



Bureau of Planning and Sustainability

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MEMO

DATE: February 9, 2015

TO: Planning and Sustainability Commission

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SUBJECT: Industrial Land Capacity Proposals, February 10 PSC Work Session

Introduction

This memo is intended to supplement the January 28 staff report on economic development for the Planning and Sustainability Commission work session on February 10, 2015, providing clarification on expected actions to implement the industrial land capacity proposals of the draft Comprehensive Plan.

The proposed plan includes a balanced strategy of goals, policies, infrastructure investment, and map changes to both promote economic prosperity and improve watershed health. The proposed additions to industrial land supply provide about 500 acres of development capacity within the following strategies:

- Brownfield redevelopment – proposed capacity gain of 124 acres;
- Freight projects and land intensification – proposed gain of 192 acres;
- New industrial/employment areas – proposed gain of 132 acres; and
- Industrial land retention – proposed gain of 52 acres.



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Expected actions to achieve these gains were developed as an integrated package of Industrial Land / Watershed Health strategies and are identified in Section 4 of the Economic Opportunities Analysis. In 2014, additional analysis was also done to identify priority freight improvements to support development of strategic sites and address identified industrial land needs. These actions are described below.

Brownfield redevelopment

Proposed Policy 6.14. Brownfield redevelopment sets a specific target to redevelop 60% of brownfield acreage by 2035. In the combined industrial geographies, this target would amount to 373 acres of brownfield redevelopment, which is a gain of 124 acres over recent trends under the previous Comprehensive Plan. This 60% target is intended to be a realistic metric, based on the *Portland Brownfield Assessment* (2012), which included a citywide brownfield inventory, financial gap analysis, review of relevant national best practices, and recommended actions to maximize brownfield redevelopment.

Substantial public investment is expected to overcome the financial gap needed to increase brownfield redevelopment. For example, many states have tax credit programs that cover part or all of cleanup costs. Financial analysis done by ECONorthwest for the Portland Brownfield Assessment estimates that public investment to close the financial gap would be recouped within 1-4 years on industrial properties from resulting income and property tax gains.

The financial feasibility gap to achieve 60% brownfield redevelopment (373 acres) in Portland's industrial geographies is estimated at \$75 million to \$107 million over 20 years, based on information from the *Portland Brownfield Assessment*. Under one scenario, providing incentives that cover the estimated average cost gap (\$862,000 per industrial acre) on the additional 124 acres would total \$107 million. Under a second scenario, applying recommended incentives in the industrial areas (i.e., tax credits, industrial job tax credits, and insurance recovery in general industrial areas, along with land bank and environmental insurance in the Portland Harbor Superfund Site) is estimated at about \$92 million. Under a third scenario, if financial gains from commercial brownfields were used to increase industrial brownfield redevelopment in a citywide brownfield program, the estimated industrial cost gap is about \$75 million.

West Hayden Island

West Hayden Island (WHI) is not included in the strategy. Its proposed map designation is Rural Farm Forest pending future annexation and a Comprehensive Plan amendment to determine the industrial and open space designations. The proposed Comprehensive Plan policy direction also continues to support future consideration of a marine terminal development proposal as needed at West Hayden Island that mitigates adverse environmental and community impacts (Policy 6.41), consistent with the Metro's industrial designation. If clear demand emerges, there is policy context in the Comprehensive Plan to consider annexation to meet that demand.

Metro area cities and counties are required to comply with the Urban Growth Management Functional Plan (UGMFP) when updating comprehensive plans and land use ordinances. In 1983 the regional government (pre-cursor to Metro) expanded the Urban Growth Boundary to include West Hayden Island. In conjunction with the Urban Growth Boundary expansion, Multnomah County re-designated

West Hayden Island from “Multiple Use Forestry” to “Future Urban” within the Multnomah County Framework Plan. The impetus for both actions was to provide a future site for waterfront industrial and marine terminal uses. The Multnomah County adopting ordinance also stated that future use of West Hayden Island is anticipated to be marine industrial. An important element in the County analysis was the finding that additional waterfront acreage was needed within the Urban Growth Boundary to meet the forecasted demand for marine terminal uses. That analysis also found that natural resources located on West Hayden Island are significant enough to warrant some level of protection.

Title 3, Water Quality, Flood Management, and Fish and Wildlife Conservation was established to protect the region's health and public safety by reducing flood and landslide hazards, controlling soil erosion and reducing pollution of the region's waterways. Title 3 also established and mapped Flood Hazard Management Areas and requirements, including a regional requirement to balance cut and fill in areas identified on Title 3 maps. Metro exempted much of WHI from Title 3, recognizing the Urban Growth Boundary expansion that brought in WHI for future marine industrial uses.

Title 4 seeks to provide and protect a supply of employment land by limiting the types and scale of non-industrial uses in Regionally Significant Industrial Areas (RSIAs), Industrial Areas and Employment Areas. RSIAs are located near the region's most significant transportation facilities for the movement of freight and other areas most suitable for movement and storage of goods. WHI and the surrounding industrial and employment lands are RSIAs as they are located near the Columbia River, Portland International Airport, I-205, I-84 and rail corridors.

Title 13 establishes the Nature in Neighborhoods program to protect, conserve and restore significant riparian corridors and wildlife habitat. Metro's regional inventory designated WHI Habitat of Concern and a Class I Riparian/Wildlife Area. WHI is also an important industrial and designated a Regional Significant Industrial Area (Title 4). Metro's ESEE decision was to limit conflicting uses at WHI and Metro designated WHI a Moderate Habitat Conservation Area. Metro describes that a decision to limit conflicting uses “strikes a balance between completely developing the Goal 5 riparian and upland wildlife resources and protecting them.” Limiting conflicting uses in this way provides opportunities to develop lands in ways that minimize negative environmental and economic tradeoffs. Title 13 requires that the City of Portland develop a District Plan for West Hayden Island, in cooperation with the Port of Portland.

The proposed policy and map designation work in combination to comply with Metro policies regarding WHI. Policy 6.41 provides direction for a district plan as part of a future comprehensive plan amendment and annexation process.

Changing the map designation to Open Space would not be consistent with Metro's RSIA designation, nor the Title 13 direction to provide opportunities to develop the lands in ways that minimize the negative environmental and economic tradeoffs. The City would send the Comprehensive Plan to Metro for compliance review with a request to change the Title 4 designation. If Metro declined to change their designation, then they would have to find that the Comprehensive Plan is not in compliance with the Urban Growth Management Plan and would send it back to the City for further work.

Land intensification and freight projects

Under the proposed industrial land intensification strategy, 15% of forecast job growth is estimated to occur on developed sites, representing conservative expansion of recent trends. Strategic freight investments and business climate improvements offer key opportunities to encourage industrial reinvestment and more intensive use of existing buildings and developed land by raising the City's value proposition among competing industrial locations. Proposed Policies 6.38. *Industrial land use intensification*, 6.23. *Trade and freight hub*, 6.17. *Regulatory Climate*, and 8.26. *Public-Private Partnerships* provide supporting direction to pursue these opportunities.

The following freight projects have been ranked as high "industrial access" priorities that support development of strategic sites or identified industrial land needs for harbor access and rail facilities:

Projects identified on the financially "constrained" list:

- N Rivergate grade separation
- NE 33rd Ave improvements (ramp/bridge at Columbia Blvd., traffic light at Marine Dr.)

"Other agency" projects (not led by PBOT) identified in the proposed TSP:

- Kenton Line capacity improvements (double-tracking) and 2 of 8 associated overcrossings (Penn Jct. and Cully)
- Time Oil Road reconstruction
- T-6 Suttle Rd. reconstruction
- T-4 site preparation
- Vancouver BNSF rail bridge

Projects to consider adding to the "Other agency" list:

- Kenton Line Overcrossings – 11th/13th overcrossing (TSP 40001) and 5 other overcrossings identified in the Freight Master Plan;
- Willamette River channel deepening

Unconstrained project list

- NW Balboa Overcrossing

The following additional actions are proposed among the Industrial Land / Watershed Health package of strategies to facilitate industrial land intensification:

- Update the Portland Freight Master Plan project list and incorporate changes into the Transportation System Plan Update. Develop a list of priority freight projects that improve Portland's industrial location value and freight district access.
- Pursue funding sources to increase freight system improvements. Expand opportunities for public-private funding partnerships.
- Improve Portland's industrial regulatory climate to support job growth (see further explanation above on new citywide directions). Conduct a study to evaluate cumulative city regulatory and fee costs, and develop implementation strategies. Explore process improvements to reduce

uncertainty, timing, complexity, other transactions costs, and emphasize regional competitiveness in new regulations and fees without rolling back regulatory standards.

- Consider establishing an industrial land bank and incentives to facilitate more intensive industrial redevelopment on underutilized sites.

Industrial land retention

Proposed “prime industrial land” policies (6.36 and 6.50) prioritize Portland’s freight-hub industrial districts for long-term retention, and they support reduction of zoning allowances for non-industrial uses. Since 1990, approximately 400 acres of former industrial or mixed employment land in or adjacent to Prime Industrial areas has been rezoned for non-industrial use. In addition, substantial public acquisition of designated Industrial Sanctuary land has occurred in these areas for natural areas, parks, jails, and other public facilities that do not serve industrial uses. The following proposed actions will implement these policies:

- Amend zoning regulations to prohibit quasi-judicial map amendments from Industrial Sanctuary to another designation on Prime Industrial land. Future legislative projects are expected to analyze and estimate the loss of prime industrial land capacity, including existing industrial development and vacant capacity. Findings will need to explain how forecast demand for Prime Industrial development capacity will be met. An industrial capacity inventory system based on the BLI will be used to track program activities that are or are expected to increase, reduce, or mitigate for loss of industrial land capacity to conversion, regulation, or acquisition for other purposes.
- Amend zoning regulations to reduce allowance for non-industrial uses in industrial zones; reduce land-intensive non-industrial allowances in IH and IG zones, such as parks and open areas, commercial parking, self-service storage, commercial outdoor recreation and major event entertainment; and reduce retail allowances and prohibit residential use in EG zones.
- Develop inter-governmental coordination procedures for proposed public acquisitions to track and mitigate impacts on industrial land supply.

New industrial/employment areas

New Industrial Sanctuary areas are designated on the proposed Comprehensive Plan Map at three airport area golf courses (Colwood, Riverside, and Broadmoor). These map changes represent 35% of the development capacity gains in the Harbor and Airport District to meet identified shortfalls. Proposed Policy 6.48 provides further direction for their land use and development, advancing a multi-objective planning approach to accommodate a mix of new industrial areas, existing and enhanced natural resource areas, and public access to open space at these sites.

The plan map also designates various additional sites as Mixed Employment land to meet capacity needs in Dispersed Employment areas.

- New Mixed Employment areas have been designated at development opportunity sites near freeway interchanges or truck routes in East Portland, including existing farm sites (currently designated residential or commercial) and underutilized commercial sites.

- New Mixed Employment areas have been designated as transition areas between industrial districts and residential neighborhoods at NW Vaughn St. and N Columbia Blvd. at Denver St.
- Existing General Commercial areas with redevelopment potential for higher employment density have been changed to Mixed Employment designations, including portions of SE 82nd Ave. and N Hayden Meadows Dr.
- Existing Central Employment sites in employment use have been changed to Mixed Employment designations in Dispersed Employment areas (e.g., Freeway Lands and Montgomery Park sites) and in Central Gateway (see explanation in Neighborhood Business Districts section below), focusing their development potential on employment uses rather than mixed use/residential use.

The Employment Capacity Zoning Project is underway as part of the Periodic Review Task 5 Implementation to propose zoning map and code changes that implement these new Comprehensive Plan designations.