CREEC

1020 SW TAYLOR, SUITE 760 PORTLAND, OR 97215 503.241.2423 (V) 503.241.2721 (F)

COMMERCIAL REAL ESTATE ECONOMIC COALITION UPDATE (CREEC)
JUNE/JULY 2008

HEADLINES:

Metro Urban/Rural Reserves Process. *With LCDC's adoption of administrative rules for Urban/Rural Reserves (UR/RR), Metro is moving full steam ahead to undertake analysis for its 2009 expansion of the Regional Urban Growth Boundary (UGB) using this new approach. The state administrative rules authorize Metro to establish urban and rural reserves that will direct urban growth for up to 30 years beyond the mandated 20-year land supply required at the time of each UGB expansion. CREEC and its business community partners collectively supported the nomination of three business community representatives and three alternates to serve on the UR/RR advisory committee now meeting monthly.*

Regional Population and Employment Forecast. *On 5/30/08, Metro did a roll-out of its 2005 – 2060 regional population and employment forecast for the seven-county Portland/Vancouver Primary Metropolitan Statistical Area (PMSA). The report features a range of forecasts from the "US Trend" (0.8% per annum) to the Portland "1960 – 2000 Trend" (2%). This results in a 2060 projection of 3.2 million residents / 1.7 million jobs on the low side to 6.2 million residents / 3.3 million jobs on the high side. Based on probability and other factors, Metro staff thinks the growth rate will be on lower side, in the 1.0% range, or 3.9 million with 2.0 million jobs. As of 2000, Portland had 1.9 million residents and about 975,000 jobs.*

I-5 Columbia Crossing Project. *Reaction continues to the recently-released Draft Environmental Impact Statement (DEIS), which evaluates five alternatives ranging from the "no build" to a $4-billion+ overhaul of a five-mile stretch of I-5 from Portland's Columbia Boulevard to Vancouver's Highway 500. Even before the 6/5/08 public hearing on the matter before the Metro Council, Councilors Liberty, Hosticka and Collette went public with a position favoring no decision on a new bridge until after tolls were imposed on the existing bridge to discourage traffic and raise funds. Nevertheless, the Council voted to support Option 5, Replacement Bridge with LRT, on a 5-2 vote, with Collette switching positions after learning the true impact of the Liberty/Hosticka proposal. The comment period on the DEIS ends 7/1/08.*

Washington County Transportation Impact Fee (TIF). *Based on the recommendation of the Washington County Coordinating Committee, composed of elected officials from the County's constituent jurisdictions, the County Commission voted unanimously to delay placing the updated TIF program on the 5/08 ballot to allow further study of the proposed impacts on some commercial uses. Since then, a coalition of CREEC and several of its business partners has been working behind the scenes to help revise the TIF package, due for a roll-out in the fall.*

U of O Index of Economic Indicators™. *The University of Oregon reports that its economic index fell sharply (0.9%) in 4/08, to 101.0 (1997 =100). Only two indicators – interest rate spread and core manufacturing orders – of its eight increased with the remainder holding steady or continuing to deteriorate. Compared to six months ago,* *the U of O Index has declined an annualized 3.1% rate, the third decline of more than 2% in the past three months, which is consistent with a "mild recession".*

Cost of Gasoline Affecting Oregonians' Transp ortation Choices. *As gasoline soars above $4 a gallon, Oregonians are buying less fuel, driving fewer miles and, in the Portland metropolitan area, using mass transit in greater numbers. Even before the gas crunch, ODOT analysts reported that the number of miles driven on state highways has held steady or declined during the past four years even as the state has experienced population and job growth significantly exceeding the national average.*

ISSUES OF CURRENT CONCERN:

"Big Look" Task Force. *Since having its funding reinstated by the Oregon Legislature in early 2008, the Big Look Task Force is proceeding with its previously adopted work program, a key aspect of which is the recommendation that the state's planning program be founded on four overarching principles that collectively describe the vision and shared purpose of what should be achieved. Specifically, the four overarching principles for land use planning should be: providing a healthy environment; sustaining a prosperous economy; ensuring a desirable quality of life; and maintaining a system that is fair and equitable. The Task Force also has developed a set of tentative recommendations that it will review with selected stakeholders this summer. These preliminary recommendations are based on the initial thinking and experience of the Task Force members, as well as discussions with over 200 participants. The recommendations will certainly evolve over time as additional comments from interested citizens and organizations are heard. The tentative recommendations are:*

1. *Identify farm land, forest land, and natural areas of statewide importance, and apply incentive-based tools to complement regulation as a means of preventing development on those identified lands most at risk of being converted to other uses.*

2. *Use land use planning tools in coordination with strategic investment of transportation and infrastructure funding to improve the quality of life in Oregon's urban places, while making it possible for cities to absorb the significant population growth we expect to occur.*
   - *Prioritize funding for infrastructure to support infill development and efficient new urban areas;*
   - *P rovide incentives for redevelopment of brown fields.*
   - *Provide more predictability, through the designation of urban and rural reserves;*
   - *Allow contingency planning to allow urban growth management to adapt to a range of futures and/or unforeseen events; and*
   - *Provide for more "safe harbors" to simplify local land use planning.*

3. *Realign DLCD (and the LCDC) to carry out long-range land use planning for the state, and to facilitate and assist regional collaboration and local planning efforts.*
   - *Audit State Statutes and Rules for Performance, to reduce complexity, and to restore flexibility;*
   - *Realign DLCD (and the LCDC) to coordinate long-range land-use planning for the state;*
   - *Build state resources to support local and regional planning, including a GIS library; and*
   - *Encourage collaborative regional planning that allows (contiguous and noncontiguous) cities and counties to work collaboratively to meet state-wide goals.*

4. *Plan for and anticipate the economic growth we're looking for (e.g., increased trade-sectors, green industries, and high-tech clusters) using both the tools we already have at our disposal for economic development and a new "rapid response" process to respond to new economic opportunities.*

5. *Establish expectations for how community design and transportation affects reduction of greenhouse gases from all sources, including transportation sources. As part of this, the state should set targets for how land use planning can reduce greenhouse gas emissions resulting from transportation. Recommended benchmarks should be developed by the Global Warming Commission, with broad involvement of local entities and the public. There should be a corresponding effort to create better analytical tools to predict carbon emissions resulting from different land use and transportation alternatives.*
   - *Ensure that infrastructure investments support compact development in urbanized areas;*
   - *Develop tools for cities and counties to evaluate the "climate impact" of proposed UGB expansions and other land use actions;*
   - *Collect and disseminate "best practices" for using land use planning tools to reduce greenhouse gas emissions;*
   - *Provide technical assistance to local and regional governments to carry out these best practices; and*
   - *Help communities plan for climate change.*

In September and early October, the Task Force will carry out a multi-faceted public engagement program to hear Oregonians' ideas concerning the land use planning system and how it should be designed for the future. The next meeting of the Task Force will be 7/17/08 – 7/18/08 in Newport, Oregon. CREEC Administrator, Rebecca Woods, will continue to follow the Task Force's work. For more information: www.oregonbiglook.org

Metro Urban/Rural Reserves Rule-Making. *At its 1/23/08 meeting, the Land Conservation and Development Commission (LCDC) approved the new Oregon Administrative Rules (OAR) Chapter 66-027 authorizing Metro to establish urban and rural reserves that will direct urban growth for up to 30 years beyond the mandated 20-year land supply required at the time of each expansion of the regional Urban Growth Boundary (UGB). This rule is an alternative to the traditional method for expanding UGBs that uses the "hierarchy of land" methodology to direct urbanization to land with the least value for farm or forest use. This methodology will apply only to the Portland metropolitan area, as this is the largest and most complex urban region in the state. The simultaneous designation of rural reserves when urban reserves are developed is designed as a "trade-off" for the loss of agriculture/forest protection incorporated into the land hierarchy.*

To implement this new approach, Metro has established a stakeholders' committee to advise it and the three metropolitan counties on making the dual urban/rural reserve designations as part of the 2009 UGB expansion. Business community representatives on the stakeholders' committee include Craig Brown (Matrix Homes), Greg Manning (NAIOP/CREEC/First Horizon Construction Lending) and Greg Specht (NAIOP/Specht Development). The alternates are Bob LeFeber (CAR/CREEC/Commercial Realty Advisors NW LLC), Drake Butsch (American Title Company) and John Pinkstaff (CCIM/CREEC/Lane Powell). To provide technical support, the PBA has formed a technical advisory committee with whom these delegates and alternates meet monthly to share information, brainstorm positions and provide other technical support prior to the monthly Metro advisory committee meetings. Currently, Group Mackenzie is developing regional mapping to identify potential "best-of-the-best" land for potential urbanization.

2035 Regional Transportation Plan (RTP) Update. *As of 2/08, Metro has received tentative approval of the federal component of its 2035 RTP Update from the Federal Highway Administration; Metro staff is now working on the State component. Completion of the RTP Update is scheduled to coincide with the next regional UGB expansion, scheduled for completion at the end of 2009, so that land use and transportation issues can be coordinated. To view the current draft of the 2035 RTP see: http://www.metro-region.org/article.cfm?ArticleID=26328.*

Metro Employment Forecast/Land Need Analysis. *Metro staff has indicated an interest to sponsor a new 2030 employment forecast / land need analysis modeled after two earlier efforts, the 2001 Regional Industrial Land Study (RILS) and 2004 Greater Metropolitan Employment Lands Study (GMELS). One purpose of the study is to ensure appropriate private-sector input on employment growth and trends as they translate into land requirements. Metro hopes to form a public/private coalition to finance the effort similar to those that funded the other two studies. The work scope for the study is still under development as Metro staff tries to coordinate the regional effort with the efforts of its constituent local jurisdictions who are mandated to do economic planning under Statewide Goal 9 (Economy of the State), to assure the most efficient use of time and resources and to have outcomes that will have maximum utility. Potential private-sector funders such as CREEC, NAIOP and WEA are reluctant to make a financial commitment until the work scope is completed and approved by the Metro Council.*

Regional Population and Employment Forecast. *On 5/30/08, Metro did a roll-out of its 2005 – 2060 Regional Population and Employment Forecast for the Seven-County Portland / Vancouver Primary Metropolitan Statistical Area (PMSA) (Public Review Draft: 5/19/08). The seven counties include Clackamas, Multnomah, Washington, Columbia and Yamhill Counties (OR) and Clark and Skamania Counties (WA). As of 2000, Portland had 1.9 million residents and about 975,000 jobs. The report features a range of forecasts from the "US Trend" (0.8% annum) to the Portland "1960 – 2000 Trend" (2%). This results in a 2060 projection of 3.2 million residents / 1.7 million jobs on the low side to 6.2 million residents / 3.3 million jobs on the high side. Based on probability and other factors, Metro staff thinks the growth rate will be on lower side, in the 1.0% range, or 3.85 million with 2.0 million jobs ("Economic Trend"). This is the mid-point of a range between 3.5 and 4.1 million, which has an 80% probability of occurring, according to Metro's statistical analysis.*

Columbia River Crossing. *Planning for a replacement bridge on I-5 over the Columbia River has come to an important crossroads. Five alternatives were proposed in the recently-released Draft Environmental Impact Statement (DEIS):*

- *Option 1: "No Build", required as the "base case" for all EIS analysis under the National Environmental Policy Act (NEPA)*

- *Option 2: Replacement bridge with "bus rapid transit" with 10 – 12 lanes.*

- *Option 3: Same as Option 2 but with light rail transit (LRT) instead of bus rapid transit.*

- *Option 4: Retain/upgrade existing bridges to create 3 – 4 north-bound lanes and a new bridge to the east for 3 – 4 south-bound lanes with bus rapid transit.*

- *Option 5: Same as Option 4 above but with an extra lane in each direction for LRT. Various options also include the reworking of several interchanges on either side. The most expensive option will cost over $4 billion. The DEIS estimates that if the "no build" option is selected, congestion will double, increasing to 15 hours a day by 2030. The supplemental bridge with transit, pedestrian and bicycle facilities will reduce this to less than 11 hours a day, and a complete replacement will reduce congestion to between 3.5 and 5.5 hours a day.*

PBA has formed a lobby, the Columbia River Crossing Coalition which CREEC recently joined, to support the building of a replacement bridge with a light rail line and re-working of several interchanges; Spearheaded by the Coalition for a Livable Future, environmental, community and alternative transportation groups are lining up against all four build options, arguing that none adequately address the reduction of greenhouse gases and climate change. As one of its first big tests, the proposed bridge options were reviewed by the Metro Council at a public hearing on 6/5/08. Even before the hearing, Councilors Liberty, Hosticka and Collette went public with a position favoring no decision on a new bridge until after tolls were imposed on the existing bridge to discourage traffic and raise funds, for which the trio was hammered by an editorial in The Oregonian. Fortunately, the Council voted to support Option 5, Replacement Bridge with LRT, on a 5-2 vote, Collette switching positions after learning the true impact of the Liberty/Hosticka approach.

In more good news, The Oregonian reports a survey by the Portland-based Riley Research has found "broad support" for improving the crossing. In addition, 62% of Vancouver residents now favor an LRT extension, a big turn-around from the 1995 vote when Clark County voters defeated a similar proposal by a 2-1 margin. Overall, 71% of respondents on both sides of the river favor an interstate LRT line. The comment period on the DEIS ends 7/1/08. Comments can be made electronically at www.columbiarivercrossing.org/CurrentTopics/DraftEIS.aspx

OTHER ISSUES:

Washington County Transportation Impact Fee (TIF). *For the past several months, Washington County has been working on a proposal to update its TIF program, which has been in place since the 1990s and assesses fees on various types of development to fund roadway improvements. The proposal includes converting the TIF to a systems development charge (SDC); updating the transportation capital improvement plan; extending the use of TIF money for transit as well as roadway improvements; and increasing the per/trip fee for each general type of use, including residential, commercial, industrial and institutional. Overall, the proposed fees will double for most uses but in the case of some auto-dependent commercial uses – drive-in restaurants, drive-in banks – the fee is slated to increase 10-fold or more. It was the County's intent to put the package on the 5/08 ballot. However, based on the opposition of WEA, NAIOP, RTF, CAR, CREEC and other organizations protesting the unfair fee commercial increases, the Washington County Commission voted unanimously to delay putting the package on the ballot until 11/08 to provide time to re-visit the methodology and assumptions. Since then CREEC and its partners have been meeting regularly with County land use/transportation staff, Coordinating Committee Technical Advisory and Policy Committees to shape the revised proposal including methodology, implementation and trip rates. For more information, call RTF's Mark Whitlow (503.727.2000).*

University of Oregon Index of Economic Indicators. *The University of Oregon reports that its economic index fell sharply (0.9%) in 4/08, to 101.0 (1997 =100). Only two indicators – interest rate spread and core manufacturing orders – of its eight increased with the remainder holding steady or continuing to deteriorate. Compared to six months ago, the U of O Index has declined an annualized 3.1% rate, the third decline on more than 2% in the past three months, which is consistent with a "mild recession". Other indicators used in the index include new unemployment claims, residential building permits, help-wanted advertisements, weight-distance tax revenues, total non-farm payrolls and US consumer confidence. Sponsored by a grant from Key Bank, the index provides a well-rounded look at the state's economy by tracking its historic performance.*

Cost of Gasoline Affecting Oregonians' Transp ortation Choices. *As gasoline soars above $4 a gallon, Oregonians are buying less fuel, driving fewer miles and, in the Portland metropolitan area, using mass transit in greater numbers. Even before the gas crunch, ODOT analysts report that the number of miles driven on state highways has held steady or declined during the past four years even as the state has experienced population and job growth significantly exceeding the national average. Some statistics of interest as reported in The Oregonian (5/1/08):*

- *Vehicle miles traveled (VMT) peaked in Oregon in 2002 at 20.9 billion miles. Though the population has grown at more than 1% and jobs at more than 3% each year, highway travel has dropped each year, hitting 20.6 billion miles in 2006, the last year for which information is available.*

- *Statewide gasoline consumption dropped over 4% in 1/08, putting consumption back to 11/05 levels. Although this has positive impacts on congestion and greenhouse gas emission, it also represents a decline in gas tax revenue, the chief source of funding for repair, maintenance and constructi on of roads.*

- *TriMet reports a 3.6% increase in transit ridership in the first three months of 2008, representing 48,000 more riders each week.*

The tipping point at which motorists are willing to make major changes in their transportation choices appears to be at about $3.50/gallon, according to the Sightline Institute, a Seattle-based sustainability think tank. However, the drop in total VMT occurred before the rapid increase in gasoline costs, leaving econom ists with no explanation.

Cost of Congestion Study. *Earlier this year, a broad-based public/private partnership commissioned this study by the Economic Development Research Group of Boston to provide baseline information about the relationship between investments in transportation and the economy. The bottom-line finding of the study is that failure to invest in the region's transportation system will cost the region 6,500 jobs and $844 million annually by 2025, or nearly $800 per household. These impacts can be avoided through strategic transportation investments, which could return more than twice their value to the regional economy. Both the executive summary and full study can be found on the PBA website, www.portlandalliance.com. Recently, PBA partnered with the Oregon Business Council (OBC) to underwrite the cost of a statewide version of the study titled "The Cost of Highway Limitations and Traffic Delay to Oregon's Economy", to document the short- and long-term costs associated with the continued under-funding of the state's transportation infrastructure. The study concludes that targeted investments in its transportation infrastructure to reduce travel delay and improve market access will result in a potential economic benefit of $1.7 billion annually in "value added" business by 2025, with the creation of thousands of construction jobs and preservation of 16,000 permanent jobs.*

For more information, contact CREEC ***Advocate Beverly Bookin*** *or* ***Administrator Rebecca Woods*** *at The Bookin Group (503.241.2423).*