



CREEC

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COMMERCIAL REAL ESTATE ECONOMIC COALITION UPDATE (CREEC) APRIL 2009

HEADLINES:

Metro's Residential Urban Growth Report. On 3/30/09, Metro released its Residential UGR that estimates the approximate demand for new dwelling units, 224,000 – 301,500 units, which must be accommodated by 2030 and compares this to the capacity of vacant/re-developable land supply within the existing Regional Urban Growth Boundary (UGB) to accommodate this demand, 184,500 – 358,300 units. The primary difference in the two figures is the assumed “refill” rate, 27% “observed” or 40% “aspirational”. This potential difference between projected 2030 dwelling unit demand and capacity could range from a deficit of 117,000 units (low land supply, high demand) to a surplus of 134,300 units (high land supply, low demand). The Employment UGR is scheduled to be released in early 5/09.

Regional Urban Reserves/Rural Reserves. As part of its UR/RR project, Metro recently released its map delineating “candidate urban reserves” areas for additional consideration. The Reserves Business Advisory Group, which provides a technical sounding board for the business community’s three representatives and three alternates to the Reserves Steering Committee, is urging that all candidate areas that are “unconstrained” on the Group Mackenzie mapping series be considered for additional study. NAIOP has taken the lead by sending a 4/6/09 letter putting forth this position to the “Core Four” committee, representatives from Clackamas, Multnomah and Washington Counties and Metro Councilor Kathryn Harrington, who ultimately will make this decision.

Regional Employment and Economic Trends Study. As part of its development of the Employment UGR, Metro selected the consulting team headed by E. D. Hovee and Company to undertake the Regional Employment and Economic Trends Study. The purpose of the study is to identify the operational characteristics of key employment sectors over the next 20 years and beyond to determine how these trends affect land use in terms of location; parcel size; building type; transportation access and other infrastructure. As the next step in the consulting team’s work, Economist Todd Chase is finishing up the vacant/re-developable employment land supply within the existing Regional UGB, using an expanded methodology that he used for the original Regional Industrial Lands Study (2001).

Construction Excise Tax (CET). Metro has convened a group of stakeholders to advise it on whether to extend the CET, first established in 2006 to help fund concept planning in newly-expanded areas within the Regional UGB. Scheduled to sunset when a total of \$6.3 million is collected sometime this fall, renewal of the CET needs to be considered on its own merits with the added pressure from HB 1036 establishing the schools excise tax and excluding all other local/regional excise taxes except those already in place. As a result, if the CET is not extended in the next few months, the option to use this funding mechanism will be lost until 2018.

Portland Metro Business Index. With underwriting from KeyBank, the University of Oregon has developed a new Portland Metro Business Index, to be issued quarterly, as an adjunct to its Index of Oregon Economic Indicators. In the last quarter of 2008, the report’s index fell 4.1% based on several indicators including: 1) nonfarm payrolls were down 2.0% with a concomitant jump in initial jobless claims; 2) air passenger traffic declined for the third consecutive quarter; and 3) housing sales declined as average time on the market increased although housing starts held steady at about 250 a month for the quarter.

ISSUES OF CURRENT CONCERN:

Metro's Regional Choices: UGB Expansion. Metro continues to move forward with its five-year Periodic Review mandated by state statute to evaluate the need to expand the Regional UGB to accommodate at least a 20-year supply of developable land. There are early signs suggesting that at least some members, if not a majority, of the Metro Council are leaning towards a "no expansion" option; this position is of concern both to the regional business community and Washington County jurisdictions, where there is anticipated to be significant growth pressure in the next 20 years. The business community continues to fund various technical efforts – urban mapping exercise, critique of Metro's infrastructure study, employment focus groups, and most recently the "economic impact mapping" project – to ensure that alternative technical information is introduced into the written record.

Recently, Metro released its Residential UGR that estimates the approximate demand for new dwelling units, 224,000 – 301,500 units, which must be accommodated by 2030 and compares this to the capacity of vacant/re-developable land supply within the existing Regional UGB to accommodate this demand, 184,500 – 358,300 units. The primary difference in the two figures is the assumed "refill" (redevelopment/infill) rate, 27% "observed" during the past decade compared to 40% "aspirational" rate proposed by Metro planners. This potential difference between projected 2030 dwelling unit demand and capacity could range from a deficit of 117,000 units (low land supply, high demand) to a surplus of 134,300 units (high land supply, low demand). The ultimate projection will determine whether or not the Regional UGB should be expanded. The Employment UGR is scheduled to be released in early 5/09.

Metro Urban/Rural Reserves. Metro is moving full steam ahead to undertake analysis for its 2009 expansion of the Regional UGB using the newly-approved UR/RR approach. Metro now is authorized to establish urban and rural reserves that will direct urban growth for up to 30 years beyond the mandated 20-year land supply within the UGB. The purpose of this approach is to identify in advance where future urban growth will occur. Metro established the Reserves Steering Committee to advise it and the three metropolitan counties on making the dual urban/rural reserve designations, which will be incorporated into the 2009 UGB decision. Business community representatives on the stakeholders' committee include Craig Brown, Greg Manning and Greg Specht. Alternates are Bob LeFeber, Drake Butsch, and John Pinkstaff. The UR/RR is separate from but related to the Metro's Periodic Review in which Metro must decide by 2010 whether and where to expand the existing UGB to comply with the state's 20-year land supply requirement. Metro recently released its map delineating "candidate urban reserves" areas for additional consideration. The Reserves Business Advisory Group, which provides a technical sounding board for the business community's representatives to the Reserves Steering Committee, is urging that all candidate areas that are "unconstrained" on the Group Mackenzie mapping series be brought forward. NAIOP has taken the lead by sending a 4/6/09 letter putting forth this position to the "Core Four" committee, representatives from Clackamas, Multnomah and Washington Counties and Metro Councilor Kathryn Harrington, who ultimately will make the decision.

Metro Employment And Economic Trends Analysis. Late last year, Metro selected the consulting team headed by E. D. Hovee and Company to undertake the Regional Employment and Economic Trends Study. The purpose of the study is to identify the operational characteristics of various key employment sectors over the next 20 – 50 years and determine how these trends affect land use in terms of location; parcel size; building type, transportation access and infrastructure requirements. The work will have two groups of beneficiaries: Metro for use in the upcoming development of its Employment UGR for the 20-year analysis of employment land demand and supply and half of Metro's 25 cities are doing their local Goal 9 (Economy of the State) analyses for their own periodic reviews. As the next step in the consulting team's work, Economist Todd Chase (FCS Group) is finishing up the vacant/re-developable employment land supply within the existing Regional UGB, using an expanded version of the original Regional Industrial Lands Study (2001) methodology for which Chase served as consultant. This includes detailed breakdowns of acreage:

- By type (RSIA, Industrial, Employment, Mixed Use, Commercial, Public Facilities)
- By suitability (rated from Tier A – G)
- By parcel size
- By location (nine regional sub-areas)

Metro Regional Construction Excise Tax. In 3/06, the Metro Council adopted Ordinance 06-1115 instituting a regional CET to be assessed on building permits issued by local cities and counties to fund land use and transportation planning for new areas brought into the Regional UGB in 2002 and 2004. The tax was assessed at 0.12 percent of the value of the improvements over \$100,000 for which a permit is sought and maxing out at \$10 million, above which a flat rate of \$12,000 will be charged. The excise tax is to be in effect until \$6.3 million is collected, now estimated to occur by the 9/09. As of 4/09, all \$6.3 million has been committed to 25 planning projects in 14 local jurisdictions; 12 of these planning efforts have been completed, eight are in process and another five yet to start. Metro has convened a committee of stakeholders, including CREEC's Beverly Bookin, to advise it on whether to renew the tax and, if so, with what characteristics. The issue is complicated by the fact that HR 1036, which establishes a local schools' excise tax, prohibits the adoption of other local excise taxes until 2018 although Metro's CET is specifically grandfathered. For this reason, if the CET is allowed to sunset without renewal, the exemption will be lost. The advisory committee is due to complete its work by the end of 5/09.

Economic Impact Mapping Project. Mark Clemmons of Group Mackenzie has developed a work scope for a demonstration project to develop an "economic impact map" for western Washington County to determine the "employment value" of specified areas; this is analogous to the study undertaken by the Department of Agriculture to develop "foundational agricultural lands" used by farm advocates to lobby for rural reserves. The Oregon Economic and Community Development Department (OECD) is looking for a methodology that it could apply statewide and, for this reason, is providing a \$25,000 contribution towards the estimated \$40,000 cost. Led by Hillsboro, five Washington County cities are contributing another \$5,000. Clemmons is asking the business community to fund the remaining \$10,000. The project is currently underway so that the results can be used by the Reserves Steering Committee and Core Four in timely manner.

OTHER ISSUES:

The Big Look Task Force: Final Report. After three years of meetings, research and public outreach, the Big Look Task Force submitted its Final Report to the 2009 Legislature in early January. While a complete overhaul of the state's land use planning system is not recommended, several "strategic adjustments" are proposed. The guiding principle includes: "Adopt four guiding principles as a framework for land use planning in Oregon: provide a healthy environment; sustain a prosperous economy; ensure a desirable quality of life; and provide fairness and equity to all Oregonians." Four additional recommendations include:

- The second and third recommendations call for the fostering of regional land use planning and to "allow counties to develop regional criteria for designating farm and forest lands, if they also protect important natural areas and assure that development is sustainable."
- The fourth recommendation seeks to reduce the complexity of the state's land use planning statutes and rules via a LCDC initiated "comprehensive but policy-neutral" review to ensure that all Oregonians can understand the system and participate in the public process.
- The fifth recommendation identifies the need for key state agencies to develop an "integrated strategic plan" to ensure a sustainable Oregon.

Secondary recommendations in the report include: improve citizen involvement; improve infrastructure finance; address climate change; and plan for a vibrant economy. The last item also contains "non-legislative" recommendations to update and expand the Oregon Certified Industrial Sites program; develop additional "safe harbors" for UGB expansions; and set limits on the conversion of key industrial land. This final report has already made its way to the 2009 Legislature in the form of House Bill 2229, which several of CREEC's members and affiliates are tracking. To review the Final Report to the 2009 Legislature, visit www.oregonbiglook.org. HB 2229 can be viewed at: http://www2.co.multnomah.or.us/Community_Services/LUT-Planning/docs/hb2229.intro.pdf

Columbia River Crossing. In a major milestone for the CRC Bridge Project, six local sponsoring agencies – Cities of Portland and Vancouver, TriMet, C-TRAN, Metro and SW Washington Regional Transportation Council – selected Option 5, a replacement I-5 bridge with light rail transit (LRT), as the Locally-Preferred Alternative (LPA). This option will move into the Final Environmental Impact Statement (FEIS), the completion of which will take 12 – 18 months. The Portland Business Alliance has formed a lobby, the Columbia River Crossing Coalition (CRCC), composed of a wide array of companies, trade groups and ports, which continues to support the replacement option. The portion of President Obama's forthcoming economic stimulus package to fund national infrastructure continues to increase the optimism of some that additional funds may be available for the project. A coalition of environmental, community and alternative transportation groups are continuing to oppose the project, lining up behind the "no-build" option, arguing that none of the replacement options adequately support alternative transportation modes or address the reduction of greenhouse gases and will lead to unacceptable development pressures on southwest Washington.

For project proponents, there is a split between those supporting the 12-lane with LRT option as opposed to the smaller 8- or 10-lane alternatives. According to recent technical analysis, the smaller bridge configurations will be less efficient, resulting in more traffic congestion and pollution, with only minor reductions in construction costs. In recent public hearings before the Metro and Portland City Councils, respectively, supporters for the 12-lane configuration, including the CRCC, significantly outnumbered testifiers with other positions. For more information, see www.columbiarivercrossing.org.

UO Index of Economic Indicators™ (2/09). For the 10th straight month, the U of O has registered a decline in its index, which now lies at 85.6 (1997 = 100), signaling continued deterioration of the Oregon economy. Total nonfarm payrolls fell by 21,700 during February, bringing the two-month total job loss to nearly 35,000. Housing starts have bumped along the bottom in the 900 – 1,000 range for the past seven months, although it is premature to predict that the bottom has been reached. Consumer spending recently has stabilized after significant deterioration in the second half of last year. Nevertheless, there is no improvement in overall consumer confidence, now down to 58% of those polled having confidence that the economy will improve. The depth, duration and breadth of declines across all eight of the U of O's indicators suggests that the Oregon economy remains mired in recession, with no improvement likely for three to six months.

Portland Metro Business Index. With underwriting from KeyBank, the U of O has developed a new Portland Metro Business Index, to be issued quarterly, as an adjunct to its Index of Oregon Economic Indicators. In the last quarter of 2008, the report's index fell 4.1% based on several indicators including: 1) nonfarm payrolls were down 2.0% with a concomitant jump in initial jobless claims; 2) air passenger traffic declined for the third consecutive quarter; and 3) housing sales declined as average time on the market increased although housing starts held steady at about 250 a month for the quarter.

For more information, contact CREEC Advocate Beverly Bookin or Administrator Rebecca Woods at The Bookin Group (503.241.2423).