

Central Eastside Industrial Zoning Study

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CITY OF PORTLAND, OREGON
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Planning



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Table of Contents

Executive Summary	1
Recommended Zoning Amendments	2
The Zoning Package	3
Introduction	5
Background	5
Purpose and Methodology of this Report	5
Next Steps	6
Central Eastside Target Industries and Activities	7
Zoning Regulations and the CES Target Industries	9
Land Use Categories	9
Comprehensive Plan and Zoning Map Designations	11
Target Industry / Commercial Use in the CES IG1 Zone	13
By-right Small Commercial	14
Conditional Use Industrial-Serving Commercial	14
“Digital Production” and “Industrial Office” Allowance	15
Restrictions on Configuration of Commercial Uses on a Site	16
Target Industry / Commercial Uses in the EG Zones	19
Target Industry / Commercial Uses in the EX Zones	19
Accessory Office and Headquarters Office Allowances	19
Building Code and Seismic Upgrade Issues	20
Conclusions	21
Recommended Zoning Amendments	22
The Zoning Package	25
Other Options Considered	28
Appendix A: Portland’s Industrial Policy and Planning Framework	31
Importance of Industry	31
Regional Industrial Policy and Planning	31
Portland’s Industrial Sanctuary Policy	32
Central City and Central Eastside Policies	33
Neighborhood Plan Industrial Policies	34
Related Planning and Projects	34
Appendix B: Central Eastside Land Use, Transportation and Employment	37
Appendix C: Industrial Land and Zoning in Other Cities	43

Central Eastside Industrial Zoning Study

Executive Summary

The emerging development vision for the Central Eastside includes increased employment density, accommodation of the “new urban economy” and preservation of the district’s industrial fabric. The vision calls for managed change in this unique inner-city industrial and employment area, where continuity with the established foundation of industrial activities is balanced with the need for adaptability to economic changes.

The *Central Eastside Market Analysis*, prepared by ECONorthwest as a companion to this report, identified three broad groups of target businesses that would potentially find the CES a desirable location and would help attain this vision. The first group includes primarily industrial sectors (e.g. specialty metal fabrication and stone/clay/glass manufacturing) that face few zoning barriers in the CES. The two other groups include “industrial-serving” firms (e.g., engineering, certain kinds of contracting, etc.) and “industrial-like” service firms (e.g., creative services and software development). Many of the firms associated with these sectors, as well as some technology businesses that might belong in first group, have significant office needs that could potentially conflict with zoning provisions that restrict commercial development in the industrial portions of the district.

This study has determined that, overall, Central Eastside zoning does not appear to be a *major* barrier to most of the target-sector businesses. This is supported by the fact that many of these kinds of firms are already located in the district. They face very few zoning barriers in the employment-designated parts of the district (EX and EG zones), and there are several zoning tools available for locating office-intensive uses even in the IG1-zoned industrial area, including:

- 3,000 square feet of general office or retail allowed by-right;
- Accessory office and showroom space allowed by-right, when supporting an industrial use;
- Unlimited amount of headquarters office allowed, when in conjunction with an industrial use;
- 60,000 square feet of industrial-serving office (25,000 square feet of retail) allowed through conditional use review, when industrial firms are the primary market for the use;
- 60,000 square feet of industrial office allowed through conditional use review, when at least 33 percent of the floor area is devoted to manufacturing or “digital production;” and
- Flexibility within the Zoning Code’s industrial use categories to encompass many target-sector businesses

The regulations that limit the amount and type of commercial development may discourage some target firms from locating in the Central Eastside’s IG1 area, in certain circumstances. For instance, some industrial-serving office-based firms (e.g., architecture and engineering companies) that do not meet the definition of “digital production” could not generally occupy spaces larger than 3,000 square feet in the IG1-zoned parts of the CES, unless they were able to demonstrate that their primary market is industrial firms and employees.

Central Eastside Industrial Zoning Study

These restrictions, however, are supported by Portland's Industrial Sanctuary policies and serve to limit large-scale commercial development that is inconsistent with the vision for the CES and that could threaten its long-term viability as an industrial district.

Zoning barriers that have been identified as potentially discouraging some target firms that might otherwise locate in the CES, and that that could be addressed through targeted zoning code amendments that would support the emerging vision for the district and existing policies include:

- Uncertainty and expense associated with commercial allowances that require a conditional use review (as opposed to by-right allowances), such as the "digital production" provision, that may particularly discourage smaller firms;
- Restrictions on the configuration and amounts of commercial uses allowed within sites that restrict office-intensive developments on the large number of small sites and existing buildings in the district; and
- Need for a clearer definition of "digital production" uses, to help differentiate them from undesired office uses that also produce "digital goods" (e.g. consulting firms and accountants) and for a more direct correspondence with desired uses.

This report is intended to frame important issues, clarify how zoning regulates the target land uses and activities, and set a clear direction for a follow-up project to amend CES zoning provisions consistent with an overall objective of raising employment density while protecting the industrial character of the district.

Recommended Zoning Amendments

The Bureau of Planning recommends a focussed legislative planning project to create greater, but limited, flexibility in the Central Eastside IG1 zone for certain kinds of industrial activities that have significant office components or office-like characteristics. The recommended approach is to amend the existing Central City Plan District regulations. This approach limits the scale of any changes (and thus of any unintended consequences) and eliminates the need for a broad-based citywide process to amend the Comprehensive Plan, as would be necessary to create a new zoning designation. The recommended focussed zoning project can be completed in nine months and would commence in winter 2003/2004.

The following specific amendments are recommended for consideration:

1. **Allow "digital production" industrial office uses up to 10,000 square feet *by-right*** (as opposed to requiring a conditional use review)¹. "Digital production" industrial office uses more than 10,000 square feet would still require conditional use approval. The definition of "digital production" would also be refined and possibly expanded to best fit the targeted activities and to facilitate zoning implementation and enforcement. Any office use could take advantage of this allowance if at least 33 percent of the floor area was dedicated to traditional manufacturing or processing activities. These amendments

¹ The existing "digital production" provision allows office uses in the IG1 zone up to 60,000 SF if 33 percent of the floor area of the proposed use is dedicated to either traditional manufacturing and processing activities or those that produce "electronic or digital products such as internet home pages, computer software, advertising materials and others." This provision was adopted in 1999 to allow some flexibility for "new economy" business activities and creative services in Central City industrial areas.

Central Eastside Industrial Zoning Study

respond to the needs of smaller target firms, such as those in the creative services, by eliminating the costs, delays and uncertainties associated the conditional use process.

- 2. Limit the total amount of non-accessory and non-headquarters offices to 60,000 square feet per site, while removing restrictions on the number and size of individual office uses allowed per site².** That is, the sum of the floor areas of all non-accessory and non-headquarters office uses on a site, whether allowed by-right or through a conditional use (including “digital production” industrial office uses), must not exceed 60,000 square feet. Removing the FAR limit and limiting overall office size by site will facilitate redevelopment of existing structures that contain larger spaces that could be subdivided to accommodate smaller office-intensive uses, for instance on underutilized upper stories. The overall 60,000 square foot site limit still provides an absolute limit on the size of an individual office use.

An alternative approach would allow “digital production” industrial office uses greater than 60,000 square feet (perhaps with no specified upper limit) through a conditional use process. This approach will need additional analysis, as it has greater potential for negative impacts on nearby industrial uses. Either approach will likely require refinement of the existing “digital production” industrial office conditional use approval criteria, with the objective of providing clear means for ensuring that large-scale industrial office development does not significantly impact nearby industrial operations or compromise the overall industrial nature of the CES industrial sanctuary.

- 3. Reduce or eliminate existing conditional use retail use allowances, which currently permit retail uses up to 25,000 square feet.** The existing by-right retail allowance of 3,000 square feet would be retained or perhaps slightly increased. These amendments would help reinforce the existing mixed-use corridors along NE MLK Boulevard and Grand Avenue as the appropriate location for retail activity and preserve industrially-zoned land and buildings for industrial employment uses, while providing for small supportive retail uses. “Retail-like” activities, such as industrial showrooms, are already allowed under existing industrial zoning.
- 4. Explore increased allowances for retail and office uses in designated historic landmarks** in the industrial and employment zones. Additional flexibility for by-right commercial uses would encourage preservation, continued investment and reuse of the district’s landmarks by allowing uses that generate rents potentially high enough to justify upgrades.
- 5. Explore creating minimum parking space requirements for new commercial development in industrial zones** in order to mitigate the impacts of new development on truck and freight access and circulation. There are currently no minimum parking requirements in the Central Eastside.

The Zoning Package

The zoning framework created by the proposed amendments, together with the existing regulations, would include multiple means for locating the target activities and industries in the IG1 portions of the district. These provisions are summarized in the table on the following page.

² The existing regulations require conditional use approval for more than one office use per site and limit office uses to 60,000 square feet or 1:1 FAR *per use*.

Central Eastside Industrial Zoning Study

Summary of Recommended Zoning Package for the IG1 Zone in the CES

#	Provision	Amount	Existing	Proposed
Office allowed by-right				
1	GENERAL OFFICE:	3,000 sq. ft.	X	
2	INDUSTRIAL OFFICE: Must have at least 33 percent of the use devoted to either traditional manufacturing or processing, or to “digital production,” such as software and web development.	10,000 sq. ft.		X
3	ACCESSORY OFFICE: Must be <i>accessory</i> to industrial uses meaning “subordinate” and “clearly incidental” to an allowed industrial use on a site.	No specific limit but must be subordinate and incidental	X	
4	HEADQUARTERS OFFICE Must be in conjunction with, or adjacent to, an industrial use.	No specific limit	X	
Office allowed by conditional use (c.u.)				
5	INDUSTRIAL SERVING OFFICE Must demonstrate that the office use will not significantly alter the industrial character of the area and that it needs to be in an industrial area because industrial firms and employees constitute its primary market.	60,000 sq. ft.	X	
6	INDUSTRIAL OFFICE: Must have at least 33 percent of use devoted to either traditional manufacturing or processing or to “digital production,” such as software and web development. Must demonstrate that they will not have significant adverse effects on nearby industrial uses and that the nature of the business does not require customers to visit the site. An alternative approach would allow a larger--or unlimited--amount of “digital production” industrial office through conditional use.	60,000 sq. ft.	X	
Total amount of by-right or c.u. office				
7	TOTAL AMOUNT OF OFFICE The <i>total</i> amount of <u>non-accessory</u> and <u>non-headquarters</u> office must not exceed 60,000 square feet <i>per site</i> . There would be no restrictions on the size or number of individual office uses on the site. In other words, the floor area of all individual office uses allowed under provisions 1,2,5, and 6 can total no more than 60,000 square feet per site. An alternative approach would allow a larger--or unlimited--amount of “digital production” industrial office through conditional use.	60,000 sq. ft.		X
Retail allowed by-right				
8	GENERAL RETAIL	3,000 sq. ft.	X	
Retail allowed by conditional use (c.u.)				
9	INDUSTRIAL SERVING RETAIL Reduce or eliminate existing conditional use provisions for retail uses up to 25,000 sq. ft.	0 sq. ft.		X

Central Eastside Industrial Zoning Study

Introduction

Background

This document is part of a second phase of a Portland Development Commission-sponsored study on Portland's Central Eastside (CES). The first phase resulted in the *Central Eastside Development Opportunities Strategy (DOS)*, released in April 2002. The DOS created a vision and strategy for the development of an area along Water Avenue between the Morrison bridgehead and Caruthers Street. Phase II is intended to build on the DOS and move it closer to implementation. Specifically, it investigates how new office-intensive and other high-density employment-generating users might be brought into the industrial parts of the CES without having negative impacts on the operations and long-term viability of existing and possible future industrial uses. The consensus among CES stakeholders involved in the DOS process to-date indicate a desire for a blend of more traditional industrial uses with newer ones that might include office or office-like space as part of their operations. Stakeholders have also expressed a desire to avoid a rapid and fundamental change away from the overall industrial character within the district's industrial areas, as has occurred in the River District, for example.

The desire to preserve the overall industrial character of the CES is supported by a framework of regional and city industrial land policy. These policies and regulations are based on the premise that industrial land is a finite resource that is critical to the city's economic health, while being vulnerable to encroachment by other uses. Metro's Title 4 requires jurisdictions to limit commercial uses in industrial areas and also limits subdivision of large industrial tracts. Portland's Industrial Sanctuary policies call for preserving land primarily for industrial purposes and for recognizing the unique attributes of the city's industrial and employment areas. The Central City Plan calls for preserving the CES as an industrial sanctuary and encourages "incubator industries" in the district. Among the primary implementation tools for these policies are Zoning Code provisions that sharply limit nonindustrial uses in industrial areas. The policies are discussed in greater detail in Appendix A, while CES industrial zoning provisions are discussed in the central part of this report.

Purpose and Methodology of this Report

The issues addressed this study may be divided into two main components:

1. **Economic / market issues:** Who are these potentially office-intensive industrial users, and what are their characteristics? Under what conditions would they find the CES a desirable location? What impacts might a wider range of uses have on existing CES businesses?
2. **Zoning / land use issues:** What is the current industrial policy and zoning framework in the CES and what changes would be necessary to facilitate locating the targeted industries identified in the market analysis in the district?

A report prepared by ECONorthwest, *Central Eastside Market Analysis*, focuses on the economic and market issues. This report focuses on the zoning and land use issues. Specifically, it responds to recommendations in the *CES Development Opportunity Study* that call for consideration of new zoning regulations that provide more flexibility for commercial uses and office-like industrial uses in industrial zones. This report does not amend any policies or

Central Eastside Industrial Zoning Study

regulations but is intended to frame important issues, clarify how existing zoning regulates the target land uses, and set a clear direction for a follow-up legislative project to amend CES zoning provisions consistent with an overall objective of raising employment density in the district while limiting negative impacts on existing and future “traditional industrial” operations. The intent will be to facilitate managed change by responding to changes in the industrial economy while preserving the overall industrial character of the district.

The Bureau of Planning used several approaches for gathering information in the preparation of this report. Two focus groups, consisting of CES businesses persons, land owners, developers, and real estate agents were held in April 2003. The focus groups provided information on which business types they see as desirable, which they see as undesirable in the CES, and why. Participants also identified some of the obstacles to attracting these uses, including perceived land use and zoning barriers. They also provided direction for making changes necessary to attract the desirable business types. A summary of the focus group discussions is contained in ECONorthwest’s *Central Eastside Market Analysis* report.

Staff also undertook a technical analysis of the existing planning and regulatory framework in the district. This involved literature reviews, data and mapping analysis and discussions with CES stakeholders, development professionals and development review staff about the effects of industrial policies and regulations. Research of industrial policies and development efforts in other cities included literature reviews, internet research and expert interviews.

Next Steps:

A legislative planning project to refine and implement the zoning code amendments consistent with the recommendations of this report is expected to commence winter 2003/2004. This project will take approximately 9 months to complete. It will include broad citizen and public agency review and will involve public hearings before the Portland Planning Commission and the City Council.

This focussed zoning project would complement other ongoing work by the Bureau of Planning, the Portland Development Commission (PDC), other public agencies, and neighborhood and business organizations to implement the *CES Development Opportunities Strategy* and other policy goals for the district. These projects are diverse in purpose and scope, ranging from individual development projects at key locations to a PDC-sponsored parking strategy for the DOS area to the City’s *River Renaissance* effort, which has broad goals for assuring a healthy river, a prosperous working harbor and vibrant waterfront districts.

Central Eastside Industrial Zoning Study

Central Eastside Target Industries and Activities

The April 2002 *Central Eastside Development Opportunity Strategy* (DOS) prepared by SERA Architects for the Portland Development Commission and the March 21, 2002 draft *Vision for the Evolution of an Urban Industrial District* (CEIC Vision) prepared by the Central Eastside Industrial Council articulated development and land use goals for the Central Eastside. This vision called for attracting new types of businesses to the Central Eastside that would increase employment density while preserving the district's "urban industrial employment fabric." The target businesses, referred to as "new urban industries" in the *CEIC Vision*, were described in general terms as more office-intensive than traditional industrial uses and as being linked with creative services, knowledge-based industries and the "new economy." Utilizing focus groups, interviews, stakeholder meetings and other research, the current study has further refined and analyzed the target industries and activities identified in the *DOS* and *CES Vision* documents. Additional information on these industries and activities is contained the *ECONorthwest Market Analysis* report.

There are two ways to describe the group of targeted industries. They can be described in terms of "activities", which are the kinds of work processes a business uses such as wholesale, manufacturing and administration. They can also be described in terms of "industrial sectors", which are described in terms of the actual products or services produced such as paint manufacturing, construction services or computer software development. The Portland Zoning Code defines industrial land uses primarily in terms of "activity" although land use classifications take into account characteristics of both activity and business sector.

The industrial *activities* targeted as desirable in the CES are those associated with existing "traditional" industrial operations in the district, as well as:

- **Office-intensive industrial uses**
- **Wholesale or manufacturing uses with showroom space**
- **Certain stand-alone retail and office uses**

The desired office and retail uses were more specifically described as either:

- **Industrial-serving**, for instance industrial engineering firms, medical facilities specializing in occupational health, and construction/maintenance contractors considered to be office uses; or
- **Industrial-like**, for instance creative services, including film/video/photography, sound studios, studio art, computer-based media, and others.

The CES vision does not support residential or "big-box" retail development in industrial parts of the district. Support for limited work/live space and smaller retail uses supportive of the industrial and employment uses in the area has been expressed by some CES stakeholders.

Central Eastside Industrial Zoning Study

Potential *business sectors* that appear to be a good match for the CES, based on identified stakeholder desires, as well as industry characteristics and trends include:

- **Printing and publishing**
- **Technology businesses**
- **Construction/ rehab/ home improvement**
- **Specialty metal fabrication**
- **Food and beverage manufacturing**
- **Stone/ clay/ glass manufacturing**
- **Woodworking and wooden furniture**
- **Creative Services**
- **Software and related sectors**

Some of these target industries, for example printing and publishing and construction/rehab/home improvement already have a visible presence in the CES and thus work within established themes. Others, such as creative services build upon nascent trends in the district and fit with aspirations voiced by CES stakeholders.

Firms within some of the desired industry sectors, particularly creative services, technology and software development, have significant office needs. To the extent that their principle activities tend to have more characteristics of office activity than industrial activity, these firms may face zoning barriers to locating in the CES. Firms within other sectors, such as Stone/clay/glass manufacturing, tend to have smaller office space needs and, to the extent that their primary activities are “industrial,” face fewer potential zoning hurdles in the industrially zoned portions of the CES. The next section of this report discusses Central Eastside zoning and how it addresses these target activities and business sectors.

Central Eastside Industrial Zoning Study

Zoning Regulations and the CES Target Industries

Previous development strategies for the Central Eastside, such as the *CES Development Opportunities Strategy* and the *CEIC Vision* conjectured that zoning regulations limit the ability of desired target industries to locate in the Central Eastside. To explore this premise, this section summarizes current zoning regulations for the Central Eastside, with an emphasis on allowances for nonindustrial uses in employment and industrial zones.

The policy underpinnings to the City's industrial zoning are based on the premises that industrial land is critical to the economic health of the city, that it is a finite resource that is vulnerable to encroachment by other uses in an open market and that industrial operations have impacts that require it to be isolated from other uses, especially housing. The City's Industrial Sanctuary policies are discussed in greater detail in Appendix A.

Land Use Categories

Understanding how Portland's Zoning Code defines land uses is an important first step in understanding how those uses are regulated in industrial zones. From a zoning perspective, whether a specific target-industry development proposal is able to locate in the CES is dependant on what use category development review staff determine the proposed use best fits. In some cases, this determination is relatively straight forward, but in many case, for instance with industrial uses that contain significant office-like characteristics, this determination may be difficult.

The Zoning Code defines land uses based on functional, end-product, and physical characteristics. Factors used in making use determinations include:

- The type and amount of activities present (e.g. assembly of goods or sales of goods);
- The type of customers (e.g. general public or other businesses);
- How goods or services are sold or delivered; and
- A variety of site and use factors such as building arrangement, hours of operation, vehicle trip generation, and others.

The use categories are meant to provide a systematic but flexible basis for assignment of present and future uses to zones; they do not attempt to provide an exhaustive list of all possible types of land uses or businesses (as was the approach in Portland prior to 1991). In determining a given proposal's use category development review staff look at its specific characteristics, activities and impacts, as opposed to its business sector per se. The code does contain lists of example uses for each of the categories. These examples correspond more closely to actual businesses or industry sectors. The code also provides examples of uses that are allowed as accessory to the primary use on a site, for instance parking or offices accessory to a manufacturing plant.

While this system provides the flexibility for the code to respond to changes in the nature of business activities and land development, it also creates some uncertainty. A use may not clearly match the stated examples or may contain activities that might reasonably fit in more

Central Eastside Industrial Zoning Study

than one use category. In such cases, a fair degree of discretion may be involved in determining whether a development proposal complies with the zoning code.

The industrial use categories in the Portland Zoning Code are:

- Manufacturing and Production;
- Warehouse and Freight Movement;
- Wholesale Sales;
- Industrial Service;
- Railroad Yards; and
- Waste Related.

All of these categories are allowed in the industrial zones (IH, IG2 and IG1), and all those except Railroad Yards and Waste-Related are allowed in employment zones (EG2, EG1 and EX).

The Zoning Code further characterizes these categories by listing specific examples of uses within each. Specific examples from the code's *industrial* categories (and would thus be allowed in industrial zones) that most closely correspond with one or more of the target businesses include:

- Repair of scientific or professional instruments
- Sales, repair, storage, salvage or wrecking of...building materials
- Photo finishing laboratories
- Building, heating, plumbing or electrical contractors
- Printing, publishing and lithography
- Research and development laboratories
- Processing of food and related products
- Catering establishments
- Breweries, distilleries and wineries
- Weaving or production of textiles or clothing
- Production of chemical, rubber, leather, clay, bone, plastic, stone, or glass materials or products
- Movie production facilities
- Manufacture or assembly of instruments, including musical instruments...precision items, and other electrical items
- Production of artwork and toys
- Sign making
- Wholesalers of food, clothing, auto parts, building hardware

A development proposal clearly corresponding to these example uses would be allowed by-right in IG1 zoned areas of the CES, as long as the characteristics and associated activities of the proposal correspond generally with the description of the use category. For example, "Sales, repair, storage, salvage or wrecking of...building materials" is included as an Industrial Service use. A proposal for a facility that deconstructs, salvages and refinishes building components and resells them primarily to building contractors or designers would probably be classified as an Industrial Service or a Wholesale Sales, or both, depending on the relative amounts of each main *activity* (salvage and wholesale sales). Uses within either category would be allowed in the IG1 zone. However, if the proposal was for a hardware store that was oriented to the general public, the use would probably be classified as Retail Sales and Service, because the Industrial Services description states that "few customers, especially the general public, come to the site" and Retail Sales and Services are described as involving sales, leasing or rental of "new or used products to the general public." Again, the system is designed to look at a use's activities and impacts.

Central Eastside Industrial Zoning Study

Comprehensive Plan and Zoning Map Designations

Portland's Zoning Code contains two overall groups of zoning designations that provide for industrial uses. These are the industrial sanctuary zones (IG1, IG2, IH) and the employment zones (EG1, EG2, EX). In general, industrial uses are allowed in both categories, while the employment zones have greater allowances for office and retail uses, as well as allowing some residential, in certain circumstances.

Most of the Central Eastside study area is covered by one of the employment or industrial zones. About two thirds of the district is designated on the City's *Comprehensive Plan Map* as Industrial Sanctuary, and most of that is zoned IG1. Some IH-zoned land is located in the southwest corner of the district. About a third of the study area is designated for employment. Most of the employment area is designated EX, which is more a mixed-use zone than a true employment zone. The EX zoning is concentrated along the major street corridors: MLK/Grand; Sandy; Burnside; Morrison; and 11th/12th. Some EG-zoned land is located in the southwest part of the district.

The tables below summarize the areas dedicated to the different Zoning and Comprehensive Plan Map designations, excluding area devoted to rights-of-way. A Central Eastside zoning map follows on the next page, indicating the general zoning pattern in the district. The rest of this chapter discusses how employment and industrial zoning regulates land uses in the Central Eastside, particularly those associated with the targeted industries.

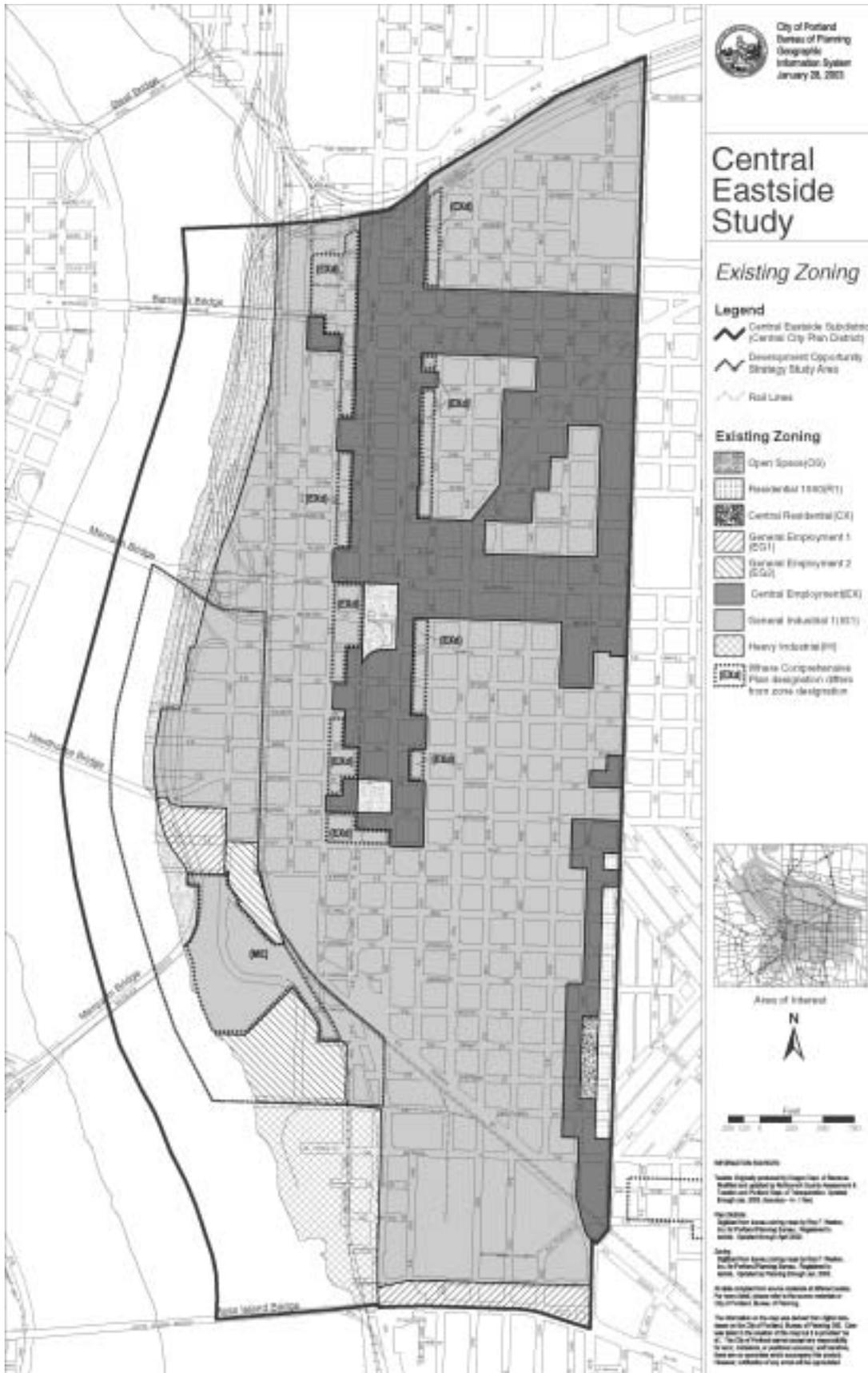
CES Zoning

Zone	Taxlot Acres	% of Area	Lots	% of Lots
EG1	7.4	1.9%	32	2.0%
EG2	13.9	3.6%	22	1.4%
EX	80.2	20.9%	522	32.0%
IG1	253.2	65.9%	905	55.6%
IH	19.2	5.0%	32	2.0%
OS	5.5	1.4%	37	2.3%
R1	3.8	1.0%	57	3.5%
RX	1.1	0.3%	22	1.4%
Total	384.4	100.0%	1629	100.0%

CES Comprehensive Plan Designations

Designation	Taxlot Acres	% of Area	Lots	% of Lots
Industrial Sanctuary IS	241.4	62.8%	793	48.7%
Mixed Employment ME	36.6	9.5%	80	4.9%
Central Employment EX	95.9	25.0%	640	39.3%
Open Space OS	5.5	1.4%	37	2.3%
MD Multi-Dwelling R1	3.8	1.0%	57	3.5%
Central Residential RX	1.1	0.3%	22	1.4%
Total	384.4	100.0%	1629	100.0%

Central Eastside Industrial Zoning Study



Central Eastside Industrial Zoning Study

The following tables summarizes the use regulations for the employment and industrial zones found in the CES. The rest of this section discusses these regulations in more detail and analyses to what extent they facilitate or discourage location of target activities and industries in the Central Eastside.

Summary of Selected Employment and Industrial Base Zone Use Regulations

		Generalized Use Category			
		Industrial	Retail	Office	Residential
Employment Zones	EG1	Most allowed, except rail yards and waste-related.	Limited to 60,000 SF or 1:1 FAR (2:1 in landmark) per site Above 60,000 or 1:1 (2:1 in landmark) by CU.	Limited to 1:1 FAR (2:1 in landmark) per site.	Most are CU. Living quarters for one caretaker per site allowed by right.
	EG2				
	EX		Allowed		
Industrial Zones	IG1	Most allowed, waste-related is CU.	<i>Allowed:</i> 1 use per site, up to 3,000 SF <i>Conditional Use:</i> <ul style="list-style-type: none"> • More than 1 use per site, • Up to 25,000 SF or 1:1 FAR per use, or • Up to 60,000 SF or 2:1 FAR per use in landmark. • Office in Central City: 60,000 SF or 1:1 FAR if 33% of floor area devoted to “development, testing, manufacturing, processing, fabrication, packaging, or assembly of goods,” including “digital or electronic goods” 		Generally not allowed. Houseboats allowed with CU. Living quarters for one caretaker per site allowed by right.
	IG2		4 uses per site limited to 3,000 SF per use. More than 4 uses and up to 25,000 SF or 1:1 FAR per use through CU (60,000 or 2:1 per use in landmark)		
	IH		4 uses per site limited to 3,000 SF per use. More than 4 uses and up to 12,000 or 1:1 FAR per uses through CU (25,000 or 2:1 per use in landmark)		

Target Industry / Commercial Uses in the CES IG1 Zone

The IG1 zone, together with the IG2 and IH zones, implement the City’s Industrial Sanctuary Comprehensive Plan designation. These zones provide areas where most industrial uses may locate, while other uses are restricted to prevent potential conflicts and preserve land for industry. Because housing is generally considered to be the most incompatible use in industrial areas, residential uses are all but prohibited in all three industrial zones (the exceptions are conditional use allowances for houseboats and provisions for caretakers’ residences). The IG1 zone is generally found in the city’s older industrial areas, such as the CES, where a grid block

Central Eastside Industrial Zoning Study

pattern and smaller lots are prevalent and land is mostly developed. IG1 areas also generally have higher building coverages than IH and IG2 areas.

While nonindustrial uses are sharply limited in the IG1 zone, there are several provisions allowing such uses in certain circumstances, some of which are unique to the Central City (including the CES). Taken together, these regulations provide a significant means by which the targeted office-intensive and office-like industrial uses may locate in the district. Note that the IG1 commercial provisions discussed below apply to “stand alone” or primary office and retail uses; accessory uses are not subject to these limits, as discussed in the accessory and headquarters allowances section that follows this section.

The existing commercial use regulations for the IG1 zone in the Central Eastside are discussed below. A table summarizing these provisions follows at the end of the section. A flow-chart is also included that brings together the various office use regulations for the IG1 zone into a generalized “decision tree” that illustrates how development review staff would determine if an office use was allowed in the CES.

By-right Small Commercial

One retail or office use of up to 3,000 square feet is allowed by-right per site. No special approvals are needed for these uses. More than one such use on a site, or uses larger than 3,000 square feet, would require a conditional use approval (see below). Although this provision is intended to allow small commercial businesses that serve the needs of the local industrial area, there is no neighborhood-serving test or condition applied to these small uses. Businesses from within the target industry groups with very small space needs—under 3,000 square feet—whose primary activities clearly fall into the office or retail use categories and have no industrial component are thus allowed under the current zoning. For instance, a small graphic design firm whose services are oriented to the general public, or a small art gallery, could locate in the CES with little difficulty from a zoning perspective.

The provision requiring conditional use approval for more than one office or retail use per site may present obstacles to the redevelopment of older industrial buildings that have large internal spaces that could be divided into smaller units. This IG1 standard is more restrictive than in the other two industrial zones (IG2 and IH), where up to four retail or office uses per site are allowed without triggering a conditional use review.

Conditional Use Industrial-Serving Commercial

Retail Sales and Service uses up to 25,000 square feet or a maximum FAR of 1:1 (2:1 in a historic landmark) are allowed when approved through a conditional use review process. Office uses up to 60,000 square feet or a maximum FAR of 1:1 (2:1 in a historic landmark) are allowed when approved through a conditional use review process. Note that the 60,000 square foot office provision is unique to the Central City; office uses in IG1 districts in other parts of the city are generally limited to 25,000 square feet (or 60,000 in a landmark). In this respect, the Central Eastside already has increased flexibility for office-intensive uses, compared to other industrial districts.

Conditional use reviews are discretionary decision-making processes where specific criteria must be met before a certain use is allowed on a site. Conditional use applications may be denied, approved or approved with conditions that mitigate for potential negative impacts of the proposed use. The standard conditional use approval track for office and retail uses in the IG1 zone that is available citywide, including within the CES, involves fairly high standards for

Central Eastside Industrial Zoning Study

approval, commensurate with the policy goal of restricting nonindustrial uses in industrial areas. The approval criteria require that the applicant demonstrate that:

- The use will not have significant adverse effects on nearby industrial uses;
- The transportation system is capable of supporting the proposed use in addition to existing uses;
- The use will not significantly alter the industrial character of the area;
- Designated scenic resources are preserved; and
- The use needs to be in an industrial area because industrial firms and employees constitute its primary market.

This last approval criterion is perhaps the most restrictive. Sometimes referred to as “Condition D,” this criterion has been cited by CES stakeholders as the most difficult zoning hurdle in siting nonindustrial uses in the IG1 portions of the Central Eastside. In practice, office- or retail-intensive target businesses that are not clearly classifiable as industrial uses (and thus allowed by right in the IG1) will not generally be approved using this approval track if their customer base and users are not clearly limited to those in the immediate area or to industrial firms in general. For instance, an application for a 30,000 square foot office facility for a firm that develops desktop publishing software would probably not be able to demonstrate that the facility needs to be in an industrial area. However, there are other office provisions available that do not require satisfying this criterion, discussed below.

“Digital Production” and “Industrial Office” Allowance

An alternative approval track for office or office-intensive industrial uses in the IG1 zone is available in the Central Eastside. These Central City Plan District provisions, found in sections 33.510.113 and 33.815 126 of the Zoning Code, allow office uses up to 60,000 square feet through a conditional use review, if they contain characteristics of manufacturing businesses. The approval criteria require that the applicant demonstrate that:

- The use will not have significant adverse effects on nearby industrial uses;
- The transportation system is capable of supporting the proposed use in addition to existing uses;
- Designated scenic resources are preserved;
- The nature of the business does not require customers to visit the site to purchase goods; and
- 33 percent of the floor area is dedicated for the development, testing, manufacturing, processing, fabrication, packaging, or assembly of goods and where the definition of “goods” explicitly includes “electronic or digital products such as internet home pages, computer software, advertising materials, and others.”

Significantly, the regulations *do not* require that development proposals demonstrate that the use needs to be located in an industrial area because industrial firms or employees constitute

Central Eastside Industrial Zoning Study

the primary market for the use. In order to mitigate for potentially negative traffic impacts on nearby industrial activity, they do stipulate that customers not generally be required to visit the site.

This “digital production” industrial office allowance was adopted in 1999 to provide opportunities in Central City industrial areas for businesses that contain both an office and a manufacturing component. It provides a focussed means for creative services, “new economy” and other firms to locate in the Central Eastside. Many target industry businesses should be able to take advantage of this provision including those in creative services and software development. Theoretically, a target business, for instance a software developer or a multi-media internet content provider, could use this provision to locate a 60,000 square foot office facility in the CES, as long as 33 percent of the floor area was dedicated to the actual development or “manufacture” of “electronic or digital products” (as opposed to, say, back office activities like accounting or human resource development, which may constitute the other 67 percent). Another example would be an office-intensive research and development facility where at least 33 percent of its floor area was devoted to constructing prototypes of manufactured products.

This existing focussed means for allowing specific kinds of office-intensive or office-like industrial uses in the CES, could potentially be amended to better meet the development vision expressed by CES stakeholders, for instance by making the provision available to developments by-right (obviating the need for the expense and uncertainty of a conditional use review) or revising the descriptions of the allowed uses to encompass more (or fewer) types of businesses.

Restrictions on Configuration of Commercial Uses on a Site

The existing office and retail use regulations for the IG1 zone in the CES include the following standards :

- Requirement for conditional use approval for more than one office or retail use *per site*;
- Prohibition of office *uses* larger than 60,000 square feet or a 1:1 floor area ratio (FAR); and
- Prohibition of retail *uses* larger than 25,000 square feet or a 1:1 floor FAR.

These provisions restrict both the amount and configuration of office development *within* a particular development site. For example, the uses-per-site restriction would require a conditional use review for development of two 1,500 square foot office spaces on a site while a single 3,000 square foot office would not require such a review.

The 1:1 floor area restriction imposes a proportional size limit that differentially restricts office and retail development *within* sites. For example, no more than 5,000 square feet of stand-alone office could be approved on a 5,000 square foot lot, while 50,000 square feet of office could be approved on a 50,000 square foot lot.

Together these regulations have the effect of regulating the internal arrangement of commercial spaces and limiting the amount of commercial space relative to the overall size of the site. These requirements may restrict desired development particularly on smaller sites (which predominate in the CES) and existing buildings with larger internal spaces that could be subdivided to accommodate smaller office-intensive uses, for instance on underutilized upper stories.

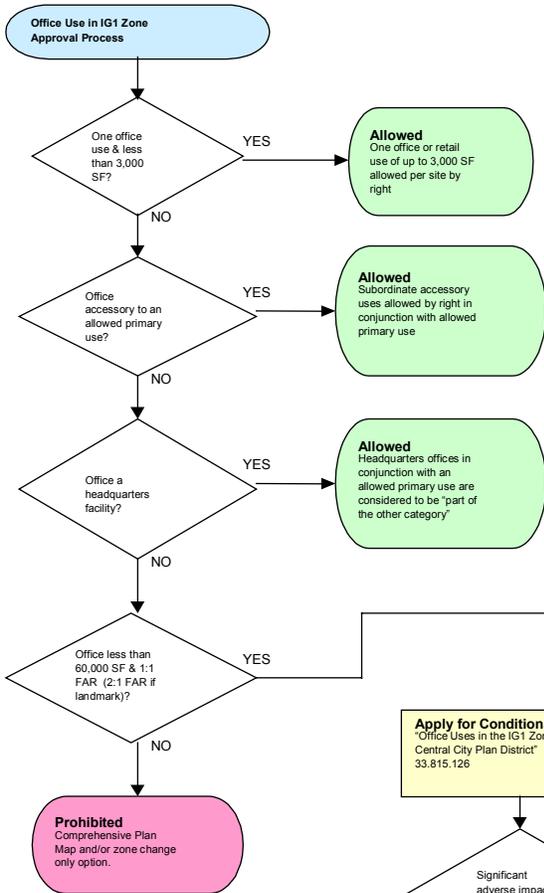
Central Eastside Industrial Zoning Study

Summary of Existing IG1 Zone Office and Retail Use Allowances in the CES

#	Provision	Amount
Total amount of office and retail		
1	<p>ALL STAND-ALONE OFFICE AND RETAIL One retail or office use allowed by-right <i>per site</i>, conditional use approval required for more than one;</p> <p>Prohibition of non-accessory and non-headquarters <u>office</u> uses larger than 60,000 square feet or a 1:1 floor area ratio (2:1 in landmark);</p> <p>Prohibition of <u>retail</u> uses larger than 25,000 square feet or a 1:1 floor area ratio (2:1 in landmark).</p>	<p><u>Office</u> 60,000 sq. ft.</p> <p><u>Retail</u> 25,000 sq. ft.</p>
Office allowed by-right		
2	GENERAL OFFICE:	3,000 sq. ft.
3	ACCESSORY OFFICE: Must be <i>accessory</i> to industrial uses meaning “subordinate” and “clearly incidental” to an allowed industrial use on a site.	No specific limit but must be subordinate and incidental
4	HEADQUARTERS OFFICE Must be in conjunction with, or adjacent to, an industrial use.	No specific limit
Office allowed by conditional use (c.u.)		
5	INDUSTRIAL SERVING OFFICE Must demonstrate that the office use will not significantly alter the industrial character of the area and that it needs to be in an industrial area because industrial firms and employees constitute its primary market.	60,000 sq. ft
6	INDUSTRIAL OFFICE: Must have at least 33 percent of use devoted to either traditional manufacturing or processing or to “digital production,” such as software and web development. Must demonstrate that they will not have significant adverse effects on nearby industrial uses and that the nature of the business does not require customers to visit the site.	60,000 sq. ft.
Retail allowed by-right		
7	GENERAL RETAIL	3,000 sq. ft.
Retail allowed by conditional use (c.u.)		
8	INDUSTRIAL SERVING RETAIL Must demonstrate that the retail use will not significantly alter the industrial character of the area and that it needs to be in an industrial area because industrial firms and employees constitute its primary market.	25,000 sq. ft.

Central Eastside Industrial Zoning Study

Begin Here

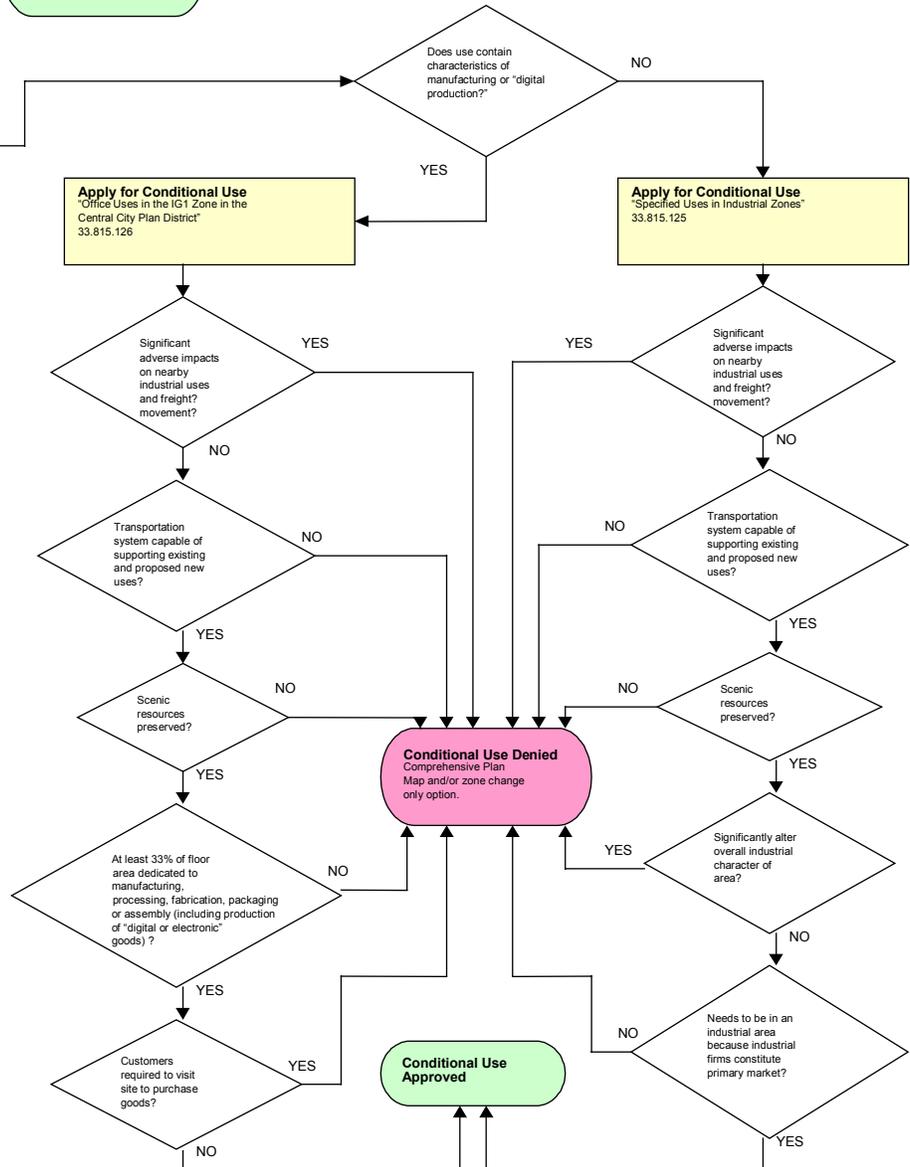


Generalized Decision Process for Determining Whether an Office Use is Allowed in the IG1 zone in the Central City

This flow chart illustrates key decision points and criteria for determining whether proposals for new office development are allowed in IG1 zoned areas of the Central City plan district (including the Central Eastside). Note that other potentially applicable regulations are not represented here. These include, for example, other zoning regulations such as development standards and overlay zone requirements, as well as building code requirements.

CHART SYMBOL KEY

- Begin Process**
- Decision Point.** "Yes" or "No" outcome, with different subsequent paths. May be objective or involve discretion.
- Begin Conditional Use Process.** Not necessary if use allowed by right.
- End Process with Positive Outcome.** May result from allowance by-right or through conditional use approval.
- End Process with Negative Outcome.** May result from prohibition or through conditional use denial.
- Process Flow Line.** Direction of logic flow. Only one valid flow line proceeds out of each box.



Portland Bureau of Planning

Central Eastside Industrial Zoning Study

Target Industry / Commercial Uses in the EG Zones

The General Employment (EG) zones are intended to provide a wide variety of employment opportunities without conflicts caused by interspersed residential uses. The emphasis is on industrial and industry-related uses, but flexibility for commercial uses is provided. About six percent of the Central Eastside is in EG designations, including about half of the DOS area.

EG zones have significant allowances for office uses, up to 1:1 FAR or 2:1 FAR in a historic landmark *per site*. Retail uses are allowed up to 60,000 square feet or 1:1 FAR *per site* (2:1 FAR in a landmark). Larger retail developments may be allowed with a conditional use approval if it is demonstrated that the proposal will not have significant adverse effects on neighboring employment uses or significantly alter the “overall desired character of the area, based on the existing mixture of uses and the effects of incremental change.” Housing is allowed in the EG zones as a conditional use, if it is demonstrated that the proposed development limits conflicts with employment and industrial uses and the residential use will be buffered from potential nuisances from employment and industrial activity.

Target industries that clearly fit within an industrial land use category are largely unhindered from locating in the EG zoned areas of the CES, from a zoning perspective. Office-intensive and office-like target businesses that are classified as office land uses may locate in the district as long as the use, in combination with other office uses on the same site, amount to a no more than a 1:1 maximum FAR (2:1 in a landmark). This allowance is by-right, however there is no option for larger office uses through a conditional use permit.

Some Central Eastside stakeholders and others have indicated that the 1:1 FAR office limitation is perhaps too low for employment areas within the Central City, where intensive use of land is generally encouraged.

Target Industry / Commercial Uses in the EX zone

EX is the most flexible employment zone, allowing a broad range of uses including industrial, commercial and residential. Most, if not all, of the target activities and industries are allowed by-right in the EX zone. There is no limit for retail or office uses beyond the absolute height and FAR limits applied to a site, which range as high as 9:1 in the Central Eastside. About a quarter of the CES is designated EX, primarily along the district’s main streets.

To a greater extent than in most zones, the EX zone allows market factors to determine what particular use develops on a site. The zone allows uses to change over time as circumstances change. Conversely, this flexibility creates a greater degree of uncertainty and, absent other tools, will allow higher-value uses to displace lower-value uses. Although industrial uses are allowed, it is expected that, over time, they could be displaced by commercial and housing development that pays higher rents per square foot of land. Such a transformation is evident in the River District, where industrial land was rezoned to EX in the 1990s.

Accessory Use and Headquarters Office Allowances

The more-or-less strict and clearly defined limits on nonindustrial uses in industrial and employment zones are eased by two other zoning provisions available in certain circumstances. These are the allowances for accessory nonindustrial uses and the headquarters office

Central Eastside Industrial Zoning Study

exception. Together, these existing allowances provide significant, although limited, opportunities for office-intensive industrial and industrial-like uses in the CES (they are also available in other industrial and employment districts).

The accessory use provisions are common-sense allowances for uses that are “subordinate” and “clearly incidental” to an allowed primary use on a site. This provision allows “nonindustrial” activities that are integral and supportive components of industrial operations. Examples include management and accounting offices supporting a manufacturing facility or showroom space that is associated with manufacturing or wholesale activities and does not have a primarily retail-oriented character.

Accessory uses are generally allowed by-right and do not require any additional land use review procedure. While there is no absolute or relative limit to the amount of the accessory use allowed, they do need to meet the discretionary “subordinate” and “clearly incidental” test. Factors used in determining whether an activity is an accessory or primary use include the relative amount of floor space or equipment devoted to the activity and whether the activity would be likely to be found independent of other activities on the site.

Another code provision, known as the “headquarters office exception” states that “headquarters offices, when in conjunction with or adjacent to a primary use in another category, are considered part of the other category.” In other words, headquarters offices associated with an industrial use are considered to be industrial uses and not offices. This provision provides a great deal of flexibility for extensive office activities associated with industrial uses, because there is no stated limit to the amount of the headquarters office use allowed. This is a powerful economic incentive tool, and, though infrequently utilized, has resulted in some significant office developments in industrial zones, for instance the Fred Meyer offices in Southeast Portland and the Consolidated Freightways (now CNF, Inc.) offices in Northwest Portland.

However, both of these allowances involve a fair degree of regulatory uncertainty for developers and have significant limitations. For instance, firms may be dissuaded from building headquarters or accessory office facilities because of the inability to legally lease those offices to nonindustrial third-party tenants. In addition, the lack of a precise definition of what constitutes a “headquarters” creates some uncertainty about when the provision is applicable.

Building Code and Seismic Upgrade Issues

Though beyond the scope of this study, it is important to note that some Central Eastside stakeholders stated that building code regulations are in many cases more significant barriers to redevelopment than zoning controls. This issue is especially relevant in adaptive reuse situations with older and historic buildings. For example, costs for seismic upgrades required when a build occupancy changes from, say, a warehouse use to an office use, can often be high enough to preclude the desired changes, even when the zoning itself may not be a problem.

The Bureau of Development Services (BDS) and the Rehabilitation Code Task Force are currently developing “Building Code Guides” for existing and historic buildings that identify acceptable alternative methods for meeting Building Code requirements and existing means for appealing certain standards that are difficult for existing or historic buildings to meet. The guides will also clarify how BDS treats changes in occupancy in older buildings that were classified under now obsolete occupancy/use schemes and that sometimes face difficulties

Central Eastside Industrial Zoning Study

when applying for alterations, additions or use changes under the current Building Code. BDS and the Task Force may also be reviewing Building Code thresholds, such as dollar values for building upgrades and changes in occupancy, that “trigger” costly code compliance requirements, such as seismic upgrades. In addition, because office activities typically pay higher rent per square foot than manufacturing or warehouse uses, any zoning code amendments that facilitate more office-intensive uses will have positive effects to the extent that the higher rents can better offset upgrade costs.

Conclusions

The ECONorthwest *Market Analysis* identified three broad categories of businesses that are likely to find the CES attractive and that will further the vision for increased employment, accommodation of the “new urban economy” and preservation of the existing industrial fabric of the district. The first group includes primarily industrial sectors (e.g. specialty metal fabrication and stone/clay/glass manufacturing) that face few zoning barriers in the CES. The two other groups include “industrial-serving” firms (e.g., engineering, certain kinds of contracting, etc.) and “industrial-like” service firms (e.g., creative services and software development). Many of the firms associated with these sectors, as well as some technology businesses that might belong in first group, have significant office needs. Under some circumstances, existing Industrial Sanctuary zoning provisions designed to sharply limit commercial uses could be problematic for these office-intensive and office-like industrial businesses.

However, overall, zoning does not appear to be a *major* barrier to locating target-sector businesses in the district. This is supported by the fact that many of these kinds of firms are already located there. They face few zoning barriers in the EX and EG zones and there are several zoning tools available for locating office-intensive uses, even in the IG1-zoned area. These include accessory and headquarters office allowances and Central City Plan District provisions adopted in 1999 for certain office-intensive manufacturing and “digital production” uses. So, too, there may be greater flexibility than is commonly perceived in defining development proposals as industrial uses.

The limits to the circumstances and the amounts in which some of the desired activities could be located in the district may discourage some target firms from locating in the Central Eastside’s IG1 area, in certain circumstances. For instance, some industrial-serving office-based firms (e.g., architecture and engineering companies) that do not meet the definition of “digital production” could not generally occupy spaces larger than 3,000 square feet in the IG1 zone, unless they were able to demonstrate that their primary market is industrial firms and employees.

The means by which office-intensive uses might seek zoning approval in the CES generally involve a great deal of code interpretation, and thus uncertainty. For example, a fine line must be drawn between creative service firms (e.g. multimedia and advertising work), and other service firms (e.g. management consultants that produce reports for clients), where both kinds of uses’ primary activities are essentially all done on a computer. Which firms meet the criteria for “digital production” may not be obvious.

Developing office or office-like space under the industrial zoning provisions also involves a fairly high level of “regulatory process,” for example a conditional use review, which involves public notification, hearings and significant expenses. The land use review process, while intended to

Central Eastside Industrial Zoning Study

protect the viability of industrial businesses in the district by subjecting nonindustrial development to public review, may discourage some desirable development activity. This may be particularly true for smaller projects, which may not be able to pay the costs in time or money to navigate the zoning process—especially when the outcomes are uncertain. Desirable firms may seek other locations where the zoning framework is more simple and clear.

From a broad perspective, though, it is important to keep in mind that existing commercial restrictions help to implement existing Industrial Sanctuary policies and serve to limit large-scale commercial development that is inconsistent with the vision for the CES and that could threaten its long-term viability as an industrial district.

Identified zoning barriers that could be addressed through targeted zoning code amendments that would support the emerging vision for the district and be consistent with existing policies include:

- Uncertainty and expense associated with commercial allowances that require a conditional use review (as opposed to by-right allowances), such as the “digital production” provision, that may particularly discourage smaller firms;
- Restrictions on the configuration and amounts of commercial uses allowed within sites that restrict office-intensive developments on the large number of small sites and existing buildings in the district; and
- Need for a clearer definition of “digital production” uses, to help differentiate them from undesired office uses that also produce “digital goods” (e.g. consulting firms and accountants) and for a more direct correspondence with desired uses.

Recommended Zoning Amendments

The Bureau of Planning recommends a focussed legislative planning project in the Central Eastside to create greater, but limited, flexibility in the IG1 zone for certain kinds of industrial activities that have significant office components or office-like characteristics. The recommended general approach is to amend the existing Central City Plan District regulations, which would provide the opportunity to craft district-specific zoning tools that respond to the unique conditions and policy goals of the CES. Zoning amendments would be applied only to the CES, or a part of the CES. This approach limits the scale of any changes (and thus of any unintended consequences) and eliminates the need for a broad-based citywide process to amend the Comprehensive Plan, as would be necessary to create a new Industrial Sanctuary zoning designation (e.g. the “IX” proposal drafted by Central Eastside Industrial Council). The recommended focussed zoning project can be completed in nine months and would commence in winter 2003/2004.

Planning staff recommends pursuing the following specific amendments:

1. **Action: Allow “digital production” industrial office uses up to 10,000 square feet by-right (as opposed to requiring a conditional use review)**¹. “Digital production” industrial

¹ The existing “digital production” provision allows office uses in the IG1 zone up to 60,000 square feet if 33 percent of the floor area of the proposed use is dedicated to either traditional manufacturing and processing activities or those that produce “electronic or digital products such as internet home pages, computer software, advertising materials and others.” This provision was adopted in 1999 to allow some flexibility for “new economy” business activities and creative services in Central City industrial areas.

Central Eastside Industrial Zoning Study

office uses larger than 10,000 square feet would still require conditional use approval. The definition of “digital production” would also be refined and possibly expanded to best fit the targeted activities and to facilitate zoning implementation and enforcement. Any office use could take advantage of this allowance if at least 33 percent of the proposed use’s floor was dedicated to traditional manufacturing or processing activities, as in the existing conditional use “digital production” provision.

Discussion: This approach is consistent with the goal of allowing more flexibility for certain office-intensive uses in the district while working within the broad “new urban industry” theme. This action does not increase the overall cap for office uses, which would remain at 60,000 square feet (see recommendation 2, below). This limit is retained in order to lessen the potential for negative impacts from large commercial uses on existing industrial operations. Because its scope is limited, this change also serves to preserve the overall industrial character of the district.

Research indicates that space demands are relatively small for many firms in the target sectors, particularly the creative services and some software development businesses. CES stakeholders have also indicated that demand for small, flexible spaces that can accommodate commercial and commercial-like uses is strong. Firms with very large space and land demands are not likely to find the CES attractive anyway. However, many creative service and software firms are likely to need more than the 3,000 by-right office allowance, especially as they need space to expand.

These smaller target firms are often start-ups companies with limited access to capital and/or tight budgets and narrow timelines. Thus eliminating the costs, delays and uncertainties associated the conditional use process will increase the attractiveness of the district to a significant number of potential firms. Facilitating smaller office-intensive industrial firms is also consistent with the *Central City Plan* objective of supporting incubator industries in the CES.

The definition of “digital production” industrial offices will also need to be clarified if a by-right allowance is created for these uses. A clear means for distinguishing these uses from other office-intensive or office-like uses that create information digitally, for instance accountants and consulting firms, but that do not fit the intent of the “new urban industry” vision will be needed. In addition, a means for distinguishing “digital production” industrial office uses from similar uses that are currently classified as industrial services (which are allowed *by-right with no size restrictions* in the IG1 zone) will need to be established, in order to avoid any unintended restrictions on desired uses already allowed in the IG1 zone.

- 2. Action: Limit the total amount of non-accessory and non-headquarters offices to 60,000 square feet per site, while removing restrictions on the number and size of individual office uses allowed per site.** That is, the sum of the floor areas of all non-accessory and non-headquarters office uses on a site, whether allowed by-right or through a conditional use (including “digital production” industrial office uses), must not exceed 60,000 square feet.

Discussion: The current standard for the IG1 zone in the CES requires conditional use approval for more than one office use per *site* and prohibits office *uses* larger than 60,000 square feet or a 1:1 floor area ratio (FAR). The amendments would remove these restrictions on the amount and configuration of office development within a

Central Eastside Industrial Zoning Study

particular development site, while retaining an *overall limit* of 60,000 square feet of stand-alone office on the site. In other words, the floor area of all individual office uses (other than accessory or headquarters offices) can total no more than 60,000 square feet per site.

The existing 1:1 floor area ratio restriction imposes a proportional size limit that differentially restricts office-intensive developments on small sites. For example, no more than 5,000 square feet of office could be approved on a 5,000 square foot lot, while 50,000 square feet of office could be approved on a 50,000 square foot. This may have the effect of encouraging new development in the Central City at less than desirable densities. The amendment would remove the disincentive for urban-scale development and facilitate development and redevelopment on the smaller sites that predominate in the district.

Removing the FAR limit and limiting overall office size by site will facilitate redevelopment of existing structures that contain larger spaces that could be subdivided to accommodate smaller office-intensive industrial uses, for instance on underutilized upper stories. This provision allows for small aggregations of complementary businesses and activities. The overall 60,000 square foot limit still provides an absolute limit on the size of an individual office use and is applied to the entire site. This limit lessens the potential for negative impacts from large commercial developments on existing industrial operations.

An alternative approach suggested by some stakeholders would be to increase the size limit (or set no specified upper limit) for “digital production” industrial office uses allowed through conditional use. This might be justified to the extent that these uses may be thought of—and defined in the code—as “industrial” as opposed to “office.” In this scenario, the conditional use approval criteria would need to be carefully crafted to ensure that large “digital production” industrial office uses, while approvable, would not significantly threaten or disrupt industrial operations in the district, if approved.

- 3. Action: Reduce or eliminate existing conditional use retail use allowances, which currently permit retail uses up to 25,000 square feet.** The existing by-right retail allowance of 3,000 square feet would be retained or perhaps slightly increased.

Discussion: This amendment is intended to reinforce the existing MLK/Grand corridor (zoned EX) as the appropriate location for retail activity. It would also help preserve industrially-zoned land and buildings for industrial employment uses, while still providing for small supportive retail uses. “Retail-like” activities, such as industrial showrooms, are already allowed under existing industrial zoning. This amendment is supported by stakeholder comments that, by definition, there are no large “industrial-serving” retail uses that required a location in a strictly industrial area, especially where there is appropriately zoned land is nearby, e.g. along MLK/Grand.

- 4. Action: Explore increased allowances for retail and office uses in designated historic landmarks in the industrial and employment zones.**

Discussion: Preservation of the existing industrial character of the Central Eastside is an important element of the development vision. In addition, CES stakeholders and others have noted that the area’s “edgy,” urban feel is part of what defines it as a distinct place. While preserving industrial land uses is a central objective, preserving and

Central Eastside Industrial Zoning Study

adapting the district's stock of existing and historic industrial structures is also of critical importance for the character and feel of the district. Increasing the flexibility for nonindustrial uses in historic landmarks will provide incentives for their long-term preservation by allowing additional uses that could potentially generate rents needed to pay for required upgrades, improvements and maintenance.

Helping to preserve the district's historic structures with increased use flexibility will enhance its distinct urban character—a comparative advantage that makes the CES attractive to several of the targeted sectors, including creative services and the rehab/home improvement cluster.

5. **Action: Explore creating minimum parking requirements for new commercial development** in order to mitigate impacts on truck and freight access and circulation.

Discussion: Existing traffic and parking problems in the CES could intensify if higher-density employers move into the CES. More employees per square foot means more vehicles needing a place to park. New development in the Central Eastside is not currently required to provide a minimum number of parking spaces (this is true in all of the Central City, consistent with policies intended to reduce reliance on the automobile). If new development does not provide on-site parking, employees will be forced to park on the street, potentially creating new conflicts with trucks and freight movement. While transit has the ability to partially mitigate for this, existing transit options within the CES are limited primarily to the MLK/Grand corridor. Streetcar and light rail services, while planned for the future, are still somewhat uncertain and have the potential to create conflicts with industrial uses as well.

Addressing the district's parking issues will require multiple strategies. These may include: identifying and prioritizing appropriate streets for on-street parking versus truck access; on-street parking management such as permit programs; and public development of off-street parking to serve new and existing uses. Potential zoning amendments that should be considered in conjunction with the new use provisions discussed above include creating minimum parking space requirements for new commercial development. This could reduce the incidence of employee and customer parking on the street, (and marginally the amount of "circling" as drivers search for parking) and thereby reduce the potential for conflicts with trucks and freight movement and loading.

Additional analysis and public outreach is needed before pursuing this option because parking in the CES is governed by the policies of the *Central City Transportation Management Plan*, which is a component of the city's *Comprehensive Plan*.

The Zoning Package

The zoning framework created by the proposed amendments, together with the existing regulations, would include multiple means for locating the target activities and industries in the IG1 portions of the district. These zoning provisions are summarized in the table that follows. The table does not include new provisions for historic landmarks or parking standards, as additional analysis and public outreach is necessary prior to firm recommendations.

Central Eastside Industrial Zoning Study

The proposed zoning package incrementally expands the by-right allowances for smaller office-like uses—from 3,000 square feet to 10,000 square feet—in situations where the proposed use contains characteristics of manufacturing or meets the definition of “digital production” industrial office. These uses would be allowed up to 60,000 square feet through conditional use review. The existing 60,000 square foot conditional use allowance for offices whose primary market is industrial firms and that do not threaten the overall industrial character of the area (among other conditions) is retained. The existing prohibition of stand-alone, non-accessory, non-headquarters offices over 60,000 square feet is also preserved.

This proposal increases flexibility and reduces uncertainty for smaller target business, such as in the creative services. It also liberalizes restrictions on the internal configuration of office uses within sites and thereby facilitates redevelopment of vintage industrial buildings that are not well suited for most 21st century industrial production but are of an aesthetic and scale that would work for office or office-like space. These existing and historic buildings are critical to the urban character of the CES—one of the chief assets that make the district appealing to many of the target business sectors

This package *does not* increase allowances for general commercial uses that have no linkage to industrial activity. This is based on several factors. One is the belief expressed by stakeholders that industrial firms engaging in commercial activities in addition to their industrial activities, would be a “better neighbor” for other industrial firms. They would presumably have more of an understanding of the needs and characteristics of industrial operations and would be less likely to complain about impacts from industrial activity.

A second factor is that CES stakeholders want new services and offices to be primarily industrial-serving, in order to keep the industrial character of the area and to build on its existing strengths. This occurs naturally if the office and retail uses occur within an industrial firm.

The third factor is the danger of price pressure on industrial land and building space if the CES were opened up to all types and sizes of office and retail uses, regardless of their linkage to industrial firms. The requirement that stand-alone retail and office uses be small-scale or linked to industrial activity would result in less danger of existing users being priced out of the area.

The amendments provide a clearer approval path and greater flexibility especially for smaller office-intensive and office-like uses. In part, this is because of the desire for a limited scope to any zoning changes and the protection of the overall industrial nature of the CES. It is also because the total space needs of many of the target firms are modest, even if their office requirements are proportionally high in relation all their activities combined. While many firms may require more than the 3,000 square feet of office space currently allowed, they may not be large enough to satisfy any requirements dealing with single-tenant share, as in initial drafts of the “IX” zone proposal prepared by the Central Eastside Industrial Council which would allow offices greater than 3,000 square feet only if the building was at least 60% occupied by a single tenant. Under this rule, small creative services firms with a need for more than 3,000 square feet of office would have to be included in a development that had another large user that could meet the requirement.

The amendments attempt to balance reducing uncertainty with the need to preserve regulatory flexibility in specific situations. For example conditional use review is eliminated for smaller “digital production” uses but retained for larger office uses where a closer examination of the use’s impacts is appropriate and applying conditions of approval to mitigate those impacts is desirable.

Central Eastside Industrial Zoning Study

Summary of Recommended Zoning Package for the IG1 Zone in the CES

#	Provision	Amount	Existing	Proposed
Office allowed by-right				
1	GENERAL OFFICE:	3,000 sq. ft.	X	
2	INDUSTRIAL OFFICE: Must have at least 33 percent of the use devoted to either traditional manufacturing or processing, or to “digital production,” such as software and web development.	10,000 sq. ft.		X
3	ACCESSORY OFFICE: Must be <i>accessory</i> to industrial uses meaning “subordinate” and “clearly incidental” to an allowed industrial use on a site.	No specific limit but must be subordinate and incidental	X	
4	HEADQUARTERS OFFICE Must be in conjunction with, or adjacent to, an industrial use.	No specific limit	X	
Office allowed by conditional use (c.u.)				
5	INDUSTRIAL SERVING OFFICE Must demonstrate that the office use will not significantly alter the industrial character of the area and that it needs to be in an industrial area because industrial firms and employees constitute its primary market.	60,000 sq. ft.	X	
6	INDUSTRIAL OFFICE: Must have at least 33 percent of use devoted to either traditional manufacturing or processing or to “digital production,” such as software and web development. Must demonstrate that they will not have significant adverse effects on nearby industrial uses and that the nature of the business does not require customers to visit the site. An alternative approach would allow a larger--or unlimited--amount of “digital production” industrial office through conditional use.	60,000 sq. ft.	X	
Total amount of by-right or c.u. office				
7	TOTAL AMOUNT OF OFFICE The <i>total</i> amount of <u>non-accessory</u> and <u>non-headquarters</u> office must not exceed 60,000 square feet <i>per site</i> . There would be no restrictions on the size or number of individual office uses on the site. In other words, the floor area of all individual office uses allowed under provisions 1,2,5, and 6 can total no more than 60,000 square feet per site. An alternative approach would allow a larger--or unlimited--amount of “digital production” industrial office through conditional use.	60,000 sq. ft.		X
Retail allowed by-right				
8	GENERAL RETAIL	3,000 sq. ft.	X	
Retail allowed by conditional use (c.u.)				
9	INDUSTRIAL SERVING RETAIL Reduce or eliminate existing conditional use provisions for retail uses up to 25,000 sq. ft.	0 sq. ft.		X

Central Eastside Industrial Zoning Study

Overall, these code amendments are intended to increase employment density, encourage reuse of existing buildings, and facilitate managed change while retaining the fundamental employment and industrial character of the district. The modest scope of the envisioned amendments will provide new opportunities in the district while also limiting the risk of negative impacts to existing industrial businesses and potentially overloading the transportation and other and other infrastructure systems in the district.

Other Options Considered

Additional zoning code concepts that were considered as part of this study are listed below. These are not recommended options at this time, but could be further examined as part of the next phase of this project.

1. **Option:** Raise by-right *general* office and retail allowance in IG1 zone (current limit is 3,000 square feet).

Reason Not Recommended: The existing 3,000 general allowance is intended to allow the flexibility to locate small office and retail uses that can serve the needs of the nearby area. The recommended amendment to the “digital production” office allowance provides a more targeted approach to allowing specific types of office-like uses that fit within the district’s evolving vision. If increases in the by-right general commercial allowances were to be pursued, consideration should be given to limiting them to designated landmarks.

2. **Option:** Raise 1:1 FAR maximum by-right office allowance or create conditional use provisions for larger office uses in EG zones.

Reason Not Recommended: While some public input suggested that larger office allowances were desirable in the EG zones, other stakeholders felt changes were not necessary. While EG1 and EG2 zoning (corresponding to the Mixed Employment Comprehensive Plan designation) accounts for only a small portion of the district, raising the office allowance could result in significant transportation and other impacts to localized portions of the district. Even under the existing EG office allowance, assuming 85 percent building coverage, the theoretical office potential in the existing Mixed Employment lands amounts to over 1.3 million square feet. Additional analysis is needed prior to pursuing these options.

3. **Option:** Comprehensive Plan and Zoning Map changes, for instance rezoning some IG1 land to EG1 or EX.

Reason Not Recommended: No overall zoning map patterns were identified as requiring immediate changes as part of this study. Staff recommends preserving the general pattern of predominant industrial zoning in the CES, with mixed-use zoning along major corridors. Small, strategic zoning map changes could potentially be considered as part of the next phase, however available resources preclude a broad-based reanalysis of the district’s zoning map.

4. **Option:** Create a new “Work/Live” allowance for industrial zones

Central Eastside Industrial Zoning Study

Reason Not Recommended: The concept of allowing “work/live” space for artists, craftspeople and others did have some, but not universal, support among stakeholders. Many feel strongly that residential uses generally pose the greatest threat the long-term preservation of the industrial and employment emphasis in the district. It was also pointed out that there are ample opportunities for work/live arrangements in the EX-zoned portions of the district. If this option were to be pursued, consideration should be given to limiting it to existing buildings or designated landmarks.

5. **Option:** Revise citywide industrial land use category definitions to reflect changes in the industrial economy.

Reason Not Recommended: An issue underlying the ongoing regional discussion about industrial land policy involves the changing nature of industrial activities and how to define “industrial” in the context of broad shifts in the global economy. This is a fundamental question with far-reaching ramifications for the city’s economic policies and its future economic health. However, addressing this issue from a citywide perspective is beyond the scope of this project, and is more appropriately addressed by the other ongoing industrial planning efforts underway, such as the Citywide Industrial Lands Assessment and the planned Zoning Code “Rethink” project.

6. **Option:** Create a new citywide industrial zoning designation that increases flexibility for commercial uses in the industrial sanctuaries.

Reason Not Recommended: The Central Eastside Industrial Council, following up on a recommendation from the DOS report, has proposed a new “IX” zone that would implement the Industrial Sanctuary *Comprehensive Plan* Map designation, along with the existing IH and IG zones. The IX zone would include significant new allowances for office and retail activities within the Industrial Sanctuary. The zone would be available to any Industrial Sanctuary-designated property through a “zone change in compliance with the *Comprehensive Plan*.” This has profound implications for the City’s industrial lands and economic development policies and would constitute a significant change to the *Comprehensive Plan*. In addition, it would require a citywide planning process involving public input from stakeholders in other industrial districts as well as close scrutiny and approval by Metro and the State Department of Land Conservation and Development. A further complication would be coordinating such a process with the Metro Title 4 “Regionally Significant Industrial Areas” mapping and code compliance effort that is currently underway. This approach is beyond the scope of the current project.

Creating a broadly applicable citywide tool in order to achieve development goals specific to the Central Eastside could result in undesired outcomes in other industrial areas. Staff believes that the existing Central City Plan District provides the appropriate tool for implementing the limited changes envisioned for industrial zoning in the CES.

Some of the general concepts contained in the IX proposal do warrant additional discussion as part of the next phase of this project and could potentially be included in amendments to the Central City Plan District. These include:

- Modest increase in by-right retail allowances;
- Prohibition of some currently allowed uses in the IG1 zone that do not provide high density employment, e.g. self-service storage; and

Central Eastside Industrial Zoning Study

- New conditional use allowances for uses currently not allowed in the IG1 zone that provide research and training support to industrial uses, e.g. schools and colleges.

Other elements of the IX proposal, such as allowing office uses of unlimited size, when 60 percent of the floor area is occupied by a single tenant, are clearly inconsistent with existing Industrial Sanctuary policies and could easily lead to development patterns inconsistent with the development vision for the district.

Appendix A: Portland's Industrial Policy and Planning Framework

The Importance of Industry

Industrial activity is critical to the economy of the city and the region. Industry provides direct economic benefits, such as jobs and local tax revenues generated by industrial firms. For instance, industrial jobs tend to have above-average wages. Oregon Employment Department data indicate that, for the Portland metropolitan area, the average annual wage for manufacturing workers in 1999 was \$47,770; the average in nonmanufacturing sectors was \$32,078, a difference of over \$15,000. Wholesale trade paid an average annual wage of \$47,203 in 1999, well above the \$34,925 average for the region.

Industrial activity also has a number of indirect benefits, as well. These include jobs created to support industrial activity, such as insurance and financial services, and the complex cycles of spending and re-spending created by linkages between firms and industries. This results in the creation of jobs, income and wealth beyond that which is created by a firm or industry viewed in isolation. Many industrial activities, for instance manufacturing and production, generally have greater economic multiplier effects than other sectors of the economy, such as retail trade or government services. Industrial sectors, particularly manufacturing, also drive much of the innovation in today's economy, being responsible for a significant portion of private-sector research and development activity.

While industry clearly plays a critical role in the city's economic vitality, the concept of what constitutes "industry" and how to nurture it is changing. Major economic trends, such as the rise of information and knowledge-based economies and the relative decline of manufacturing in the United States have profound implications for industrial land use planning and public policy. These and other factors, such as improved productivity due to technological advances and increasingly sophisticated supply chain management, are part of far-reaching structural changes within the global economy. These changes affect regional and local demand for different types of industrial and commercial space in ways that are increasingly hard to predict. Our economic and industrial land policies need to be responsive to these changes if Portland is to maintain competitiveness in the national and global economies.

Regional Industrial Policy and Planning

Metro implements regional land use planning policies through the *2040 Growth Concept* and the *Urban Growth Management Functional Plan (UGMFP)*. Local land use planning is carried out within the framework of these plans and must be consistent with them. Regional industrial land use policy is implemented primarily through *UGMFP* Title 4: Industrial and Employment Areas. Recently updated, Title 4 requires jurisdictions to limit commercial uses in industrial areas and limits subdivision of large industrial tracts. The revised title creates a new category of industrial land, called "Regionally Significant Industrial Areas (RSIAs)." A process is currently underway by which Metro and local governments map their RSIAs and amend their zoning ordinances to comply with the more stringent requirements of Title 4. Because Portland's Industrial Sanctuary policies and zoning are already fairly strict, amendments to our zoning code are not expected to be extensive.

Central Eastside Industrial Zoning Study

Portland's Industrial Sanctuary Policy

Portland's *Comprehensive Plan*, adopted in 1980 and revised periodically, is a broad and inclusive expression of community values and aspirations that is intended to guide the growth and development of the city. The *Comprehensive Plan* includes citywide goals, policies, and objectives, but also includes: goals, policies, and objectives of neighborhood, community and area plans; a list of significant public works projects; street classifications; and a map of the city's desired land use pattern. Zoning is a major implementation tool for the *Comprehensive Plan*.

Like the *Comprehensive Plan* itself, Portland's "Industrial Sanctuary Policy" is not contained in any one place or document. A number of individual policies inform planning and investment involving industrial lands and business activities. These policies and their implementation measures are consulted and applied depending on the context of a particular situation, usually requiring a careful balancing of multiple, and sometimes apparently competing, objectives. Some of the more important *Comprehensive Plan* policies addressing industrial lands are compiled in the May 14, 2003 Bureau of Planning document *Portland Industrial Sanctuary Policies and Industrial Zoning Summaries*.

The fundamental idea underlying the City's industrial lands policies and regulations is relatively simple: provide for economic diversity and growth and ensure a range of employment opportunities by reserving strategically located portions of the city first and foremost for industrial land uses. This idea is encapsulated in *Comprehensive Plan* Policy 2.14:

Provide industrial sanctuaries. Encourage the growth of industrial activities in the city by preserving industrial land primarily for manufacturing purposes.

Comprehensive Plan Policy 10.4 defines the intent of the Industrial Sanctuary *Comprehensive Plan* Map designation:

This designation is intended for areas where City policy is to reserve land for existing and future industrial development. A full range of industrial uses are permitted and encouraged. Nonindustrial uses are limited to prevent land use conflicts and to preserve land for industry. The corresponding zones are General Industrial 1 (IG1), General Industrial 2 (IG2), and Heavy Industrial (IH).

Underlying these policies are two fundamental premises:

1. In an open market, other things being equal, industrial uses will be outbid by most other uses competing for the same piece of land; and
2. Industrial uses have impacts, such as noise, odors, and freight traffic that interfere with nonindustrial uses such as residences and nonindustrial uses have impacts, such as pedestrian traffic and activities associated with residential living, that can interfere with industrial operations.

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. Industrial zoning regulations are discussed in more detail as they pertain specifically within the Central Eastside later in this report.

Central Eastside Industrial Zoning Study

Central City and Central Eastside Industrial Policies

The Comprehensive Plan strongly supports protection of industrial land. But it also allows the flexibility for individual industrial districts to develop according to their unique characteristics and to respond to changes in the economy and economic development goals. For instance, Objective A of *Comprehensive Plan* Policy 5.8, Diversity and Identity in Industrial Areas, reads:

Recognize and promote the variety of industrial areas in Portland through development regulations which reflect the varied physical characteristics of the city's industrial areas. Distinguish between older developed areas and newer, less developed ones.

One of the primary means of accomplishing this flexibility and specificity is through implementation of geographically-specific area plans. The *Central City Plan* provides the policy and regulatory framework for development in the inner-most portions of Portland, including Downtown, the Central Eastside, Lloyd Center, North Macadam, Goose Hollow, and the River District. The plan articulates a vision for the Central City as the region's economic, transportation and cultural hub, with a substantial resident population and a rich urban environment.

Since its original adoption in 1988, the Central City Plan, has been amended on several occasions. From the perspective of industrial land policy, the most important changes have been the removal of Industrial Sanctuary designations from Central City land on the west side of the river, through such means as the *River District Plan*. The subsequent transformation of the Pearl District into a vibrant mixed-use and residential area, as well as the anticipated changes in the South Waterfront (North Macadam) area have been identified by some CES stakeholders as models for change that are undesirable for the Central Eastside.

However, the existing policy basis for preserving industrial activity in the CES is strong. *Central City Plan* Policy 20 states:

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, while calling for the preservation of the industrial activity in the CES, implicitly recognize the distinctiveness of the district in relation to other industrial districts in the

Central Eastside Industrial Zoning Study

city. For instance, the district's supply of older, multi-storied industrial buildings--functionally obsolete for many large-scale modern industrial uses--lend themselves well to housing industrial incubators. So too, the district's central location lends itself to specialized distribution functions, many of which continue to thrive in the CES. The Central City Plan District (CCPD) implements the policies of the *Central City Plan* through a specialized body of zoning regulations that address the unique circumstances in the core of the Portland metropolitan region. The CCPD industrial zoning provisions are discussed in the zoning regulations section of this report.

Neighborhood Plan Industrial Policies

The Kerns, Hosford-Abernathy and Buckman neighborhood plans contain policy support for industrial activities in the industrially-zoned portions of the Central Eastside. These plans also call for a balance between residential, commercial and industrial uses and for limiting the negative impacts of industrial activity on residential areas.

The 1987 *Kerns Neighborhood Action Plan* calls for maintaining a zoning pattern that preserves the existing "diversity and balance of residential, commercial and industrial uses," and encourages "existing large industries to remain in the neighborhood." The 1988 *Hosford-Abernathy Neighborhood Action Plan* encourages the "preservation of the industrial uses and associated support services within the industrial sanctuary." The plan also calls for recognizing the Central Eastside Industrial District as a "gateway to the neighborhood" and for an improved waterfront and better connections between the neighborhood and the Willamette River. The 1991 *Buckman Neighborhood Plan* calls for supporting the "Central City Plan's recommendations for the development of the Central Eastside Industrial District in Buckman." It also calls for supporting "artisan's lofts in underutilized industrial/warehouse buildings, where conflicts are not anticipated." All three plans support reducing the impacts of truck traffic on the neighborhoods.

Related Planning and Projects

A number of recent and ongoing planning and economic development projects and programs relate to the work in the Central Eastside and are summarized below. Some of these projects, such as the Regional Industrial Land Study have provided background data and findings that support this study. Others, such as River Renaissance, the Freeway Loop Study, and the Science and Technology Quarter are ongoing projects that will support and inform the legislative phase of this current project or directly impact the Central Eastside in the future. Coordination with these projects, will be important during the follow-up legislative phase of the current study.

Regional Industrial Land Study

This multiphase research project, completed in 2001 was sponsored by the State of Oregon, Metro, several local jurisdictions and private firms. It addressed questions about the region's industrial land supply and demand and outlined industrial development trends and policy issues and recommended strategies for addressing the identified need for industrial land in the region. Industrial land demand was forecasted to be 6,300 net acres over 20 years. A significant gap between the study region's industrial land supply was sorted into two primary types—land that is "ready to develop" and land that is "constrained". The total industrial land supply was found to consist of 9,200 acres of vacant and redevelopable parcels. About one-third of the land supply (2,400 acres was considered "ready to develop") and two-thirds was considered to be "constrained".

Central Eastside Industrial Zoning Study

This study was instrumental in raising awareness in the region about the importance of an adequate industrial land supply and formed the basis of many ongoing industrial land use planning efforts currently underway.

Metro 2002-2022 Urban Growth Report: Employment Land Need Analysis

In December 2002, Metro expanded the urban growth boundary (UGB) to include an additional 18,000 acres, about 2,000 acres of which are suitable for employment, and another 16,000 are suitable for residential development. This decision did not fully accommodate the region's need for industrial land as identified in Metro's 2002 *Employment Land Need Analysis*. As a result, Metro has initiated a study to explore the possibility of bringing additional land within the UGB specifically for future industrial use. Additionally, the ability of jurisdictions with the UGB to more efficiently utilize existing industrial lands, for instance by removing constraints and making land more readily developable, will have a direct impact on the determination of the need for UGB expansion. This effort is being conducted in conjunction with Title 4 mapping of "Regionally Significant Industrial Areas," discussed above. Action based on study findings is expected by summer 2004.

Citywide Industrial Lands Inventory and Assessment

The *Citywide Industrial Lands Inventory and Assessment*, a joint project of the Portland Bureau of Planning and the Portland Development Commission, will analyze demand for land in industrial districts and associated urban renewal areas and utilize case studies assessing the redevelopment potential of specific sites in these areas. The project is an initial step in the implementation of Portland's *Strategy for Economic Vitality* (2002) and its priority recommendation to preserve, protect, and redevelop industrial sites

The first phase will inventory Portland's industrial land supply on a site-by-site and district-by-district basis. The project assesses industrial land for: site characteristics, such as size, vacancy, property values, industry mix, and employment; site advantages, such as transportation access by various modes, access to public redevelopment resources, and planned public improvements nearby; and site constraints, such as environmental resources, site contamination, and proximity to housing.

The inventory also will be used and regularly updated as a marketing database for the City's vacant industrial land and to provide an up-to-date understanding of the characteristics, function and performance of the city's industrial areas. Information collected in the inventory will be relevant to a range of upcoming policy decisions including: designation of "Regionally Significant Industrial Areas"; refinement and implementation of industrial development strategies; potential changes to the industrial zoning regulations to better accommodate evolving industrial uses; and future rezoning requests involving industrial land.

River Renaissance

This ongoing comprehensive long-range planning effort encompasses a number of initiatives that are focussed in one way or another on reconnecting the city with the Willamette River. The vision includes five broad themes:

- Assuring a clean and healthy river
- Maintaining a prosperous working harbor
- Embracing the river as Portland's front yard
- Creating vibrant waterfront districts and neighborhoods; and
- Promoting partnerships, leadership and education

Central Eastside Industrial Zoning Study

The River Renaissance process is intended to open a community dialogue about our relationship to the river in the context of these objectives. The *River Renaissance Plan* itself will establish a cohesive policy foundation on which more detailed river-related plans and programs can be built, for instance the update of the Willamette Greenway Plan and watershed restoration projects. The plan will also include an action agenda and a ten-year workplan for river-related projects and programs.

The Central Eastside waterfront is clearly one of the most significant stretches of the river-fronting land in the city. The follow-up legislative phase of the current Central Eastside market and zoning project will be closely coordinated with the ongoing River Renaissance efforts.

Loop Study

This cooperative project between the City of Portland and the Oregon Department of Transportation (ODOT) will examine the current form and function of Portland's Interstate 5/405 Freeway Loop system and will begin to look at how it might evolve over the coming half-century. Recommendations arising from the study will likely frame the scope for a more detailed analysis of future improvements to the freeway loop system.

The timing and need for this study are related to a number of recent efforts impacting the Loop. These include the Portland-Vancouver I-5 Transportation and Trade Task Force's I-5 Strategic Plan and a number of system improvements identified through other projects. Examples include proposed changes in the vicinity of the Rose Quarter, the South Portland Circulation Study, and the I-405 Freeway Capping project. The impact of those and other projects currently underway, such as the North Macadam Access Study and the Citywide Truck Access and Circulation Analysis, need to be taken into account.

The I-5/I-405 loop is arguably the single most important transportation system in the state. The Eastbank Freeway, however, is sometimes viewed as a barrier that separates the Willamette River from the Central Eastside and surrounding neighborhoods to the east. The study is expected to touch on broader system issues, including interstate freight and traffic movements, and the future of the Eastbank Freeway. Given that the demand for the Freeway will not simply vanish, there is value to a discussion about how its barrier effect might be overcome, and how the city's economic growth can be enhanced in the process. The study is expected to be completed early in 2004.

Science and Technology Quarter

The concept of an emerging Science and Technology Quarter evolved as a part of planning efforts for the Marquam Hill and South Waterfront (North Macadam) areas. Centered on the twin educational and research axes of Oregon Health and Sciences University and Portland State University, it also encompasses the southern part of the Central Eastside, including OMSI and the PCC Workforce Center. The Science and Technology Quarter, located proximate to downtown professional services and the regional transportation system, is envisioned as a hub for medical and scientific research and bioscience industries. It can accommodate existing institutions as well as spur private sector investment and employment. The concept supports the recommendations in the *CES Development Opportunities Strategy* that call for a research and development and high-tech incubator cluster in the Central Eastside.

Central Eastside Industrial Zoning Study

Appendix B: CES Land Use, Transportation and Employment

This section summarizes basic existing conditions in the study area. Additional information about economic and other characteristics of the Central Eastside may be found in the ECONorthwest report *Economic Overview of the Central Eastside*, and the *Central Eastside Development Opportunities Strategy* produced for the Portland Development Commission. Taken together, this information supports the notion that the Central Eastside is a unique employment and industrial area within the city.

Land Use

The tables below summarize predominant land uses in the Central Eastside (mixed-use buildings are assigned just one predominant use). This information is drawn from data collected by the Portland Development Commission in 2000. Overall, industrial is the single-most prevalent land use, covering about 30 percent of the district's area, and about 20 percent of its lots. About 20 percent of the area is devoted to retail uses and about 15 percent to office uses. Residential uses cover only a very small part of the study area. Less than four percent of the district is vacant. While industrial is the single-most prevalent use, the CES clearly has a diversity of land uses. Because the land use inventory was conducted strictly on a taxlot by taxlot basis, an unknown percentage of the area attributed to "parking" (about 18 percent) is actually accessory to other land uses, and should not technically be considered parking as a separate use category.

CES Predominant Land Use, 2000

Land Use	Taxlot Acres	% of Area	Taxlots	% of Lots
Industrial	106.4	27.7%	261	19.7%
Retail	76.1	19.8%	294	22.2%
Parking	70.9	18.4%	271	20.5%
Office	55.4	14.4%	211	15.9%
Other	41.9	10.9%	53	4.0%
Residential	16.2	4.2%	169	12.8%
Vacant	13.9	3.6%	39	2.9%
No Data	3.6	0.9%	25	1.9%
Total	384.4	100.0%	1323	100.0%

Within the IG1-zoned area (which constitutes about 66 percent of the district) industrial is also the single-most prevalent use, at about 35 percent. However commercial uses constitute a significant proportion of the uses within the IG1 area; retail and office uses together constituting 31 percent. Only 3 percent of the area is classified as vacant. This high degree of land use diversity within the CES industrial area is uncommon in Portland. In comparison, commercial uses constituted only six percent of the Guild's Lake Industrial Sanctuary in 2000.

Central Eastside Industrial Zoning Study

CES Predominant Land Use in IG1 Area, 2000

Land Use	Taxlot Acres	% of Area	Taxlots	% of Lots
Industrial	92.0	35.8%	220	27.5%
Retail	43.7	17.0%	151	18.9%
Parking	38.4	14.9%	160	20.0%
Office	36.0	14.0%	129	16.1%
Other	31.2	12.1%	34	4.2%
Vacant	7.9	3.1%	26	3.2%
Residential	5.5	2.2%	64	8.0%
No Data	2.5	1.0%	17	2.1%
Total	257.3	100%	801	100%

The table below summarizes CES lot sizes. Land parcels in the Central Eastside are generally small; 89 percent of the lots are smaller than 25,000 square feet and only 12 parcels are larger than 100,000 square feet (actual development sites may contain more than one lot, however). Larger parcels are relatively more common in the southern part of the district. Many modern industrial uses demand significantly larger parcels than are common in the CES. The Urban Land Institute's *Guide to Classifying Industrial Property* (2003) indicates that most new industrial developments, from distribution facilities to heavy manufacturing, require sites from 100,000 square feet and up. However, inner-urban industrial areas with smaller sites and buildings like the CES do provide niches for more specialized industrial and industrial-like operations with smaller space needs, such as local distribution and specialized and custom production facilities.

CES Lot Sizes

Lot Size	Lots	Acres	% of Lots	% of Area
< 2,500	149	5.9	11.3%	1.5%
2,500-4,999	263	22.9	19.9%	6.0%
5,000-9,999	403	66.2	30.5%	17.2%
10,000-24,999	363	116.3	27.4%	30.3%
25,000-100,000	133	129.6	10.1%	33.8%
> 100,000	12	43.0	0.9%	11.2%
Total	1,323	383.9	100.0%	100.0%

The table below summarizes the number of stories of CES buildings within different land uses. Overall, the majority of the district's existing buildings are either one or two stories, with about nine percent having 3 or more stories. About ten percent of the industrial buildings have three or more stories and about 57 percent have two or more stories. Most industrial uses and users strongly prefer single-story buildings.

Central Eastside Industrial Zoning Study

CES Percent of Buildings by Number of Stories & Selected Land Use, 2000

Land Use	Stories	% of Sites
Office	1	46.9%
	2	44.1%
	3 or more	9.0%
Residential	1	19.8%
	2	66.5%
	3 or More	13.8%
Retail	1	64.0%
	2	30.5%
	3 or More	5.5%
Industrial	1	43.3%
	2	47.1%
	3 or more	9.6%
Total	1	46.4%
	2	44.7%
	3 or more	8.9%

Transportation

The Central Eastside is strategically located near the downtown and the Willamette River and possesses good overall access to the rest of the city and the region via freeways, major arterials, bridges and a network of local streets. It also faces several transportation constraints. While the district has access to major regional transportation infrastructure, it also feels the impacts of major regional traffic.

The city's historic 200 by 200 foot block pattern covers a large part of the district, providing a fine-grained network of local streets. This network is less complete in the southern part of the district, including the CES Development Opportunities Strategy study area. The small blocks and fine street network are not ideal for truck access and maneuvering.

Martin Luther King Boulevard and Grand Avenue constitute the district's primary north-south arterial spine and provide a major means of access to the industrial area. SE Water Avenue is also an important vehicular connection between SE Clay and SE Caruthers streets. The 10th/11th avenue couplet also provides north-south connections within the district. Important east-west running streets include E Burnside, SE Morrison/Belmont, and SE Division. Vehicular access constraints to the industrial parts of the district from MLK/Grand due to high traffic volumes and turning limitations have been identified, as well as for movements to the south and east from SE Caruthers. A major reconstruction project for the Grand/McLoughlin viaduct is currently underway.

The CES is connected to the west side of the Willamette River via five critical bridge connections, including the Burnside bridge to the north and the Ross Island Bridge at the south. The Eastbank Esplanade provides a dedicated waterfront pedestrian and bike connection from the Hawthorne Bridge to the Steele Bridge. Transit service is adequate to some parts of the district, such as along MLK/Grand but is limited in other areas, for instance in along SE Water and in the DOS area. A future Portland Streetcar extension to serve the district is planned. The MAX line may also serve the area as well.

Interstate Highways 5 and 84 connect the district to the region. However, southbound access to I-5 from the study area is not ideal. Both the at-grade freeway, support structures for the

Central Eastside Industrial Zoning Study

elevated freeway and other viaducts and the railroad mainline serve as significant physical and visual barriers in the district. The railroad causes frequent traffic interruptions and crossing improvements may be necessary in some areas. Other constraints include conflicts between loading and truck movements with other vehicular traffic and bicycles and pedestrian and parking limitations in certain areas.

Employment

The table on the following page summarizes employment by industry sector in the CES. The employment data, together with the land use information discussed above, confirm that there is a great deal of business diversity in the district. Well over half of the jobs are “industrial,” including 26 percent in wholesale trade, 14 percent in manufacturing, ten percent in construction and five percent in transportation. In addition, both services and retail trade are well represented in the district with 25 percent and 14 percent of the employment, respectively.

Central Eastside Industrial Zoning Study

CES Employment by Industry, 2002

SIC Code	Industry	Employers	% of Total	Employees	% of Total
Construction		47	6.3%	1,547	10.5%
15, 16	General Construction	13	1.7%	260	1.8%
17	Specialty Contractors	34	4.5%	1,287	8.8%
Manufacturing		95	12.6%	2,117	14.4%
20	Food	5	0.7%	526	3.6%
22, 23	Textiles & Apparel	9	1.2%	312	2.1%
24, 25	Lumber, Wood & Furniture	5	0.7%	215	1.5%
27	Printing & Publishing	25	3.3%	292	2.0%
26, 30, 31	Paper, Rubber & Leather	6	0.8%	113	0.8%
32	Stone, Glass, & Concrete	5	0.7%	142	1.0%
33, 34	Primary & Fabricated Metals	11	1.5%	164	1.1%
35	Machinery & Computers	13	1.7%	186	1.3%
36, 38	Electronics & Instruments	5	0.7%	30	0.2%
37, 39	Misc. Manufacturing	11	1.5%	137	0.9%
Transportation		16	2.1%	788	5.4%
41, 42, 44, 47	Transport and Warehousing	16	2.1%	788	5.4%
Communications		5	0.7%	225	1.5%
48	Communications	5	0.7%	225	1.5%
Wholesale Trade		195	26.0%	3,862	26.3%
50	Durable Goods	139	18.5%	2,497	17.0%
51	Nondurable Goods	56	7.5%	1,365	9.3%
Retail Trade		125	16.6%	2,063	14.0%
52	Building Materials	9	1.2%	243	1.7%
55	Autos & Service Stations	15	2.0%	328	2.2%
57	Home Furnishings	22	2.9%	273	1.9%
58	Restaurants	46	6.1%	593	4.0%
54, 56, 59	Misc. Retail	33	4.4%	626	4.3%
Finance, Insurance and Real Estate		27	3.6%	336	2.3%
60, 61, 67	Banks and Finance	9	1.2%	186	1.3%
63, 64	Insurance	6	0.8%	24	0.2%
65	Real Estate	12	1.6%	126	0.9%
Services		228	30.4%	3,629	24.7%
70	Lodging	3	0.4%	83	0.6%
72	Personal Services	13	1.7%	198	1.3%
73	Business Services	60	8.0%	1,002	6.8%
75	Auto Repair	47	6.3%	375	2.6%
76	Misc. Repair	17	2.3%	118	0.8%
80	Health Services	9	1.2%	511	3.5%
83	Social Services	22	2.9%	662	4.5%
87	Engineer., Research & Acct.	23	3.1%	173	1.2%
78, 79, 81, 82, 84, 86, 88, 89	Other Services	34	4.5%	506	3.4%
Other Industries		13	1.7%	130	0.9%
7, 49, 91, 99	Other	13	1.7%	130	0.9%
Total All Industries		751	100.0%	14,698	100.0%

Source: Oregon Employment Department and Metro

Central Eastside Industrial Zoning Study

Central Eastside Industrial Zoning Study

Appendix C: Industrial Land Policy and Zoning in Other Cities

Another objective of this study is to gain some understanding of how other cities have approached industrial land and zoning issues, particularly in inner-urban industrial areas similar to the Central Eastside. The Bureau of Planning and ECONorthwest researched industrial zoning and economic development initiatives in nine mid-sized and large North American cities. Some of the key findings of the research done to-date are summarized below. Additional information is contained in the June 2, 2003 ECONorthwest memo *Research on Other Cities for the Central Eastside* and the May 14, 2003 Bureau of Planning document *Industrial Zoning: Summary Descriptions from 4 Cities*.

All of the jurisdictions studied have zoning tools that are intended to protect residential and commercial areas from negative impacts associated with industrial operations and to protect industrial land from nonindustrial encroachment. Many cities make distinctions between zoning districts that allow “heavy” and those that allow “light” industries, the former being associated with stronger impacts such as noise and odors. In contrast, Portland’s industrial and employment zones generally allow a full range of industrial use categories; the distinctions between the zones lie more in their development standards and allowances for nonindustrial uses.

In addition, all of the cities have zoning districts intended to allow flexibility in terms of nonindustrial uses while still allowing industrial activity, usually light industry. Most allowances are for additional office and retail uses, and not generally for residential. In some cases specific uses and industries are targeted. For example, San Francisco has a “Service/Light Industrial District” that prohibits general office use, but specifically allows “work space for design professionals,” in keeping with the zone’s specific arts-related theme. Vancouver’s I-3 zone allows “Information technology office” uses outright, and other offices only through a public review process. Chicago’s proposed “Commercial, Manufacturing and Employment” zone would allow commercial developments up to a 5:1 floor to area ratio, but developments larger than 75,000 square feet they have to go through a “Planned Development” review. Finally, some cities allow greater flexibility in industrial areas only in historic buildings or building’s existing prior to a certain date.

Transitioning Industrial Areas While Preserving Industrial Character

Many cities are undertaking efforts to transition older, inner-urban industrial areas into more mixed-use employment centers. Some cities, such as San Francisco and Pittsburgh, discussed below, are reevaluating their industrial policies in certain areas and are designing new tools that are intended to facilitate change while protecting the basic industrial nature of certain industrial areas. However, from a broad perspective, not many cities are trying to keep an “industrial focus” while also allowing limited retail and commercial or expanding the range of what is considered industrial. In many cases, cities are not facing demand sufficient enough to allow them to pick and choose what types of employment they want—they are trying to stimulate any employment use in older industrial areas. Portland is to some degree at the cutting edge in attempting to balance the old and the new in a way that preserves more than just the bricks and mortar of the past.

San Francisco is currently reevaluating its industrial land supply and zoning in the context of both an ongoing housing shortage and increased concern for preservation of the existing

Central Eastside Industrial Zoning Study

industrial areas. Housing encroachment in certain industrial areas intensified during the 1990s Internet boom with a proliferation of “work/live” lofts. The city is currently debating *where* and *how much* industrially zoned land should exist in San Francisco. One of the specific questions planners are asking is, how much industrially zoned land should be rezoned to allow residential uses? The debate centers around efforts to balance the need for affordable housing and the need for industrial jobs.

The City is looking to protect and enhance retention of industrial businesses in inner-urban areas with several new PDR (production, distribution and repair) zoning designations. However, only a relatively small portion of the targeted PDR areas will have strict protections from nonindustrial uses. The PDR districts generally prohibit the heaviest industries and allow at least some stand-alone commercial uses. The “Large Commercial PDR” district will accommodate “big box” retail uses. Some PDR districts will permit housing, with a housing to manufacturing square footage ratio of 1/4. The “Light PDR” district will encourage uses such as video, film, graphic design and photography studios, as well as auto, appliance and furniture repair shops and other uses that create less external noise and odors and engage in less trucking related activities than those in the “Core PDR” district. One specialized PDR area will only allow design-related production, distribution and repair uses as well as design-related commercial uses, such as showrooms, furniture design, furniture showrooms, and interior design.

San Francisco planners believe that there will be some intensification of industrial uses and increased density of employment in designated industrial areas because of contraction of industrial zoned land. Historically 15 percent of the land in San Francisco was zoned industrial; today about 7 percent is zoned industrial, and only 3% of the industrial zoned land will likely survive the current planning process.

Pittsburgh is shifting some formerly heavy industrial areas with a greater emphasis on sectors such as engineering, software design and bioscience, while still encouraging a variety of traditional industrial uses. Despite pressure to convert some industrial areas to mixed- and residential uses, the city has created new zoning districts that actively preserve and enhance the productivity of industrial areas. In this respect, Pittsburgh is working with a similar set of goals to Portland’s. In keeping with its goal of preserving industrial uses, Pittsburgh tackled the problem of price pressure by restricting retail uses in some industrial districts to less than 20% of the use of a structure, and by prohibiting residential uses.
