

SE Quadrant Plan

Bulletin #1: Background on Industrial Sanctuary Policy

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1. Introduction

The following bulletin provides background on the existing and proposed policies, including the city-wide industrial sanctuary policy and Central City policy specific to the Central Eastside, how they have been implemented, and updates to policy proposed by the Central City 2035 Concept Plan and Comprehensive Plan Update. The bulletin then presents some factors for the SE Quadrant Stakeholder Advisory Committee members to consider while forming new policy for the Central Eastside. Lastly, attachments are included to provide zoning information relevant to the discussion.

2. What is the Industrial Sanctuary Policy?

In 1980, the City of Portland adopted a new Comprehensive Plan for the city. This plan provided guidance for land use, transportation, public infrastructure and environmental stewardship, among other issues. One of the more unique moves of the plan was to adopt a policy establishing industrial sanctuaries, which states:

Comprehensive Plan Policy 2.14, Industrial Sanctuaries. Provide industrial sanctuaries. Encourage the growth of industrial activities in the city by preserving industrial land primarily for manufacturing purposes.

Although the policy specifically calls out the manufacturing sector, the impact of the industrial sanctuary policy (ISP) extended beyond this sector and industrial areas in general. This is because the protections extend to other industrial sectors allowed by right in industrially zoned areas and the basis for the provisions was to protect not only these uses within industrial areas, but also to encourage non-industrial uses to locate in commercial

districts where public investment had or was being spent to support their growth, especially in the Central City Plan District.

The ISP was based on the following nine assumptions:

1. The City of Portland is interested in encouraging industrial development to achieve a broad range of employment opportunities, a stable tax base, and efficient provision of public facilities and services.
2. Portland competes with outlying suburbs and other regions for industrial development.
3. The City of Portland is interested in protecting its substantial investments in public facilities and services. These investments include commercial district improvements.
4. The City of Portland regulates land uses through its acknowledged Comprehensive Plan and related implementation tools, including the Zoning Code.
5. Speculative pressure for commercial development in established and developing industrial areas can cause problems for industrial retention, relocation, and attraction through escalating land values, extra demands on public facilities, and land-use conflicts.
6. The City's historic and important role in fostering incubator industries is frustrated by this commercial encroachment.
7. Commercial development should be encouraged to locate in established commercial districts and strips.
8. New commercial activities should only be allowed to locate in an industrial area if those activities need to be there and do not cause problems for that area's industrial firms.
9. The City has a finite amount of industrial land. Loss of industrial land means loss of an irreplaceable resource for economic growth.

3. Current Central Eastside Policy (1988 Central City Plan)

The goal of preserving industrial activity in the Central Eastside was reinforced in the 1988 Central City Plan.

Central City Plan Policy 20: Preserve the Central Eastside as an industrial sanctuary while improving freeway access and expanding the area devoted to the Eastbank Esplanade.

Further:

- A. Encourage the formation of incubator industries in the district.*
- B. Reinforce the district's role as a distribution center.*
- C. Allow mixed use developments, which include housing, in areas committed to nonindustrial development.*
- D. Preserve buildings which are of historic and/or architectural significance.*
- E. Develop Union and Grand Avenues as the principal north-south connection and commercial spine in the district for transit and pedestrians.*
- F. Continue implementation of the Central Eastside Economic Development Policy*

These policy statements call for the preservation of the industrial activity in the Central Eastside, while recognizing the unique role and characteristics of the district. For example, the district's older, multi-story industrial buildings lend themselves well to small industrial incubator businesses. In addition, its central location works well for specialized distribution

functions. This policy also recognizes that parts of the district are committed to non-industrial uses, including housing.

4. How the Industrial Sanctuary Policy is Implemented?

The city implements the industrial sanctuary policy by segregating industrial uses from nonindustrial uses, primarily through the Zoning Map and regulations that limit the number and scale of nonindustrial land uses allowed within industrial districts. The ISP is implemented by three industrial zones including two General Industrial zones (IG1 and IG2) and the Heavy Industrial zone (IH). These zones are described by the Zoning Code as follows:

General Industrial: The zones provide areas where most industrial uses may locate, while other uses are restricted to prevent potential conflicts and to preserve land for industry. The development standards for each zone are intended to allow new development which is similar in character to existing development. The intent is to provide viable and attractive industrial areas.

Heavy Industrial: The zone provides areas where all kinds of industries may locate including those not desirable in other zones due to their objectionable impacts or appearance. The development standards are the minimum necessary to assure safe, functional, efficient, and environmentally sound development.

In the Central Eastside the policy is implemented today through the application of the IG1 zone over approximately 248 acres of land and IH zone over 19 acres of land.

However, it should be noted that approximately 73 acres of the IG1 zoned land has been designated for additional flexibility, as follows:

- 14 acres have a Comprehensive Plan designation of EG (General Employment) which is an industrial focused zone that allows some office and retail uses by right.
- 11 acres has a Comprehensive Plan designation of EX (Central Employment) that allows a broad mix of uses including housing, office, retail and industrial by right.
- 48 acres were placed within the Employment Opportunity Subarea (EOS) in 2006. The EOS allows for slightly more office and retail by right than is typically allowed in the IG1 zone and also allows for 60,000 sq. ft. of the newer industrial office classification by right.

See Attachments A and B for a map of existing zoning and a breakdown of zoning and allowed uses in the Central Eastside.

5. New Ideas about the Industrial Sanctuary Policy

The Central City 2035 Concept Plan and proposed update to Portland's Comprehensive Plan both contain amendments to the ISP as it pertains to the city as a whole and specifically for Central City industrial areas (Central Eastside and Lower Albina Districts). The CC2035 Concept Plan adopted by resolution by the Portland City Council in October 2012 states:

Policy 5, Next Generation of Industrial/Employment Sanctuaries. *Preserve and provide for the long-term success of Central City industrial districts, while supporting their evolution into places with a broader mix of businesses with higher employment densities.*

Similarly, the proposed draft of the updated Comprehensive Plan contains new policy language addressing Central City industrial districts that states:

Policy 3.38 Central City industrial districts. *Protect and strive for the long-term success of Central City industrial districts, while supporting their evolution into places with a broad mix of businesses with high employment densities.*

The draft Comprehensive Plan also contains the following proposed policies intended to provide direction regarding industrial districts:

Policy 3.31 Transit in industrial districts: *Maintain employment-focused land uses at transit station areas in industrial districts.*

Policy 3.32 Industrial districts. *Protect Portland's industrial districts for industrial business retention, growth, and traded sector competitiveness as a West Coast trade and freight hub, a regional center of diverse manufacturing, and a widely accessible base of family-wage jobs.*

Policy 3.33 Industrial sanctuaries. *Maintain industrial sanctuaries primarily for manufacturing and distribution use.*

Policy 3.41 Industrial land intensification. *Promote public investments and business climate enhancements that encourage industrial reinvestment and increase land efficiency for industrial output.*

These proposed policies continue the city's approach of protecting industrial sanctuaries for industrial land uses, while recognizing that Central City industrial districts may play a different role than other industrial districts in the city. In particular, these policies highlight opportunities to support a broader mix of employment uses and higher employment densities in these close-in industrial areas. The SE Quadrant Plan will provide more specific direction on how this should apply in the Central Eastside.

6. Issues to Consider for a New Central Eastside Policy Direction

The SE Quadrant Plan will need to consider if the Central Eastside is evolving into a different kind of industrial/employment district. If so, the plan will need to establish an appropriate policy direction to address this shift, as well as the implementation tools needed to support the desired long-term direction for the Central Eastside. A number of factors will need to be considered as new policy is established, some of which are described below.

A. Job Growth

Over the last decade, the Central Eastside has experienced exceptional job growth. It is currently home to over 17,000 jobs and has outpaced other employment districts in terms of recent job growth.

The Industrial Sanctuary Policy has contributed to this success by limiting development pressure and thereby keeping land costs and rents down. This has provided a stable environment for industrial businesses to invest in their operations, as well as low-cost "incubator" space for small and start-up businesses.

The Employment Opportunity Subarea (EOS) provisions, adopted in 2006, have also contributed to the recent job growth. The EOS provides additional flexibility for "industrial office" and retail uses to locate in the western portion of the district. Between 2006 and 2011, 700 net new jobs were added in the EOS overlay and a 5% annual employment growth rate. This resulted in a 95% increase in the number of knowledge based and design jobs (i.e. creative services, software, etc) within the EOS area.

Forecasts indicate there is demand for an additional 9,000 jobs to locate within the Central Eastside from 2010 to 2035. However, under current policies and zoning tools there is not enough development capacity to accommodate this job growth. This makes it important to

preserve land for employment uses and find ways to encourage higher employment densities on land that is available.

B. Business Mix

For long-term success, it will be important to retain a healthy mix of businesses within the district that compliment and serve each other.

Discussions with businesses across all sectors indicate that the vitality of their own business is dependent upon their proximity to suppliers and other supportive businesses in the district. This symbiotic relationship between businesses has been noted as a significant advantage of being located in the district.

Current trends and forecasts suggest a long-term shift to a greater mix of employment uses in the Central Eastside. Due to the district's smaller parcel and block sizes and constrained transportation system, the district has become less competitive for some large businesses in the manufacturing and warehouse and distribution sectors. However, the district is increasingly attractive to smaller businesses in these and other business sectors who need less space, affordable lease rates, and a centralized location.

The area has also seen significant demand from businesses seeking creative office space that are attracted to the urban industrial character of the district as well as the growing number and diversity of amenities located there. These businesses, which tend to be in high-tech or creative service industries such as architecture, engineering and graphic or industrial design, generally appear to be compatible with more traditional industrial businesses, however they may bring impacts such as increased parking demand and higher lease rates.

C. Compatibility with Existing Industrial Businesses

Industrial zones in the City of Portland prohibit or limit other uses to encourage industrial retention and growth and to avoid conflicts with other uses (residential, retail and office). When considering greater flexibility for a variety of land uses to locate within industrial areas, it is important to potential compatibility issues including:

- **External impacts of industrial businesses.** Industrial uses can have impacts such as noise, odors, vibrations and freight traffic that make them undesirable neighbors for other uses. Where industrial and non-industrial uses operate in close proximity, the potential for complaints about these impacts and pressure to convert to non-industrial uses increases. This can be an issue for uses on adjacent sites, as well as for uses operating in the same building.
- **Cost increases and retention of existing businesses.** Non-industrial uses are typically able and willing to pay higher rents than traditional industrial businesses. This could drive up costs in the district as a whole, making it difficult for industrial businesses to stay in the district. Recent trends indicate that cost increases are already occurring, with industrial office lease rates in the Central Eastside comparable to those in Class A office space in the Downtown commercial core.
- **Transportation conflicts.** Greater employment densities and potential new housing and retail development would put pressure on the transportation system. Freight access and loading can be complicated by increased traffic congestion and more pedestrian and bicycle activity. In addition, new uses and development would put pressure on an already limited parking supply in the district.

D. Existing Capacity for Mixed Use Development

The Central Eastside currently has a number of mixed use corridors (MLK/Grand, Burnside, and Morrison) where a wide variety of uses are allowed including residential, retail and office. To date, there has been limited development within these areas, however they have significant development capacity and there are a number of new mixed use projects in the pipeline.

In addition, other areas of the Central City, such as South Waterfront and the Lloyd District, continue to have significant capacity for mixed use development and the City has made major public investments in these areas to encourage that type of development to occur.

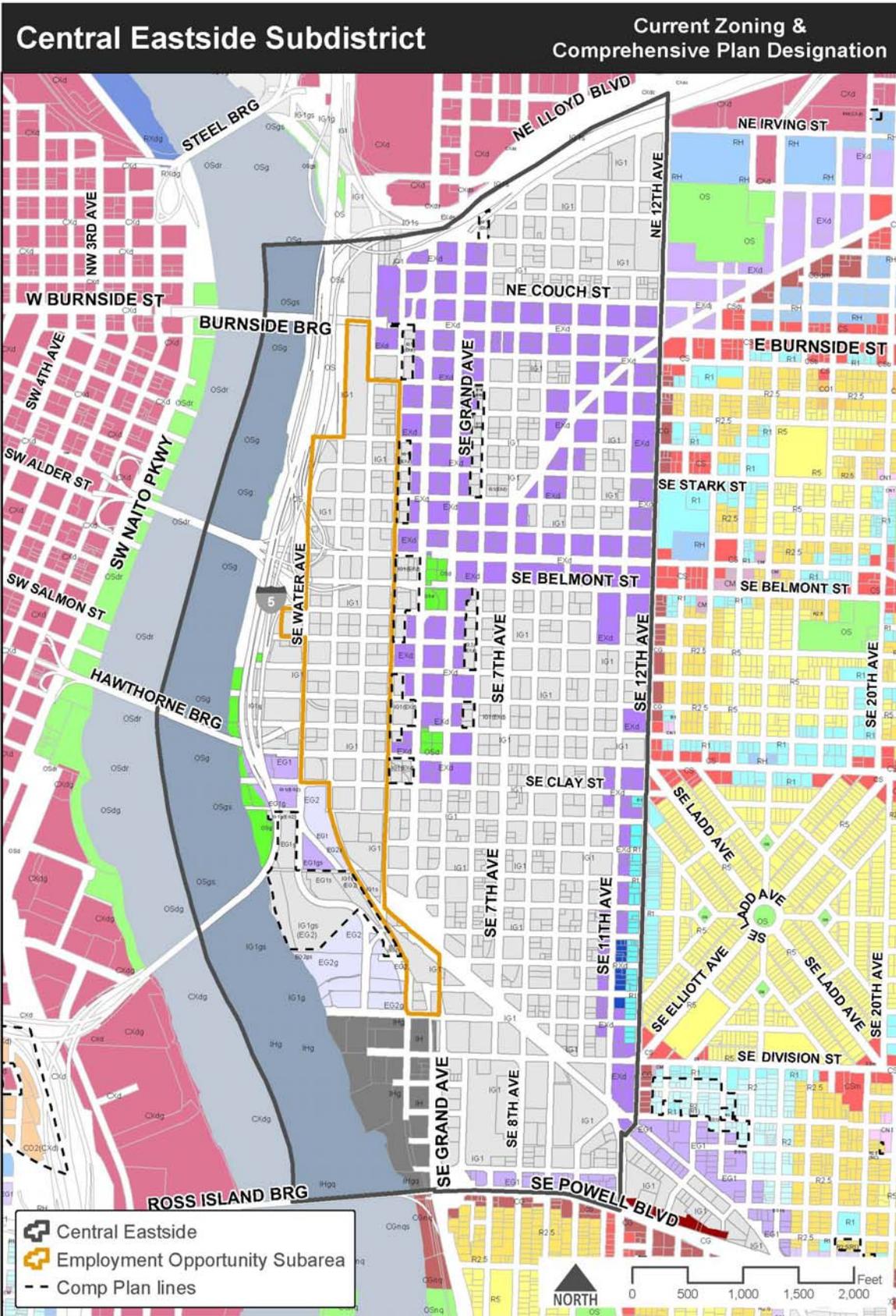
Attachments:

A: Central Eastside Zoning Map

B: Central Eastside Zoning Summary (Breakdown by land area; Allowed uses)

C: Industrial and Office Use Category Descriptions (Portland Zoning Code)

SE Quadrant Plan Bulletin #1: Background on Industrial Sanctuary Policy
 Attachment A: Central Eastside Zoning Map



August 15, 2013 City of Portland | Bureau of Planning and Sustainability | Geographic Information System

The information on this map was derived from City of Portland GIS databases. Care was taken in the creation of this map but it is provided "as is". The City of Portland cannot accept any responsibility for error, omissions or positional accuracy.

Attachment B: Central Eastside Zoning Summary

The Central Eastside Subdistrict contains Industrial Zones (IG1 and IH), Employment Zones (EG1, EG2, EX) and a small amount of residential zoning. The tables below show the amount of land in each zoning category and summarize use allowances in the predominate zones.

Central Eastside Zoning – Breakdown by Land Area				
Zone	Central Eastside Acres	% of Central Eastside	Central City Acres	% of zone in Central City
General Employment 1 (EG1)	7.4	1.9%	9.3	79.8%
General Employment 2 (EG2)	13.7	3.6%	13.7	100.2%
Central Employment (EX)	85.1	22.2%	229.3	37.1%
General Industrial 1 (IG1)	247.9	64.8%	335.9	73.8%
<i>Employment Opportunity Subarea – (IG1)</i>	48.4	19.5% of current IG1	---	---
<i>Comp Plan Designation-(EG)</i>	13.6	5.4% of current IG1	---	---
<i>Comp Plan Designation-(EX)</i>	10.8	4.3% of current IG1	---	---
Heavy Industrial (IH)	18.5	4.8%	41.6	44.5%
Open Space (OS)	5.1	1.3%	66.2	7.7%
Residential 1,000 (R1)	3.7	1.0%	11.0	33.6%
Central Residential (RX)	1.1	0.3%	102.8	1.1%
Total	382.5	100.00%		

Summary of Allowed Uses in Central Eastside					
Use Category	Industrial Zones			Employment Zones	
	IH	IG1	IG1 in EOS	EG1 & EG2	EX
Industrial	Allowed, except waste-related is conditional use			Allowed, except rail yards and waste related	
Industrial Office	4 Office or Retail uses allowed per site, up to 3,000 SF per use	1 Office or Retail use allowed per site, up to 3,000 SF	60,000 SF allowed per site	1:1 FAR allowed per site	Allowed
Traditional Office			5,000 SF allowed per site		
Retail			5,000 SF allowed per site		
Residential	Not allowed	Not allowed	Not allowed	Conditional use	Allowed

Notes:

- 1) Most zones allow additional office or retail uses or square footage through a conditional use review, up to a defined limit depending on the zone.
- 2) There are higher allowances for office and retail uses in Historic Landmarks.

Attachment C: Industrial and Office Use Category Descriptions

The Portland Zoning Code classifies land uses and activities into use categories based on common functional, product, or physical characteristics. The use designation determines where that particular use can be located, based on the uses allowed in the zone. Common land use categories are industrial, office, retail sales and service, and institutional.

Characteristics taken into consideration when making a use determination include both the activities that take place and the potential impacts of the use. Factors considered include:

- the type and amount of activity
- the type of customers
- how goods or services are sold or delivered
- certain site and use factors, such as building arrangement, hours of operation, and number of vehicle trips

Excerpts from the Portland Zoning Code are provided below for the primary industrial use categories relevant to the Central Eastside, including wholesale sales, warehouse and freight movement, manufacturing and production, and industrial service. Railroad yards and waste-related uses are also industrial uses, but have been omitted for brevity. The descriptions for traditional office and industrial office are also provided below.

Industrial Use Categories (Portland Zoning Code, 33.920.300 - .350)	
Characteristics	Examples
Wholesale Sales	
<p>Wholesale Sales firms are involved in the sale, lease, or rent of products primarily intended for industrial, institutional, or commercial businesses. The uses emphasize on-site sales or order taking and often include display areas. Businesses may or may not be open to the general public, but sales to the general public are limited as a result of the way in which the firm operates. Products may be picked up on site or delivered to the customer.</p> <p>Exception: Firms that engage primarily in sales to the general public are classified as Retail Sales And Service.</p>	<p>Sale or rental of machinery, equipment, heavy trucks, building materials, special trade tools, welding supplies, machine parts, electrical supplies, janitorial supplies, restaurant equipment, and store fixtures; mail order houses; and wholesalers of food, clothing, auto parts, building hardware, and office supplies.</p>
Warehouse and Freight Movement	
<p>Warehouse And Freight Movement firms are involved in the storage, or movement of goods for themselves or other firms. Goods are generally delivered to other firms or the final consumer, except for some will-call pickups. There is little on-site sales activity with the customer present.</p> <p>Exception: Miniwarehouses are classified as Self-Service Storage uses.</p>	<p>Separate warehouses used by retail stores such as furniture and appliance stores; household moving and general freight storage; cold storage plants, including frozen food lockers; storage of weapons and ammunition; major wholesale distribution centers; truck, marine, or air freight terminals; bus barns and light rail barns; parcel services; major post offices; grain terminals; and the stockpiling of sand, gravel, or other aggregate materials.</p>

Industrial Use Categories (Portland Zoning Code, 33.920.300 - .350)	
Characteristics	Examples
Manufacturing and Production	
<p>Manufacturing And Production firms are involved in the manufacturing, processing, fabrication, packaging, or assembly of goods. Natural, man-made, raw, secondary, or partially completed materials may be used. Products may be finished or semi-finished and are generally made for the wholesale market, for transfer to other plants, or to order for firms or consumers. Goods are generally not displayed or sold on site, but if so, they are a subordinate part of sales. Relatively few customers come to the manufacturing site.</p> <p>Exception: Manufacturing of goods to be sold primarily on-site and to the general public are classified as Retail Sales And Service.</p>	<p>Processing of food and related products; catering establishments; breweries, distilleries, and wineries; slaughter houses, and meat packing; feed lots and animal dipping; weaving or production of textiles or apparel; lumber mills, pulp and paper mills, and other wood products manufacturing; woodworking, including cabinet makers; production of chemical, rubber, leather, clay, bone, plastic, stone, or glass materials or products; movie production facilities; recording studios; ship and barge building; concrete batching and asphalt mixing; production or fabrication of metals or metal products including enameling and galvanizing; manufacture or assembly of machinery, equipment, instruments, including musical instruments, vehicles, appliances, precision items, and other electrical items; production of artwork and toys; sign making; production of prefabricated structures, including manufactured dwellings; and Utility Scale Energy production.</p>
Industrial Service	
<p>Industrial Service firms are engaged in the repair or servicing of industrial, business or consumer machinery, equipment, products or by-products. Firms that service consumer goods do so by mainly providing centralized services for separate retail outlets. Contractors and building maintenance services and similar uses perform services off-site. Few customers, especially the general public, come to the site.</p> <p>Exception: Contractors and others who perform services off-site are included in the Office category, if equipment and materials are not stored at the site, and fabrication, or similar work is not carried on at the site.</p>	<p>Welding shops; machine shops; tool repair; electric motor repair; repair of scientific or professional instruments; sales, repair, storage, salvage or wrecking of heavy machinery, metal, and building materials; towing and vehicle storage; auto and truck salvage and wrecking; heavy truck servicing and repair; tire retreading or recapping; truck stops; building, heating, plumbing or electrical contractors; trade schools where industrial vehicles and equipment, including heavy trucks, are operated; printing, publishing and lithography; exterminators; recycling operations; janitorial and building maintenance services; fuel oil distributors; solid fuel yards; research and development laboratories; drydocks and the repair or dismantling of ships and barges; laundry, dry-cleaning, and carpet cleaning plants; and photofinishing laboratories.</p>

Office Use Categories (Portland Zoning Code, 33.920.240)	
Characteristics	Examples
Office Uses in General	
<p>Office uses are characterized by activities conducted in an office setting that focus on the provision of goods and services, usually by professionals.</p> <p>Exception: Offices that are part of and are located with a firm in another category are considered accessory to the firm's primary activity. Headquarters offices, when in conjunction with or adjacent to a primary use in another category, are considered part of the other category.</p>	
Traditional Office	
<p>Traditional Office uses are characterized by activities that generally focus on business, government, professional, medical, or financial services.</p>	<p>Professional services such as lawyers or accountants; financial businesses such as lenders, brokerage houses, bank headquarters, or real estate agents; sales offices; government offices and public utility offices; medical and dental clinics, and blood collection facilities.</p>
Industrial Office (Note: The Industrial Office use category applies only within the Employment Opportunity Subarea of the Central Eastside)	
<p>Industrial Office uses are characterized by activities that, while conducted in an office-like setting, are more compatible with industrial activities, businesses, and districts. Their operations are less service-oriented than Traditional Office uses and focus on the development, testing, production, processing, packaging, or assembly of goods and products, which may include digital products such as internet home pages, media content, designs and specifications, computer software, advertising materials, and others. They primarily provide products to other businesses. They do not require customers or clients to visit the site; any such visits are infrequent and incidental.</p>	<p>Software and internet content development and publishing; computer systems design and programming; graphic and industrial design; engineers; architects; telecommunication service providers; data processing; television, video, radio, and internet studios and broadcasting; scientific and technical services; and medical and dental labs.</p>