



CREEC

1020 SW TAYLOR, SUITE 760 PORTLAND, OR 97215 503.241.2423 (V) 503.241.2721 (F)

COMMERCIAL REAL ESTATE ECONOMIC COALITION UPDATE (CREEC) SPECIAL RESERVES PROCESS EDITION (JANUARY 2010)

CREEC BOARD MEETING: In lieu of its 1/21/10 board meeting, CREEC members have been invited to attend one of two breakfast debates for the three candidates for Metro President (Tom Hughes, Rex Burkholder and Bob Stacey) to be held by the Commercial Association of Realtors (CAR) on Thursday, 1/21/10, and Westside Economic Alliance (WEA) on Thursday, 1/28/10, respectively. See the recent e-mails from CREEC Administrator Rebecca Woods for details on time, place and reservations.

RESERVES PROCESS OPEN HOUSES / PUBLIC HEARINGS: The Metro Council has scheduled a series of open houses and public hearings on the proposed reserves map between 1/11/10 and 1/22/10. **This is the most pressing critical issue related to regional land use now facing the business community and CREEC members are urged to participate.**

Monday, 1/11/10 (4:30 -- 6:30 PM Open House / 6:00 PM Metro Council Hearing)
Multnomah County East Building, 600 NE 8th Ave., Gresham

Thursday, 1/14/10 (4:30 -- 6:30 PM. Open House)
Metro Regional Center, 600 NE Grand Ave., Portland

Saturday, 1/16/10 (9:00 -- 11:00 AM Open House)
Washington County Public Services Building, 155 N. First Avenue, Hillsboro

Tuesday, 1/19/10 (4:30 -- 6:30 PM. Open House)
Clackamas County Development Services Building, 150 Beaver Creek Road, Oregon City

Wednesday, 1/20/10 (4:30 -- 6:30 PM Open House / 6:00 PM Metro Council Hearing)
Sherwood Library/City Hall, 22560 SW Pine Street, Sherwood

Thursday, 1/21/10 (4:30 -- 6:30 PM Open House / 6:00 PM Metro Council Hearing)
Wilsonville City Hall, 29799 SW Town Center Loop East, Wilsonville

REGIONAL RESERVES PROCESS

SUMMARY. The Metro Council has released a preliminary intergovernmental agreement (IGA) for the reserves process that contains about 24,000 acres of urban and 224,000 acres of rural reserves over which its seven members unanimously agree. There is another 4,000 acres of potential urban reserves in Sherwood, Stafford Basin, Oregon City, Boring and the West Hills yet to be resolved. In addition, there are a limited number of "undesigned" areas that could be available for future urban designation if needed, but in many areas, particularly Washington County, proposed rural reserves abut right up to urban reserves, limiting outward expansion for up to 50 years. The Council's proposed urban reserves map is a compromise between the Bragdon/Hosticka proposal (29,000-acre supply) and the Liberty/Park/Burkholder proposal (18,000-acre supply). There remains significant disagreement among the three counties, Multnomah and Clackamas Counties' delegations pressing for less and Washington County's delegation for more future urban growth. Known as the Core 4, the three counties and Metro must come to unanimous agreement over the reserves map or else the process will revert to the old system based on agricultural soil type. Metro will be holding hearings on the preliminary IGA during January.

DISCUSSION

Background. Metro is authorized by the state to establish urban and rural reserves that will direct urban growth for up to 30 years beyond the mandated UGB's 20-year land supply. The purpose of this approach is to identify in advance where future urban growth will occur within the next 50 years to facilitate urban development when needed while providing certainty for farmers. Metro and the three metropolitan counties (Core 4) are charged with making the simultaneous urban/rural reserve designations, which will be incorporated into the 2010 UGB decision. The reserves decision is separate from but related to Metro's Periodic Review in which the agency must decide by 2010 whether and where to expand the existing UGB to comply with the state's 20-year land supply requirement. The four parties must come to unanimous agreement over the reserves map or else the process will revert to the old system based on agricultural soil classification in use since the 1970s.

Preliminary Reserves Map. On 12/17/09, the Metro Council released a preliminary IGA for the reserves process that contains about 24,000 acres of urban and 224,000 of rural reserves. There is another 4,000 acres of potential urban reserves in Sherwood, Stafford Basin, Oregon City, Boring and the West Hills yet to be resolved. In addition, there are a limited number of "undesignated" areas that could be available for future urban designation if needed, but in many areas, particularly Washington County, proposed rural reserves abut right up to urban reserves, significantly limiting future expansion. The Council's proposed urban reserve map is a compromise between the Bragdon/Hosticka proposal (29,000-acre supply) and the Liberty/Park/Burkholder proposal (18,000-acre supply). However, there is unanimity among Councilors that Washington County's prime farmland must be saved at all costs; the latter is referred to as "foundational agriculture acreage" in a 2007 Oregon Department of Agriculture study that has never been formally peer-reviewed or legally adopted. Even under the best-case scenario – if all of the remaining 4,000 acres still under consideration is added back in – there will be less than an 11% increase in total land area to accommodate a predicted 60% increase in population growth during the 50-year planning horizon. For more information about the process and to view the proposed maps, see <http://www.oregonmetro.gov/index.cfm/go/by.web/id=31826>; see hearing/open house schedule above.

Current Status. There remains significant disagreement among the three counties, Multnomah and Clackamas Counties' delegations pressing for less urban reserves and, thus, siding with the Liberty/Park/Burkholder wing, and Washington County's delegation for more future urban growth. As a result, Washington County tentatively was willing to consider the Bragdon/Hosticka proposal, although it falls significantly short of the county's projected land need to accommodate its projected 50-year population and job growth. Based on extensive economic studies over the past two years, the county initially asked for 34,000 acres of urban reserves, about half of what of its projected need; even the Bragdon/Hosticka map features only 14,000 acres of urban reserves within the county. The opposition from Clackamas County, spearheaded by Core 4 representative Charlotte Lehan, is particularly galling, and viewed by Washington County elected officials as inappropriate interference. Supported by 1,000 Friends of Oregon, the Washington County Farm Bureau has been particularly active in opposing urban expansion in Washington County and considers even the 14,000 acres of urban reserve in the Bragdon/Hosticka proposal to be unacceptable. Washington County is in a particularly difficult position, as even in the best-case scenario, the supply of future urban land is a fraction of that needed according to its own economic analyses. On the other hand, if the Core 4 fails to agree, the region will be forced back into the old "soil classification" methodology, which is unfavorable as much of the county's farmland falls into the high-value Class 2 category.

Business Community Position. During the past two years, CREEC and its coalition partners generally have favored Washington County's position because it is clearly the region's and the state's economic engine. Moreover, there is little potential expansion opportunity in Multnomah County and Clackamas County has its 2002 Damascus/Boring expansion. The coalition's position has been evolving as follows:

- The reserves process was intended to right the imbalance between urban development and resource protection. As currently proposed, there will be up to a maximum of 28,000 acres of urban reserves while 224,000 acres of rural reserve will be locked up for 50 years, with little undesignated acreage to provide a safety valve in case population and job growth projections fall short of actual performance. Even Richard Whitman, Director of the Oregon Department of Land Conservation and Development has expressed concern that the lack of undesignated land leaves too little flexibility given the length of the planning period. Thus, Metro proposes a map with too little urban land and room for error.

- The favoring of agricultural land by Metro ignores the findings of the recent Economic Mapping Pilot Project funded by Business Oregon*, which illustrates that an acre of land in industrial use is exponentially more economically productive than an acre in agricultural use. Based on the study of 3,530 acres of Title 4 land in Hillsboro, an industrially-developed acre had an average market value of \$807,000, would generate an average annual payroll of \$616,150 and would yield property taxes averaging \$6,220 (2005 dollars). As a whole, the study area supported a total of nearly 26,900 jobs with an average wage of over \$81,000. Although of importance to the state's overall economy, the farm sector is neither a growth industry nor does it provide family-wage jobs. In contrast, Metro's projections suggests that in the next 50 years, there will be demand for between 677,000 and 1,447,000 new jobs, only a tiny proportion of which will be in the urban agricultural sector.
- The coalition also has a deep concern over Clackamas County's unprecedented criticism of Washington County's tentative decisions, but in so doing, it has significant "veto" power over the process given the requirement for Core 4 unanimity. Moreover, the coalition is concerned that the Metro Council is relying on the findings of the ODA study on "foundation" agricultural land although it never has been peer-reviewed or subject to official adoption. At the same time, the Council has apparently rejected Washington County's economic analysis that documents the the need for additional urban land supply, again undermining the parity between urban development and resource land protection.

OTHER ISSUES OF CURRENT CONCERN

Economic Climate Presentation. On 12/17/09, University of Oregon economist, Tim Duy, was the featured speaker at the WEA monthly forum. Tim made several points about Oregon's economic growth over the past few decades ("lackluster") and expressed concerns that the Portland region's land use policies are unduly restrictive, hampering future economic growth. Specifically, he criticizes the overly restrictive land supply and assumption that the region can pick and choose the traded-sector industries it wants to encourage, noting that the latter are often an accident of timing and geography, e.g., Microsoft and Starbucks were founded in Seattle because that is where their founders lived. His most interesting comments related to a comparison of Seattle and Portland (central cities):

INDICATOR	SEATTLE	PORTLAND	DIFFERENCE (%)
Median Family Income	\$88,020	\$64,190	\$23,830 (37%)
Complete BA or Higher	54%	40%	14% (35%)
Take Transit	18%	12%	6% (50%)
Drive Alone	62%	54%	6% (11%)

Source: 2006-2008 American Community Survey

Duy commented: "Sustainability is not a one-way street. It is important to be environmentally sustainable, and it is equally important to be economically sustainable. How come Seattle gets to be a green city with high incomes, while Portland just seems content to be a green city." Moreover, Portland is falling behind other metropolitan regions, including Seattle, Denver and Minneapolis/St. Paul, as measured in per capita income. During this time period, per capita income has increased modestly but steadily while Portland's per capital income has steadily declined so that the income gap between Portland and the other three regions was much more pronounced in 2005 than in 1970.

Regional Urban Growth Boundary (UGB) Periodic Review

Making The Greatest Place Report. In 9/09, Metro COO Michael Jordan, released a report that outlines a series of policy recommendations "aimed at better integrating regional land use and transportation efforts in a way that sustains economic competitiveness and prosperity, protects farms and natural areas, and enhances our quality of life". This report is the culmination of a multi-year effort, entitled "Making the Greatest Place," and will inform actions by the Metro Council this fall on the adoption of the Regional Transportation Plan (RTP); agreements with Clackamas, Multnomah and Washington Counties on urban and rural reserves; and the completion of the state-required capacity analysis of the UGB. In 2010, the Metro Council will take final action on the RTP, designate urban reserves while counties designate rural reserves, and consider a possible expansion of the UGB.

* Formerly the Oregon Economic and Community Development Department (OECDD).

Metro's Urban Growth Report. Metro staff has finalized its two-volume Urban Growth Report (UGR), the UGR-Residential and UGR-Employment, estimating the 20-year metropolitan land demand and supply. After analyzing several scenarios with varying key assumptions, the report concludes that there is likely to be sufficient land within the existing Regional UGB to accommodate the 20-year demand of housing and employment even at the higher end of the projected range forecasts for population and jobs. The exception may be for large-lot sites, the analysis of need/demand for which recently has been completed. Metro staff indicates that large-lot "unique users" may warrant some expansion of the UGB, or possibly designation of sites in urban reserves that could be brought into the UGB in some "just-in-time" process, a proposal that is considered to be "dead on arrival" by local jurisdictions and the development community.

Regional Infrastructure Conversation. In 12/09, COO Michael Jordan invited a wide range of business community interests to the first of three or four breakfast meetings to begin a discussion on the public/private funding of future infrastructure such as roads, water and sewer. A second meeting is proposed at the end of 1/10.

Metro President Race. Now that David Bragdon is term-limited, Metro will have a new president in 2011. Until recently, there were two declared candidates, Metro Councilor Rex Burkholder and 1,000 Friends Executive Director Bob Stacey. As the more moderate of the two candidates, Burkholder has been hoping to win the support of the business community. However, the mix changed over Thanksgiving when former Hillsboro Mayor Tom Hughes threw his hat in the ring. Whether as a measure of true position or political calculation to woo environmentalists, Burkholder voted with Councilors Park and Liberty for the tighter urban reserves map, which now puts himself at odds with business interests who want to increase the urban land supply. As a late entrant into the race, Hughes has to play catch-up on both fundraising and political awareness. At the very least, the 5/10 primary will reduce the field to the top two vote-getters if one of the three candidates does not win an outright majority. Both CAR and WEA have organized debates featuring the three candidates in late January.

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