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METRO

Date: June 21, 1996

To: Metro Council

From: Mike Burton *Mike*

Re: Transmittal of Recommendations from 2040 Means Business Committee

Over a year ago I convened a very diverse group of business people who reflect the development and finance community in the Portland metropolitan area, who will ultimately make 2040 happen on the ground. This advisory group, 2040 Means Business, has worked diligently over the past 13 months to develop recommendations on implementing the concepts in 2040.

The charge to the 2040 Means Business Committee was to examine the adopted 2040 growth concept, identify the obstacles to implementing 2040 and to recommend solutions to overcoming those obstacles. I believe the perspective and input from the business and financial community is essential to implementing the 2040 vision in the region.

The Committee identified public awareness, market conditions, and the need for regulatory reform as the primary issues associated with 2040 implementation. The Committee divided into subcommittees and organized around these three issues. The subcommittees met and worked with Metro staff and the project consultants to gather information, analyze the issues and develop recommendations for my consideration. The Committee recommendations represent a great deal of time and dedication but also the very diverse perspectives and philosophies of the Committee.

I agreed at the onset of the Committee's work to transmit its recommendations to both the Metro Council and to the Metro Policy Advisory Committee (MPAC). Attached you will find a letter to me outlining the Committee's major recommendations and details from each of the three subcommittee's work. The recommendations represent a consensus opinion of the full 2040 Means Business Committee.

I want to commend the Committee on their commitment to the task but also to comment on their recommendations.

It is clear that there are different views, and the 2040 Means Business Committee is no exception, about how the region should approach and implement our growth management policies, now and for the future. There is and will continue to be debate and that is healthy.

But even though there are divergent views and philosophies about what our region should look like in 20 years -- we need to remember that the 2040 growth concept is that vision and it has been affirmed and reaffirmed by the Metro Council.

One can always debate the accuracy of a forecast or the specifics of the applications of certain numbers, but we must keep our eye on the prize and that is our vision for our region.

All the Committee's recommendations need close examination and consideration; many are notable; and I am in agreement with many, specifically the following:

1. Metro needs to carefully monitor development, in-fill and redevelopment on a regular and scientific basis.

- Metro should issue annual reports on each jurisdiction, listing accomplishments over the year.
- Metro should conduct updates and adjust the UGB as necessary -- based on actual performance. The Committee recommends updates of the UGB to be done every three years. It is my personal opinion that updates may need to be done more often, but I certainly agree that criteria and standards should be adopted which will mark progress towards the 2040 goals on an on-going basis.
- Metro should be considerate of unintended consequences such as hyper-inflation of land prices, leap-frog development to outlying communities which require long commutes and the pressure on affordable housing.

2. Metro should connect citizen's value to preserve the environment with the UGB and what it takes to prevent urban sprawl -- a compact urban form and density.

- Metro should develop and implement an on-going public education program.
- Metro must visually demonstrate what a compact urban form "looks like."
- Metro must educate citizens about the choices and consequences of not implementing the 2040 growth concept.
- Metro must work with local jurisdictions to call citizens to action to support the region's growth management strategies.

3. Many current local land use codes, regulations and zoning designations are contrary to making 2040 work. The vision for our region has changed but local codes have often not followed suit.

- Metro must work with the local jurisdictions to expeditiously change land use codes to provide for more flexible zoning designations.
- Metro must work with the local jurisdictions to stream-line the regulatory process -- especially for in-fill redevelopment.
- Metro must develop an advocacy program to assist and provide political support from 2040-type projects that are timely and dependable.
- Metro must develop model codes and development standards as tools to assist local governments in compliance.

4. The implementation tool of land assembly must seriously be considered. Land is not an interchangeable commodity.

- A variety of land parcel sizes and geographic locations must be available throughout the region to meet housing, employment and industrial needs now and in the future.
- Creative strategies need to be deployed to assemble land in sufficiently sized parcels which are conducive to master planning for high density, mixed use development.
- A policy conversation with the Metro Council needs to occur that looks at the possibility of selective use of condemnation for land assembly.

5. Farm tax deferred land inside the UGB needs to be examined. There is a project soon to be underway that will be conducted by LCDC. This project will look at farm tax deferred land inside UGBs from a statewide policy perspective. Metro will have a seat at the table for this discussion.

6. The on-going interaction, participation and perspective of the business and finance community is important to the implementation of 2040.

- I will appoint an on-going group of business and finance representative to assure 2040 stays grounded in market reality.

There are three separate pieces of work conducted by the project consultants and three separate memorandums from each of the subcommittees which summarize their findings and recommendations. These documents along with the experience and knowledge of the subcommittee members were the basis of the full Committee's final report.

1. A quantitative and qualitative Public Opinion Research Project was conducted by Davis and Hibbitts, Inc., for the Community Awareness Subcommittee which was chaired by David Bell. The memorandum from the Community Awareness Subcommittee is included as Attachment A. The consultant's report is not attached but is available by calling Jennifer Smit at 797-1506.
2. A regulatory analysis was conducted by Gordon Davis with recommendations for action and was presented to the Regulatory Subcommittee, chaired by Jim Mark. The memorandum from the Regulatory Subcommittee is included as Attachment B. The consultant's report is not attached but is available by calling Jennifer Smit at 797-1506.
3. The Market Conditions Analysis which was conducted by ECONorthwest and Hobson & Johnson for the Market Subcommittee, chaired by Mark Fraser, is still not in final form. A memorandum from the Market Subcommittee is included as Attachment C which reflects the views of the subcommittee but which was not adopted by the full Committee. The consultant's report should be completed and available in 2 - 3 weeks and can be obtained by calling Mary Weber at 797-1735.

I have also included, for your information, a roster of the full 2040 Means Business Committee, Attachment D, and a list of the participants of each of the subcommittees, Attachment E.

I recommend that MPAC, the Council Growth Management Committee and the Metro Council invite Keith Thomson, chair of the 2040 Means Business Committee or his designee to present the full Committee's recommendations. My office would be happy to assist with any necessary scheduling.

It is through information, communication, and thoughtful deliberation that our region will realize the adopted vision of 2040.

2040 *means* BUSINESS

Mike Burton

Metro Executive Officer

Chuck Armstrong, Chair

Bank of America

Keith Thomson, Vice Chair

Intel

Bob Ames

Developer

Peter Bechen

PacTrust

David Bell

GSL Properties, Inc.

Betsy Bergstein

Business for Social
Responsibility

Tom Bruggere

Private Investor

Barry Cain

Gramor Development NW, Inc.

Steve Cogan

Fred Meyer, Inc.

Dennis Derby

Double D Development, Inc.

Mark Fraser

Grubb & Ellis

Sharlene Giard

Gibson Bowles/
Better Homes and Gardens

Charlie Haugh

Holt and Haugh

Richard Kidd

SAC Systems

Yoshio Kurosaki

Summit Properties

Julie Leuvrey

Oregon Pacific Development

Jim Mark

Melvin Mark Properties

John Petersen

Bank of America

Pat Ritz

Oregon Title Insurance Co.

Jordan Schnitzer

Harsch Corporation

Greg Specht

Specht Development

Jim Standing

Westland Industries

J. Daniel Steffy

J.D. Steffy Company

Bert Waugh

Stan Wiley, Inc.

June 17, 1996

Mike Burton
Metro Executive Officer
600 N.E. Grand
Portland, OR 97232

Dear Mike:

One year ago, you asked a cross section of the business community to employ its collective expertise as real estate industry professionals, bankers, economists, and business managers to study and recommend policies and mechanisms that would create the market conditions necessary to achieve the goals of the Region 2040 growth concept.

After more than a year of regular meetings of the full committee, numerous subcommittee meetings, commissioned public opinion and economic research and careful deliberation on the results of that research, we are convinced that the integrity of the 2040 growth concept will be strengthened through adoption of our recommendations.

The following is a summary of the findings and recommendations from each of the three subcommittee groups of the 2040 Means Business Committee: the Market Subcommittee, the Community Awareness Subcommittee, and the Regulatory Subcommittee.

Early in the process, the 2040 Means Business Committee determined that the challenges associated with implementation of the Concept centered on three large questions:

- Is this what the public wants?
- How will the jurisdictions help or hinder us?
- And will the market accept it if we build it?

What we have found is that the public doesn't want either uncontrolled urban sprawl or excessive new density in their existing neighborhoods. But citizens will accept modest additions to density in their neighborhoods if it is well-designed and if they can understand its impacts in advance.

What we found from the jurisdictions was that they had years of rules and regulations that worked directly counter to the goals of the Growth Concept.



METRO

797-1502

What we found from the market was that it would accept somewhat more density than was currently being built primarily out of economic necessity.

The full reports from the three subcommittees are attached for the purpose of providing more in-depth information. It is our hope that this executive summary is kept in the context developed in these final reports, and that reference is made to them before quick judgment is made about them.

FINDINGS AND RECOMMENDATION OF SUBCOMMITTEES

Market Subcommittee

(For a more detailed list of findings and recommendations, see attached memorandum.)

Our recommendations are founded on several key principles dictated by the market:

1. Under current development standards, unless the changes recommended below are made, the urban growth boundary would need to be expanded by 24 - 30,000 acres (using Metro's projections) to accommodate growth for the next 20 years.
2. The market begins to fail long before the supply of land is depleted.
3. Allowing higher densities does not create development nor the demand for higher density development. Mandating higher density will not force the development of higher density.
4. Promoting higher densities creates additional costs for both residents and employers.
5. Land is not an interchangeable commodity; 100 1-acre parcels is not equal to 2 50-acre parcels. An acre in Hillsboro is not equal to an acre in Portland.
6. If land supply is excessively constrained, rising land prices will choke off the economic vitality of the region.
7. Existing policies and public activities which promote exclusionary zoning are contrary to the flexibility the market needs to implement the 2040 Growth Concept.
8. More opportunity for density increases may exist through modification of development standards (setbacks, street widths, water detention) than in zoning for smaller lots.
9. Land supply and demand are not independent variables; in fact, they are highly interdependent. Thus, if land supply is constrained, rising land prices will choke off demand for land as well as the economic vitality of our region.

Our recommendations to Metro are:

1. Expand the urban growth boundary by 5,000 net usable buildable acres right now. Seventy (70%) of this should be designated residential and the balance retail and service.
2. After this initial addition, Metro should carefully monitor the amount and location of development, in-fill and redevelopment within the urban growth boundary. An annual report should be completed by Metro for each jurisdiction listing the number of homes and businesses built, the amount of land consumed and the amount of redevelopment and infill accomplished. We recommend that every three years, Metro examine this information and determine the absorption on land use by sub-region, and then expand the boundary to replace the land that has been absorbed in the previous three years.

3. Undertake land assembly using condemnation power where necessary.
4. Establish a method for bringing farm tax deferral land within the urban growth boundary into the developable land inventory.

Unintended Consequences

Failure to address the inherent market forces that have allowed land supply to arrive at or very near the point of market dysfunction is likely to produce consequences that are counterproductive to the 2040 growth concept. These include:

- Hyper-inflation of land prices;
- Leap frog development with longer commutes from distant towns;
- Increase in cost of housing;
- Increase in cost of labor and goods;
- Gentrification in inner city neighborhoods;
- Losing battle for affordable housing;
- Inability to maintain current level of home-ownership.

Community Awareness Subcommittee

(For a more detailed list of findings and recommendations, see attached memorandum.)

1. Without public support at the local level, implementation of Region 2040 will be significantly impaired by opposition to local code changes and individual development projects.
2. Public knowledge gaps can lead to opposition to implementation of Region 2040 at the local level. Important knowledge gaps include:
 - Impact of local actions on regional goals.
 - What “more density” means at a local level - what it means to a neighborhood, a block, a street. How much more density?
 - What “2040-style” development looks like.
 - The effect on quality of life of alternatives to 2040, principally “sprawl” or “no-growth.”
3. Metro must undertake a substantial, on-going effort at the local and neighborhood levels, to:
 - Understand specific public concerns about implementation of region 2040;
 - Provide the public with accurate information about what 2040 means to them;
 - Continually inform the public, locally, of the reasons and benefits of 2040 and its local effects.
4. This effort should include:
 - The dedication of at least one full-time Metro staff member.
 - The development of an effective visual communication package that includes examples of innovative development types.
 - Ongoing communication with citizen and neighborhood groups, civic and service organizations, trade groups, chambers of commerce, local government planning boards, etc.

Regulatory Subcommittee

(For a more detailed list of findings and recommendations, see attached memorandum.)

The “Regulatory and Parking Evaluation Final Draft,” conducted by Gordon E. Davis, dated April 12, 1996, was used as the final report for this subcommittee.

Two key recommendations to Metro are:

1. Current regulations are definitely a deterrent to higher density.
2. Metro must guide jurisdictions at the local level through the process of streamlining and improving the current regulatory process.

Two additional points are:

1. Surface parking should not be viewed as a wasted piece of land, but as an available resource easily modified to other uses in the future.
2. There is a connection between mass transit and the cost of operation of vehicles, as seen with the recent increase in Tri-Met ridership due to the increase in gasoline costs.

Specific Regulatory and Parking Evaluation Recommendations:

(For a more detailed list of findings see attached memorandum.)

1. Regulatory Process Conclusions

- Staff attitude has considerable effect on the ease in which land use applications and permits are administered and approved.
- Use administrative decisions and limit appeals.
- Pre-application processes need to be timely and thorough.
- Communication and accountability between staff and applicant must be clear.
- Metro should develop an “advocacy” program to assist in the development of 2040 projects.

2. Development Standards

- Current regulations in most Metro area jurisdictions prohibit 2040 type development.
- Fire and life-safety regulations often conflict with higher density development.
- Variance standards discourage innovation.

3. Parking Requirements of Office, Retail, Residential and Industrial

- There is ample evidence in the absence of “CBD” (central business district) level transit, restricting parking **does not decrease traffic**.
- Restricting parking does not save significant **land**. (See specific examples in Gordon Davis report.)
- Developers develop to the maximum densities that are economic and market feasible.
- To really reduce parking requirements, the cost of purchasing and operating a motor vehicle would have to increase from current levels.
- As land costs have increased, the natural parking ratios have decreased as the cost of land has increased.

General Recommendation: Creation of a Standing Committee

Metro should form a standing advisory committee composed of representatives from the business and real estate industry to provide Metro with an ongoing source of advice and feedback on the implementation of Region 2040 and the reaction in the marketplace. The committee would advise the Metro Council and the Metro Executive.

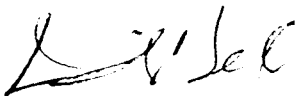
SUMMARY AND CONCLUSION

After more than a year of regular meetings of the full committee, numerous subcommittee meetings and careful deliberation of the research and concerns brought up at the meetings, we are convinced that the integrity of the 2040 concept will be strengthened through the adoption of our recommendations.

We recognize that expanding the UGB may be ahead of some public opinion, but it is our professional opinion that added flexibility in tandem with the 2040 growth concept will enlist the UGB as the tool it was intended to be, as densities increase around new centers. To ignore the consistent and compelling evidence is to risk self-imposed recession. Before making a quick and simple judgment, one must realize the options and results from over-extending and under-expanding the boundary. Increasing public awareness of the purpose of the UGB and the unpleasant effects on livability of too tight of controls should shed light on the public debate. If the UGB is needlessly expanded by 10,000 acres, we will have unnecessarily increased the Metro area by 4% while accommodating 50% population growth. If, on the other hand, housing and labor costs escalate due to the no-growth movement and cause a self-imposed recession, it could take years to recover.

Therefore, in careful review of all the pertinent data and information, and especially the three reports attached, it is our belief that the implementation of these recommendations will lead to the success of the 2040 growth concept. It is in the spirit of actualizing the 2040 growth concept that we are pleased to forward our recommendations for your consideration and Metro Council adoption.

Very truly yours,



David Bell
GSL Properties
Community Awareness
Subcommittee Chair



Mark Fraser
Grubb & Ellis
Market Subcommittee
Chair



Jim Mark
Melvin Mark Properties
Regulatory Subcommittee Chair

Attachments:

Subcommittee Reports and Members:

- Community Awareness Subcommittee
- Market Subcommittee
- Regulatory Subcommittee

MEMORANDUM

To: Mike Burton, Metro Executive Officer
From: 2040 Means Business Committee, Community Awareness Subcommittee
Date: June 17, 1996
Subject: Findings and Recommendations

Obstacles and Solutions

During initial interviews conducted by Davis & Hibbitts with 2040 Means Business members, the following public opposition obstacles were identified:

(Primarily Residential Development)

- Neighborhood Review Process (including appeals)
- Lack of balanced input by all interests/lack of checks on quality of input
- Ignorance and fear
- Sanctity of neighborhood/resistance to change
- Growth in areas least open to new styles (suburbs)
- Resistance to higher density
- Impact on schools and infrastructure
- Being told what to do with land
- NIMBYs/BANANAs (Not In My Backyard) and (Build Absolutely Nothing Anywhere Near Anyone)

Initial interviews of committee members also included the following solutions to these obstacles:

Education/Public Relations

- Education at neighborhood level
- Major on-going public relations campaign
- Sample project showing no drop in property values
- More disclosure about plans for undeveloped areas/honesty

Public Review Process Changes

- Limit public review to code development and planning process
- Appeals -- shorten or limit
- Streamline process

Work Plan

The scope of work identified by the Community Awareness Subcommittee focused on identifying issues of concern to the public related to growth management issues through the use of public opinion and market research. Although the Region 2040 process received widespread public input, the subcommittee believes citizens will need additional information as Metro moves toward implementing the 2040 Growth Concept.

Public opinion and market research was conducted in three ways -- a random sample telephone survey of 608 respondents, a second telephone survey using the Scaled Comparison Method, and three focus groups consisting of 29 participants.

Research Observations and Conclusions (from "Public Attitudes toward Growth Management," by Davis & Hibbitts, Inc., March 1996)

Respondents view population growth as inevitable, but fear that it cannot be stopped. More than 50% who said population growth cannot be stopped also said it cannot be slowed. Respondents also indicated that they feel less safe in their neighborhoods as population increases.

These concerns and fears likely are influencing some of the attitudes expressed in the two surveys. For example, respondents believe that it is likely the UGB will be moved outward, but do not find that probability particularly desirable. Respondents also generally prefer development in developed areas and rank forest/farmland preservation first in the Scales Comparison research.

Economic growth is highly desirable to respondents, but 67% of them believe that economic growth can happen without population growth. Further, those living in rural and rural changing to suburban areas are less inclined to see economic growth as desirable. These attitudes are another dynamic affecting attitudes in the survey.

Respondents believe that housing costs will go up whether or not the UGB is moved. Although not specifically quantified in the survey, the general response regarding this issue may interplay with attitudes toward population growth and the desirability of moving the UGB.

There was little disagreement over the probability of housing trends like more multi-family housing, apartments over garages, and others. This level of sophistication about the future is in part because people are seeing these trends happening where they live. For example, Washington County respondents were most likely to find it probable that residential development will consist of smaller lot sizes and houses. Generally, though, there appears to be a sense of inevitability that these trends will happen.

Respondents were amenable to mixed use development that results in shopping and working near where people live. Convenience and traffic congestion are probably driving some of

these attitudes. For example, respondents were more receptive to these trends in Washington County. People also see this kind of development happening around them.

The survey revealed a strong receptivity to public transit, with 64% finding transit replacing the automobile as somewhat to very desirable. Respondents also generally favored roads and highways to freeways when asked where they would rather allocate money.

A majority of respondents were opposed or neutral to moving the UGB. This position makes sense given respondents' attitudes about population and economic growth, the future likelihood of housing trends, and receptivity to the convenience of shopping and working near where they live.

Concerning the Scaled Comparisons Research, the high ranking of forest and farmland preservation and wildlife protection is consistent with responses to questions in the first survey. Those responses include concerns about population growth, the preference for growth in developed versus undeveloped areas, and opposition/neutrality to moving the UGB.

Focus group research confirmed the earlier findings that people in the region view population growth as inevitable and are aware of how things are changing to deal with that growth. Most focus group participants were much more open to the notion of "more people" in their neighborhood when quantified and when they could visualize how it could be accomplished in an appealing and well-planned way.

Implications for Public Communication

- Focus on the **how**, not the what. The public is convinced of what will happen; they're just not convinced they will like it.
- **Quantify** future trends (e.g., one more housing unit per block in your neighborhood versus "more apartments" built on the closest busy street where you live).
- **Individualize** expected changes so that people understand what might happen in their own neighborhood. In some areas there will be major new residential development. In others, it may be one extra unit above a garage every two blocks. Acknowledge and account for differences in how people perceive the size and scope of their neighborhoods.
- Enable people to **visualize** the possible changes and show them **options** that are a designed well and aesthetically appealing. Enabling people to actually see how something might look goes a long way toward diffusing fear of change and has the potential to generate enthusiasm.
- Explain the **result for residents** (e.g., mixed residential/commercial "*so that* people can shop closer to home").

- Use **neutral terms that are specific** to avoid reactions based on perception rather than the real implications for residents (e.g., the term "housing density" lacks specificity and may create exaggerated images; using this term in a survey question regarding the UGB likely increased negative responses compared to other similar survey questions).
- **Address fears** related to **population and economic growth** through a better understanding of how the 2040 Growth Management Concept will affect the ability to have those things most important to area residents (e.g., forest/farmland and wildlife protection, more shopping convenience, neighborhood safety).

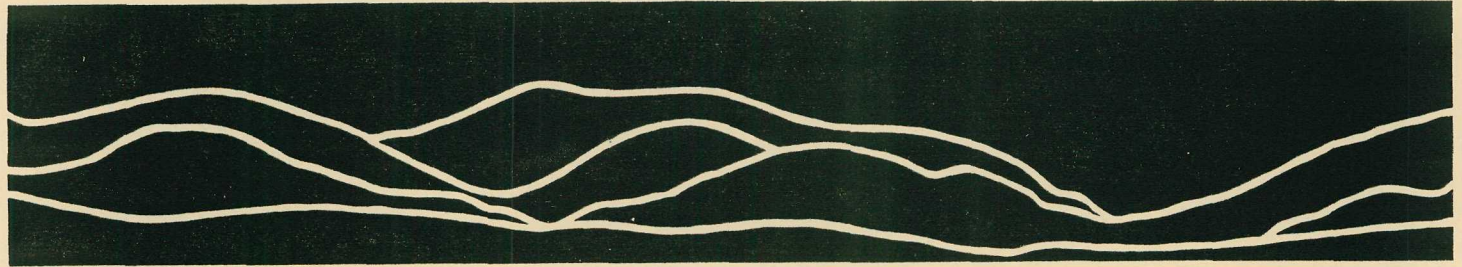
Subcommittee Recommendations

To address the public's fears, knowledge gaps and possible public opposition to 2040-type changes, particularly higher density projects, at the local level and in neighborhoods, Metro should fund a substantial on-going public education effort which includes the dedication of one full-time staff person. This effort should include a Metro "road show" in which Metro representatives regularly speak before a wide variety of community groups such as Rotary Clubs, local Chambers of Commerce, Kiwanis, Lions, neighborhood and business associations, and other civic organizations such as the City Club of Portland and the Washington County Public Affairs Forum. These presentations should include a summary of what Metro is, an explanation of the 2040 Growth Concept and the need for the concept, previous research results on public values in the region, a review of how the concept reflects public input and values and an analysis of what would occur if the region did not implement the Region 2040 Growth Concept (e.g., the earlier Base Case scenario). These presentations should also illustrate the negative affects of sprawl and provide visuals of 2040-type projects.

As the region changes, the public's concerns about growth will continue to evolve. Metro must take the strongest leadership role in informing the public about the choices and tradeoffs the region must weigh in managing its growth. If it does not, fear and lack of accurate information will lead to strong, negative public reaction. This will create a significant barrier to the implementation of Region 2040 and could threaten the political viability of Metro itself.

This subcommittee calls on the people of this region to a higher level of citizenship. We all must become aware of how local actions affect implementation of the 2040 concept. Citizens throughout this region must think beyond their block, their neighborhood, and their community to consider how development projects, especially increases in housing densities, fit into the broader regional picture. In order to do this, they must understand how their local actions affect regional goals and how implementation of regional goals affect them locally.

The subcommittee also recommends that the Executive Officer consider a standing business policy advisory committee or liaison committee to advise and provide information to Metro on which local development projects work and which ones don't. The intent of this advisory committee is to provide another source of information to the Executive Officer. This committee could be an extension of the 2040 Means Business Committee.



PROPERTY DEVELOPMENT SERVICES
PUBLIC AFFAIRS CONSULTING
STRATEGIC PLANNING

April 12, 1996

MEMORANDUM

To: Mike Burton, Metro Executive Officer

From: 2040 Means Business Committee, Regulations Subcommittee

Date: June 17, 1996

Subject: Findings and Recommendations

TASK 7: REGULATORY AND PARKING EVALUATION

BACKGROUND

This working paper is one of several prepared by a consulting team for the Metro 2040 Means Business Committee and Metro Staff to assist in their evaluation of ways to implement the Region 2040 Growth Concept. Task 7 of the scope of work requires a working paper that evaluates local land use and parking regulations and recommends strategies for change. This paper contains the conclusions on how the implementation of the Region 2040 Growth Concept is affected by:

- Regulatory processes,
- Development standards,
- Parking standards.

METHODOLOGY

Three methods were used for this work. First, 490 questionnaires were sent to home builders, office and retail developers, brokers, bankers and other financial managers, lawyers, engineers, architects, and consulting planners throughout the metropolitan area. They were asked about their experience in the regulatory process, processing permits and satisfying development requirements. There were 26 responses, most thoughtful and thorough. Second, individual interviews were conducted with 23 people, representing a similar cross-section of experience. The

interviews were divided between a discussion of regulatory issues and parking depending on the background of the people. Finally, a limited literature review was conducted through the Internet and other traditional sources on current research in the area. Some data and analyses used in this working paper were provided by Hobson Johnson & Associates and ECO Northwest, the other members of the consulting team.

REGULATORY PROCESS

Introduction

The process by which land use and permit decisions are made is a significant factor in the cost and timing of development. Furthermore, the more local administrative and decision making processes are similar from one jurisdictions to the next, the more likely developers are to transfer their knowledge and market approaches throughout the metro area rather than specializing in a particular jurisdiction or market.

Expediting and standardizing the regulatory process is a good idea with or without 2040 since as time and processing costs can be decreased, the cost of the final product, particularly housing, will be less. The research revealed several conclusions about the regulatory process.

Conclusions

- **Staff Attitude** - Staff attitude has considerable effect on the ease by which land use applications and permits are administered and approved.

While staff attitude is clearly a leadership and management issue, it is also a function of how staff and the applicant each see the goal of the regulatory and administrative process. If the goal is seen solely as restricting development to achieve broad community goals, the regulatory process tends to become adversarial in which applicants and staff respectively negotiate to satisfy regulatory requirements at minimum cost and with minimum variance to the standards. If the goal is seen as enabling development through the use of regulatory standards, the regulatory process becomes a search for solutions to conflicting interests and unique circumstances. Regulations are by definition restrictive but the attitude that staff and the applicant bring to the process can determine whether the goal is to penalize or enable the development process.

There are no consistent or region-wide methods to affect attitude. However, if individual community goals include regional metro-wide goals (i.e. 2040 goals), and if the local jurisdiction regulatory process is seen as the means to achieve those regional goals, it is possible that local staff and applicants will see themselves as sharing a common goal and be more likely to work together toward that goal.

The practice of “partnering” has emerged in recent years as a means of formalizing agreements between parties. Such agreements have used extensively with design/build projects between owners, designers and contractors. Such formalized partnering agreements could be a model for region-wide partnering agreements between Metro and local jurisdictions to implement 2040.

- **Administrative Decisions and Limited Appeals** - If proposals are consistent with codes, approval decisions should be made at the lowest level possible and appeals should be limited.

The counterpoint to this conclusion is that if the region is seeking innovative solutions as a means of achieving greater density, more cost-effective development, and more efficient use of land, pre-determining the specific regulations and standards necessary to achieve those solutions may not be possible or desirable. Flexible regulations and standards which may be more conducive to innovative solutions require more judgment in decision making, raising the level at which those decisions are more appropriately made and extending the interests and potential rights of appellants.

The conflict between desiring certainty and maintaining flexibility in the development process will always be in tension.

- **Pre -Application Processes** - Pre-application processes are only useful if they are timely, thorough and result in feedback that can be relied upon to determine final conditions of approval.

Both applicants and staff share the burden of making pre-application processes effective. Applicants need to present complete project descriptions and staff need to conduct thorough, documented reviews. Staff need to be prepared to stand by their pre-application review through the approvals process, not adding new requirements unless the project changes. Applicants need to understand that changing the project potentially voids the review.

If formalizing the pre-application process to gain certainty is the goal, it may be necessary to institute a more informal process where applicants and staff can work creatively to help shape a project without either party relying on the outcome as an indicator of the form and approvability of the project.

- **Communication and Accountability in the Approval Process** - Communication and accountability between the applicant and staff must be clear.

When responsibility and accountability is not clear on either side of the applicant/staff equation or when there are multiple people responsible, communication breaks down and applications flounder.

An application model is used with mixed success in some jurisdictions to address this problem. Upon submittal of an application (land use or permit), there is one person designated for both the applicant and staff who is responsible for all communication on the application. The designated staff person is responsible to be sure that all staff reviews are completed in accordance with an agreed upon schedule and that the applicant's representative receives all relevant communication. For this to work, the designated staff person must have authority within the agency to require timely completion of reviews by other departments and must be accountable for completion. The applicant's representative is responsible to be sure that staff comments are responded to and that revised plans and data are submitted as required. The model assumes that all communication goes through these two people or at least that the responsibility to manage all communication and adhere to schedule is with these two people.

Implications for 2040 - Regulatory Process

There is an inherent conflict between the wish for the regulatory process to provide more certainty to the developer (i.e. projects that are consistent with codes ought to be approved administratively with limited opportunity for appeal) and the desire for the regulatory process to allow greater flexibility to encourage innovative development

(i.e. have more flexible standards). While it may be possible to increase the levels of certainty in parts of the administrative and regulatory process, if 2040 goals are to be achieved, development standards are going to have to be more flexible. More flexible standards will decrease the level of certainty that developers would like in designing and gaining approvals for their project. Clearly work needs to be done in both, but the inherent tension between certainty and flexibility will not go away.

Speeding the administrative and regulatory process will always be a good idea, but effecting it on a regional basis will be very difficult. Much of the frustration with the process comes from the interaction of people which is highly variable and difficult to standardize or control. Once again, while it is worthy of an on-going effort to increase clarity and ease in the process and to maintain effective communication, it will always be an “on-going” effort. Putting 2040 resources into this area is not likely to yield long term results.

DEVELOPMENT STANDARDS

Introduction

Standards that shape the design of projects not only affect the look of a project, they also have a significant affect on its cost and efficiency. Such standards exist in zoning codes, land division codes and public and private infrastructure improvement standards. The 2040 Growth Concept requires a dramatic change in how residential, commercial and industrial projects are designed in contrast with the standards that have been generally used in the last 20 years. Several conclusions emerge from the research about the affect of development standards on achieving the 2040 Growth Concept.

Conclusions

- **Codes Reflect 1960-70s Conditions** - Most land development and land division codes were written in the 1960s and 1970s when land was plentiful, available, and unconstrained by the effects of an urban growth boundary.

While some jurisdictions have done comprehensive revisions to their codes and some jurisdictions have adopted new sections designed to encourage innovative development, most existing codes contain standards designed to achieve expansive, low intensity development; extensive landscaping; wide roads and disconnected street networks; and a clear separation of uses. Most existing codes work contrary to 2040 goals of increased density, more efficient use of land, and more cost effective housing.

- **Piecemeal Code Amendment** - With a few exceptions, most local codes have been amended over the years adding new provisions based on emerging community goals, but rarely through a comprehensive reassessment of the consistency of the code with overall goals of the community.

Code provisions for environmental protection relating to wetlands, water quality/quantity management, natural resource buffers, and tree protection, all reflect new priorities or needs that have emerged since many codes were originally written. Solar exposure standards emerged at a time when energy conservation was a national

and local priority. Protection of views and view corridors has emerged as a response to increasing intensity of development. While all may still be important goals, most codes are a hodgepodge of amendments to an old code rather than a consistent, comprehensive set of standards and regulations directed to implement a comprehensive vision of the community including 2040.

The City of Portland has recently completed a comprehensive revision of its land development code and has begun a comparable process with its land division code. The land division code revision process in particular, may provide a model for how such a code might achieve 2040 goals.

- **Fire and Life-Safety Shapes Many Standards** - Many of the standards in existing codes are based on fire and life-safety issues which communities are hesitant to question.

The goal of fire and life-safety is to protect property and lives. The easiest way to achieve that goal is to have wide streets that are not steep, mandatory separation between buildings, generous set backs, low buildings, dedicated fire and emergency lanes, sprinklered buildings, full “turn-arounds,” and many other things. Such standards are often contrary to the 2040 goals of higher density, more efficient use of land and cost effective development. By modifying development standards to achieve 2040 goals, communities will be forced to consider fire and life-safety trade-offs including costs for different equipment (smaller equipment able to drive and pump on smaller streets and steeper slopes, etc.), increased use of private fire and life-safety protection measures and lesser response standards.

- **Codes Penalize Innovation** - Many existing codes penalize innovative planning and design through more complex and risky procedures. Codes often require extraordinary information with the application and then elevate approvals to planning commissions and city councils where emotions and politics are as much a determinant of the final decision as are the merits of the project.

Existing codes rely heavily on Planned Unit Developments as the basis for mixing uses and varying from standards. However, the extraordinary application requirements of PUDs and the greater decision making risk limit their attractiveness to developers. In-fill, zero lot line, “granny flats,” and other more innovative development techniques that will be required to achieve 2040 goals are not addressed in many codes or require so many variances as to be impractical.

- **Variance Standards Discourage Innovation** - Variance standards focus on “hardship to the applicant” rather than emphasizing the impact of the variance on the goal or purpose of the regulation. Variances that may be necessary to achieve innovative solutions are based on criteria that are highly subjective and therefore less predictable, raising the risk in time and cost to the developer, discouraging the type of innovative projects that will be required to achieve 2040 goals.

Implications for 2040 - Development Standards

Zoning codes, land division codes and private and public improvement standards have a significant affect on achieving 2040 goals.

A code that only allows 2 housing units to share a driveway makes it difficult, costly, physically unattractive and inefficient to do an 8 unit in-fill project (Tigard). A code that increases the set back from 20 to 25 feet when a house

is two floors does not promote increased density (Multnomah County). A code that does not allow streets to be built in excess of 12 percent because fire trucks can't pump if they are parked on greater slopes, makes it hard to design efficient, dense projects on the remaining difficult in-fill sites (Tigard). A code which allows 5,000 sf lots but requires 10 foot side yard set backs makes it difficult to build single family homes at that small lot size (Lake Oswego). A code which does not allow private streets and requires that all lots have at least 10 feet of frontage on a public street makes in-fill and cluster projects difficult since each lot will have a 10 foot "flag" out to the public street (Tualatin). A code that requires 50 foot buffers in addition to normal set backs between projects of different densities consumes a great deal of land for non-building purposes (Gresham).

The fact that many codes in use throughout the metro area reflect conditions and goals of the 1960s and 1970s and that they often reflect strong fire and life-safety standards puts them in direct opposition to many 2040 goals. It is not possible to do piecemeal changes to existing codes and assume that 2040 goals can then be achieved. 2040 goals are in such contrast to the goals that shaped most present codes suggests that nothing short of a comprehensive re-write of existing codes specifically to achieve 2040 goals will be effective. Furthermore, it is not just zoning codes that are the problem but land division codes and improvement standards may have more impact on 2040 goals than any other regulatory area.

The City of Portland's multi-year effort to complete a comprehensive revision of its land development code and particularly its land division code may provide a model for development standards and administrative processes that can be used in other communities. 2040 resources would be well spent assisting communities in code review and revision.

PARKING STANDARDS

Introduction

One of the goals of the 2040 Growth Concept is to maximize the utilization of land within the Urban Growth Boundary. Surface parking, as a large consumer of land in all development, particularly retail and office development, is logically open to scrutiny as a possible area where land use efficiency might be able to be achieved. In addition, The Portland metropolitan area is under a state mandate through the Transportation Planning Rule (TPR) to reduce non-residential parking spaces per capita by 10 percent within 20 years.¹ The rule expects the reduction will be accomplished through parking restrictions on new development and redevelopment of parking areas in existing development to non-parking uses. While the principal goal of the TPR is to reduce reliance on the automobile, such policies may promote an efficient utilization of land. Several conclusions emerge from the research about the effect of parking restrictions or other techniques on the 2040 Growth Concept.

Conclusions

- **Effect Of Parking Restrictions.** Projections of new retail and office demand accommodated in new construction in the metropolitan area in the next 10 years (to 2005) is 8,819,000 and 11,588,700 square feet

¹ OAR 660-12-045(5)(c)(A)

respectively². If all new retail development were built with surface parking at an average of 5.0 parking spaces per 1000 square feet (sf) of gross leaseable area (GLA), 354 acres of surface parking would be needed. If new office development outside the Portland central business district were built with surface parking at an average of 4 spaces per 1000 sf of GLA, 288 acres of parking would be needed.

Reducing parking by 1 space per 1000 sf of GLA would result in 1 acre less land required for surface parking for each 125,000 sf of GLA³. If public policy restricted parking in new retail development so that the average parking ratio were reduced from 5.0 to 4.5 spaces per 1000 sf of GLA, land required for surface parking to the year 2005 would be reduced by 35 acres. If public policy restricted parking in new office development outside the Portland central business district⁴ so that the average parking ratio were reduced from 4.0 to 3.75 spaces per 1000 sf of GLA, land required for surface parking to the year 2005 would be reduced by 19 acres.

With 978 acres of new retail and office development projected to the year 2005, a reduction of 54 acres in surface parking is approximately 5½ percent. That average reduction, however, could have significant economic consequences if achieved through a uniform application to all new development. Unless there were a corresponding decrease in the overall demand for parking, an increase in the availability of transit service to that new retail and office development, an increase in the use of other modes of travel, and a decrease in the availability of parking at existing retail and office development.

- **Institutional Barriers to Restricted Parking.** There are significant institutional barriers to accepting restricted parking. Existing leases and recorded Covenants, Conditions and Restrictions (CC&Rs) contain provisions that prohibit parking reductions in existing centers on threat of major economic and legal damages to owners. In new development, national retailers using their national parking standards are reluctant to deviate from those standards in any local lease or purchase transaction they might consider.
- **Financing Barriers to Restricted Parking.** Traditional sources of permanent financing, which are most often national financial institutions, evaluate financing opportunities within the Portland area in comparison to opportunities elsewhere. To the extent that they see greater risk in Portland area projects because those projects don't meet the parking standards required in underwriting, they will be less willing to lend or will require lower loan to value ratios, making local projects more costly.
- **The Relationship of Parking Policy and Other Factors to Maximum Parking Ratios.** As land costs rise and density and transit service increase, retail development will have incentives to build less parking. To the extent that land costs do not rise and density and transit service do not increase, retail and office developers will purchase the land they need to ensure they always have adequate parking to meet their full need and will tend to err on the side of excess land and parking.

If the state and regional land use goal is to increase the utilization of land (i.e. to increase the density and intensity of use; to increase economic activity per acre/square foot) but if there is no upward pressure on land values and no move to increase housing density and transit service, the only way to decrease the amount of land dedicated to parking is through maximum parking restrictions. To the extent that the amount of urbanizable

² See accompanying working paper for this study on "Commercial Market Analysis" prepared by Hobson, Johnson Associates.

³ Based on 350 square feet per stall for surface parking.

⁴ It is assumed that most new parking in the central business district will be structured parking

land is constrained (e.g., with an urban growth boundary) and land values and density are increasing, and if transit service is increased in the areas where new development occurs, maximum parking restrictions may not be needed to reduce ratios of parking to GLA.

- **Reducing The Demand For Parking.** The demand for parking can be reduced by reducing the demand for travel or increasing the attractiveness of alternative modes of travel. Restricting the amount of parking available does not reduce the demand for travel. A TCRP Research Project⁵ concludes that restrictive parking policies do increase use of alternative modes of travel to and within the restricted area. Moreover, over the long term, those policies cause a dislocation of parking-sensitive businesses or functional areas of businesses out of the restricted area. Employers who chose to remain in parking-restricted areas but who continue to need parking experience a steady rise in the cost of parking. The costs for employers to provide limited but expensive parking are off-set with demands for lower rents. Outside the restricted area, parking supply and utilization is high and rents are correspondingly high.

For retail uses, a Fred Meyer study⁶ shows that in areas where there is a high level of transit service and higher residential densities, parking demand is less. Conversely, where there is little or no transit service and where densities are low, parking demand nearly equals supply.

- **Reducing Parking Quantities Through Shared Parking.** While sharing parking between uses with different peak parking demands can increase the efficiency of parking, implementing such projects solely through private initiative is very difficult, particularly between uses in different ownership and management. If minimum parking requirements are made very low, large-scale projects will still build the parking they need. Small-scale projects will tend to build at the minimum, relying on nearby on and off-street parking to meet their needs. Large-scale projects will use a variety of enforcement techniques (parking patrols, fencing) to try to protect their parking supply for their own customers.

Public intervention through Parking Management Authorities or Parking Districts may be necessary to effectively and broadly implement shared parking arrangements if lower minimum parking standards are implemented. At a minimum, such public mechanisms could work with private property owners to help develop private shared parking agreements. A more aggressive public approach would include formation of discrete parking districts or parking management areas where parking authorities work to use local improvement districts or other financing mechanisms to develop and manage on and off-street parking facilities.

- **Designing for Peak Parking.** Studies show that for ten months of the year, the average peak parking utilization in large retail centers is 75 percent or less⁷ However, in November and December, peak parking utilization exceeds 85 percent, a figure that is generally considered "full parking."⁸

For most retailers, small and large, the last 4-8 weeks of the year represent 30-50 percent of their total annual

⁵ "Policy Options to Attract Auto Users to Public Transportation," Transit Cooperative Research Program, Transportation Research Board, National Research Council, Interview with Randy Pozdena, co-investigator (with Ken Dueker, Portland State University), February 23, 1996. Final study to be released in Summer 1996.

⁶ Kittelson & Associates, Fred Meyer Travel Study, December 1993.

⁷ Shared Parking. Urban Land Institute, Washington, D.C. 1984, page 18.

⁸ Ibid., Interview with Phil Worth, Kittelson & Associates, 2/28/96.

revenues.⁹ To design the parking for the 10 non-peak months so that parking lots could not accommodate peak parking periods could have significant economic consequences to retailers. Designing for peak parking conditions is analogous to designing for public utilities that have occasional peak demand, like storm sewers, water and electricity. One may only need the design capacity during infrequent peak storms, fires and cold snaps, but when it is needed it is critical.

Implications for 2040 - Parking Standards

With some justification, popular discourse lays the ills of our urban form on the automobile. No one questions that the automobile consumes an enormous amount of energy and that accommodating it consumes large quantities of land in roads and parking areas. Yet for all its ills, most of our social, economic and physical lives are integrally tied to the automobile.

In a future based on 2040 goals, our dependency on the automobile will have to be reduced. Yet how do we untangle ourselves from this dependency? Becoming more independent requires changing behavior and there are at least three schools of thought on how to go about this. One says restrict available parking and people will use other forms of travel. A second says reduce the need to travel and people will not use the auto as much. The third says make other forms of travel available, convenient, and inexpensive and people will use them rather than the auto. All three approaches will change behavior but all three depend on other factors to be effective.

For a restrictive policy to work, there must be alternative forms of travel available, convenient and inexpensive (as compared with the automobile). For a policy based on reducing the demand for travel to work, there must be policies that promote increased densities, mixed uses, and close housing/employment relationships. To make other forms of travel attractive, those alternatives must be available, convenient (frequent service close to origins and destinations), and relatively inexpensive (in comparison with the costs of operating an automobile and for people of all income levels).

In short, if densities are increased, mixed uses are allowed and promoted, housing and employment are integrated, pedestrian connections are maintained throughout the community and if transit service is provided at a level that truly meets people's travel needs, the demand for parking will decrease and land that might otherwise be used for parking will be put to other uses. Key to this result are demand factors (e.g., population and employment), supply factors (e.g. public policies about the urban growth boundary, allowable and required densities and service pricing), and the land prices that result as those factors reach a market equilibrium. Simply, higher land prices lead the market to higher density, less land per square foot if improvement, and less parking per square foot of land.

However, if parking is restricted without the other corresponding policies fully implemented, there will be economic and physical dislocation as employers, businesses, and residents weigh the personal costs of such a restrictive policy.

While the Transportation Planning Rule mandates a reduction in parking per capita and suggests it should be done through restrictive policies, such an approach is misdirected if the true goal is to have an efficient urban form. Metro will more effectively achieve its 2040 urban form goals by focusing on goals of increased density, mixed uses, a housing/employment balance, and development standards to achieve those goals and, on increasing the

⁹ Interview with Steve Cogan, Vice President, Fred Meyer, 2/15/96

availability, convenience and cost-effectiveness of transit to all areas of the community. To the extent those goals are achieved, the percentage of newly developed land devoted to the automobile should decrease.

If, in addition to developing policies that reduce the demand for parking, Metro wants to take a more aggressive public policy approach to parking management, it should do so by promoting formation of local parking districts, management areas and other local mechanisms to achieve greater shared and public parking.

MEMORANDUM

To: Mike Burton, Metro Executive Officer

From: 2040 Means Business Committee, Market Subcommittee

Date: June 17, 1996

Subject: Findings and Recommendations

Introduction

The Market Subcommittee of the 2040 Means Business Committee has dealt with some of the most sensitive issues raised by the 2040 Growth Concept. Even if the recommendations of the other two subcommittees are fully implemented, the success of the Growth Concept will be limited by the degree to which the market accepts the product that is developed.

Our report is split into two main sections. The first is a discussion of the findings of our consultant and the observations of the committee members. The second part is our recommendations to the Executive and the council.

Findings

Our recommendations are founded on principles dictated by market forces which cannot exist separate from the 2040 growth concept .

Under current development standards, unless the changes recommended below are made, the Urban Growth Boundary would need to be expanded by 30,000 acres to accommodate growth for the next 20 years.

The market begins to fail long before the supply of land is depleted.

Existing policies and public activities which promote exclusionary zoning are contrary to the flexibility the market needs to implement the 2040 Growth Concept.

Although the market has shown a interest in somewhat higher density, mandating higher density will not force the development of higher density. Zoning for higher densities does not increase the demand for higher density development.

Promoting higher densities through land constraints creates higher costs for both residents and employers.

More opportunity for density increases may exist through modification of development standards (setbacks, street widths, water detention) than in zoning for smaller lots.

Land is not an interchangeable commodity. Rather, each parcel possesses unique characteristics and capacities derived form its location, topography and size. Stated another way, 100 one acre parcels are not equivalent to 2 fifty acre parcels and an acre in Hillsboro is not equivalent to an acre in Portland.

Market change will not occur at the pace and at the densities envisioned in the 2040 growth concept.

Land supply and demand are not independent variables; in fact, they are highly interdependent. Thus, if land supply is constrained, rising land prices will choke off demand for land as well as the economic vitality of our region.

Summary of Recommendations

1. **Clear the hurdles to higher density development.** The development community will build to a higher density if the market will accept the higher density. The market has shown a propensity to accept a somewhat higher level of density. Higher density development can take place where the local codes allow such development and where parcels of land are large enough to be master planned. Metro can increase and accelerate higher density and redevelopment through activating existing policies and creating new tools that encourage private investment, including using:

- A. **Land assembly:**

- Deploy or create strategies, including expanded use of condemnation authority to assemble land in sufficiently sized parcels conducive to master planning high density development and provide industrial sites for large users.

- B. **Flexible zoning:**

- Allow developers discretion to increase density as specific projects dictate, in response to market conditions. Additionally, when zoning prohibits mixed use development, amend codes to encourage appropriate development.

C. Development standards:

Modify development standards by changing requirements, including those relating to street widths, landscape requirements, setbacks, water detention, etc., which tend to use rather than to conserve land. There is more opportunity for increase in density through the changing of development standards than there is in simply reducing single lot sizes.

D. Retail Sites

Retail sites require access, exposure, appropriate configurations and a local market. Any incremental increases in residential density or new residential concentration should include an adequate provision for retail development.

E. Industrial Land

Industrial land needs to be continuously available, in sufficient capacity, to meet siting requirements for both existing and new industrial uses. Further, this land must be available throughout the Metro region to respond to employment needs in the individual subregions. Finally, this land should physically accommodate the needs of industrial users and be located in proximity to existing high capacity transportation networks.

2. **Provide a 20 year land supply for all land uses that considers market economics in balance with 2040 Growth Concept densities and redevelopment potential, reflecting current market conditions.**

A. Urban Growth Boundary

We believe that Metro should add 5,000 net acres to the Urban Growth Boundary now. We emphasize the word "net" because, in our judgment, allowance for streets, parks and open spaces will in reality require in the range of 9,000 acres to achieve an increase of 5,000 net acres. Of this at least 70% should be designated residential and the balance dedicated to retail and services.

After this initial addition, Metro should carefully should monitor the amount and location of development, in-fill and redevelopment within the Urban Growth Boundary. An annual report should be completed by Metro for each jurisdiction listing the number of homes and business built, the amount of land consumed and the amount of redevelopment and infill accomplished. We recommend that on a three year basis, Metro examine this information and determine the absorption by land use in each sub-region, and then expand of the boundary to replace the land that has been absorbed in the previous three years.

It is essential to understand that for an expansion of only 5,000 net acres to work, the other recommendations made herein and within the Regulation Subcommittee report must be implemented in short order. If they are not, current development patterns will require an expansion of the urban growth boundary of nearly 30,000 acres to accommodate the growth that the Metro anticipates.

B. Farm Tax Deferral

Establish a method for bringing Farm Tax Deferral (FTD) land into the development inventory. It is inconsistent with the goals of the 2040 Growth Concept that prime developable land is being held for speculation, not viable farm businesses. This is a difficult situation. Some possible solutions to this anomaly include:

- 1.) raising the income per acre threshold for qualification for FTD.
- 2.) requiring current FTD recipients to declare their intentions for non-development. If a property owner commits that the property will not be urbanized for a 5-year period, then this property will not be counted in the 5-year developable inventory.
- 3.) Sunset the entire FTD program, perhaps with waivers of property tax recapture.

- C. Factor effects of land constraints** into Metro's macroeconomic model and factor information on residential land sales trends into Metro's housing model as staff evaluates land supply and demand and the effects of Metro's planning efforts.

3. Metro Business Advisory Committee (MBAC)

Establish a board of business people, real estate professionals and appraisers to document historic raw land sales, transaction prices and monitor the land markets on an annual basis. This board would advise the Executive and Council on the market reaction and ramifications of the implementation of the 2040 Growth Concept. This group would:

- A. Develop performance standards that monitor and index land supply, labor costs, housing costs, and income.
- B. Ensure income/housing cost is competitive with other communities.

- C. Ensure that regional retail price comparison maintains equilibrium.
- D. Maintain a diversity of housing stock reflective of market demographics.

Unintended Consequences of Public Policy Divorced from Market Forces

Failure to address the inherent market forces that have allowed land supply to arrive at or very near the point of market dysfunction is likely to produce consequences that are counterproductive to the 2040 growth concept. These include:

Hyper inflation in Land Prices

If the land supply becomes too limited, land prices will experience hyper-inflation, with raw land prices increasing dramatically, land prices being bid up and land will be held for speculation rather than being developed.

Leap Frog Development to

Residential development will leap frog the urban growth boundary to neighboring cities. Commuter trip activity from these communities into the urban area will increase resulting in an overall increase in regional vehicle miles travel, not a decrease. For example, commuter traffic from Newberg, Sandy, Salem and Clark County will escalate rapidly.

Cost of Housing

The metropolitan area will face a severe and increasing affordability problem. The costs will increase for both new and existing homes, forcing households to expend an unacceptable proportion of their income towards housing. A significant component of the households will be priced out of the home ownership. Rents will be driven up, increasing the proportion of family income contributed to housing.

In addition to rising land costs, improvement costs will rise as structured parking, fire sprinklers and significantly greater costs related to multi-story construction will increase housing costs.

Given rising land prices, the private development market cannot provide housing appropriate for the lower income segments of the population, placing pressure on the metropolitan area's affordable housing stock.

Rising Cost of Labor

The cost of labor will increase with the cost of housing.

Rising Costs of Goods

Constraining the land supply will result in erecting barriers to entry into the market by new retailers and prevent the expansion of existing retailers, resulting in higher costs for goods and less selection for the consumer.

Loss of Affordable Housing due to Gentrification in Inner Neighborhoods

Inner neighborhoods, long representative of the diversity of people and incomes will become increasingly homogenized, as property values increase beyond the capacity of existing populations to afford to remain in the neighborhoods.

Decreasing Home Ownership

While Metro has goal of achieving a 65% ownership ratio (this ratio is currently 63%), the actual ratio will decline. Home ownership is a cornerstone of healthy neighborhoods and when surveyed about the acceptability of increased densities in their neighborhoods, respondents were favorable only if it didn't increase the renter population.

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Revised April 19, 1996

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