

Comprehensive Plan Update - Industrial Land Shortfall
Date for discussion: September 27, 2012

Introduction

The City’s comprehensive plan has to comply with all of the 15 statewide planning goals. The focus of this paper is on Goal 9, Economic Development, because it contains very specific requirements that must be addressed. However, Goal 5, Environment, is also important to the conversation because there are many natural resources within the industrial areas.

Statewide Planning Goal 9, Economic Development, requires the City to provide “at least an adequate supply of sites of suitable sizes, types, locations, and service levels for a variety of industrial and commercial uses...” Goal 9 also requires consideration of the “carrying capacity of the air, land and water resources of the planning area. Plans should not exceed the carrying capacity of these resources.”

The Goal 9 rule, which became effective in 2007, provides more specificity than the Goal itself. This rule requires the City, during periodic review, to prepare an Economic Opportunities Analysis that compares the demand and existing supply of land for the major categories of industrial and employment uses that could reasonably be expected to locate in the city. Estimated development potential must be based principally on growth trends and also consider the city’s economic advantages and disadvantages. Land supply is calculated using a number of factors including site characteristics and zoning. Then, “development constraints” which include wetlands, environmentally sensitive areas, infrastructure deficiencies, and natural hazard areas are subtracted from the land supply.

The City must then set policy based on all of this information and other statewide planning goal requirements.

During the August Watershed Health and Environment Policy Expert Group (PEG) meeting you were introduced to the City’s draft EOA, and to the fact that the EOA projects a 720 acre shortfall of industrial land over the next 20 years. It is important to note that 635 acres of the shortfall are specifically identified for an area that is referred to as the Columbia Harbor which includes the Columbia Corridor and the Willamette and Columbia river harbors. It also projects a 356 acre shortfall of river-dependant industrial land (Harbor Access). These numbers are listed in Table 1.

Area	Acres of Industrial Land Needed to Meet Shortfall
Total Citywide	720
Columbia Harbor	635
Harbor Access	356 (a subset of the 635 acres of Columbia Harbor lands)

It is important for the Watershed Health and Environment PEG to understand and weigh in on the issues and the trade-offs related to industrial land and watershed health.

Economic PEG Discussions

The Economic Development PEG and a special Industrial Lands Subcommittee have been discussing industrial land supply at most of their meetings over the summer. The focus has been on assembling a package of approaches that will, over the life of the new Comprehensive Plan, increase the amount of land available for industrial and employment uses. The approaches focus on protecting the industrial land we have, intensifying the use of existing industrial land, and increasing the supply of industrial land. The approaches are listed below and are outlined in the

matrix attached to this discussion paper: (See Attachment A: *What choices make sense to meet Portland's 720-acre industrial land shortfall to 2035?*)

1. Limit the conversion of industrial land to non-industrial zones.
2. Set greater limits on non-industrial uses in industrial areas (e.g. further limit office and retail uses in industrial zones).
3. Increase the rate at which brownfields redevelop (40% of brownfields currently redevelop every year).
4. Improve infrastructure in industrial areas as a way to encourage development and redevelopment on vacant and already developed industrial sites.
5. Expand industrial-office development incentives
6. Rezone part of West Hayden Island for a marine terminal.
7. Rezone portions of four private golf courses near the airport to industrial zoning.
8. Expand the industrial-office overlay in the Central City to allow more industrial offices in the Central City
9. Expand light industrial zoning in commercial corridors
10. Limit the amount of additional natural resource protections applied in industrial areas.

The matrix in Appendix A includes an estimated number of acres of industrial land that could potentially be increased or decreased by each action. If all of the actions were carried out to their fullest extents, staff estimates that the result would be a 570 acre surplus of industrial land citywide between now and 2035. However, fully implementing the options is unlikely due to cost, likelihood of success, and/or controversy.

Appendix A also includes two “illustrative scenarios” each of which presents a group of actions (with corresponding acres of land increased or decreased) that, when combined, adds 720 acres to the supply of industrial land and reduces the shortfall to zero. Getting to a zero acre shortfall with scenario A includes rezoning 300 acres of land on West Hayden Island to industrial. Scenario B does not include the 300 acres on West Hayden Island given the high level of controversy and political uncertainty associated with the West Hayden Island planning project. While scenario B achieves a zero shortfall, it does not eliminate the 356-acre shortfall specifically identified for river dependent Harbor Access Lands.

Key Questions related to Watershed Health and Environment

The following questions and commentary are intended to help inform the discussion of the industrial land supply issue. Staff would like members of the Watershed Health and Environment PEG to understand the issue so that you can raise important questions, engage in productive conversations with industrial stakeholders and help staff frame the discussion for the public workshops.

1. **Should the City decide to limit natural resource protection/acquisition over the next 20 years to address part of the shortfall? How should we determine what the limitation should be? (Options include NRI rank: High, High/Medium, High/Medium/Low, and NRI Special Habitat Area.)**

Approximately 1000 acres of significant natural resource are not within existing environmental or greenway overlay zones (river, stream, wetland, riparian corridor, wildlife habitat). These

resources are evaluated in the City's Natural Resource Inventory (NRI) and are assigned relative ranks of "high", "medium" or "low" based on specific functions and attributes. Some of the resources have also been designated as "special habitat areas" if they support rare or declining habitat types or fish/wildlife species at risk. Both Scenarios A and B include an assumption that some amount of additional protection will be applied to significant natural resources on industrial and employment lands.

The EOA factors in development constraints to calculate the supply of available land. Based on these models, the effect of adding environmental zoning to some or all of the 1000 acres will reduce the supply of industrial land by approximately 30 - 290 acres. Staff estimates the impact on land supply from protecting only high-ranked resources would be a reduction of 30 acres of industrial land supply, while protecting high and medium ranked resources is estimated to reduce industrial land supply by about 100 acres. (See Table 2)

Table 2: Reduction of Industrial Land due to Natural Resource Protection

<u>NRI Rank/Classification</u>	<u>Acres of Industrial land capacity reduction</u>
Protect all high ranked resources	30
Protect all medium ranked resources	70
Protect all low ranked resources	130
Protect all Special Habitat Areas	50 - 60

Both scenarios A and B assume protection of high and medium ranked resources and thus result in a 100 acre reduction. Recent planning projects (Airport Futures and River Plan /North Reach) have protected high and medium ranked resources. Special mitigation requirements were also applied to grassland special habitat areas as part of Airport Futures.

The final number that will be included in findings for Goal 9 will be the maximum number of acres that could be protected through zoning or acquisition over the next 20 years or until the EOA is updated. (The City is currently considering updating the EOA every 5 - 7 years.) What are the implications of this on compliance with existing and future regional, state and federal requirements natural resource requirements?

2. Should the City decide to rezone the private golf courses near the airport from Open Space zoning to Industrial zoning to address part of the shortfall?

There are four golf courses near the airport that are adjacent to other industrial lands and therefore could be valuable for industrial development. There are currently discussions underway about rezoning a portion of the Colwood Golf Course and we've heard that another is for sale. The discussion at the Economic Development PEG has focused on which ratio of Open Space to Industrial zoning they recommend (1/3 industrial, 2/3 open space vs. 2/3 industrial, 1/3 open space).

It should be noted that these golf courses contain significant natural resources and were designated as Special Habitat Areas during the Airport Futures Project. Open space portions of the golf course could serve as restoration sites. Some of these habitat areas attract wildlife that may pose risks to aircraft and could be converted to address these risks while still providing valuable habitat.

3. If scenarios A or B are not preferred, what other combinations of options do we have? How can we meet our Harbor Access shortfall without West Hayden Island?

If the City annexes the 800 acres of WHI, approximately 300 acres will be zoned industrial for a new marine terminal. The remaining 500 acres of West Hayden Island are proposed to be zoned open space, most of which would be protected as a natural area with passive recreation. West Hayden Island is currently zoned rural farm/forest, and Metro has designated the area as both a regionally significant industrial area and a regionally significant natural resource area. This approach to addressing the industrial land shortfall could result in a relatively large increase in the industrial land supply within the City of Portland and would address the need for land for a new marine terminal. The decision whether or not to annex and rezone West Hayden Island will be considered by the Planning and Sustainability Commission and City Council this fall.

4. What are the equity/environmental justice implications of the options?

5. How should the City address a future shortfall? Even if the City is able to meet the 720 acre shortfall during this periodic review, as a landlocked city Portland will eventually face an industrial land shortfall that can not be addressed by limiting/capping environmental protection or rezoning open space. What options does the City have?

Next Steps

- A subcommittee comprised of members of the Watershed Health and Environment and the Economic Development PEG and perhaps others will meet to further discuss and analyze the issues and competition between natural resource protection, open space and industrial growth and development.
- A cross-PEG discussion between the Watershed Health and Environment PEG and the Economic Development PEG will take place to further discuss this issue.
- In early 2013 the City will engage Portlanders in conversations about the Discussion Draft of the Comprehensive Plan. Staff anticipates that specific sessions will be focused on industrial land related issues.

Attachment A: What choices make sense to meet Portland's 720-acre industrial land shortfall to 2035? Summary of the discussion so far...

(Adapted from a handout developed for use at the 9/19/12 Economic Development PEG meeting)

Alternatives discussed	Potential Acres	Illustrative Scenarios		Potential Impact	Cost	Likelihood of success	Controversy
		A	B				
Industrial land retention	40	0	0	Medium	Low	Medium	Medium
1. Limit conversion of industrial land	-30	-30	-30	Medium	Low	Medium	Medium
2. Greater limits on non-industrial uses in industrial areas	70	30	30	Low	Low	Medium	Medium
Industrial land intensification	530	270	390	High	High	Low	Medium
3. Increase brownfield redevelopment	220	110	200	High	High	Low (cost, trends)	Low
4. Improve infrastructure	230	110	140	High	High	Low (cost)	Medium
5. Expand industrial-office development incentives	80	50	50	Medium	Medium	Medium	Medium
Industrial area expansion	750	550	430	High	High	Low	Medium
6. Rezone part of West Hayden Island	300	300	0*	High	High	Medium	High
7. Rezone part of private golf courses	370	190	370	High	Medium	Medium	Medium
8. Expand industrial-office overlay in Central City	20	20	20	Low	Low	Medium	Medium
9. Expand light industry in commercial corridors	60	40	40	Low	Medium	Medium	Medium
Watershed health improvement	-30	-100	-100	Medium	Medium	Medium	Medium
10. Expand protection of Natural Resources Inventory	-30	-100	-100	Medium	Medium	Medium	Medium
	1290	720	720				

* This option does not meet the State Planning Goal 9 requirement to designate land that meets total projected land needs for each use category.

Attachment B: Guidance from the Portland Plan (2012)

Economic Prosperity and Affordability

Element 1: Regional traded sector business growth (p.52): Achieve sustained job growth by providing a competitive business environment for traded sector industries.

Element 3: Trade and freight hub Invest in transportation systems and services to retain and expand our competitive market access as a West Coast trade gateway and distribution hub.

Guiding Principle P-19: Provide land supply and development capacity to meet job growth targets and improve the cost competitiveness of redevelopment and brownfields.

Guiding Principle P-20: Institute a means to consider economic as well as environmental and social metrics in making land use, program and investment decisions. Look for ways to improve social equity as part of economic development actions.

Action Plan 67: Industrial site readiness Assemble one 25-acre or larger site that is ready for industrial development as a model project for environmentally-sensitive industrial development.

Action Plan 68: Industrial growth capacity As part of the development of a new Comprehensive Plan, ensure there is adequate development capacity for forecasted job growth. Consider the specific forecasted needs for different types of employment land including industrial, harbor-access, multi-modal freight facilities, Central City office, campus institutions and commercial corridors in underserved neighborhoods.

Element 8: Household economic security: Expand upward mobility pathways for the working poor and unemployed so that the 77% share of economically self-sufficient households in Multnomah County in 2005 exceeds 90% by 2035.

Healthy Connected City

Guiding Principle H-26: Preserve and restore habitat connections and tree canopy to link stream and river corridors, landslide prone areas, floodplains, wetlands and critical habitat sites into a system of habitat corridors. This provides connections for wildlife supports biodiversity, improves water quality, reduces risks due to flooding and landslide and supports Portland's adaptation to climate change.

Action Plan 115 - Natural resource inventory Adopt an updated citywide natural resource inventory as a basis for updating the City's Comprehensive Plan, including new integrated policies to address watershed health and job goals. Integrate watershed health criteria into the analysis of alternative growth and land use scenarios. Establish criteria and methods to assess the watershed impacts of public policy and investment. Develop policies addressing ecosystem services and the value of natural resources, green infrastructure and related investments

Action Plan 116 - Natural resources Continue efforts to build a system of high quality parks and greenspaces.

- Preserve, enhance and restore high-priority natural resource areas through tools like willing-seller acquisition, restoration projects, regulations, agreements and partnerships.

Industrial and River Areas

The industrial and river areas serve a key role as the location for port facilities, industry and other employment and river habitat. Hayden Island, Bridgeton and scattered riverfront and houseboat communities have a strong river orientation, unique among Portland neighborhoods.

With the confluence of the Columbia and Willamette Rivers, it is also arguably one of the city's most critical habitat areas, providing home to migrating birds, fish and many other species. The complex relationship between the river dependent industrial uses and natural habitat areas is a pressing issue to address in this area.

Measures of Success

Land Supply

The Oregon statewide planning system requires that all cities have an adequate land supply to meet the needs for future job growth. At the same time, Portland is a land-locked city, so to meet this need we will have to:

- Increase productivity from existing employment land and facilities through reinvestment and modernization.
- Redevelop the most promising brownfields and Superfund sites.
- Address difficult issues related to protecting environmentally sensitive land while removing obstacles to redevelopment, especially in the industrial areas along the riverfront.

Current estimates show that Portland will need over 3,600 acres of land to accommodate projected job growth, including about 1,900 acres for industrial jobs. Portland currently only has about 3,200 acres of vacant or potentially redevelopable land, most of which has some kind of constraint that will make it challenging to develop.

- Portland has an estimated 1,050 acres of potential brownfields, which represent nearly one-third of the developable employment land supply. Due to the cost of clean up, market studies tell us that the private sector is likely to only clean up and redevelop about one-third of these brownfields by 2035, so new programs and incentives to encourage clean-up and reuse of more of these areas will be needed.
- Portland has approximately 300 acres of industrial land with environmental resources, such as wetlands or riparian areas. Part of this land could be developed, but mitigation costs must be considered.
- The remainder of the land supply needed to meet the 2035 jobs forecast must come from increasing the number of jobs per acre in existing employment districts. This comes from new business development, changes in the types of businesses, and capitalizing on Portland's competitive advantages.

To reach our job target, the city will need to make strategic and coordinated investments to overcome these barriers to redevelopment.