capacity Summary Map seems to confirm this because the Freeway Land site at 205 and Foster is not identified on this map. This site has been identified by the City and PDC as a key redevelopment parcel in Lents, but it has existing business operations on it. These operations seem to have eliminated it from consideration in the BLI. If redevelopment is considered as part of the City's industrial capacity, contrary to statements contained in the current version of the EOA, we would challenge this use for the same reasons outlined in our previous memorandum (Appendix A).

We are also concerned with the treatment of brownfields and their impacts on capacity. The City uses three sources in the BLI analysis, all from DEQ database (ECSI, CRL and UST) and do not consider adjacency to the Willamette River Superfund as a brownfield constraint. All of the sites in the Harbor Access Lands category are affected by the Superfund. As stated in The Portland Harbor: Industrial Land Supply Analysis prepared by ECONorthwest under 3.2.3 Implications section, "Ultimately, issues related to the Superfund cleanup of the Willamette River make all sites in the Portland Harbor unfeasible for development in the near future. Until a final agreement is reached, determining the specific liability for all property owners in the Harbor, there is too much cost uncertainty to negotiate a reasonable price for the land acquisition that would be necessary to assemble a site large enough for a new marine terminal." The report also makes specific comments on two particular sites that were identified as opportunities sites, saying regarding Time Oil, "it will be difficult, however, to negotiate any real estate transactions for this site while liability for the Lower Willamette River Superfund remediation remains uncertain"; and in regards to the Atofina site "The potential liability for remediation of the Superfund adds a high level of risk for all affected properties, making prospective real estate transaction or development unlikely."

While the potential solutions discuss brownfield remediation as a key strategy for addressing the identified shortage of industrial land, it is questionable that simply addressing upland contamination through potential new programs will be sufficient to bring development ready land into the inventory. Adjacency to the Superfund site adds a completely unconsidered element of uncertainty and cost that

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2 Group Mackenzie, Regional Industrial Site Readiness Project

3 Pg 23: "Industrial zoned parcels are limited to vacant parcels. Underutilized parcels are not included in this analysis because there are no FAR limits in the Portland industrial zones and industrial development tends to have lower building coverage with large areas for outdoor storage and vehicle maneuvering areas."

was not considered in the BLI. This results in overstating the potential that brownfields have in contributing to the supply of industrial land that is adjacent to the Portland Harbor.

Our concerns about brownfield remediation and the market factors related to developing in the Harbor Access Lands geography will especially be an issue in regards to short-term demand and supply. Figure 17 on Page 20 identifies a Short-Term (5-Year) Employment Land Demand of 60 acres in the Harbor Access Lands geography. Figure 23 and Page 28 identifies a short term supply of 29 acres. It is highly questionable that this short term supply exists at this time, or will be available in the inventory due to the brownfield and Superfund issues associated with Harbor lands.

Reconciliation

As with previous versions, the reconciliation between need and capacity is largely done based on the aggregate need as opposed to at a site level. The net impact of the study's aggregate demand and supply reconciliation is an inherent overstatement of the ability of unimproved and underutilized property to meet the identified demand. While the study did produce a forecast of demand by site size, it did not consider a wide range of factors understood to be critical in industrial location decisions, such as transportation access.

The short-term demand for employment land is projected at 1,380 acres through 2015, which includes 570 acres in the Columbia Harbor. The report finds that the short-term supply of employment land is adequate, with the exception of Harbor Access Lands and Central City Incubator. The finding that the inventory meets short-term demand is based on the general assumptions of the capacity analysis, and we have little detail to question the findings at this time. We would be concerned that the capacity is overstated, particularly if the land needs to be available within a five-year period. Few constrained sites can be brought to market under those time constraints.

QUALIFICATIONS

JOHNSON REID

JOHNSON REID is an established consulting firm founded with a specific focus on the economic aspects of land use planning and real estate development. Our combination of expertise in economics, planning and the real estate market differentiates us from pure planning firms as well as pure economic consultancies.

JOHNSON REID offers a full range of analytic services in the real estate and economic development fields, including expertise in:

- *Economic Opportunity Analyses*
- *Economic development studies and recommendations*
- *Target industry and industry cluster analysis*
- *Housing needs analysis*
- *Fiscal and economic impact analysis of growth and land use policies*
- *Feasibility of residential, commercial and mixed-use real estate projects*
- *Regional and local planning issues*
- *Development in 2040 Centers*
- *Developer interviews and roundtables*
- *Public/private partnerships*

Over the past decade, JOHNSON REID has grown with the intent of assembling the most technically capable and knowledgeable consulting professionals in the Northwest. Jerry Johnson and William Reid have been actively consulting in this field for twenty years and twelve years respectively, and have assembled a staff of highly qualified and experienced individuals.

Public-sector clients include cities, counties, regional governments, economic development agencies, urban renewal agencies, port districts, and others, ranging from the smallest to the largest in the Northwest. Clients include the cities of Portland and Seattle, the Portland Development Commission, the Port of Portland, Metro and dozens of cities and counties throughout the states of Oregon, Idaho and Washington. Our recent Goal 9 and Goal 10 analysis includes work for the following jurisdictions: Hillsboro, Medford, Forest Grove, Banks, Cornelius, Hermiston, Klamath Falls, LaGrande, Deschutes County, Troutdale, Fairview, Milton-Freewater, and Newport.

JOHNSON REID has successfully completed hundreds of projects of all types and sizes for both public and private sector clients. We enjoy high credibility in the private sector, and have access to the knowledge and opinions of businesses, professional developers and lenders. As a result, we offer our clients a comprehensive perspective on the interaction between public policy and private sector realities. We approach every project differently and work closely with each client both at the outset and throughout the project to craft an approach that meets that client's needs. We regularly communicate with our clients to ensure that local staff are directly involved in and informed about our methodology and results, including interim work products.

JERALD W. JOHNSON, NABE

Principal, Johnson Reid
Portland, Oregon

JERALD JOHNSON is a regional economic development and real estate consultant. He has consulted on a broad range of land use and economic development topics, for both public- and private-sector clients. As a Principal with JOHNSON REID, Mr. Johnson is involved in research design, economic and financial modeling, and market analysis. Mr. Johnson's consulting experience includes a wide variety of real estate development and economic topics.

Mr. Johnson is also an adjunct professor at Portland State University's Center for Real Estate, a joint program developed by the Schools of Business Administration and Urban Studies and Planning. Jerry teaches graduate level courses in real estate finance and real estate market analysis, as well as mentoring the annual NAIOP Workshop. He currently sits on the Governor's Council of Economic Advisors for the State of Oregon.

Education:

Portland State University
Master of Science In Urban Planning
Bachelor of Science In Art/Economics

Areas of Specialization:

- **Land Use & Regional Economics**
  - *Goal 9 Economic Opportunities Analysis*
  - *Economic Development Strategies*
  - *Public need for residential, industrial, retail, and lodging uses;*
  - *Development fee incidence analysis;*
  - *Strategic Planning and residential and commercial needs assessment; and*
  - *Target industry analysis.*

- **Residential, Commercial, and Industrial Market Analysis**
  - *All residential property types;*
  - *Business parks, including flex space and warehouse/distribution facilities;*
  - *Office developments, including mid- and high-rise Class A buildings and suburban office parks;*
  - *Retail developments, including neighborhood, community, regional and specialty retail centers;*
  - *Hotel/motel and conference center developments.*

- **Financial Analysis**
  - *Feasibility analysis for residential, commercial, and recreational/entertainment developments;*
  - *Residual land value analysis and highest and best use analysis; and*
  - *`Least cost location analysis.*

Experience:

Economic development and Goal 9 analysis and efforts for various entities, including the Cities of Portland, Seattle, Hillsboro, Gresham, Troutdale, Fairview, Hermiston, Newport, Redmond, Deschutes County, Keizer, Medford, Marysville, Lynnwood and Lincoln City.

Market and financial analysis for major developers, including Opus Northwest, Schnitzer Northwest, Vulcan Properties, Trammell Crow Residential, BRE Properties, Intrawest, Birtcher-Mitsui, Lincoln Properties, Gramor Northwest, Weyerhaeuser Real Estate, Sobrato Development, Macerich, Jones Lang LaSalle, United Dominion Realty Trust, Equity and Security Capital.

Market analysis for public sector jurisdictions and agencies, including the Portland Development Commission, Port of Portland, Metro, City of Seattle, and numerous jurisdictions throughout the Pacific Northwest.

Jerry is a frequent speaker on the economics of land development, land use management issues, and affordable housing. Over the last twenty years, Mr. Johnson has developed a practice that combines extensive familiarity with land development issues as well as the interface between public policy and market dynamics.

GROUP MACKENZIE

MARK M. CLEMONS, LEED AP

Associate Principal | Director of Project Development

Mark has 30 years of experience in site selection and real estate development, economic and business development, urban renewal and community development, and public policy. He has worked extensively with the planning of sites with significant barriers to redevelopment. Before joining Group Mackenzie, Mark was Director of Economic Development at the Portland Development Commission.

Mark's work at Group Mackenzie focuses on working with development agencies, private developers, end users and land owners to strategically plan land and sites for development. Mark's strength is in bringing together Group Mackenzie's multidiscipled master planning and engineering disciplines along with development economics expertise to create teams that provide his clients with market responsive development strategies that meet broader regional and local economic development goals. Projects include regional land inventories and policies, area development strategies and site specific development plans.

SELECTED EXPERIENCE

- Broadmoor Site Strategic Planning, Portland, Oregon
- Charbonneau Village Center Master Plan, Wilsonville, Oregon
- City of Hillsboro Community Development Code Industrial Code Revisions, Hillsboro, Oregon
- City of Vancouver Kyocera Site Concept Planning, Vancouver, Washington
- Clackamas County Urban Reserves Analysis, Clackamas County, Oregon
- Columbia Biogas Permitting Assistance, Portland, Oregon
- Economic Mapping Pilot Project, Portland and Hillsboro, Oregon
- Employment Land Needs Assessment and Action Plan, Oklahoma City, Oklahoma
- Florence Municipal Airport and Pacific View Business Park Development Strategy and Site Analysis, Florence, Oregon
- Genentech Fill and Finish Facility Site Selection and Site Master Planning, Hillsboro, Oregon
- Industrial Campus Concept Planning, Clackamas County, Oregon
- Metro Region Urban and Rural Reserves Policy and Mapping, Portland-Metropolitan Area
- North Hillsboro Industrial Development and Implementation Strategy, Hillsboro, Oregon
- OECDD Industrial Development Profile Matrix, State of Oregon
- Port of Chehalis Master Plan, Chehalis, Washington
- Port of Hood River Waterfront Development Strategy, Hood River, Oregon
- Port of Portland On-Call Planning Services, Portland, Oregon
- Portland Development Commission Harbor ReDI Brownfields Site Analysis, Portland, Oregon
- Regional Industrial Lands Inventory and Site Readiness Project, Portland-Metropolitan Area

Education

Portland State University, Master of Urban Planning

University of Oregon, Bachelor of Science in Anthropology

Registrations

LEED Accredited Professional

Industry Affiliations

NAIOP, Oregon Chapter

Appointments

NAIOP, Oregon Chapter
- Board of Directors
- Vice Chair, Public Affairs Committee

Oregon DLCD
- Industrial Conversion Study Committee Member

Community Affiliations

Japan American Society of Oregon, Member

Development Concept Summary

Site Use: Marine related heavy industrial/manufacturing

Site Characteristics	
Site Size (Acres)	51.7
Net Developable Acreage	39.4
In UGB	Yes
Other Incentives	SIP
Enterprise Zone	Yes
Development Characteristics	
Site Development Period (In Months)	72 Months
Total All In Cost	$43,807,004
Development Ready Value	$13,352,817
Development Gap	
Market Viability Gap/Surplus	- $30,454,187
Time To Market Feasibility	46.3 Years

Development Issues ✓

See Page 3 for more detail

Environmental and Natural Resource Issues (On-site)	Infrastructure Issues (Off-site)	Land Use Issues
Brownfield Cleanup ✓	Water	Aggregation
Wetland	Sewer	Annexation
Floodplain Fill ✓	Storm	Outside UGB
Slope Mitigation	Transportation	Marine Dock ✓

Tier 3

Multnomah County	Portland
Site Ownership (1)	Time Oil Company
Site ID	2

Development Economic Impacts

See Page 4 for more detail

	Total Annual Construction Impacts			Total Annual Operations At Full Capacity		
	Jobs	Economic Activity	Payroll	Jobs	Economic Activity	Payroll
Direct	47	$5,160,000	$2,640,000	579	$191,500,000	$26,200,000
Indirect/ Induced	30	$3,840,000	$1,320,000	804	$124,700,000	$42,100,000
Total	**77**	**$9,000,000**	**$3,960,000**	**1,384**	**$316,200,000**	**$68,300,000**

Development Annual Fiscal Impacts at Full Capacity

See Page 4 for more detail

	Payroll Tax Revenue	Property Tax Revenue
Direct	$1,700,000	$800,000
Indirect/Induced	$2,800,000	Not available
Total	**$4,500,000**	**$800,000**

Time Oil Development Concept Plan

Total Building Size	Projected Electrical Demand	Project Electrical Grade	Total Building Cost	Facility Construction Cost	Facility Construction Cost	Total
580,000 Sq. Ft	1.5 Mega Watts	1	$45,150,000	Avg. sf = $78	Hard Costs = $45,150,000 Soft Costs = $ 9,030,000	$54,180,000

Site Use	Description of Development Concept Site Use
Marine-related heavy industrial/manufacturing	Waterfront manufacturing utilizing marine and rail; metals related crane served manufacturing buildings and yard space; on-site crane to move material between dock and yard space; similar uses such as Far West Steel

Development Concept Costs

Off-Site Costs and Construction Terms	
Water: Start Period (months back): Term:	$36,000 3 3
Sewer: Start Period (months back): Term:	$30,000 3 3
Stormwater: Start Period (months Back): Term:	$300,000 15 15
Transportation: Start Period (months back): Term:	$1,080,000 3 3
Marine Dock: Start Period (months back): Term:	$14,180,000 36 36
Off-Site Total Costs	$15,626,000
On-Site Costs and Mitigation Terms	
Wetland Mitigation: Start Period (months back): Term:	$0 0 0
Slope Mitigation: Start Period (months back): Term:	$0 0 0
Building Pad Surcharge: Start Period (months Back): Term:	$1,029,000 36 21
Floodplain Cut/Fill Mitigation: Start Period (months back): Term:	$1,745,600 9 9
Environmental Cleanup: Start Period (months back): Term:	$754,000 72 6
On-Site Total Costs	$3,529,200
Total Costs	**$19,155,200**

185957

Development Issues

Environmental (On-site Development) : Total Cost $754,000

- The site has a long industrial history, with environmental impacts related to petroleum storage and transfer, PCP formulation activities, and tenant areas.
- Soil and groundwater contamination resulted from petroleum storage and handling, waste oil storage, and wood treatment chemical (PCP) blending operations. Soil and/or groundwater contamination are assumed to impact the entire site.
- Based on limited file review, the active groundwater treatment system at the site appears to effectively mitigate the potential for PCP migration to the Willamette River. To maintain source control, and prevent migration to the adjacent Portland Harbor Superfund Site, the groundwater treatment system must be maintained and active in the foreseeable future. The cost for operation and maintenance of the system is estimated at $3.7 million. This cost is not included in the remediation cost estimate because costs are not required to make site development ready and are assumed to be part of ongoing maintenance and would be subject to negotiation.
- Impacted soil will be excavated from cut areas and placed in portions of the site scheduled for filling. It will be necessary to install cap over the impacted soil and provide a soil management plan, annual inspection and O&M at a cost of $119,000.
- It may be necessary to increase depth of the soil cut removal areas to accommodate placement of cover layer of clean imported soil. The increased cut depth can be accommodated in the cut fill balance. The clean imported soil may be required to provide suitable habitat material for wetland features. Additionally oversight and during these cut/fill activities will be required. Total cost for these activities are estimated to be $385,000.
- There are 85 groundwater monitoring wells located at the site. It is likely possible that abandonment/modification of flush-mount and above grade monuments and wells will be necessary to accommodate development plans at a cost of $250,000.
- The site is adjacent to the Portland Harbor Superfund Site and is considered a potential contributor to contamination in the Portland Harbor. As a result, owners and operators of the site (future, current and/or former) may be assessed some share of the costs for conducting the remedial investigation and implementing a remedy in the Portland Harbor. The remedy has not been selected and allocation of costs are ongoing, therefore it is not possible to estimate what amount, if any, will be apportioned to owners/operators of this site.

Land Use Issues

- The site is currently located within the UGB and City of Portland city limits.
- No assembly is necessary as all parcels are owned by the Time Oil Company.
- The net developable acreage of 39.4 acres assumes floodplain cut/fill balance is achieved.

Transportation (Off-Site Development) : $1,080,000 for Roads and $14,180,000 for Marine Dock: Total Cost = $15,260,000

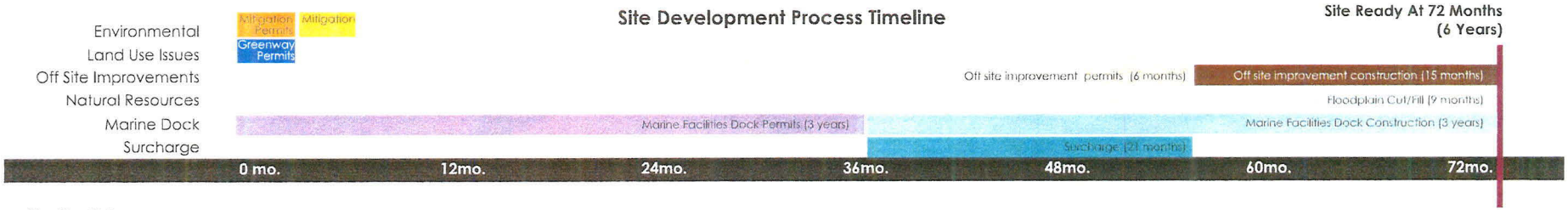
- Site access to the north is via N Lombard Street and N Rivergate Blvd and from the south is via N Burgard Street and N Time Oil Road. Access to the site from the north includes three at-grade railroad spur crossings, suggesting a risk of occasional blockage.
- N Time Oil Road is privately-owned and has substandard width with no shoulders. The road also includes a series of speed bumps that limit truck mobility. The intersection of N Time Oil Road and Burgard Street is stop controlled with sight distance concerns related to curves and elevation change. The existing access to the Time Oil site via Time Oil Road has a sharp skew, making it too tight a turn for trucks to access from the north. Improved truck access could be could be accommodated via Time Oil Road by reconstructing the intersection so that it would have a less severe angle.
- The City of Portland Transportation System Plan (TSP) does not identify the need for any transportation infrastructure improvements in the immediate project area.
- Based on the conceptual site plan, anticipated transportation infrastructure improvements necessary to serve immediate subject property development are limited and include realigning site access improvements. The $1M of Time Oil Road improvements would be assessed to the development and constructed by others as a separate project.
- In order to meet the river-dependent industrial requirement, the construction of a marine dock is assumed to take place prior to or during site development and construction. Development of the dock will require a total of 6 years, 3 years for permitting associated with demolition, construction and upland work; plus 1 year for demolition of current dilapidated dock; plus two years for construction. Project includes ocean-going barge dock and dolphins for mooring and positioning; roadway trestle connections; bank treatment, stabilization and greenway mitigation; fish habitat credits, and permitting. Cost estimate is $14.18 million.

Natural Resources (On-Site Development) : Total Cost $2,775,200

- River Industrial (i) greenway overlay currently requires a 25 ft greenway setback from the top of bank except for development that is river related, river dependent. The assumed use for this site in the development concept plan is river dependant and therefore facilities (crane ways and docks) related to operations may encroach into the greenway.
- The property is partially within the FEMA 100-year flood plain, and almost completely encompassed within the 1996 Flood Inundation area. The site lies within a Metro Flood Management Area adjacent to Flood Zone AE, which requires that flood zone construction provide at least 1 foot freeboard above the 1996 flood elevation.
- Floodplain Cut/Fill Balance: Approximately 74,500 cy of fill is needed to raise site grades to the 1996 flood elevation, plus an additional 21,300 cy of fill to establish 1 ft minimum freeboard. Cut volume equal to the fill within the floodplain (74,500 cy) is required to balance the fill. Cut areas have been concentrated to the former tank farm areas, which will require environmental remediation of contaminated soils that are excavated from the site. Costs associated with floodplain mitigation are approximately $1,745,600.
- The site is expected to require surcharging to reduce settlement in the building pad areas. This is expected to be a "rolling" staged surcharge that will take 21 months and cost $1,029,600 to complete.

Utility Infrastructure (Off-Site Development) : Total Cost $366,000

- Public Water: Water service is currently available at the site. Lateral service needs to be extended, which will take less than 6 months and cost $36,000.
- Public Sewer: Sewer service is currently available at the site. Lateral service needs to be extended, which will take less than 6 months and cost $30,000.
- Public Storm: Extend approximately 1,200 feet of 18" line from the nearest line, located in N Burgard Way near N Sever Road. The private on site storm system may require pumping to the public system, depending on water quality facility depths. Anticipate 6 months for design and permitting, and 9 months for construction, with a cost of approximately $300,000.



Timeline Notes :
Environmental: Permit and timeframe do not include the 15-20 year groundwater treatment and monitoring. This is a yearly ongoing task during site development and site operation.
Marine Facilities: This timeframe assumes 3 years for the permitting of the marine dock; and 1 year for demolition, and 2 years for the construction.
Floodplain cut/fill is occurring on a portion of the site that will not be impacted by development, and therefore, can take place towards the end of the site development period.
Surcharge: The site surcharge can take place during the marine facility dock construction.

Figure 1 Market Viability Gap Analysis

- The costs of acquiring and making the Time Oil site development ready greatly exceeds the expected development ready value of the site. The Time Oil site has a Market Feasibility Gap of $30.5 million. A rational market participant is unlikely to invest in site improvements under these conditions.
- Time Oil has physical constraints and risk associated with a long site development period and the need to develop a marine dock. The site is far from market viable based on the development assumptions. The other factor affecting this site, indirectly because it is not part of the analysis, is the additional risks associated with the unresolved in-water Superfund issues. When value equals costs investment in site improvements is seen as viable from a market perspective[1].

1 This exercise assumes conditions where aggregation costs are minimal and there is a reasonable expectation that a motivated user will emerge.

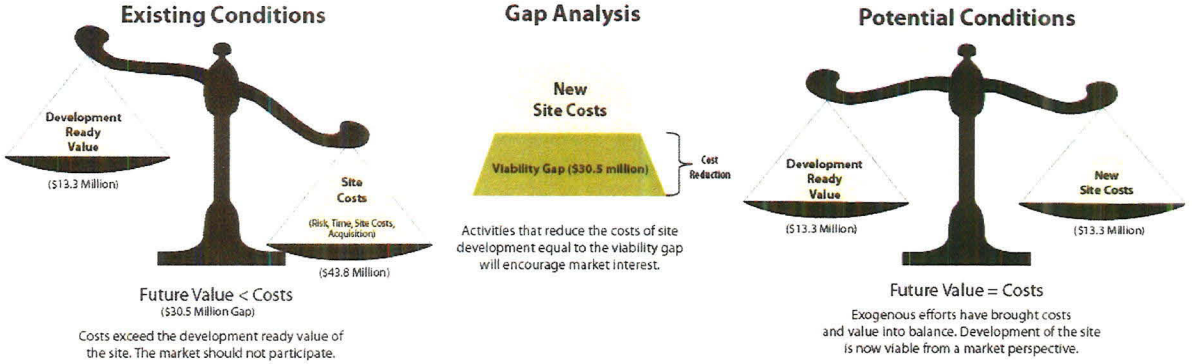


Figure 2 : Development Economic Impacts

- When fully developed, a river dependent manufacturing user on the Time Oil Site would employ 579 workers on-site. Indirect and Induced impacts would support and additional 804 jobs elsewhere in the economy.
- New direct job creation on-site would eventually generate an additional $26.2 million in annual payroll. Indirect and induced payroll impacts would create an additional $42.1 million in annual payroll.
- Build-out of the Time Oil site would support a total of 1,384 jobs at an average wage of $49,333, consistent with the regional average wage[2].

2. *Regional Average is $50,332 (Clackamas, Multnomah, and Washington County) (in 2011 dollars) SOURCE: Oregon Employment Department 2011*

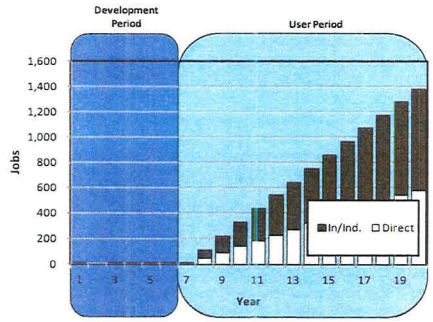


Figure 3 : Development Fiscal Impacts

- Time Oil's enterprise zone would limit property tax revenues for the first five-years of facility operation. Subsequent property tax revenues, excluding capital equipment, would reach $800,000 annually at full build-out.
- State payroll tax revenues from on-site (direct) employment would reach $1.7 million annually at full-capacity. Indirect and induced impacts would further generate $2.8 million annually to the state.

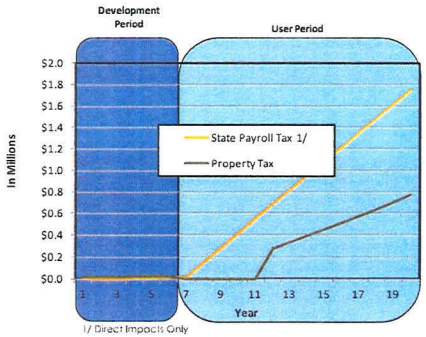
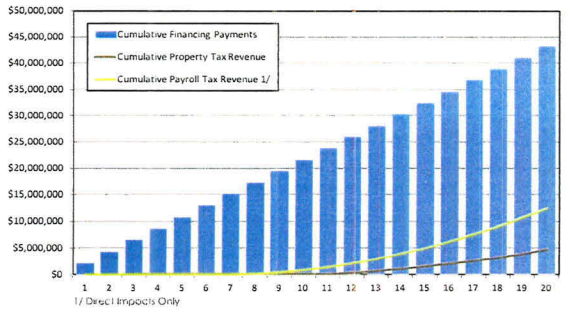


Figure 4 : Financing Return

- Figure 4 considers the return on investment of the dollar amount necessary to eliminate the Market Viability Gap, financed at 5% over a 20-year period.
- Because of Time Oil's long site development period and enterprise zone, significant property tax revenue would not be created until 2026. This limit's fiscal recover to 14% over the 20-year period.
- Similarly, Payroll tax revenues would achieve roughly $12.4 million or 37% recovery over the 20-year period.
- The costs of developing the site outweigh the intermediate-term fiscal benefits. The significant cost and time factor affecting the analysis is associated with the permitting and construction of a new dock.



185657

Monday, July 09, 2012

To: Steve Kountz
From: Bernie Bottomly
Re: Industrial Land Capacity Issues

Steve, thanks for the opportunity to comment on the industrial land capacity shortfall alternatives. Here are some preliminary thoughts.

1. Timeframe. I think the timeline is a bit problematic. We received the matrix on Thursday and you asked for comments on Tuesday. For those of us working for membership organizations where we try to engage our members, it's difficult to get feedback in that timeframe. More lead time would be appreciated.

2. Using historical development and redevelopment rates to predict future rates. I think this is problematic because the most desirable parcels, those with the fewest constraints, develop first. Each successive parcel is more difficult to address. Over time, unless there are new resources made available to offset the increasing challenges of the remaining sites, the rate of redevelopment may decline.

3. All of the assumptions about how to address the industrial land shortfall should be made in a fiscally constrained model. Most of the suggestions can not be achieved given declining tax increment, transportation and other resources. In addition to the columns showing the number of acres added, there needs to be a column with the approximate cost and source of the infrastructure, brownfields or other resources necessary to achieve the additions.

4. Development Constraints. I would like a better understanding of how the development constraints numbers were derived.

- These are average numbers and therefore reflect the range of easily developable sites and very difficult to develop sites. As mentioned in comment #2 above, as the remaining sites become more challenging to develop, the constraints have a potentially greater impact. A site with an ROI of 10% may still move forward with a given level of constraint. The same site with an ROI of 5% may not be viable.

- I am also not sure that these average constraints can be applied to marine industrial land. While non marine land may be able to adjust to even a significant constraint by re-orienting a building footprint, etc. even a modest constraint on marine land that impacts access to or use of the water could make the entire parcel unusable for marine industrial applications.

- I am not sure how the development constraints reflect non-acreage based development requirements such as environmental mitigation costs. For example, the city may agree to off site mitigation but the cost of that mitigation may be such that the project is no longer viable even thought the acreage available for use is sufficient.

- I'm not clear if these numbers reflect city, state and federal constraints or just city constraints and whether they reflect the interactions between these constraints. Multi-jurisdictional constraints are not a linier progression. Multiple layers of regulation can produce a constraint that is greater than the sum of its parts. Again, this issue is particularly relevant to marine land as there is significant state and federal regulatory involvement in these areas.

- I think those sites that are within the Harbor Superfund site should have very low redevelopment assumptions applied to them. While we would like to believe that this issue will be resolved within the planning horizon, given the history of the process, it's not clear it will be resolved. Further, it can't be assumed that once the Superfund issue is "resolved" that these sites will redevelop at a rate approaching non-Superfund implicated brownfields. Many of these sites are likely to be heavily encumbered by Superfund obligations and owners may not be in a position to develop. Although we hope that EPA will issue prospective purchaser agreements for Superfund sites it is not clear at this point that they will or if they do what obligations will carry forward to the potential new owners relative to monitoring, remediation and risk. All of these questions will take years to resolve and will likely significantly reduce development in the harbor for many years.

5. Preliminary policy concepts.

- Policy concept #1 says "Foster the retention, growth potential, and traded sector competitiveness..." I question why we modify growth with "potential". I suggest we should have a policy that fosters the growth of our industrial areas, not just the potential growth.

- Policy concept "c" refers to "living-wage" jobs. While some manufacturing jobs are living-wage jobs, many more are family-wage jobs. I would suggest changing this to family-wage.

- Policy concept "d". While intensification will certainly be an important factor over the long term given that Portland is "land locked", I'm not comfortable saying it is the "primary" opportunity. West Hayden Island and conversion of existing golf courses will be significant opportunities and will probably add more acreage than can be effectively gained by intensification for some years to come. We would certainly support focusing city capital resources on projects and investments that facilitate intensification as one of the important strategies for addressing the current shortfall.

- Policy concept "e". Not sure what "optimize community objectives" means.

- Policy "g". While we support the concept of buffers, the creation of buffers needs to be balanced with providing sufficient industrial lands. In other words, the acres used to create buffers should not all come from the industrial side of the ledger.

6. Discussion Questions

- Mix of options. We would suggest adoption of a "no net loss" policy for industrial lands. We would support both expansion and intensification (where supported by market reality and available or expected capital resources).

- Prime Industrial Land designations. The Portland Harbor, Portland International Airport, port and private rail yards and intermodal facilities can not be replicated anyplace else in the region and should be designated as prime industrial lands.

- Industrial land and watershed health. The single most important public policy in Oregon for the protection of watershed health is the establishment of an urban growth boundary. That policy acknowledges and encourages development within the UGB at higher densities. To ensure that the economy is not harmed by this policy, state law requires that sufficient land within the boundary be identified for development. The emphasis inside the UGB should be on development and intensity of use because we have already protected and preserved environmental values outside the UGB. Watershed protection measures in industrial areas should not reduce the utility and affordability of those uses.

- New directions.??

7. Potential Alternatives.

- We suggest a no net loss provision be added at the top of the table. Items such as #10 and #11 would then interact with that provision to ensure that the effective available acreage did not decline.

- Brownfield incentives and tools. This option needs to reflect Harbor Superfund brownfields will be close to zero for the foreseeable future, that the first brownfield sites remediated will be the easiest and that subsequent sites will be much more difficult to address, and needs to reflect cost to achieve the levels of remediation assumed.

- Capital investment. Needs to be fiscally constrained. PBOT resources are severely constrained. The analysis should reflect realities of declining TIF, what percentage of city of Portland capital investment plan and regional flexible federal transportation dollars would need to be allocated to these projects to achieve these results.

- Incentives for new Class C. We would support incentives but need to better understand what types of incentives would be necessary to generate the increases reflected in the table.

- Assemble sites. We would need to understand where the resources would come from and what authority would be used to do the assembly. The recent analysis of the regional industrial supply indicates that most large sites face multiple challenges (assembly, infrastructure, capital) so assembly alone is not likely to generate the suggested acres. Providing those acres likely would require multiple subsidies.

- West Hayden Island. It is not sufficient to add acres if the mitigation requirements placed on the acres are so onerous that the manufacturing activity can not support the cost of the land. These 300 acres are not "real" unless they can be developed at market rates.

- Golf Courses. We support this proposal.

- Sanctuary conversion. We suggest the no net loss provision be applied to all industrial land, not just prime industrial lands.

- NRI protections. By definition prime industrial land can not be replaced anyplace else in the region. We do not understand how we can justify an NRI overlay that would eliminate 200 or 400 acres of land that can't be replaced.

Preliminary Draft Summary Evaluation of Potential Alternatives to Overcome Industrial Land Capacity Shortfalls to 2035, July 2, 2012

Potential alternatives to meet capacity shortfalls	Effectiveness of alternatives to meet shortfalls: Preliminary estimate of gain/reduction (acres) — Columbia Harbor	Harbor Access	Central City Incubator	Dispersed Industrial	Job impacts: Direct (on-site)	Supported (regional)	Comparison of policy tradeoffs among alternatives to meet shortfalls: Preliminary estimate of impact on Portland Plan "measures of success" — Job creation	Export growth	Self-sufficiency	Healthier watersheds	Healthier people	Reduce carbon	Resident satisfaction	Equity & Inclusion	Safer city	Educated youth	Active transport	Complete neighbs.
Estimated shortfalls	-635	-356	-60	-28	-20,600	-42,500												
Available surplus capacity from Columbia East District	34				700	1,500												
Land intensification alternatives																		
1. **Brownfield incentives and tools** to increase redevelopment (a) from 40% to 90% in industrial areas (90% to 100% in Incubator districts) by 2035;	166	109	1	11	3,800	8,100												
(b) from 40% to 50% in industrial areas.	33	22		2	800	1,600												
2. **Capital investments and business climate initiatives** to encourage land intensification outside Buildable Land Inventory (a) to meet 40% of demand;	309	26	24	8	9,300	19,200												
(b) to meet 30% of demand.	218	16	14	0	6,100	12,500												
3. **Incentives for new Class C office development** in Incubator & Dispersed Industrial areas on (a) 15% of district land by 2035;			57	21	6,900	13,700												
(b) 10% of district land area.			38	14	4,600	9,100												
4. **Assemble 50+ acre sites** with environmentally sensitive design to meet demand for (a) rail yard, marine terminal, and large general industrial sites;	300	50			2,000	5,600												
(b) a large general industrial site for a target industry.	50				1,000	3,300												
5. **Restrict new non-industrial uses** in prime industrial area to meet only (a) 50% of demand for retail, recreation, government, institution, and HQ office;	108	12			2,200	1,600												
(b) 50% of retail and recreation demand.	31				600	1,200												
Land supply expansion alternatives																		
6. **West Hayden Island** - (a) designate 300 acres for marine terminals and 500 acres for natural area;	300	300			1,200	3,000												
(b) add no additional industrial acres.					0													
7. **Designate airport area golf courses** for (a) 1/3 industrial and 2/3 open space use (4 courses, 560 total acres) if conversion is proposed;	188				3,900	8,200												
(b) 48 industrial and 90 open space acres at Colwood Golf Course.	48				1,000	2,100												
8. **Expand EOS industrial-office overlay** to all Central City industrial areas and (a) expand allowed industrial office uses;			16		1,800	3,400												
(a) do not expand allowed industrial office uses.			8		900	1,700												
9. **Expand dispersed industrial area in East Portland** by an area plan to (a) add 60 acres of EG General Employment zone;				60	1,900	4,100												
(b) add 40 acres of EG zone.				40	1,300	2,700												
Land supply reduction alternatives																		
10. **Limit industrial sanctuary conversion** to no net loss in prime industrial areas and 3% in other areas;	0	0	-11	-18	-1,700	-3,500												
(b) 1% of prime and 5% of other industrial areas.	-114	-65	-18	-30	-5,300	-10,800												
11. **Protect additional Natural Resource Inventory area** (e.g., by overlay zoning) up to (a) 200 new acres on prime industrial land, as initial placeholder amount;	-100	-50			-2,100	-4,400												
(b) 400 new acres on prime industrial land as initial placeholder amount.	-200	-100			-4,200	-8,800												
All "a" high-capacity-gain options combined (assume 10% overlap)	1,143	403	78	73	26,300	59,900												
Resulting capacity surplus/shortfall	542	47	18	45	5,700	17,400												
All "b" low-capacity-gain options combined (assume 10% overlap)	60	-115	38	23	6,100	12,200												
Resulting capacity surplus/shortfall	-541	-471	-22	-5	-14,500	-30,300												

Notes: This preliminary evaluation of capacity alternatives is intended as a starting point for discussion. Each alternative includes a high option "a" and low option "b" to indicate a range of possible choices. Capacity and employment effects are estimated from draft Economic Opportunities Analysis results. Supported jobs include direct, indirect, and induced regional jobs. Tradeoff analysis shows potential relative impact among alternatives on public priorities.

Commentary

Portland is the heavy industrial core of the region and is the location of Oregon's largest seaport, largest airport, and the nexus of its two Class 1 railroads and two interstate highways. In 1980, the comprehensive plan adopted a progressive industrial sanctuary policy that reserved industrial districts for industrial growth, in contrast to typical mixed-employment industrial zoning. Since then, the Portland metro area has had exceptional industrial growth, and the city remains a preferred industrial location. In the 2000-2008 period, Portland and the metro area lost industrial jobs, but contrasting trends indicate that regional manufacturing "output" far outpaced service sector growth, and freight tonnage handled in the region (concentrated in Portland) is also growing robustly.

Current zoning provides only 57% of capacity in the combined harbor and airport industrial districts ("Columbia Harbor") to meet forecast demand to 2035, 21% in Harbor Access Lands (part of Columbia Harbor), and 80% in the Dispersed Industrial areas in neighborhood settings, according to the draft EOA. The Portland Plan calls for achieving the Metro and EOA employment forecast and providing adequate capacity to meet identified shortfalls of institutional and industrial land. The ability to do so on balance with other city objectives depends on the mix of policy options and implementing actions chosen. Examples of capacity expansion options include increasing brownfield redevelopment, public investments and business climate initiatives that encourage intensification of existing industrial land, and limited opportunities for new industrial land.

Portland Harbor and Columbia Corridor are also regionally significant locations of natural resources and priority areas for improving watershed health. Endangered fish listings and designation of the Portland Harbor Superfund site have elevated watershed health priorities of these districts. Moreover, industrial land has substantially lower job-density than other employment land types. Other advantages support accommodating continuing industrial growth, including its roles in supporting traded sector growth and specializations, expanding access to self-sufficient income levels, and efficient use of Portland's freight-hub industrial infrastructure.

The highlight of Central City job growth since 2000 has been its industrial/incubator districts, which along with campus institutions were the city's only employment geographies with rapid job growth exceeding 3% annually. However, the current development capacity in the Central City Incubator/ Industrial subdistricts is only 40% of forecast demand. Examples of options to meet that shortfall include expanding zoning allowances for industrial office space, incentives to overcome regional competitiveness gaps for class B/C office development, and public investments to encourage intensification.

185657

No Prime Indust. Land in comp Plan.

Preliminary draft policy concepts for discussion on industrial land use, July 3, 2012

Preliminary policy concepts

1. Industrial areas – Foster the retention, growth potential, and traded sector competitiveness of Portland's industrial areas as the Columbia Basin's international trade and distribution hub and a regional center of diverse manufacturing.

    a. Industrial sanctuaries – Encourage the growth of industrial activities in Portland by providing industrial sanctuaries that preserve industrial districts primarily for manufacturing and distribution facilities.

    b. Prime industrial land and freight hub - Preserve the multi-modal freight-hub industrial districts at Portland Harbor, Columbia Corridor, and Brooklyn Yard as prime industrial land, and maximize use of multimodal freight infrastructure in these areas.

    c. Dispersed industrial areas – Expand convenient access to living-wage jobs and industrial services by providing small, dispersed areas of industrial and mixed-employment land.

    d. Industrial land intensification – Emphasize approaches to increase land efficiency as Portland's primary long-term opportunity to expand industrial growth capacity.

    e. District expansion – Provide opportunities for expansion of industrial districts that optimize community objectives and incorporate additional natural area.

    f. Relation to watershed health – Improve watershed health concurrently with industrial growth in industrial districts.

    g. Neighborhood buffers – Reinforce the use of major natural or man-made features as boundaries and buffers for industrial areas.

2. Central City

    a. Central City Incubator areas – Preserve and foster the long-term success of Central City industrial areas as affordable centers of business incubator activity, while supporting diverse commercial growth along civic corridors.

Can't be replicated Anyplace Else

Discussion questions

- What mix of options is preferred to address development capacity shortfalls in the Portland Harbor and Airport districts, considering industrial land intensification, expansion, and reduction?
- Where and how should industrial areas be protected as "prime industrial land" suitable for traded sector industries and having attributes that are difficult or impossible to replicate in the region?
- What is the relationship and right balance in setting industrial growth and watershed health objectives for scarce urban land in Portland?
- What new directions for land use and development make sense to support economic vitality and growth potential of Portland's industrial areas?

(Port of Portland Oral Testimony 9/5/12)

Thank you Mayor Adams and members of the Council for the opportunity to speak to you this afternoon on the Factual Base for the Comprehensive Plan update.

My name is Tom Bouillion with the Port of Portland. Your packet should include our written testimony, focused on the Economic Opportunity Analysis.

I'd like to describe in a bit more detail one area of significant concern in the EOA, specifically the suggestion that the Port of Vancouver could be a surrogate for Harbor Lands within the City of Portland. As an example, Section 4 of the EOA (page 17) states that "Vancouver is an alternative for marine terminals and their port has available land".

We are concerned that this suggestion provides for a flawed factual base and sets the City up for a series of untenable choices as the Comprehensive Plan Update enters into Task 3-Consideration of Alternatives.

Our five specific concerns include the following:

First, this approach is not consistent with other documents proposed as the factual base for the Comp. Plan update. For example, the Housing Needs Analysis before you this afternoon does not suggest that Vancouver could provide an alternative location to accommodate Portland's future share of housing demand.

Second, this approach is not consistent with Oregon Statewide Planning Goal 9 which requires Portland to maintain a 20 year supply of employment land (including land for marine industrial uses). State law does not allow consideration of land outside the City in another state.

Third, the Port of Vancouver does not have nearly the amount of shovel-ready, marine industrial land available as is suggested in the EOA. As noted in the memo submitted with our letter, titled *Port of Vancouver Assessment,* the 350 acre Columbia Gateway Parcel 3 contains several significant constraints including:

- Site inundation in the 1996 flood and designation in the 100 year floodplain;
- Approximately 110 acres of wetlands; and
- Extensive shoaling (shallow water habitat) along the Columbia River Frontage

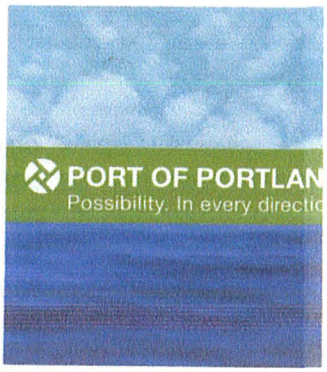
Fourth, providing for Portland' s marine industrial need in Vancouver is contrary to several key concepts from the recently adopted Portland Plan including Economic Prosperity & Affordability, Equity and a Healthy Connected City.

Fifth, shifting marine industrial land along with associated jobs and investment to Vancouver means less income tax, payroll tax, property tax, and systems development charges to fund essential public services for the City, County, Tri-Met and the State of Oregon, among other agencies.

In conclusion, we urge you to delete references in the EOA to Vancouver as a potential location to solve the City's marine industrial land shortfall.

Thanks for your consideration.

185657



Mission: To enhance the region's economy and quality of life by providing efficient cargo and air passenger access to national and global markets.

September 5, 2012

Mayor Adams and City Council Members
Portland City Hall
1211 SW Fourth Avenue
Portland, OR 97204

Dear Mayor Adams and Council Members:

Thank you for the opportunity to comment on the Factual Base for the City of Portland's Comprehensive Plan update. The Port would like to focus on one of the key sets of documents that comprise the Factual Base, the Economic Opportunity Analysis (EOA). We participated in the EOA technical review committee and have shared our comments with the Portland Planning and Sustainability Commission and staff.

First, we want to make sure Portland City Council is aware of the effort that City of Portland Bureau of Planning and Sustainability staff put into this document. A good deal of thought and work went into developing the EOA. We very much appreciate their willingness to consider and use different techniques in the analysis, particularly as it relates to assessing the need for freight facility land. Staff also made themselves available, undertaking an outreach strategy to invite comments and answer questions regarding the document.

Second, we want to acknowledge the City for changes in methodology used for demand of freight facilities, capture rate, and constrained lands represents a significant improvement. We generally support this approach with four specific comments:

- **Demand for Freight Facilities:** Typically in an EOA, the demand for land is driven almost exclusively in one way or another by jobs. However, as we've experienced in this region that relationship does not exist when considering the need for land which can accommodate freight facilities. These include airports, marine terminals, rail yards, and truck terminals. In this EOA, we have used changes in through-put and considered distinct facility characteristics to generate an estimate of the land need. We believe this is a significant improvement in methodology and support this approach.

- **Constrained Land:** Great pains have been taken in this EOA to quantify the amount of land within vacant industrial parcels that is constrained for development. These constraints could be in the form of lack of infrastructure or physical or regulatory constraints. Quantitatively the approach used to remove constrained acreage from the supply makes sense. We would agree that while some sites may end up characterized as more constrained than they are and others less, the final number of acres is reasonable. However, we would like to see some qualitative analysis added to the methodology to address implications for what is actually on the ground. Even small constraints, be they monetary or environmental, can lead parcels to become undevelopable. Anything ranging from a slope or a wetland to the specifics of public policy, such as the tree code, can change the economics of site development depending

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on the impact they have on the configuration of the developable acreage of a given parcel. For example, if the constraint has an unusual geometry such as a wetland in the middle of the parcel, it would become difficult and expensive to develop around that. So while there are developable acres, the likelihood of development is minimal. These impacts need to be assessed to truly understand the impact of constrained land on the supply

- **Port of Vancouver Land:** We urge City Council to remove references to land at the Port of Vancouver from the EOA. The assessment of developable land in the Portland Harbor Industrial Lands Supply Analysis, included as an appendix in Section 1 or the EOA, involved site visits and consideration of public policy impacts on harbor lands inside the City of Portland. Land at the Port of Vancouver was not assessed with the same vigorous methodology and so should not be compared (Port of Vancouver Assessment attached). In addition, none of the other documents proposed as the Factual Base for the Comprehensive Plan update consider use of land in Vancouver or anywhere else outside of the City of Portland

- **Up- and Down-side Risks to the Forecast:** We would like to see a section added to the EOA that describes what might cause the forecast to change and consider what the implication of that would be. This is something the region does in its Commodity Flow Forecast. It isn't possible to factor every variable or scenario into a forecast. When we conduct the Commodity Flow Forecast, we include a section on what the big game changers could be and how they would impact the forecast. A couple of such influences to consider are:

  1) The Metropolitan Export Initiative: The City of Portland, PDC, Metro, the Port of Portland, Greater Portland, Inc., and others have launched this initiative, which if successful, will create jobs and likely increase demand for industrial land faster than we expect. This will be true both in terms of the need for manufacturing space as well as land for handling cargo.
  2) There are number of policies and actions identified in the Portland Plan that might similarly spur demand. These include support for Regional Traded Sector Business Growth, Public & Private Urban Innovation, Trade & Freight Hub, and Growing Employment Districts.

Industrial land is a vital part of the City's fabric. It provides part of the means for achieving objectives we all share and identified in the Portland Plan, such as economic prosperity, household self-sufficiency, and equity.

High Wage Jobs: The manufacturing sector has the region's second highest annual average wage. Removing retail from the trade, transportation, and utilities sector it becomes the region's third highest paying sector. Adding more of these well-paying jobs in the City of Portland depends on a supply of available, developable land.

Low Barriers to Entry: Industrial jobs, particularly those in manufacturing and trade, transportation and utilities, have a smaller proportion of jobs that require a bachelor's degree than do most other sectors of the economy. Residents without a college degree, or without computer skills, or for who English is not a native language can find gainful employment on

industrial land. While on the job they get training and learn skills that help them climb the ladder to even better paying jobs.

Growing Personal and Household Incomes: A 2004 Brookings Institution study identified Portland among 29 US cities in which there were more lower-middle and low income households than upper-middle and high income households. Jobs on industrial land can help raise income levels, economic prosperity, and household self-sufficiency.

Improving Our Public Financial Outlook: This state and region are highly dependent on corporate and personal income taxes as well as property taxes to fund a variety of state and local services. Industrial land makes substantial and important contributions to local government finances. Taxes on corporate income, payroll, and personal income contribute to everything from education to social services and transit to public safety. Manufacturing firms, in particular, make sizable investments in capital and equipment that then generate additional property tax revenue for local governments.

Thank you for opportunity to share our perspective on the EOA. The topics of industrial land/job creation and freight transportation are very important to the Port of Portland and regional businesses. As such, both are highlighted as strategic areas of focus in our strategic plan which is the key driver of our business plans and budget. We look forward to continuing to work jointly with the City on these issues.

Sincerely,

John D. Boudlin for

Susie Lahsene, Manager
Transportation and Land Use Policy

Attachment: Port of Vancouver Assessment

c: Karla Moore-Love
City Council
Susan Anderson, BPS
Eric Engstrom, BPS
Jonna Papaefthimiou, Office of Mayor Adams
Lise Glancy, Port

185657

Housing Land Advocates

August 30, 2012

Bureau of Planning and Sustainability
1900 SW 4th Avenue, Suite 7100
Portland, OR 97201

RE: Housing Land Advocates Comments on the Comprehensive Plan Update

To Whom It May Concern,

Housing Land Advocates is a non-profit dedicated to ensuring fair and affordable housing for all through intelligent land use planning. We write to express our concern that the Comprehensive Plan fails to identify specific means to achieve the goals and aspirations stated in the Plan and to rank the priorities contained therein in order to provide guidance in its implementation. Without addressing the need for more specificity in how outcomes are to be achieved, the Plan will fail to produce its primary goal: the equitable distribution of housing opportunities through the City by race, class, income and disability status.

In our comments regarding the draft Portland Plan submitted in November, 2011, HLA expressed concern that the Planning and Sustainability Commission was merely paying 'lip service' to affordable housing. We thus recommended (1) identifying actual physical properties/locations that could be developed to meet housing needs, (2) creating detailed plans for providing access to city resources and amenities, (3) creating detailed plans for strategies to help residents displaced through gentrification, and (4) prioritizing 'accessible housing.' Since that time, the City has taken the next step to update its Comprehensive Plan based on a series of reports providing the factual basis for the update. These reports reflect a good understanding of various affordable housing issues, notably taking the need for 'accessible housing' more seriously. However, we remain concerned that the revised Plan does not provide sufficient concrete steps to achieve its goals, priorities and aspirations.

The 'Housing Affordability' report contains the most specific and in-depth discussion of fair housing issues but, on the whole, still falls short of providing specific guidelines or concrete solutions. While the report acknowledges the demand for affordable housing is rising while the supply is either shrinking or remaining stagnant, solutions are referenced in the abstract. For example, on page 7, a goal is set to bring down the percentage of 'cost burdened' households (from Portland's average of 45 percent to the national average of 36 percent) and yet there is very little detail or specific guidance on how this will be achieved. At another point, the report mentions that 'initiatives' could be provided to private parties to construct affordable housing. Similarly, 'more affordable housing . . . perhaps smaller units with no parking . . . should be promoted.' HLA believes that compliance with the obligation to affirmatively further fair housing requires more than simply recognizing the problem and vaguely describing some hypothetical or theoretical solution. The Planning and Sustainability Commission should supplement its stated goals with specific and

concrete plans for achieving them.

We applaud the revised Plan's attention to the issue of 'accessible housing.' In the Housing Affordability report (8) a 'new definition of affordable housing is proposed.' We suggest, however, that the Plan contain models of how accessible housing could be developed through the use of land use and zoning. In this way, the private market is included and recognized as one of the engines through which accessible housing will be both developed and made available to a wide range of household incomes.

Following a national trend, the Plan contains a 'new definition' of "cost burdened" households. The new definition combines the percentage that households pay in rent and transportation into a single number to determine if the household is 'cost burdened.' However, the City's formula differs from what federal housing programs use, making regional and national comparisons difficult or impossible in terms of housing needs and affordability. We strongly recommend that the City adopt a cost burden formula that is recognized nationally or use both in order to determine how the City is doing compared to similar sized and situated municipalities.

The report specifically mentions that promoting new and retaining existing affordable housing in close-in areas and in areas near MAX stations in East Portland 'should be a priority.' Again, however, the report fails to offer specifics as to where on the priority scale of a number of things this recommendation should be ranked. As a result, it fails to offer sufficient guidance to those who will implement the plan when faced with competing goals and outcomes. Again, while it is refreshing that the issue is at least on the Planning and Sustainability Commission's radar, there is little guidance on both what constitutes "better infrastructure" and exactly how it will be provided or exactly how the 'private market' will be incentivized. Similarly, while the report mentions that acceptance of Section 8 vouchers 'should be encouraged' in close-in and other well connected areas, the report does not provide specific strategies for incentivizing private market acceptance of Section 8 vouchers in such areas.

In other areas of the report, the attitude toward affordable housing is one of ambivalence. For example, 'if public resources are available, the city might purchase' foreclosed homes that are well-connected via transit and/or close to the city's central business district and those homes would then be turned over to non-profits. HLA recommends a review of how other municipalities and jurisdictions have incorporated the development of affordable housing in their policies and codes for the purpose of identifying best practices or models which could be adopted by the City.

Housing Land Advocates

CONCLUSION

The reports supporting the Comprehensive Plan Update are part of a foundation for addressing the need for affordable and accessible housing. However, the Comprehensive Plan Update lacks specific detail on proposed mechanisms by which the purpose of the Plan will be achieved and therefore lacks sufficient information that will be critically necessary in the Plan's implementation. We encourage the City of Portland to commit to revising the draft Plan on a regular basis in order to proactively and affirmatively plan to increase and stabilize the City's stock of affordable housing in order to meet the goal of an equitable distribution of housing opportunities by race, class, income and disability status.

Thank you for your consideration.

Sincerely,

Ellen Johnson,
President

185657

PORT OF PORTLAND

Box 3529, Portland, Oregon 97208

(503) 415-6615

MEMORANDUM from Planning

Date: August 27, 2012

To: Eric Engstrom, Rachael Hoy, Phil Nameny, Sam Imperati, WHI Advisory Committee

From: Greg Theisen

Re: Port of Vancouver Columbia Gateway: Harbor Land Supply Analysis

Overview

The *Portland Harbor: Industrial Land Supply Analysis* by ECONorthwest examined the Port of Vancouver's role in accommodating forecasted demand for cargo volumes in the Portland region. Specifically the City of Portland asked "What role can the Port of Vancouver play in accommodating forecast demand for cargo volumes in the Portland region?" A considerable role seems the inadequately researched answer.

The entire Port of Vancouver, USA Columbia Gateway (CG) site is over 1000 acres and consists of five parcels. Parcels 4&5, 550+ acres north of the Vancouver Lake flushing channel, are designated habitat as part of a settlement agreement with Columbia River Alliance for Nurturing the Environment (CRANE) related to deepening of the Columbia shipping channel. Parcel 3, south of the Vancouver Lake flushing channel, is the 450 acre site identified in the Land Supply Analysis as having 350+ acres available for marine terminal development.

The 450 acre CG Parcel 3 site, to the west of the Port of Vancouver's Terminal 5 has been identified as a candidate site by ECONorthwest for future public marine terminals and industrial development should demand occur as forecasted. On the demand side, the Land Supply Analysis states that the amount of acreage needed for new marine terminals in 2040 varies greatly based upon the growth forecast scenario: 70 acres at the low-, 570 acres at the medium- and over 2,250 acres in the high-growth scenarios.[1] It is important to note that the high growth scenario represents a 3.1% annual growth in volume per year – less than the 4.1% annual growth from 1962-2011, and is thus a reasonably likely outcome.[2]

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[1] ECONorthwest, 2012. "Portland Harbor: Industrial Land Supply Analysis." Portland, Oregon, 35.
[2] Ibid, 36.

The Land Supply Analysis and the West Hayden Island Public Cost/Benefit Analysis suggest that CG marine terminal lands can largely meet the demand for cargo volume lands in the Portland region.[3] To reach this conclusion the Land Supply Analysis addresses capacity in Portland and Vancouver and describes the availability of marine terminal lands based on a number of assessment techniques. This paper reviews those techniques and questions the conclusion they lead to.

Portland Harbor and Columbia Gateway

How did ECONorthwest assess the availability of land for marine terminal development at the Port of Vancouver? They used a combination of interviews with port officials and reviews of past reports,[4] including use of the *West Hayden Island Economic Foundation Study*[5] and by verification through GIS analysis.[6] The nature of that GIS analysis is unknown but nevertheless inadequate relative to the clearly described assessment of Portland Harbor lands in sections 2.2.1 and 2.2.2. As the Port stated in its response to the draft Land Supply Analysis in March 2012, "Similar work was not completed for Port of Vancouver properties."[7]

As described in the Land Supply Analysis, the developable portion of CG, Parcel 3 is approximately 450 acres in size. About 350 acres are planned for maritime activities with the other 100 acres for heavy industrial. The nearby Centennial Industrial park is 110 acres, undeveloped and zoned for light industrial. Terminal 5 has recently been allocated for development. Interviews with Port of Vancouver staff confirm these acreage numbers, but the Land Supply Analysis does not identify what kinds of constraints may limit or affect development of the 350 acres of marine terminal land.[8]

The Land Supply Analysis tells us very little about CG Parcel 3 beyond the size of the property. By way of comparison, the Time Oil site in the Portland Harbor is described by size; adjacent uses; access, including water depth, shoreside, rail facilities and roadways; existing uses; contamination and remediation; wetlands; and other constraints. In addition, half of the Time Oil site is identified as being in the floodplain. The Land Supply Analysis does not address any of these characteristics for the CG site. We have since learned the following about the CG Parcel 3:

- The site is wholly within the City of Vancouver and zoned Heavy Industrial – IH. Among permitted uses within this zone are Industrial Services, Railroad Yards and Warehouse/Freight Movement. All of the Port of Vancouver's existing marine terminals fall within this zone.[9]

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[3] Ibid, 37
[4] Ibid, 37
[5] Entrix, 2010. "West Hayden Island Economic Foundation Study." Portland, Oregon, 6-14.
[6] ECONorthwest, 2012. "Portland Harbor: Industrial Land Supply Analysis – Appendix A: Framework & Methods" Portland, Oregon, 25..
[7] Nameny, Phil. "RE: Harbor Lands Inventory." Message to Greg Theisen. April 21, 2012. E-mail.
[8] Ibid, 34.
[9] City of Vancouver Municipal Code Title 20. 2011. "Industrial District Uses." Vancouver, WA. http://www.cityofvancouver.us/MunicipalCode.asp?menuid=10462&submenuID=10478&title=title_20&chapter=440&VMC=030.html

- A Draft Environmental Impact Statement was partially completed in 2007[10].
- According to FEMA Flood Insurance Rate Maps that will be effective September 5, 2012, the vast majority of the site falls under Zone AE. This zone denotes the entire development area is subject to inundation in the event of a 100-year flood (1% annual chance flood). The Base Flood Elevation is 30 feet. Small sections are designated Zone X, where there is less than a 0.2% chance of an annual flood.[11] (see attached Exhibit 1)
- The entire site was underwater during the 1996 flood (see attached exhibit 2).
- There is approximately 110 acres of wetlands on the site[12].
- Shoaling in the Columbia along the Columbia Gateway shoreline is extensive. The effect is such that:
    - Lengthy dock access ramps of 800 to 1,000 ft are necessary over shallow water, impacting considerable associated water habitat.
    - Substantial dredging is necessary for berth access from the Columbia channel.

Concept plans for the planned CG development area denote some acreage as habitat, (as shown in exhibit 2). The area immediately south of the flushing channel along with a minimum of a 50-100 foot buffer is denoted as 41 acres of habitat. The 46 acres of shoreline is also denoted as habitat. Nearly the entire shoreline habitat is forested, while the approximately 350 acres of proposed marine terminal development will occur on fallow sparsely vegetated fields (grasslands) with only sparse groupings of trees.[13] The exact acreage figures for all areas, mitigation, habitat and development are approximate at this time and any changes are more likely to result in further mitigation and increased habitat areas than less.

It is possible, given the similar characteristics of the fallow fields at Columbia Gateway to barren weedy fill areas on WHI and at the Southwest Quad at Portland International Airport that the marine terminal acreage at CG Parcel 3 may be subject to development constraints related to the federal listing of specific grassland species described in the PDX Natural Resource Inventory.

Conclusion

Based on the Land Supply Analysis, there is so much known about Autofina, Time Oil and WHI and so little known about CG Parcel 3 that to substitute one for the other is a poor comparison

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[10] Port of Vancouver, WA, USA, 2007. "Port of Vancouver Sees Jobs Creation As Primary Mission." News Release. http://www.portvanusa.com/news-room/news-releases/port-vancouver-sees-jobs-creation-primary-mission-22107

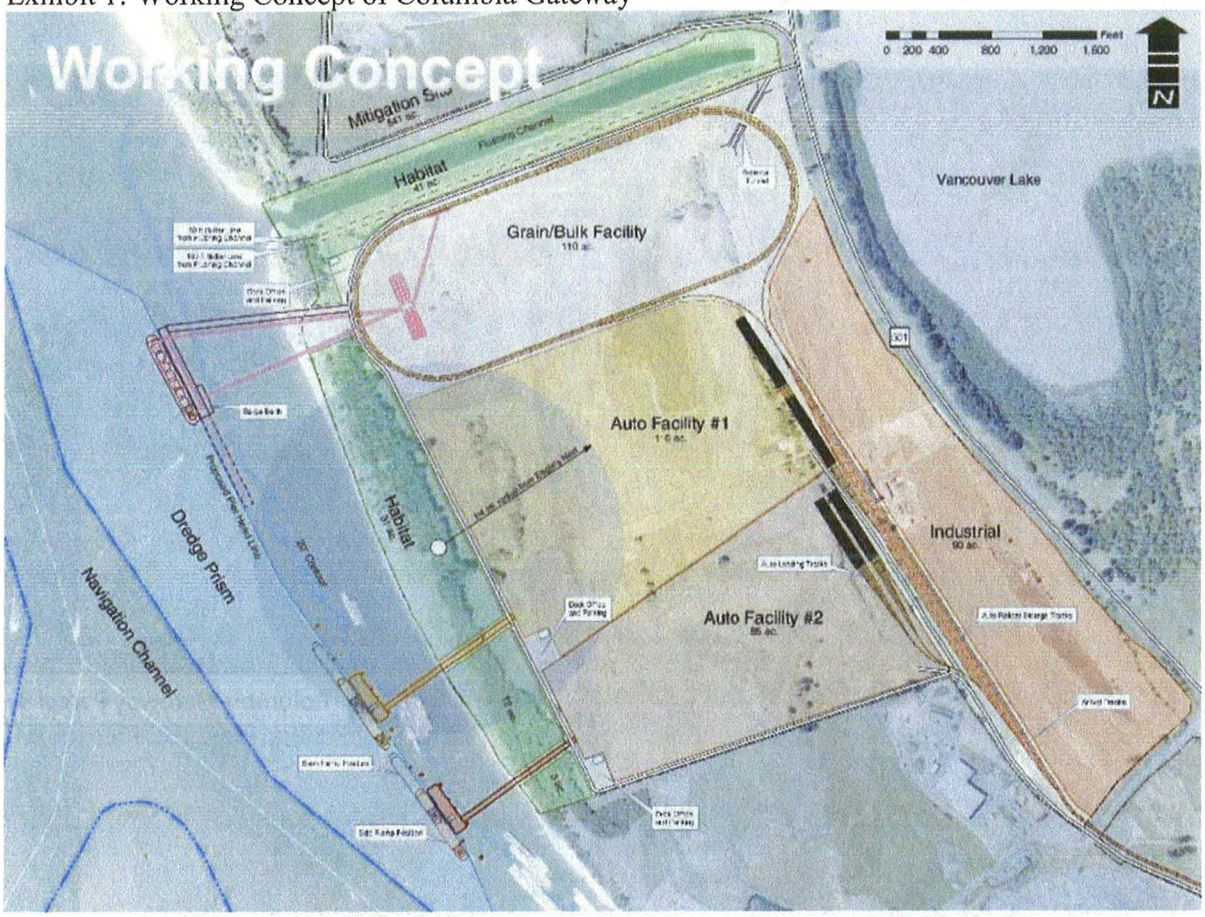
[11] FEMA Digital Flood Insurance Rate Maps, 2012. "Clark County, Washington and Incorporated Areas." ftp://ftp.clark.wa.gov/pub/PW-MISC/Revised%20DFIRM/53011C0363D.pdf

[12] Shepard, Richard B, 2005. "Quantifying Environmental Impact Assessments Using Fuzzy Logic," Springer Science+Business Media, 204.

[13] Port of Vancouver, 2005. "Developing Our Future: Vancouver Lake Watershed Partnership." Vancouver, WA. http://www.cityofvancouver.us/publicworks/vancouverlake/MapsMaterials/VLWP_PortPresentation_61505.pdf, 13.

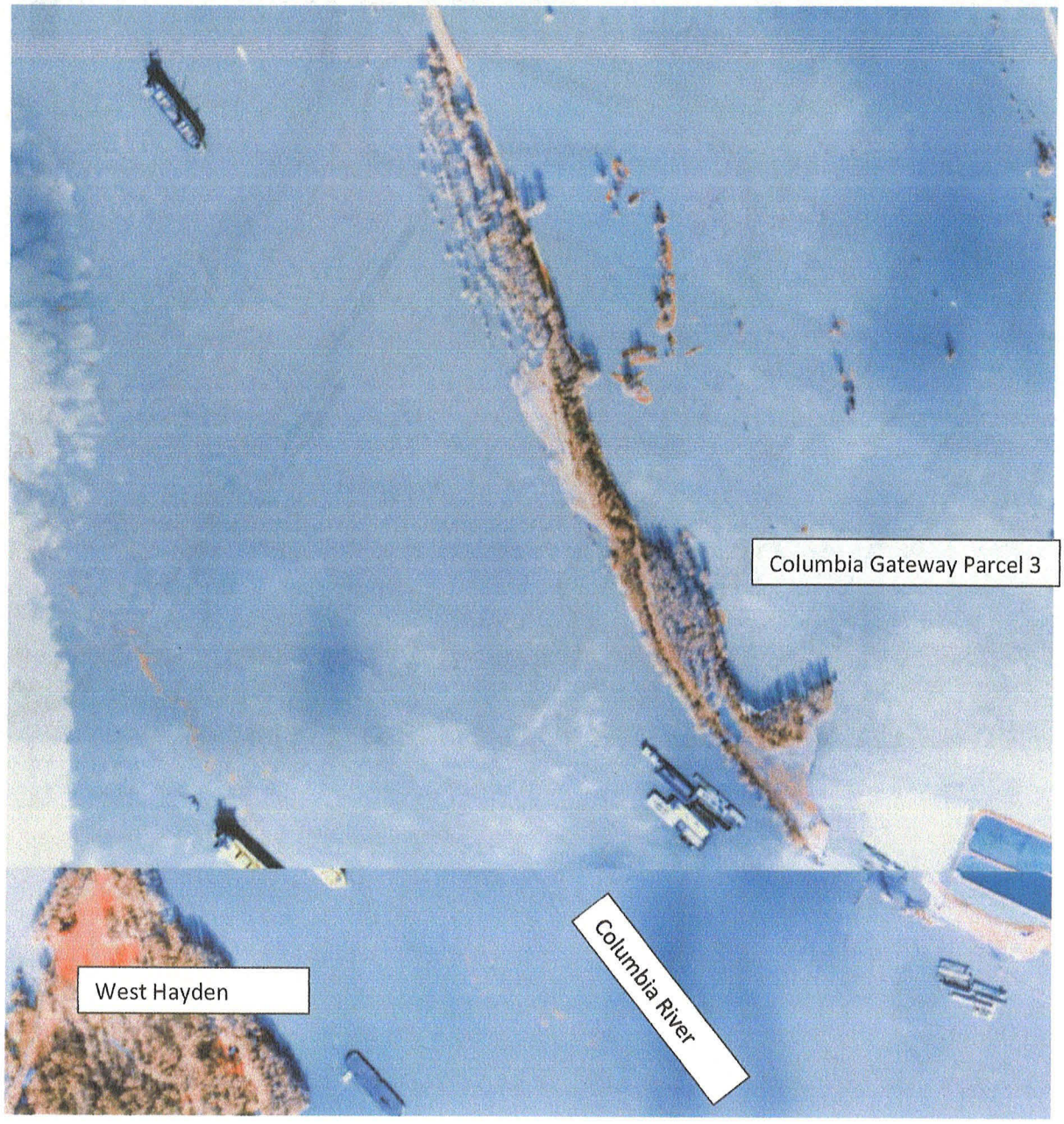
that leads to a faulty conclusion. The flawed analysis and comparison within the Portland Harbor Industrial Land Supply Analysis has led to a completely unfounded conclusion in the WHI Public Cost/Benefit Analysis that is misinforming public policy decision makers. Columbia Gateway Parcel 3 and West Hayden Island are important additions to the broader regional marine industrial land supply. Both are necessary to meet the cargo forecast based demand. And while both may serve a similar current and future natural resource and economic function, only WHI has been analyzed sufficiently by ECONorthwest and the City such that its dual value to Portland may be fully utilized.

Exhibit 1: Working Concept of Columbia Gateway[14]



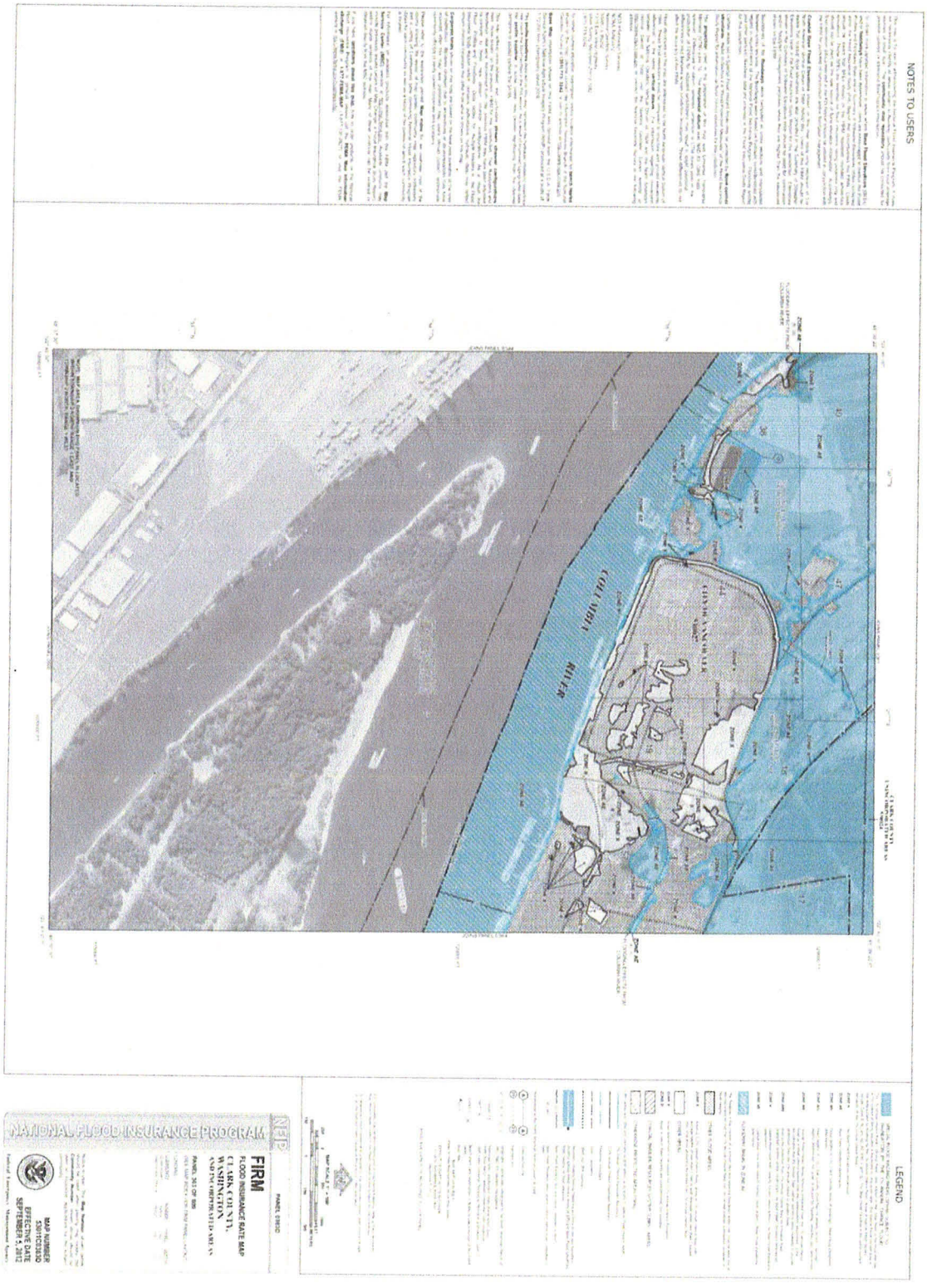
[14] Ibid, 13.

Exhibit 2: Extent of 1996 flooding along Columbia River, Vancouver, WA[15]



[15] McCarley, Clifton "RE: 1996 Flood Data." Message to John Boren. August 21, 2012. E-mail.

Exhibit 3: Flood Insurance Rate Map (FIRM), Vancouver, WA



Harvey, David 185657

From: Jeffrey Swanson [jswanso@pdx.edu]
Sent: Wednesday, July 11, 2012 10:38 AM
To: Kountz, Steve
Cc: Harvey, David; larry@smartdecision.biz; PFINLEYFRY@aol.com
Subject: Industrial Land Capacity Working Group Meeting Comments

Hello Steve,

On behalf of the Working Waterfront Coalition, I would like to offer the following comments in addition to those already offered by Peter Finley Fry and Tom Bouillion with which we concur, relative to the July 5, 2012 BPS Industrial Land Capacity Working Group meeting:

1. On the spreadsheet entitled "Preliminary Draft Summary Evaluation of Potential Alternatives to Overcome Industrial Land Capacity Shortfalls to 2035, July 2, 2012," item 4 refers to assemblage of 50+ acre sites for use as marine terminals, rail yards and large general industrial use. It should be emphasized that such uses need to be organized around particular, existing infrastructure. For instance, adding rail terminal capacity needs to occur adjacent to existing rail terminal facilities such as the Brooklyn and Albina rail yards, and marine terminal development needs to occur adjacent to a navigable waterway for obvious reasons. This may mean that an existing use, such as residential use in the Brooklyn area, will need to substitute in favor of industrial use to add rail terminal capacity for clustering and resource scarcity reasons that, though nuanced, should be fairly clear. You can't just drop a 50+ acre site somewhere in the city, zone it heavy industrial, and expect it to satisfy the demand for rail terminal needs. Policy should reflect this nuance in some kind of intelligent fashion.

2. On the document entitled "Preliminary draft policy concepts for discussion on industrial land use, July 3, 2012," items (c) and (g), dispersed industrial areas and neighborhood buffers, respectively, may be at cross-purposes. At the very least there are trade-offs involved that should be acknowledged. For instance, while dispersing industrial lands throughout the city has a gain in that it improves access for the labor force to higher wage employment and reduces the cost (both in terms of time and direct costs) of commuting, it may increase industrial-neighborhood conflicts, require increased investment in freight transportation infrastructure in areas which wouldn't otherwise require it (for instance, to mitigate neighborhood conflicts), reduces opportunities for industrial clustering and symbiosis and attendant efficiencies, etc. Industry tends to organize itself around access to key infrastructure (water, railway, roadway transportation confluence) and related supply chain and economic linkages. Policy needs to recognize these trade-offs and acknowledge that the proposed approaches are a "tool kit" to be used according to appropriateness of the particular situation as opposed to a one-size-fits-all homogeneous approach. The more policy ideas stakeholders can collectively devise and place in the tool kit, the more creative combinations of applications are made possible, and this will foster an environment where Portland is more likely to see growth and development. Policy needs to increase the supply of resources for economic growth – in this case land – not only by facilitating redevelopment of brownfields, infill, and intensitification, but also through bringing in additional resources such as West Hayden Island. All approaches to economic development should be included in Portland's "tool kit", even though pressure exists to exclude particular seldom-used approaches such as the aforementioned West Hayden Island process.

3. There is an equity linkage involved in the loss/conversion of industrial land (or policies that constrain or reduce productivity, effectively resulting in the loss of industrial land). The lost manufacturing/industrial jobs tend to hit those in the lower skill strata of the labor force, who generally must seek employment in lower paying service sector jobs if they cannot find comparable manufacturing jobs. The gain from the conversion of the industrial land to some other use (rental income) is taxed at a low rate and job gains (if any) tend to be in either higher skill/education and/or lower skill service sector jobs. This exacerbates the current trend of growing income inequality or "hollowing out of the middle". So it is not just tax policy driving this trend: environmental and land use policy are resulting in the elimination of middle income employment and contributing to the growing inequity problems in the

community. We must assure that policies adopted do not worsen the situation of middle and lower income members of our community by increasing the scarcity of living-wage employment opportunities fitted to their skill level such as can be found in the manufacturing sector in Portland's industrial areas.

We would have liked more time to assemble comments on these documents and consult with our constituency, but nonetheless appreciate the opportunity to participate constructively in developing the Comprehensive Plan policies.

Best regards,

Jeff Swanson, Consultant
on behalf of the Working Waterfront Coalition

Peter Finley Fry AICP Ph.D. *(503) 274-2744*

185657

June 7, 2012

Portland Planning and Sustainability Commission
Portland Bureau of Planning and Sustainability
1900 SW 4th Avenue
Portland, Oregon 97201

ATTN: Economic Opportunity Analysis (EOA)

On behalf of Gunderson LLC, we provide the following comments.

Gunderson is an Oregon based company that manufactures products on Portland's waterfront to export to world-wide markets. Our diverse workforce earns family wage jobs through the trades and expertise that they have developed.

The Bureau of Planning and Sustainability continues to be inventive and observant. These are our final comments.

No model is predictive. Prediction of the future is impossible. A model's purpose is to explore scenarios, understand the mechanics, and create a factual framework for the development of goals, policies, and strategies.

The goal is not to manipulate the assumption to get to zero. The analysis is to discover how it works.

For example:

We find that we are greatly oversupplied with commercial land; Gateway is not working and we are undersupplied with industrial land.

The interaction between assumptions is also revealed:

Brown field redevelopment requires a strong market, tied to a high growth rate. A low growth rate result in far les brownfield redevelopment.

Development proposals do survive the greenway review process. The issue is not survival, the issue the cost of survival in costs, time, and dealing with interveners and their opinions.

The pessimistic view on growth (Oregon is currently the second strongest growth state in the nation) and the optimistic view of land supply remains a grievous concern.

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Cell (503) 703-8033 ◦ Fax (503) 274-1415 ◦ pfinleyfry@aol.com

June 7, 2012

185657

Portland needs to take regional approach to create a working lower Columbia River. All ports have unique attributes and all need to carry their own weight.

Portland's attributes include:

- Portland is at the confluence of all transportation systems; air, water and land.
- Portland has the largest and most diverse population close by and well suited for the working harbors family wage jobs.
- Portland has the highest and most sophisticated level of business services.
- Portland has an advanced transportation system.

An Economic Opportunity Analysis's (EOA) purpose is not to rationalized away economic deficiencies. The EOA identifies constraints and challenges. All cities are land locked by definition (and state law). The urban growth boundaries' purpose is to implement Oregon's fundamental land use policy to stop urban sprawl. Goal Nine can not be weakened.

Sincerely;

Peter Finley Fry for Gunderson LLC

Cc Mayor Sam Adams
David Harvey, Director of Environment, Gunderson LLC

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AUDITOR 08/30/12 PM 1:02

May 7, 2012

VIA E-MAIL

Planning and Sustainability Commission
City of Portland
1900 SW 4th Ave., Suite 7100
Portland, OR 97201

Re: Metro staff comments on Portland's draft Economic Opportunities Analysis and Buildable Land Inventory

Dear Chair Baugh and Commissioners:

Thank you for the opportunity to comment on Portland's draft Buildable Land Inventory, Economic Opportunities Analysis, and Public Schools Background Report. These documents are important sources of information for informing the City's update of its comprehensive plan. Metro's main interest in reviewing these analyses is to see that their methods are consistent with regional analyses and that their conclusions reflect a coordinated regional approach. Metro staff finds that these analyses achieve those objectives. More specific comments follow.

Buildable Land Inventory
Metro staff finds the methodologies used to determine the city's buildable land inventory to be consistent with methods used by Metro. As is appropriate, these methods and the level of analysis are refined to reflect local conditions. We understand that the city's buildable land inventory took into account an updated natural resource inventory. We also understand that the natural resource inventory will also be used for compliance with Metro's Title 13 (Nature in Neighborhoods) of the Urban Growth Management Functional Plan.

Trends, Opportunities and Market Factors
The draft EOA provides a thorough assessment of trends affecting employment and space usage as well as an honest depiction of some of the economic development challenges faced by the city over the last decade.

Employment forecast
The draft EOA is based on Metro's most recently adopted seven-county forecast and a draft scenario that distributes forecast households and jobs throughout the seven-county area. The city's use of this forecast helps to ensure regional coordination and consistency. While the growth distribution scenario is

still in its draft form, it is the most up-to-date data available. We believe that the draft scenario employment numbers relied upon in the EOA are not likely to differ substantially from the final growth distribution that is expected to be completed in the fall of 2012.

Space usage assumptions
We find the EOA's assumptions about employment space usage to be reasonable and consistent with those used in Metro's 2009 Urban Growth Report. These assumptions include square footage per employee and floor area ratios for different building types.

Marine terminal need
As noted in Portland's EOA, employment forecasts and cargo forecasts both have limitations in their ability to determine future marine terminal land needs. Metro staff believes that the EOA explores these topics thoroughly and that at some point the limitations of further technical analysis must be acknowledged. Informed by the analyses completed over the years, the City Council must ultimately determine whether allowing the possibility of marine terminal growth is desirable for the city and region and, if so, take the actions necessary to allow for that growth to occur.

Policy alternatives
The policy and implementation alternatives outlined in the EOA support adopted regional and local goals for encouraging employment growth in centers, corridors, and industrial and employment areas. All of these alternatives will need further refinement (and investment), however, to turn them into a reality.

- The Central City has a crucial role as a hub for regional employment that must be supported through the types of strategic investments cited in the EOA.
- Given its central location and accessibility, we support added flexibility in the Central City Incubator geography, which includes the Central Eastside and the Lower Albina areas. This flexibility is needed to allow the area to evolve with changing market conditions.
- We support alternatives that bolster employment and a mix of uses in Gateway Regional Center, Town Centers, and neighborhood commercial districts. Those types of strategies will be important for realizing the 20-minute neighborhood concept. This concept describes the types of places that many people wish to live and work. The realization of this concept will also help the region to meet its greenhouse gas reduction targets.
- Given the large amount of employment growth that Metro forecasts in the health and education sectors, we support alternatives that help to meet institutional needs in ways that make efficient use of land, allow regulatory flexibility, and support neighborhood livability.
- We support strategies that make efficient use of finite land in the Columbia Harbor and that improve the complex relationship between industrial uses and natural resources. Those strategies include clean up of brownfields, protection of industrial sanctuaries, and investments in the freight system.
- Because Metro has recently identified a regional shortfall of large industrial sites, we'd like to specifically address West Hayden Island. The Metro Council added West Hayden Island to the urban growth boundary to accommodate forecast industrial employment needs. The Metro Council has also directed the City to balance the environmental and economic importance of West Hayden Island. Metro's most recent regional capacity assessment (the 2009 Urban Growth Report) assumes the availability of a portion of West Hayden Island as long-term industrial employment capacity. That same analysis found a regional shortfall of large industrial sites.

Consequently, Metro staff encourages the city to complete the master planning and annexation process for West Hayden Island.

Public Schools Background Report

The Metro Council has not adopted extensive policy guidance on schools. However, Metro staff concurs with the Public Schools Background Report's basic premise that public schools should be treated as assets that support broader community development goals. Metro's Regional Framework Plan does contain policies that call for coordination of school enrollment forecasts. That need for coordination is echoed in the Public Schools Background Report.

Thank you for the opportunity to provide our comments. We look forward to working with the City as it moves forward with the update of its comprehensive plan.

Sincerely,

Ted Reid
Senior Regional Planner

cc: Robin McArthur, Director of Planning and Development, Metro
John Williams, Deputy Director of Community Development, Metro
Chris Deffebach, Land Use Planning Manager, Metro
Gerry Uba, Principal Regional Planner, Metro
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