Coalition *for a* Prosperous Region

Clackamas County Business Alliance

Columbia Corridor Association

Columbia Pacific Building Trades Council

NAIOP Oregon Chapter

Commercial Real Estate Economic Coalition

East Metro Economic Alliance

Home Builders Association of Metropolitan Portland

Portland Metropolitan Association of Realtors ®

Portland Business Alliance

Westside Economic Alliance

Oregon State BCTC

October 19, 2011

The Honorable Tom Hughes
Metro Council President
600 NE Grand Ave.
Portland, OR 97232

Dear President Hughes,

The Coalition for a Prosperous Region would like to provide the following comments regarding Metro Ordinance No. 11-1264A, regarding the expansion of the Regional Urban Growth Boundary.

In her October 1, 2011 letter, Councilor Kathryn Harrington, noting that we are in the most severe recession since the Great Depression, suggests that the challenge before us in the imminent decision regarding the expansion of the Regional Urban Growth Boundary (UGB) is whether we act in a "prudent, modest" way or "go to the maximum extent." In fact, since even the "maximum" end of the continuum, about 3,400 gross acres, represents only a 1.25 percent expansion of the current 256,360-acre boundary, a better way to describe this choice would be: do our regional leaders act timidly or prudently?

Because of current economic conditions, stakeholders who have never supported expansions of the regional UGB adopt the disingenuous motto: "not never, just not now". On the other hand, the constituent members of the Coalition for a Prosperous Region (CPR) see this as precisely the time to act with foresight and ambition. Just as it is difficult to imagine hard times in the midst of prolonged prosperity, it is difficult to see our way back to prosperity in the midst of a prolonged downturn. That's why this region has adopted a long-range vision of 50 years and a mid-term planning horizon of 20 years, so we can look towards the horizon and not be distracted by every bump in the road.

For all of its natural attributes and benefits of sound planning, the Portland metropolitan region is a significant under-performer when compared to other similar-sized cities – Seattle, Denver, Minneapolis, Austin – based on such measures as average family income, proportion of college graduates, food insecurity and diversity of the employment base. The region is further hobbled by statewide policies including a mercurial state revenue system, historic disinvestment in higher education and transportation, and higher-than-average development costs associated with our land use system.

If we reduce our projected land need based on a short-term downturn, it becomes a self-fulfilling prophecy, all but guaranteeing that our future economic growth will be constrained to an artificially low level. Why add to our region's disadvantages an artificially-constrained land supply? Given the long lead times for development, availability of a reasonably large, geographically-diverse land supply provides market opportunity. And there is a default position: until the land is needed, it can be retained in current uses.

Metro has determined that additional land outside the existing UGB is needed to accommodate another 15,400 housing units. Remember that this number has been sliced and diced to reduce it to the minimum number possible, including lowering the population projections from the middle of the middle third to top of the lower third, upping the refill rate and increasing planned densities in various inner-city and suburban locations.

With regard to residential expansion, CPR supports bringing in the land in all six areas considered by the Acting Chief Operating Officer (COO): South Hillsboro (1,063 acres), Beaverton's South Cooper Mountain (543 acres); Tigard's Roy Rogers West (256 acres), Cornelius South (210 acres); Sherwood West (496 acres); and Wilsonville's Advance (316 acres). The six areas considered total 2,884 acres, instead of just the first four recommended areas that total 2,072 gross acres. Remember, we are talking about gross acres here. When the gross-to-net acre conversion factor of 30 percent to 50 percent is considered, the inventory becomes much smaller.

Aside from providing regional equity and choice, a larger land supply would allow consideration of more reasonable minimum density. Fortunately, the last-minute, politically-motivated and inadequately-vetted recommendation for a minimum density of 20 units to the net acre in all newly-annexed areas recently adopted by MPAC is getting no traction, but has served to make Metro's new mandate of a minimum of 15 units per net acre look reasonable. In fact, we believe that the market will not support even 15 units in some suburban locations because it limits both housing choice and size, short-changes larger households and virtually eliminates open space and creates unintended environmental and economic consequences. We believe that 10 to 12 units is the more realistic range.

Our concerns about the adequacy of the large-lot industrial land supply are even more acute, as the growth in this economic sector can have significant impact on family-wage job formation. Additionally, industrial land supply growth can create the impetus to upgrade education and transportation infrastructure and produce taxes to support local, regional and state services. Metro has identified the need for 200 to 1,500 gross acres. Although the 310-acre North Hillsboro site meets all the criteria for large-lot industrial development, we need to double that to about 630 acres. This amount will reflect the top of the lower third of the industrial acreage range, a proportionality suggested by the population range selected by Metro. CPR strongly supports the addition of the 150-acre area north of Forest Grove now under consideration since the release of the COO's recommendation, which would bring the total to 460 gross acres. To this we recommend that serious consideration be given to testing the technical viability of the 117-acre area outside of Tualatin, as recommended in 2010 by Mayor Lou Ogden. Although probably too late for this decision, the Tualatin and possibly other sites could be put "on tap" in the event more land is needed before the next five-year periodic review.

We continue to question the achievability of the levels of both residential and industrial densities assumed in Metro's analysis and the availability of the tools and mechanisms that are assumed to be available to facilitate these densities. For example, the analysis assumes widespread availability of urban renewal funding which is becoming increasingly problematic. It also assumes that there is unused capacity in the existing road and public utilities when in fact we know that increased densities often require more expensive upgrades and expansion than if this infrastructure were installed in green-field sites. Moreover, such retrofitting often has no identified funding resources.

Finally, the analysis assumes that population and industrial development are fixed and will not fluctuate regardless of the availability or cost of land. In fact, we know that these factors are variable and as we reduce the options for the location of new businesses, the odds of our attracting those firms to the region decline. Even a small reduction in the number of new firms attracted to the region, compounded over the decades of the plan, results in a tremendous loss of potential wages and tax receipts. As we have seen, this is an area where the Portland region already lags the national average and is significantly below similar-sized metropolitan regions.

We thank you for this opportunity to summarize our coalition's final recommendations in what is a critical decision. As decision-makers, the Metro Council can follow the urging of the "not never, just not now" crowd and sit out the economic recovery. Or, it can act more proactively and confidently to ensure the region is ready to take every opportunity to achieve the prosperity that our citizens so richly deserve.

Sincerely,

Drake Butch
Chair
Coalition for a Prosperous Region

Bob LaFeber
Chair
Commercial Real Estate Assn.