



# CREEC

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## COMMERCIAL REAL ESTATE ECONOMIC COALITION UPDATE (CREEC) SEPTEMBER 2009

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**CREEC Board Meeting:** CREEC's next board meeting will be held on Thursday, 9/17/09, from 8:30 – 10:00 AM at Perkins Coie, 1120 NW Couch Street, 10<sup>th</sup> Floor. Metro Councilor Rod Park will be describing Metro's "Making the Greatest Place" Report, to be released by Metro Chief Operating Officer Michael Jordan on 9/15/09.

### HEADLINES:

**Making The Greatest Place Report.** On 9/15/09, Metro COO Michael Jordan, will release 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", according to a Metro press release. This report will be 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. The release of the report will initiate a 30-day comment period.

**Metro's Urban Growth Report.** This spring, Metro released its draft 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. The exception may be for large-lot parcels, 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 boundary in some "just-in-time" process. Final versions of each report are scheduled for release as part of the 9/15/09 roll-out of the "Making the Greatest Place" Report.

**Regional Urban Reserves/Rural Reserves.** As part of its UR/RR project, Metro released its map delineating "candidate urban reserves" areas for consideration last spring. Each county now has selected the pool of acreage it will study from which it will draw its recommendations urban reserves in collaboration with Metro. This ranges from 80 – 140 acres in Multnomah County to 33,000 acres in Washington County, which by far is the most aggressive in justifying the need for additional urban land, particularly for job growth. Clackamas County, which is trying to spur growth in the 12,000-acre Damascus/Boring area brought into the Regional UGB in 2002, is looking at a pool of 4,890 acres.

**Business Community Initiatives.** The Reserves Business Advisory Group (RBAG) continues to follow the UR/RR process, and related UGB expansion study, closely. Most recently, the group funded a peer review of Metro's Draft UGR-Employment by economist Bill Reid (Johnson Reid) and will soon name a consultant to develop a public relations plan aimed at giving the business community's position on these issues some public visibility. In a related effort, Clackamas County is about to undertake a study on the mapping of economic value around Wilsonville and within its existing Clackamas Industrial Area (Highway 212/224 Corridor) based on the methodology developed by Group Mackenzie for a similar mapping project in Washington County on behalf of the Oregon Business Development Department (OBDD).

## **ISSUES OF CURRENT CONCERN:**

**Making The Greatest Place Report.** On 9/15/09, Metro COO Michael Jordan will release 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”, according to a Metro press release. The report will include:

- A draft of the 2035 Regional Transportation Plan (RTP) that outlines investments in multiple transportation modes aimed at supporting economic growth, reducing global warming and creating livable communities.
- Final version of the Urban Growth Report (UGR) analyzing the capacity of the current Regional UGB to accommodate the anticipated range of population and employment growth in the region over the next 20 years, as required by Oregon law.
- Guidelines for designating urban and rural reserves in a manner that supports growth and development inside the current UGB, protects valuable farm and forest land, and achieves the best use of limited public investments in transportation and other service.
- Stated aspirations of local cities and counties for managing growth.
- A framework for measuring the effectiveness of local and regional public policies and investments in achieving desired growth outcomes and to inform future growth management decisions.

This report informs actions by the Metro Council this fall on the adoption of the 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. The release of Jordan’s recommendations initiates a 30-day public comment period on the elements contained in the report. Councilor Rod Park will present the findings and recommendations of the report at CREEC’s September board meeting on 9/17/09.

**Metro’s Urban Growth Report (UGR).** As part of the roll-out of the “Making The Greatest Place” Report, Metro staff will release the final version of the two-volume UGR detailing the 20-year demand and supply for housing and employment, respectively, over the next 20 years. To the degree that there is deemed to be insufficient land within the Regional UGB, and expansion of the boundary will be made in 2010. Both the UGR-Residential and UGR-Employment reports have been revised extensively based on public comments received this past summer. According to Metro Senior Planner Malu Wilkinson, the report still features a range of outcomes based on population and employment projections and varying assumptions. The UGR will contain no conclusions or recommendations but simply state the range of options for the Metro Council’s consideration. However, there have been signals for several months that there is little in-house support for an expansion of the Regional UGB with the possible exception of large-lot parcels for “unique employers”, warranting either selective expansions or possibly designation of sites in urban reserves that could be brought into the boundary in some “just-in-time” process. The preliminary findings in the two-volume UGR 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.

**Metro Urban/Rural Reserves.** Metro now is authorized by the State 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 (RSC) to advise it and the three metropolitan counties on making the dual urban/rural reserve designations, which will be incorporated into the 2010 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, as described above.

As part of its UR/RR project, Metro released its map delineating “candidate urban reserves” areas for consideration last spring. Each county now has selected the pool of acreage it will study from which it will draw its recommendations urban reserves in collaboration with Metro. This ranges from 80 – 140 acres in Multnomah County to 33,000 acres in Washington County, which by far is the most aggressive in justifying the need for additional urban land, particularly for job growth. Clackamas County, which is trying to spur growth in the 12,000-acre Damascus/Boring area brought into the Regional UGB in 2002, is looking at a pool of 8,490 acres. Each county will present its UR/RR proposals at the 9/23/09 RSC meeting.

**Business Community-Funded Technical Studies.** As noted above, the business community has funded a series of technical studies to review and, in many cases challenge, Metro’s work leading up to the UGB and reserves’ decisions, both to influence the outcomes and build the legal record. With regard to the two most recent efforts:

- Recently, CREEC and its business community partners helped to fund the “Economic Productivity of Employment and Industrial Land: Economic Mapping Pilot Project”, undertaken by Group Mackenzie and Johnson Reid to develop an “economic impact map” for western Washington County to determine the “employment value” of specified areas. The Oregon Business Development Department (OBDD) is looking for a methodology that it can apply statewide in the administration of Goal 9, Economy of the State, and, for this reason, has provided substantial funding. One of the most dramatic findings is that a 4,140-acre study area now considered for inclusion as an urban reserve would generate \$2.7 billion of land value, \$2.1 of annual payroll and \$21 million of annual property tax, assuming the full build-out development of a mix of high-tech, bio-tech and “green” industries characteristic of recent development in western Washington County. This compares to \$5 billion of annual sales for the agricultural sector statewide.
- Clackamas County is going to use a modified version of the economic mapping project to analyze the potential value of urbanizing selected parcels immediately adjacent to the City of Wilsonville and the intensification of development within the existing Clackamas Industrial District along the Highway 212/224 corridor.
- Several business groups also underwrote the cost of an independent peer review of the UGR-E by Johnson Reid, a local economic consultant that also is doing economic analyses for five Washington County cities on their state-mandated Goal 9 work. Johnson Reid’s work was submitted to Metro staff prior to the finalizing of the UGR-Employment report now part of Metro’s 9/15/09 roll-out described above.

#### **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](http://www.oregonbiglook.org). HB 2229 can be viewed at: [http://www2.co.multnomah.or.us/Community\\_Services/LUT-Planning/docs/hb2229.intro.pdf](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, the Columbia River Crossing Project Sponsors Council – Washington and Oregon Departments of Transportation, Cities of Portland and Vancouver, TriMet, C-TRAN, Metro and SW Washington Regional Transportation Council – selected Option 5, a 12-lane replacement I-5 bridge with light rail transit (LRT), as the Locally-Preferred Alternative (LPA). The project includes improvement of seven interchanges from SR 500 to SW Columbia Boulevard; extension of LRT to downtown Vancouver; and improved bicycle and pedestrian facilities between the two sides of the river. This option has moved 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.

At its 9/4/09 meeting, the CRC Project Sponsors Council (PSC) unanimously supported a plan to improve access for pedestrians and bicycles across the river. This decision was made after the CRC Pedestrian and Bicycle Advisory Committee (PBAC) recommended a covered path on the two-structure replacement bridge. The PBAC also recommended the implementation of a security and maintenance plan. The PSC also discussed highway design refinement and potential elements to reduce costs. Members expressed support for the process to critically examine the current design and determine how project goals could be met while addressing concerns with overall project size and expense. CRC project staff provided an overview of several cost reduction options, including retaining the existing bridges over North Portland Harbor, reducing the number of merge lanes on I-5 from the bridge north to SR 500, altering plans for the Fourth Plain interchange and retaining the existing SR 500 interchange without improvements. Phasing the construction of project interchanges was also discussed. Meeting materials are available online: <http://www.columbiarivercrossing.org/ProjectPartners/ProjectSponsorsCouncil.aspx>  
For more information, see [www.columbiarivercrossing.org](http://www.columbiarivercrossing.org)

**Oregon’s Economic Outlook (7/09).** Prepared by economist Tim Duy, the University of Oregon (UO) Index of Economic Indicators™ dropped 0.4 % in 7/09 to 84.0 (1997 = 100), down from 86.3 at the beginning of the year. However, the pace of the downturn over the past six months continues to lessen. Moreover, the drop was exaggerated by falls in just two components, residential building permits and non-farm payrolls. Remaining indicators were mixed, including:

- Initial jobless claims edged downward again, but remain consistent with continuing declines in non-farm payrolls.
- Seasonally-adjusted residential housing permits continued their descent as the seasonal pattern remains weak, a testament to challenges in the housing industry. For comparison, the raw figure for 7/09 was about 411 permits, compared to over 1,446 permits in 7/08.
- New orders for core manufactured goods declined, but the 6/09 increase points to stabilization in the manufacturing sector and firmer business spending plans. Similarly, measures of national consumer confidence gained, primarily due to the “Cash for Clunkers” program. However, the continuation of restricted access to credit markets and less willingness to use credit further suggests that consumer spending will restrain growth.

Current indicators suggest that the recession, defined as the period of negative growth, will end in the second half of 2009.

**Portland Metropolitan Area Economic Outlook.** The University of Oregon (UO) Portland Metro Business Index™ (PMBI fell nearly 7% to 84.5 (2002=100), compared to the first quarter, and is down over 18% compared to 6/08. Thus, the pace of deterioration accelerated during the second quarter. Highlights of the report include:

- Labor market indicators showed persistent weakness. Although initial claims decreased, they remained well above the levels of the third quarter of last year, revealing a still-substantial level of lay-offs. A combination of continued lay-offs and no rebound in hiring resulted in a significant decrease in non-farm payrolls for the five-county metropolitan region since the beginning of 2009.
- Measures of tourism and travel both declined. Estimated lodging revenue, seasonally- and inflation-adjusted, fell for the second consecutive quarter. Passenger airline traffic also declined, more than reversing the small gain posted in the first quarter. Hopefully, evidence that national consumer and business activity is stabilizing will translate into strengthening of this economic sector in the second half of 2009.
- Residential housing activity weakened, with monthly units sold down from the first quarter, while days on market rose slightly. Building permit activity remains low. Early reports from the third quarter indicate improving conditions, as government initiatives and lower prices are supporting housing activity, particularly at the lower end of the market.

The continuing declines in the PMBI offer little evidence of stabilization in local economic activity. Still, stabilization in national activity, including recent data suggesting that the recession may have ended in earlier this summer, should be reflected in the local economy as the second half of 2009 progresses.

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