

Preliminary Summary of Potential Alternative Approaches to Overcome Industrial Land Capacity Shortfalls in Portland, July 10, 2012

Industrial land needs

The draft Portland Economic Opportunities Analysis (EOA) prepared by the Bureau of Planning and Sustainability and E.D. Hovee & Co. found substantial shortfalls of developable land capacity in the city's industrial areas. The draft EOA found current capacity to meet only 57% of forecast demand by 2035 in Columbia Harbor, 21% on Harbor Access Lands, 80% in Dispersed Industrial Areas, and 40% in Central City Incubator Districts. The draft EOA also identifies a range of options to overcome industrial land capacity shortfalls. The long-term priorities set in the Portland Plan (April 2012) call for ensuring adequate growth capacity in the Comprehensive Plan Update to meet forecast job growth and Portland's continued expansion as a West Coast trade distribution hub. The Portland Plan also calls for new integrated policies to address watershed health and job goals and inclusion of watershed health criteria in alternative growth and land use scenarios.

Alternative approaches to overcome industrial land capacity shortfalls

The following preliminary alternative approaches to overcome capacity shortfalls, drawing from the draft EOA, are intended to begin discussion in the Economic Development Policy Expert Group (EDPEG) for the Comprehensive Plan Update. Eleven alternative approaches are described below, grouped by preliminary draft policy concepts for industrial land use and growth capacity. Accompanying these alternatives, a preliminary draft matrix evaluates their estimated effect on meeting forecast land needs and job growth. At the outset, a range of A and B options is proposed, with A options resulting in more industrial capacity and B options in less industrial capacity. Portland Plan priorities of prosperity, education, health and equity are suggested as categories to discuss and compare the effect of these alternatives among community priorities.

Industrial sanctuary policy concepts:

- *Industrial sanctuaries – Encourage the growth of industrial activities in Portland by providing industrial sanctuaries that preserve industrial districts primarily for manufacturing and distribution facilities.*
- *Prime industrial land and freight hub - Preserve the multi-modal freight-hub industrial districts at Portland Harbor, Columbia Corridor, and Brooklyn Yard as prime industrial land, and maximize use of multimodal freight infrastructure in these areas.*

1. Limit industrial sanctuary conversion to

- (a) no net loss in “prime” industrial areas and 3% loss in other areas (Central City Incubator and Dispersed Industrial Areas) by 2035;
- (b) 1% loss in “prime” industrial areas and 5% loss in other areas by 2035.

Prime industrial areas are defined by their unique industrial attributes that are difficult or impossible to replace elsewhere in the region. A common theme of industrial focus group comments in the draft EOA was that maintaining the industrial sanctuary is critical for manufacturing and distribution. Since 1991, Portland rezoned approximately 190 acres in draft “prime industrial” areas (1.3% of

total district area) to EG Mixed Employment through land-use review cases and approximately 370 acres in former dispersed industrial areas (38% of total) through neighborhood plans. Examples of currently proposed rezoning of industrial land include the McCormick & Baxter site (approximately 45 acres, vacant since 1991) on Portland Harbor and the Blanchard School District site and others in the Central City Plan Update 2035.

A variety of options exist for limiting industrial sanctuary conversion. The preliminary alternative proposal specifies a limited share (of acreage) allowed to be converted by 2035. Another option, if desired, is to refine the designated boundaries of prime industrial areas to remove constrained, edge sites that are currently mapped by Metro as Regionally Significant Industrial Areas. Flexibility, if desired, could also be added by allowing limited conversion to EG Mixed Employment, which currently encompasses about 7% of Portland's draft prime industrial districts (in acres) and about 40% of dispersed industrial areas (this option affects alternative #2 below).

2. Restrict new non-industrial uses in industrial zones to

- (a) meet only 50% of demand for office, institution, recreation, and retail;
- (b) meet only 50% of demand for retail;

Another zoning option to expand industrial development capacity is to further restrict development of non-industrial uses that could be located in other employment geographies. For example, the draft EOA forecast for Columbia Harbor includes 229 acres of commercial development (18% of total Columbia Harbor forecast acreage demand). Most of that commercial development is for office space (154 acres), much of which represents headquarters office growth of industrial companies. The extent that forecast commercial demand in industrial areas is already restricted by current zoning is not clear. Much of forecast commercial demand in industrial areas applies to sites with current EG zoning, where substantial commercial development is anticipated. Current regulations in IG and IH industrial zones already limit commercial development (retail, service and office) to small format use, generally limited to 3,000 square feet of building area per site or 20,000 square feet with a conditional use permit.

Potentially, options could be explored to further restrict commercial development, such as additional restrictions on headquarters offices associated with industrial facilities, commercial parking, self-service storage, commercial outdoor recreation, and community service uses. Industrial headquarters offices generally represent significant anchor facilities in industrial areas that encourage industrial reinvestment, but limiting their expansion on-site could be an option. Also, current EG regulations allow residential development with a conditional use, which introduces compatibility impacts in industrial areas and reduces space for industrial development.

Policy concept: Industrial land intensification – Emphasize approaches to increase land efficiency as Portland's primary long-term opportunity to expand industrial growth capacity.

3. Increase brownfield redevelopment (e.g. incentives)

- (a) from 40% to 90% of total brownfield acres by 2035 (100% in Incubator areas);
- (a) from 40% to 50% of total brownfield acres by 2035.

The draft EOA estimates that only 40% of brownfield acres in industrial areas are likely to redevelop by 2035 under current programs. Many other states and cities have more aggressive

brownfield redevelopment incentives and tools that could potentially be applied here. Moreover, Statewide Planning Goal 9 encourages adoption of a comprehensive plan policy and implementation strategy for brownfield redevelopment. The Portland Brownfield Redevelopment Assessment is being prepared to inform the Comprehensive Plan Update, evaluating the financial feasibility, public benefits, and best-practice tools that could increase brownfield redevelopment rates to 50%, 70% or 90%. Options recommended in this study can potentially be advanced to substantially overcome industrial land capacity shortfalls.

4. Encourage site intensification (e.g., infrastructure, business climate)

- (a) meet 40% of demand on non-vacant sites;
- (b) meet 30% of demand on non-vacant sites.

Public investments and business climate initiatives could significantly increase industrial land efficiency, by encouraging industrial reinvestment on existing sites, instead of expansion on vacant land elsewhere. Development trends in Portland's industrial areas from 1999 to 2011 indicate that about 36% of the new building area (square footage of new buildings and major additions) was on sites that were not vacant. This 36% share essentially measures site intensification and redevelopment. On one hand, these trends might not proportionately reflect the outdoor developed area that accounts for most industrial land demand, and the 1999-2011 period of industrial area job loss does not necessarily reflect that higher growth level of the 2010-2035 forecast. On the other hand, tightening industrial land supplies in prime industrial areas and proactive efforts to encourage site intensification could increase rates above past trends.

Examples of public investments to encourage industrial site intensification include the capital investments included Portland's Freight Master Plan and the Working Harbor Reinvestment Strategy of River Plan North Reach. High profile public projects that have been identified as a priority to industrial leaders, such as Columbia River Crossing and Portland Harbor Superfund, are key examples of public investments with potential to encourage higher rates of industrial reinvestment on local sites. Business climate initiatives are another option to encourage land intensification, such as an action to explore and advance modifications to Portland fees and development regulations that are perceived by industry as significantly exceeding burdens in alternative locations.

5. Expand incentives for low-cost "industrial office" development

- (a) to occur on 15% of Incubator/Dispersed Area acres by 2035;
- (b) to occur on 10% of Incubator/Dispersed Area acres by 2035;

The Central City Industrial/Incubator districts of Central Eastside and Lower Albina have had robust job growth since 2000, mostly in "office" sector businesses locating in underutilized upper-floor space. Much of this growth has been in very small businesses (often startups), resulting in the term "incubator" districts used in the draft EOA. The EOA found a 60-acre capacity shortfall in these districts, with existing capacity adequate to meet only 40% of forecast demand. A 2011 study done for the Central City Plan Update (ZGF, ECONorthwest) found significant office growth potential in these lower-density "edge" areas of the Central City to compete in regional office development markets that are dominated by lower-cost (Class B/C) space. However, the study also found significant regional cost-competitiveness gaps of these "edge" districts for a range of Class B and C building types.

Expanded incentives are proposed here as an option to overcome these cost-feasibility gaps for new “industrial office” buildings and building additions to augment the limited remaining capacity of underutilized upper-floor space. Incentives could come in a variety of forms, such as gap financing, infrastructure partnerships (e.g., parking structures), fee revisions, tenant assistance, and other district enhancements. These incentives could potentially also be applied in Dispersed Industrial Areas to reduce development capacity shortfalls there.

Policy concept: District expansion – Provide opportunities for expansion of industrial districts that optimize community objectives and incorporate additional natural area.

6. Annex and rezone West Hayden Island for

- (a) 300 acres of marine terminal area and 500 acres of natural area;
- (b) no additional industrial acres.

Metro added West Hayden Island into the urban growth boundary and designated part of it (around 300-400 acres) as Regionally Significant Industrial Area, anticipating marine-related industrial development. West Hayden Island is also mapped by the City of Portland and Metro as a high-value natural resource area. BPS is currently conducting a planning process to consider annexation of West Hayden Island and rezoning for up to 300 acres of marine industrial area and 500 acres of natural area.

7. Designate airport area golf courses for rezoning, if proposed, to

- (a) 1/3 industrial and 2/3 open space use (4 courses, 560 total acres);
- (b) 48 industrial and 90 open space acres at Colwood Golf Course.

Four commercial golf courses, totaling approximately 560 acres, are located in the 5,700-acre Airport industrial district, which is part of Columbia Harbor. Approximately 60 acres in these golf courses is currently zoned IS Industrial with “p” and “c” environmental overlay zoning, and the remainder is zoned OS Open Space. A Comprehensive Plan map amendment proposal was recently drafted by The Trust for Public Land on the Colwood Golf Course for 48 acres of industrial and 90 acres of Open Space (e.g., city park or natural area). An earlier Comprehensive Plan map amendment to Industrial on a substantially larger portion of the Colwood site was denied, drawing wide objections that the nearby Cully Neighborhood is park-deficient. Development of the proposed, undeveloped Thomas Cully Park, which is currently zoned EG within Columbia Harbor, provides further opportunity to expand park opportunities closer to the Cully residential areas. The Broadmoor Golf Course has also recently been listed for sale. Option A above applies the current Colwood proposal (1/3 industrial, 2/3 open space) as a model to potentially guide future reuse of other commercial golf courses near the airport if the owners propose to close them in the future.

8. Expand the EOS industrial-office overlay to all Incubator Area and

- (a) expand allowed industrial office uses;
- (b) do not expand allowed industrial office uses.

The EOS Employment Opportunity Subarea overlay zone was applied in the western few blocks of the Central Eastside Industrial District in the early 2000s to allow “industrial office” uses. This provision essentially allows for upper-floor reuse and development in vertical buildings. Industrial

offices are distinguished from “traditional offices” which are limited to a small format in industrial zones (i.e., up to 3,000 square feet per site or 20,000 square feet with a conditional use permit). “Industrial office” uses are currently defined to include software, computer programming, graphic design, industrial design, engineers, architects, telecommunications, data processing, media broadcasting, scientific and technical services, and medical and dental labs. These uses are generally intended to include businesses in a variety of expanding fields that produce new types of economic content. Given approximately a decade of experience with the EOS overlay, expansion and refinements may be opportune to reduce development capacity shortfalls.

9. Expand dispersed industrial area in East Portland by an area plan to

- (a) add 60 acres of EG General Employment zone;
- (b) add 40 acres of EG zone.

The draft EOA found a 28-acre capacity shortfall in Dispersed Industrial areas, with existing capacity adequate to meet only 80% of forecast demand. Flexibility for limited rezoning in 3-5% of Dispersed Industrial areas, a much lower rate than recent decades, could significantly increase that shortfall. Forecast development demand in these areas includes approximately 71 acres of office, 34 acres of flex space, and 36 acres of general industrial development. The small size of these areas reduces potential negative impacts on surrounding neighborhoods, while expanding neighborhood access to living-wage jobs and industrial services. The East Portland Action Plan and Neighborhood Economic Development Strategy have recently initiated a variety of efforts to expand neighborhood economic opportunities. Complementing these efforts, a refinement planning option could include an area plan to explore and add potentially 40 to 60 acres of EG Mixed Employment zoning in East Portland and possibly other areas.

Policy concept: Relation to watershed health – Improve watershed health concurrently with industrial growth in industrial districts.

10. Protect additional Natural Resource Inventory (e.g., overlay zoning)

- (a) up to 200 new acres on prime industrial land by 2035 (placeholder amount);
- (b) up to 400 new acres on prime industrial land by 2035 (placeholder amount).

The draft EOA estimates environmental constraints on vacant land based on currently regulated areas, including environmental overlay zones, greenway overlay zones, regulated floodplain, and wetlands. The Natural Resource Inventory identifies a substantially larger area in industrial districts that could be protected by new measures, such as overlay zoning or targeted restoration sites, which would effectively reduce industrial development capacity. Alternative options to consider have not yet been developed and are generally in the purview of the Watershed Health Policy Expert Group to initiate. In the meantime, a placeholder range of 200 to 400 acres is shown, simply to acknowledge this issue.

Other alternatives to meet demand that do not add overall capacity:

11. Assemble 50+ acre sites with environmentally sensitive design to

- (a) fully meet large-site demand for rail yard, marine terminal, general industrial;
- (b) accommodate 1 large general industrial site for a target industry.

The draft EOA found a 550-acre shortfall of vacant 100+ acre sites in Columbia Harbor, which potentially could be partly addressed by an estimated 149-acre surplus of 50-100 acre sites. Specifically, the draft EOA estimated demand for an additional 200 acres of rail yard space and 350 acres of marine terminals generally on sites larger than 100 acres, as well as a 50+ acre general industrial site. A 2011 study (ECONorthwest) done for West Hayden Island planning efforts evaluated land-assembly opportunities in existing Harbor Access lands, generally limited to two significantly constrained sites about 60 acres each in size that potentially could be assembled with surrounding properties into larger sites. But these two sites fall far short of estimated 350-acre marine terminal demand by 2035. Still, land-assembly efforts provide an opportunity to address land needs for rail yards, part of marine terminal demand, and one or more large general industrial sites for a target industry, such as Advanced Manufacturing or Clean-Tech. Land-assembly efforts are not expected to expand overall district capacity, but focus instead on meeting the large-site segment of industrial land demand.