

## **Industrial Land Capacity Working Group**

### **Member comments on industrial land use concepts and capacity alternatives, July 12, 2012**

The following written comments were submitted following the July 5, 2012, working group meeting, in response to meeting handouts on preliminary draft land use policy concepts and capacity alternatives.

#### **Comments from Peter Finley Fry, Central Eastside Industrial Council, July 7**

1. Comprehensive Plan designations are a means to organize uses to reduce incompatibility (externalities), increase synergy, and guide the appropriate types of infrastructure (industrial alleys versus wide downtown pedestrian sidewalks). The placements of the designations are not arbitrary; they are based on where uses choose to be and reinforced overtime by public and private investment. The areas develop their own ecology whether it is an inner-city residential neighborhood or the working waterfront. Public policy works to cluster uses for synergy and economic/social symbiosis.

Locational decisions are driven by a variety of factors including zoning, transportation, proximity to business services and labor, taxes, and/or desire to be close to suppliers or competitors.

2. The region, to protect surrounding farm land and encourage urban efficiency, has an expectation that Portland provide for growth in employment and residents. In fact, cities within the region compete for that growth to improve their economic vitality. Portland, as a policy, has historically competed for more growth then was assigned by METRO.

Land's competitive advantage is in its unique attributes. Portland exists where it does for a reason. Portland is at the confluence of two great rivers, a wagon road across the west hills to the fertile Tualatin valleys, rail lines that span the nation and the only at west coast grade crossing of the Cascade, Sierra, and Rocky Mountains ranges. The Willamette/Columbia industrial waterfronts are unique and are not replicated anywhere in America.

3. The primary barrier for redevelopment in brownfields is risk. A property owner may even clean a property to DEQ's risk based requirements and find more and perhaps even more toxic contamination is the process of construction. The brownfield may extend across public right-of-way such as the Willamette River superfund site and create incredible difficulty in assigning blame and

responsibility. Tools include clean up by public agencies and formation of a risk pool – insurance.

- 4.** An urban industry is emerging (Daily Journal article about New Orleans – 7/31/12) nationally in inner-city industrial area. These firms include establish firms reinventing themselves to emerging opportunities and newly formed firms. Internet and transportation systems free industrial businesses from centralizing all their functions at a single location. These firms desire vertical buildings. A firm can conceive of a product, manufacture it anywhere, and ship it anywhere. Products can be both intellectual and physical. High end distribution companies also thrive in inner cities with showrooms and just in time inventory. Some begin as incubator businesses and survive as long term business activities that strengthen Portland and the nation’s economy and others are reinventions of traditional business. Central Eastside nurtures the survivors and provides a location for Urban Industry
- 5.** Industrial offices are not Class C office buildings. The space is different from traditional offices with concrete floors, no ceiling, open and flexible, and with an advanced infrastructure. Perhaps they should be Class I. Brand new buildings have been created to house urban industry. The greatest barrier for development is the requirements for seismic upgrades for existing buildings and the cost of new construction.
- 6.** The Employment Overlay in the Central Eastside was purposely created to provide for industrial office. The experiment has worked very well. Unfortunately when the industrial office category was created; it was located in the Office category and not the Industrial category where it belongs.
- 7.** The review of where industrial designations should be created or expanded should be city-wide and all designations should be examined. This is true of all the designations as there are inconsistencies throughout Portland. This process could inform the Comprehensive plan process.
- 8.** Headquarter office buildings such as Columbia Sportswear, Adidas, and Nike could be compatible in industrial area such as the Columbia Southshore.
- 9.** Disperse industry and neighborhood border are in conflict and creating proper buffers difficult, if not impossible.
- 10.** Public policy that drives industrial uses to office or higher rent uses can benefit property owners and educated workforce created a net benefit but can increase unemployment of the working class and increase the costs of products causing a net loss in social welfare.

**Comments from Mike Houck, Urban Greenspaces Institute, Planning & Sustainability Commission member, July 8**

In my opinion the first 5 categories listed under Land Intensification alternatives should be the primary focus of BPS work to address the issue before us. If one adds up all of the potential additional land as presented in the matrix there are to 332 to 883 potential new acres available for industrial use. Your pessimistic comments regarding potential cost of going from 40% to 90% brownfield increases notwithstanding, even if we increased from 40% to only 70% there would be substantial addition of more industrial land. As I noted in our meeting, while the SHORT TERM expense of readying more brownfield land for industrial purposes may be daunting, if the city is so determined to increase industrial land capacity, then it ought to make readying brownfields a budget priority as per discussions withing BPS and at the Planning and Sustainability Commission regarding aligning the budget with the Portland Plan and Comp Plan. Then, of course, there's the issue of rethinking how the city calculates short vs long term cost benefit. Is it in our long term interest to increase industrial capacity by intensifying through refill and remediating brownfields or in expanding onto greenfield sites such as 300 acres of high quality habitat and floodplain at WHI and rezoning Open Space [golf courses] to Industrial in the Columbia Corridor, as suggested in the "Land supply expansion alternative"?

I would argue the former is a more responsible approach and more consistent with the city's values and a longer term cost benefit perspective.

Beyond focusing primarily on the Land Intensification alternatives, it may be reasonable to consider LIMITED rezoning of some Open Space in the Columbia Corridor. But, without knowing specifically what land is being considered it's impossible to give an opinion responsibly, given the sensitive nature of land along the Columbia Slough and the potential for restoring Open Space land along the Slough to improve fish and wildlife habitat, recreational opportunities, and parks. Option b would target Colwood Golf course, but it's my understanding that there is great interest on the part of local neighborhoods to create significant new park land and wildlife habitat at Colwood Golf Course. Whether rezoning a portion of Colwood (48 acres) for industrial use as part of a package that would create 90 acres of park and natural area is more acceptable than opening up greenfield development on WHI in my opinion. But, as stated above, we should be focused first on the five categories of Land Intensification first.

I am not familiar with specifics related to #s 8 and 9 under Land Supply expansion, so I cannot comment with any credibility on those options, although they sound far more reasonable than #6, WHI and #7 Open Space rezoning.

Land Supply Reduction Alternatives:

I would support Limiting industrial sanctuary conversion, so long as there are not

impacts to natural resource zones.

I do not understand #11 Protect additional Natural Resource Inventory area, which if I understand the chart correctly, would actually REDUCE industrial land supply by 100 to 200 acres. It's impossible to imagine there are 100 to 200 NEW acres of sensitive land in the Columbia Harbor that are not already P or C zoned because they are floodplain, wetland or significant fish and wildlife habitat. I would presume once you've done a finer analysis on this option that there will be minimal loss of industrial land, unless significant acres currently zoned EC were converted to EP, which would conceivably result in some loss of buildable land.

I would like more information on #7 (golf course rezone) and #11 regarding pros and cons and potential negative environmental consequences.

### **Comments from Pia Welch, Portland Freight Committee, July 9**

- Make sure that the language encourages and enhances the businesses having timely access to industrial lands for business development.
- Promotion of businesses both new and already existing. Policy should encourage new businesses to want to remain in Portland and invest capital. For instance – the working waterfront process was not encouraging to existing businesses – from my perspective.
- The city needs to make an effort to steam line processes and enable businesses to have a shorter time-frame to get their property up and running. If the city is already doing this then it needs to have a better PR so people know.
- Brownfields – how can an assumption be made that they are a part of the industrial land supply if the cost is high to develop?
- Transportation to and from industrial areas need to be taken into consideration. Is it feasible for workers? Is it the best area to move product in and out of?

### **Comments from Tom Bouillion, Port of Portland, July 10**

- **Timing.** We agree with comments from other group members suggesting that more time should be provided to offer comments on materials first presented at last Thursday's meeting (July 5<sup>th</sup>)
- **Lack of “opportunity” stemming from the EOA.** The tone of the discussion seemed to focus on a menu approach of options to reach compliance under Goal 9 rather than focusing on the benefits that could be derived from maximizing the available supply of industrial land in Portland, which is typically

the approach taken by other jurisdictions in preparing their EOAs and updating Goal 9.

- **Need to acknowledge public benefit of industrial investment and reinvestment.** As suggested by a group member, environmental upgrades such as stormwater improvements tend to occur at the time of redevelopment by industrial users. However investment and reinvestment will not occur in some cases without public assistance, such as brownfields; without a predictable and cost effective regulatory structure and without an adequate supply of industrial land for the expansion of existing businesses and attraction of new businesses. In an income-tax dependent state such as Oregon, industrial businesses plus their employees contribute significant funding to critical public services such as transit, education and multimodal transportation.
- **Regional industrial land supply vs. City of Portland industrial land supply.** While it is important to consider a regional perspective in all forms of land use planning, Vancouver, Clark County or other metro jurisdictions do not provide a suitable surrogate for industrial land and activity in the City of Portland. Discouraging industry in Portland would have a number of negative consequences, from a fiscal, economic and environmental perspective. In addition, from a Statewide Land Use Planning perspective, there is no provision in Goal 9 to accommodate employment land need in another jurisdiction or another state. In a different context, there is no suggestion that Portland fulfill its Goal 5 habitat obligations or needed housing units requirement under Goal 10 by looking to Vancouver or other communities outside their own boundary. Finally, Metro projects over a million new residents in the region by 2035. Based on this significant growth, Portland as well as the region as a whole will need to respond with an adequate supply of industrial land.
- **West Hayden Island.** While the acreage assumptions are correct based on the City Council resolution, they will only become realized if the costs and burdens of development do not become so difficult to preclude development. We believe that this alternative should be an important alternative to expand the City's industrial land supply.
- **Golf Course Conversion.** We agree that golf course conversion should be an important alternative to expand the City's industrial land supply. However, we question why conversion should require that only one third of the acreage should be industrial and two thirds must be kept as open space. The reverse situation (conversion of industrial land to open space) does not require a similar ratio of open space to industrial.
- **Intensification.** Measures of intensification must accurately reflect how industrial sites operate. In the past, suggestions of minimum FAR for industrial sites ignored the fact that warehouse/distribution and most manufacturing uses cannot operate in multistory buildings. It also ignored the fact that many industrial users require a significant amount of exterior space either for

fabrication and laydown space or exterior storage. Too often this critical site feature is misperceived as “underutilized” or “vacant” industrial land.

- **Prime Industrial Land designations.** We agree with the suggestion by a group member that the Portland Harbor, Portland International Airport, port and private rail yards and intermodal facilities cannot be replicated anywhere else in the region and should be designated as prime industrial lands
- **NRI.** We are concerned that the NRI applied consistently on a Citywide basis could eliminate substantially more than 400 acres of industrial land from the City inventory. In a specific example, industrial land at PDX consisting of habitat classified as “barren weedy fill” for ground nesting birds triggered the need for mitigation before development can occur in the future.

### **Comments from Bob Sallinger, Portland Audubon, July 10**

Please accept the following comments from Audubon regarding the Preliminary Draft of Alternatives to Overcome the Industrial Land Supply Gap. I am sorry that I was unable to attend last week's meeting but I did want to provide some preliminary input and look forward to better understanding the proposals.

1. **Golf Courses:** Audubon has significant concerns regarding rezoning 30% of Columbia Corridor golf course for industrial uses should the current golfing use be discontinued. In general Audubon opposes the conversion of open space to other uses especially in areas that are deficient in park and natural area access and in areas of high ecological importance such as the Columbia Slough. We have tentatively considered this approach at Colwood specifically as potentially the most viable mechanism to move things forward at this specific site. However our strong preference would be to see the entire site continue to be protected as openspace. Industry would not view conversion of 1/3 of currently zoned industrial parcels to openspace upon redevelopment to fulfill access needs as reasonable and we should be just as protective of our openspace values. That being said, we are interested in gaining a better understanding of how this proposal might play out on a site specific basis. There are a limited number of golf courses on the Columbia Corridor and we believe it would be useful to take a limited site specific look at how this might play out on various golf courses rather than discuss it in generically.
2. **West Hayden Island:** We believe that it is premature to designate West Hayden Island to fill 300 acres of industrial land need. While council has indicated some preference to see this approach move forward, it has also stated that no final decision will be made until the current West Hayden Island advisory committee has completed its work. That process has hit some significant turbulence. The working group should not prematurely presume the outcome of the WHI process.

3. Option # 11 Protect Additional Natural Resource Inventory Area: It is not clear to us what this alternative is actually proposing.
4. Options 10: Audubon strongly supports preventing the conversion of industrial zoned lands to other uses.
5. Intensification of industrial land use: Audubon strongly supports intensification of use of existing industrial land including incentives to increase capacity on the existing land base while maintaining competitiveness. However we would like to understand better option # 5 as it pertains to recreation. Does this proposal anticipate for example reducing or eliminating greenway requirements? We would also like to see a clearer focus on promoting strategies such as verticalization which increase the capacity of the existing industrial land base.
6. Brownfield Redevelopment: We believe that this should be a top priority of the city and are pleased to see it at the top of the list. In the recent WHI studies conducted by ECONorthwest there seemed to be a question not only of when, but also of if, Portland Harbor brownfield sites would be put to productive use. We believe that it is critical that the City prioritize cleaning and developing industrially zoned brownfields.

Finally, we would note that while any or all of these strategies may help reduce the existing industrial lands gap, the City needs to take a hard look at how it is going to balance Goal 9 with other land use planning goals and community aspirations over the long term. A landlocked city such as Portland cannot continue to expand its industrial land base indefinitely without compromising its environment and neighborhoods. We believe that concurrent with addressing the short term deficit, the city must also engage with the region and the state in looking at how landlocked cities without the ability to expand should deal with Goal 9 mandates.

Thank you for your consideration of these comments.

### **Comments from Jeffrey Swanson, Working Waterfront Coalition, July 11**

On behalf of the Working Waterfront Coalition, I would like to offer the following comments in addition to those already offered by Peter Finley Fry and Tom Bouillion with which we concur, relative to the July 5, 2012 BPS Industrial Land Capacity Working Group meeting:

1. On the spreadsheet entitled "Preliminary Draft Summary Evaluation of Potential Alternatives to Overcome Industrial Land Capacity Shortfalls to 2035, July 2, 2012," item 4 refers to assemblage of 50+ acre sites for use as marine terminals, rail yards and large general industrial use. It should be emphasized that such uses need to be organized around particular, existing

infrastructure. For instance, adding rail terminal capacity needs to occur adjacent to existing rail terminal facilities such as the Brooklyn and Albina rail yards, and marine terminal development needs to occur adjacent to a navigable waterway for obvious reasons. This may mean that an existing use, such as residential use in the Brooklyn area, will need to substitute in favor of industrial use to add rail terminal capacity for clustering and resource scarcity reasons that, though nuanced, should be fairly clear. You can't just drop a 50+ acre site somewhere in the city, zone it heavy industrial, and expect it to satisfy the demand for rail terminal needs. Policy should reflect this nuance in some kind of intelligent fashion.

2. On the document entitled "Preliminary draft policy concepts for discussion on industrial land use, July 3, 2012," items (c) and (g), dispersed industrial areas and neighborhood buffers, respectively, may be at cross-purposes. At the very least there are trade-offs involved that should be acknowledged. For instance, while dispersing industrial lands throughout the city has a gain in that it improves access for the labor force to higher wage employment and reduces the cost (both in terms of time and direct costs) of commuting, it may increase industrial-neighborhood conflicts, require increased investment in freight transportation infrastructure in areas which wouldn't otherwise require it (for instance, to mitigate neighborhood conflicts), reduces opportunities for industrial clustering and symbiosis and attendant efficiencies, etc. Industry tends to organize itself around access to key infrastructure (water, railway, roadway transportation confluence) and related supply chain and economic linkages. Policy needs to recognize these trade-offs and acknowledge that the proposed approaches are a "tool kit" to be used according to appropriateness of the particular situation as opposed to a one-size-fits-all homogeneous approach. The more policy ideas stakeholders can collectively devise and place in the tool kit, the more creative combinations of applications are made possible, and this will foster an environment where Portland is more likely to see growth and development. Policy needs to increase the supply of resources for economic growth – in this case land – not only by facilitating redevelopment of brownfields, infill, and intensification, but also through bringing in additional resources such as West Hayden Island. All approaches to economic development should be included in Portland's "tool kit", even though pressure exists to exclude particular seldom-used approaches such as the aforementioned West Hayden Island process.
3. There is an equity linkage involved in the loss/conversion of industrial land (or policies that constrain or reduce productivity, effectively resulting in the loss of industrial land). The lost manufacturing/industrial jobs tend to hit those in the lower skill strata of the labor force, who generally must seek employment in lower paying service sector jobs if they cannot find comparable manufacturing jobs. The gain from the conversion of the industrial land to some other use (rental income) is taxed at a low rate and job gains (if any) tend to be in either higher skill/education and/or lower skill service sector jobs. This exacerbates

the current trend of growing income inequality or “hollowing out of the middle”. So it is not just tax policy driving this trend: environmental and land use policy are resulting in the elimination of middle income employment and contributing to the growing inequity problems in the community. We must assure that policies adopted do not worsen the situation of middle and lower income members of our community by increasing the scarcity of living-wage employment opportunities fitted to their skill level such as can be found in the manufacturing sector in Portland’s industrial areas.

### **Comments from Dean Marriott, Bureau of Environmental Services, July 11**

I think the best way to deal with industrial land supply is to put Brownfields back into productive use. The next priority would be to have the City begin to assemble smaller parcels into larger tracts to deal with the occasional need for larger size parcels of available land. Neither will be cheap, but it is foolish to say land contaminated by past industrial activity is now unavailable, so we need to move into new areas for industrial use. Most of the more than 500 Brownfield sites in Portland happen to be served by urban services already.

My only worry about keeping industrial sanctuaries off limits to other uses is it limits our flexibility to change. Now that the Willamette River is clean, and the Superfund will address the sediments in the next few years, maybe we want to revisit public access to the water. The current industrial uses that no longer have a river dependence, may be put to better use with a transition to other types of uses. City's all over the world are finding people want access to water and water views. This will be the case here, as South Waterfront has shown.

### **Comments from Bernie Bottomly, Portland Business Alliance, July 11**

Steve, thanks for the opportunity to comment on the industrial land capacity shortfall alternatives. Here are some preliminary thoughts.

1. Timeframe. I think the timeline is a bit problematic. We received the matrix on Thursday and you asked for comments on Tuesday. For those of us working for membership organizations where we try to engage our members, it’s difficult to get feedback in that timeframe. More lead time would be appreciated.
2. Using historical development and redevelopment rates to predict future rates. I think this is problematic because the most desirable parcels, those with the fewest constraints, develop first. Each successive parcel is more difficult to address. Over time, unless there are new resources

made available to offset the increasing challenges of the remaining sites, the rate of redevelopment may decline.

3. All of the assumptions about how to address the industrial land shortfall should be made in a fiscally constrained model. Most of the suggestions can not be achieved given declining tax increment, transportation and other resources. In addition to the columns showing the number of acres added, there needs to be a column with the approximate cost and source of the infrastructure, brownfields or other resources necessary to achieve the additions.
4. Development Constraints. I would like a better understanding of how the development constraints numbers were derived.
  - These are average numbers and therefore reflect the range of easily developable sites and very difficult to develop sites. As mentioned in comment #2 above, as the remaining sites become more challenging to develop, the constraints have a potentially greater impact. A site with an ROI of 10% may still move forward with a given level of constraint. The same site with an ROI of 5% may not be viable.
  - I am also not sure that these average constraints can be applied to marine industrial land. While non marine land may be able to adjust to even a significant constraint by re-orienting a building footprint, etc. even a modest constraint on marine land that impacts access to or use of the water could make the entire parcel unusable for marine industrial applications.
  - I am not sure how the development constraints reflect non-acreage based development requirements such as environmental mitigation costs. For example, the city may agree to off site mitigation but the cost of that mitigation may be such that the project is no longer viable even though the acreage available for use is sufficient.
  - I'm not clear if these numbers reflect city, state and federal constraints or just city constraints and whether they reflect the interactions between these constraints. Multi-jurisdictional constraints are not a linear progression. Multiple layers of regulation can produce a constraint that is greater than the sum of its parts. Again, this issue is particularly relevant to marine land as there is significant state and federal regulatory involvement in these areas.
  - I think those sites that are within the Harbor Superfund site should have very low redevelopment assumptions applied to them. While we would like to believe that this issue will be resolved within the planning horizon, given the history of the process, it's not clear it will be resolved. Further, it

can't be assumed that once the Superfund issue is "resolved" that these sites will redevelop at a rate approaching non-Superfund implicated brownfields. Many of these sites are likely to be heavily encumbered by Superfund obligations and owners may not be in a position to develop. Although we hope that EPA will issue prospective purchaser agreements for Superfund sites it is not clear at this point that they will or if they do what obligations will carry forward to the potential new owners relative to monitoring, remediation and risk. All of these questions will take years to resolve and will likely significantly reduce development in the harbor for many years.

## 5. Preliminary policy concepts.

- Policy concept #1 says "Foster the retention, growth potential, and traded sector competitiveness..." I question why we modify growth with "potential". I suggest we should have a policy that fosters the growth of our industrial areas, not just the potential growth.
- Policy concept "c" refers to "living-wage" jobs. While some manufacturing jobs are living-wage jobs, many more are family-wage jobs. I would suggest changing this to family-wage.
- Policy concept "d". While intensification will certainly be an important factor over the long term given that Portland is "land locked", I'm not comfortable saying it is the "primary" opportunity. West Hayden Island and conversion of existing golf courses will be significant opportunities and will probably add more acreage than can be effectively gained by intensification for some years to come. We would certainly support focusing city capital resources on projects and investments that facilitate intensification as one of the important strategies for addressing the current shortfall.
- Policy concept "e". Not sure what "optimize community objectives" means.
- Policy "g". While we support the concept of buffers, the creation of buffers needs to be balanced with providing sufficient industrial lands. In other words, the acres used to create buffers should not all come from the industrial side of the ledger.

## 6. Discussion Questions

- Mix of options. We would suggest adoption of a "no net loss" policy for industrial lands. We would support both expansion and intensification (where supported by market reality and available or expected capital resources).

- Prime Industrial Land designations. The Portland Harbor, Portland International Airport, port and private rail yards and intermodal facilities can not be replicated anywhere else in the region and should be designated as prime industrial lands.
- Industrial land and watershed health. The single most important public policy in Oregon for the protection of watershed health is the establishment of an urban growth boundary. That policy acknowledges and encourages development within the UGB at higher densities. To ensure that the economy is not harmed by this policy, state law requires that sufficient land within the boundary be identified for development. The emphasis inside the UGB should be on development and intensity of use because we have already protected and preserved environmental values outside the UGB. Watershed protection measures in industrial areas should not reduce the utility and affordability of those uses.

## 7. Potential Alternatives.

- We suggest a no net loss provision be added at the top of the table. Items such as #10 and #11 would then interact with that provision to ensure that the effective available acreage did not decline.
- Brownfield incentives and tools. This option needs to reflect Harbor Superfund brownfields will be close to zero for the foreseeable future, that the first brownfield sites remediated will be the easiest and that subsequent sites will be much more difficult to address, and needs to reflect cost to achieve the levels of remediation assumed.
- Capital investment. Needs to be fiscally constrained. PBOT resources are severely constrained. The analysis should reflect realities of declining TIF, what percentage of city of Portland capital investment plan and regional flexible federal transportation dollars would need to be allocated to these projects to achieve these results.
- Incentives for new Class C. We would support incentives but need to better understand what types of incentives would be necessary to generate the increases reflected in the table.
- Assemble sites. We would need to understand where the resources would come from and what authority would be used to do the assembly. The recent analysis of the regional industrial supply indicates that most large sites face multiple challenges (assembly, infrastructure, capital) so assembly alone is not likely to generate the suggested acres. Providing those acres likely would require multiple subsidies.

- West Hayden Island. It is not sufficient to add acres if the mitigation requirements placed on the acres are so onerous that the manufacturing activity can not support the cost of the land. These 300 acres are not “real” unless they can be developed at market rates.
- Golf Courses. We support this proposal.
- Sanctuary conversion. We suggest the no net loss provision be applied to all industrial land, not just prime industrial lands.
- NRI protections. By definition prime industrial land can not be replaced anyplace else in the region. We do not understand how we can justify an NRI overlay that would eliminate 200 or 400 acres of land that can't be replaced.