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Report on the Portland downtown plan (final)

Lord/Leblanc, Associated Economic Consultants

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ECONOMIC ANALYSIS OF THE PORTLAND
DOWNTOWN GUIDELINES PLAN: OUTLOOK &
RECOMMENDATIONS FOR IMPLEMENTATION

LORD/LEBLANC, Associated Economic Consultants
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**Introduction**

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INTRODUCTION

This report was developed to provide the City of Portland with guidance on implementing its proposed Downtown Plan. The study has two basic objectives. One is to determine the extent to which the Plan is realistic in terms of economic conditions in downtown and in the Portland metropolitan area. The second objective is to examine implementation measures for those Plan elements that are achievable, and recommend procedures that are most appropriate.

The report has four main sections or chapters. Section I provides a brief discussion of the Plan, and describes its basic objectives and more controversial or uncertain elements. As implementation of the Plan depends upon economic conditions in the Portland area, an analysis is made in Section II of those conditions as they apply to the downtown. Trends in the use of downtown land vis-à-vis the metropolitan area as a whole are examined to determine what is likely to happen in downtown in the event the City continues on in its present direction, without adoption of the Plan and related programs to guide use of downtown land. In Section III the discussion turns to available implementation procedures and techniques, and the prospects and implications of implementing the various Plan elements. Section IV outlines those techniques and implementation procedures that make the most sense for Portland, indicates which of the Plan elements do not make sense in light of economic realities, and discusses the implications on future downtown land use if Plan elements are adopted.
The City of Portland's Downtown Plan, subject of this study, has been the subject of considerable public and private technical work and discussion over the past four to five years. The plan itself, consisting of a series of technical reports and supporting material, has been adopted as a series of policy recommendations by the City (Planning Commission and the City Council in 1972). Presently, the major elements of the Downtown Plan are again being examined within the context of regional growth trends, transportation requirements, design features, development regulations and requirements for public action.

Since this economic analysis of Downtown Plan proposals must speak to the various elements of the plan as well as the overall thrust of the planning approach, a concise review of the plan itself is provided.

SYNTHESIS OF PROPOSALS, DOWNTOWN PORTLAND PLAN

The Downtown Plan considers a rather large area (termed "The Downtown", but really including both the Central Business District (CBD) and adjacent residential and commercial districts). In total, some 740 acres or 483 city blocks (at 40,000 square feet each) are included within the planning area. All of Portland's CBD is included, as well as a large segment of the Willamette Riverfront (Marquam Bridge north to the Broadway Bridge), the Portland Center concentration (South Auditorium Redevelopment Project), the Portland State University campus, and mixed residential, warehousing and other mixed commercial zones. Please refer to Plate I for a graphic illustration of the Downtown Plan Area.

The plan and its related policy recommendations clearly attempt to merge accommodation of the recent past and the present with an expected future form and character of the central city. As a plan, it is a rather different animal: it is not purely a design plan, nor is it a "goals and objectives" effort alone; rather, it is a sometimes curious mixture of physical planning and proposals for socioeconomic change related to uses and functions of Downtown Portland.
Basic Concepts Reviewed

Overall, the Downtown Plan presents the following important concepts:

- A call for the strengthening of Downtown Portland as the region's center of commerce, entertainment and institutional activity.

- Limitation of high-rise commercial building to a reinforced, but controlled, "linear-centroid" pattern of development.

- Introduction of diversity in uses to various districts within the planning area.

- Reclamation of the Willamette waterfront zone and conversion to "people-oriented" recreation and open space use.

- Limitations upon the amount and location of automobile parking within the CBD; installation of peripheral parking to replace parking within the important CBD business and retail blocks.

- Elimination of free vehicular circulation throughout the planning area; redirection of certain traffic flows.

- Major upgrading of mass transit usage, with selected corridors devoted to transit emphasis.

- Increased ability for pedestrians to move freely through the planning area without undue conflict with auto traffic.

- Strengthening of the CBD's retail core.

- Introduction of additional residential use into the planning area as a whole.

- Selective redevelopment of transition areas, "blighted areas" and other areas where reuse of land appears possible or desirable for the general public good.
This rather formidable list takes in the major Downtown Plan proposals. There are supplementary or related proposals that call for numerous changes Downtown that appear to be socially or environmentally beneficial. To name a few:

**Supplementary Proposals**

- To enhance the "livability" of Downtown (environmental improvements, increased public services, etc.)
- To improve student housing stock (serving PSU student body)
- To reduce air and noise pollution, auto impacts, etc.
- To promote Downtown as an "entertainment and cultural center"
- To identify and protect historical structures and locations
- To create an "urban setting" (design approach, increased esthetic quality)

These and the overall major planning objectives expressed in the Downtown Plan are backed up by very detailed, virtually block-by-block "guidelines" for the various zones within the area.

**Is The Plan Controversial?**

While the plan's key recommendations appear at first glance very sweeping, the overall plan actually presents bold recommendations for significant change in but a few aspects of its coverage. In our view, these are: (1) the limitation of automobile flow and storage in the CBD; (2) proposed control of building heights and coverage; (3) reliance upon and accommodations of mass transit service; and (4) proposed conversion of the waterfront to new commercial, residential and public use. This is not to demean other plan elements or an attempt to rank recommendations in importance, but many of the other elements of the plan are rather salutary toward the existing pattern of uses, or might seem relatively uncontroversial when viewed by contemporary urban analysts and designers.
And, to reinforce our view, certain objections have been raised by others
regarding the four significant items above. It would be fair to say, we
believe, that the controls implied in the Downtown Plan might be termed
revolutionary by some Portland citizens, businessmen and public officials.
This is to be expected; planning has yet to be universally embraced, par-
ticularly when it appears to go beyond boosterism or the absolute accom-
modation of laissez-faire politics and investment. In order to study the
Downtown Plan and evaluate its potential impacts upon pure market-based
behavior, however, one must look more closely at its components.

NOTABLE PLAN RECOMMENDATIONS AND
IMPLIED FUTURE CONDITIONS

The Downtown Plan neither rejects nor embraces apparent trends in use
and activity within the planning area. Rather, it conditionally provides
for continued location of regional and local commercial and institutional
uses in Downtown, and attempts to redistribute, to an extent, the antici-
pated volume of new uses expected through a twenty-year time horizon
(to 1990 in this case). For example, with respect to major uses appro-
priate, the plan recommends as follows:

Office Commercial Use

The growing importance of institutional and general office employment
in Portland is clearly recognized in the plan. Office space already
located in Downtown is designated to remain so; and various "zones"
of office space concentration are specifically discussed in plan docu-
ments and drawings. These are, primarily, (1) existing, older and
new CBD buildings; (2) the Portland Center concentration; and (3)
waterfront projects underway or being actively discussed.

For the "office corridor" (mainly new structures on 4th-5th-6th Avenues
between Portland State University and the CBD) major transit service
is recommended - the Transit Mall - and further automobile parking
capacity rejected.

Contemplated height and bulk regulations are designed to permit contin-
uation of high-rise construction in this corridor. Elsewhere, the
suggested development regulations tend to drive heights down and
encourage lower-profile development. Office space of a less imposing
nature than that addressed in the "corridor" is encouraged throughout
significant emerging or possible reuse areas (in the waterfront zone,
CBD fringes, and so forth). Significant office redevelopment potential
is anticipated, or at least suggested, in the plan. High density office development is restricted to the "corridor" (Broadway-Fourth, Market to Burnside).

Retail Commercial Use

The historical concentration of department stores in the CBD (at Fifth and Sixth Avenues surrounding the Meier & Frank store) is encouraged and protected by a series of recommendations. Parking is restricted to remove this pressure for land use conversion; a park is planned for environmental improvement; reuse potential nearby is pointed out to possibly increase retail floor area; pedestrian connections are improved (at grade and with "skyways"). Finally, the 5th-6th Avenue corridor is restricted to a transit emphasis (termed the "Transit Mall"), reducing automobile flow. A corresponding transit mall on Alder and Morrison Streets adds to this reduction in automobile dominance.

Throughout the remainder of the planning area, retail space of various types is also encouraged, allowing almost unlimited expansion of this major Downtown activity. No specific suggestions related to actually regulating the scale or distribution are offered.

Hotel/Entertainment Use

The plan is less definitive in dealing with this category of Downtown use. Existing hotels, restaurants, theaters, and related uses receive a brief discussion and are "protected" in areas where they now exist. The principal hotel zone (surrounding the Benson, Hilton, Congress, Haviland, etc.) is so retained. Other areas where new hotels might well locate are, however, numerous enough to support dispersal and perhaps an ultimate reduction in the "critical mass" of these uses. Some reuse potential for hotels or entertainment in the Yamhill-Taylor "corridor" (from Broadway to Third) is considered. Skyway connections between major facilities are recommended. The Pioneer Square and Courthouse blocks in this vicinity are treated as "open space."

Public Institutional Use

Two major public space concentrations, both existing, are preserved (but permitted expansion) in the plan. Portland State University receives various recommendations related to supporting circulation and open space. The "Government Center" (containing at present federal, state, county and city offices) is designed to retain these activities and permit additions as space requirements change. A strong pedestrian tie to the waterfront zone is included in the plan. A system of pedestrian skyways and grade crossings is linked to various buildings and parking facilities.
Public Recreational Use

A major and dramatic element of the Downtown Plan is the recommended turnover of the Willamette River frontage within the planning area to public use. This bold step (partially completed by the recent abandonment of the Harbor Way thoroughfare) creates a strong magnet for the reuse of adjacent, generally underutilized blocks for a variety of uses.

This creation of a massive amount of new public space on the river is one of the plan's key strategy items. The remainder of the Downtown Area, not surprisingly, receives less attention in terms of park, open space and recreation development (see, however, various proposals mentioned in detailed district plans).

Residential Use

Considerable emphasis on accommodating new housing in Downtown Portland is woven throughout the plan. Although some careful reading is required to segregate implied residential policies, it is obvious that housing is recommended to be conserved (as in existing concentrations of apartments, apartment hotels and the like) as well as constructed (there are a number of locations identified, including the waterfront zone, PSU area, west of Tenth Avenue, etc.). Mixing housing into other uses is discussed, and redevelopment for housing is implied in various built-up, older areas of Downtown.

Specific public action to support housing is not really developed; but the implied support to generate residential reuse is discussed.

SPECIFIC PLANNING DISTRICT GUIDELINES

The Downtown Plan addresses the future form of Downtown Portland in a broad or generalized sense, but also deals with urban design and specific planning guidelines on a subarea or "district" basis.

Plate II contains a reduced version of a composite of Planning District sub-plans (18 Districts in all). These districts are treated on a grouped basis in the final Downtown Plan reports, with specific recommendations for public improvements and land use varying from one to the next. For readers wishing to relate major zones of interest in Downtown Portland to the plan's "districts", we are providing this summary:
<table>
<thead>
<tr>
<th>Major Zone</th>
<th>Covered By Districts in Downtown Plan</th>
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</thead>
<tbody>
<tr>
<td>Office Corridor</td>
<td>Areas 1 and 16</td>
</tr>
<tr>
<td>Retail Core</td>
<td>Area 2</td>
</tr>
<tr>
<td>Waterfront</td>
<td></td>
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<td>Retail/Exhibition Center</td>
<td>Area 3</td>
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<td>West of Riverfront</td>
<td>Area 6</td>
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<td>Downtown Waterfront</td>
<td>Area 4</td>
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<td>South Waterfront</td>
<td>Area 10</td>
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<td>Old Town</td>
<td>Area 5</td>
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<tr>
<td>Government Center</td>
<td>Area 7</td>
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<tr>
<td>Auditorium</td>
<td>Area 8</td>
</tr>
<tr>
<td>Portland Center</td>
<td>Area 9</td>
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<td>Portland State University</td>
<td>Areas 11 and 12</td>
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<tr>
<td>West of Tenth</td>
<td>Area 14</td>
</tr>
<tr>
<td>Central Park Blocks</td>
<td>Area 15</td>
</tr>
<tr>
<td>South Park</td>
<td>Area 13</td>
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<tr>
<td>Hotel/Entertainment Core</td>
<td>Area 16</td>
</tr>
<tr>
<td>Union State/Railyard</td>
<td>Area 20</td>
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<tr>
<td>Industrial/Warehousing</td>
<td>Areas 17 and 18</td>
</tr>
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</table>
ACTUAL AND IMPLIED REDEVELOPMENT RECOMMENDATIONS

Two specifically identified redevelopment areas were developed by the City Council and Portland Development Commission during the final stages of Downtown Plan preparation; therefore these areas may be viewed as an integral part of the plan. For planning purposes, redevelopment has been directed toward the Willamette Riverfront. (See Plate III for delineation of the proposed waterfront renewal zone, an amalgamation of two areas identified in early drawings.)

Outside the designated Waterfront Redevelopment Area, there are no specific action areas earmarked for publicly-supported reuse, although the large number of "opportunity blocks" noted in Downtown Plan drawings (well over forty blocks total) seems suitable for reuse at least from a planning viewpoint (or the drafters of the Downtown Plan). No specific rating of these blocks or assembled blocks has been made, however, and consideration of reuse has remained suggestive only. One "redevelopment opportunity" is noted for the Union Station/Railyards site north of Steel Bridge.

SPECIFIC (NEAR-TERM) ACTION PROPOSALS

In addition to the recommended waterfront renewal program already noted, the Downtown Plan (in its final report format) also recommends a series of near-term actions (termed "First Phase Projects" in the report) designed to begin implementation of various plan proposals. Summarized, these action proposals are:

- Close Harbor Drive, improve waterfront zone, begin waterfront redevelopment program;

- Begin 5th-6th Transit Mall Project; construct phase one peripheral parking facilities; construct skyways from parking and Burnside area to M&F Store; acquire M&F parking block and develop as "Downtown Central Square";

- Develop GSA Block (Federal Building) in coordination with Chapman and Lownsdale Squares; begin Government Center redevelopment project;
The plan emphasized 1975 as the target date for these proposals.
This section provides a review of land use trends in the Portland downtown with projections to 1990. In this section it is assumed that the city will follow a relatively passive rather than activist program to encourage and direct central area reuse, and the land use projections reflect that assumption. Later in the report, in Section VI, this assumption is relaxed, and projections reflecting a more aggressive set of policies on the part of the city are provided.

Projections made in this section are essentially extrapolations of past Portland area performance, but modified by changes in a variety of conditions that we expect to affect Portland area land use trends. These conditions are exogenous, or largely outside of the control of the city, such as growth in Portland area employment and population, growth in real income in the United States, shifts in policies and programs of the federal government, etc.

The report is developed to provide a view of what the Portland downtown will look like in 15 years if present Portland area land use trends continue in a more or less uninterrupted fashion. Obviously, no trends continue uninterrupted through time but rather are modified as a result of new economic conditions or public actions. The very act of forecasting frequently sets in motion pressure for change, particularly if the forecasts are sufficiently gloomy. Nonetheless, the exercise is very useful, in the sense that it provides a basis for knowing what the extent of the problem is or is likely to be, and for providing insights into how the city can formulate an effective response. The trends provide an order of magnitude use of downtown land for six basic categories, which are:

- Commercial office space
- Public office space uses
- Hotel/motel
- Retail
- Housing
- Entertainment and cultural
OPERATING ASSUMPTIONS WITH RESPECT TO THE STUDY AREA

While the study area is the CBD, its future is to a great extent tied to growth and change in the metropolitan area as a whole. While the relationship is a complex one, the very rapid recent building boom in the downtown paralleled in at least a rough fashion the rapid growth in population and employment in the SMSA since 1963, and it is probable that, if the latter trend is interrupted in the future, the former one will be similarly affected. In addition, the character of the Portland CBD has been altered, in some cases dramatically, by policies of the federal government. These, too, could change. Finally, both Portland area population growth and federal policies could be altered by changes in real income in the U.S., as will be seen. There are other exogenous variables that could affect the Portland CBD, but these are the principal ones, and will be discussed briefly.

Population & Employment Growth

Table 1 provides population estimates for the four-county Portland SMSA over the years 1960 to 1973, and projections to 1990 at the 2.1 percent average annual compound rate of increase which prevailed during the years 1962 to 1973, when the Portland area experienced considerable population immigration. As can be seen, there have been surges of population growth in the area, followed by slowdowns which correspond to the decline in home building activity in the U.S., such as in 1962, 1966-67 and 1973. The Portland area is a service center for a vast hinterland which accounts for much of the nation's output of wood products; hence it is obviously still sensitive to changes in income flows in the wood products industry, even though this industry now directly accounts for only 10 percent of total manufacturing employment in Portland itself.

Portland has, on the other hand, been the focus of significant recent growth of new, dynamic manufacturing firms producing high value consumer goods, instruments, electronic equipment, private aircraft, and highly specialized custom products (trucks, rail cars, and machinery) designed for non-Pacific Northwest markets. Manufacturing employment increased in the area from 64,400 to 86,300 between 1960 and 1968, a 3.7 percent average annual increase. Employment in four categories—machinery, electronic equipment, transportation equipment, and instruments—doubled, reaching 29,500 by 1968, and accounted for most of the net manufacturing employment increase. Growth in those industries apparently explains the surge of population growth after 1963. Prior to that time, the Portland area growth rate was roughly one percent per
<table>
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<th>YEAR</th>
<th>TOTAL</th>
<th>PERCENT CHANGE</th>
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<td>1960</td>
<td>821,897</td>
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<tr>
<td>1961</td>
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<tr>
<td>1990</td>
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</table>

year, slightly below the national average. Since 1968, growth in manufacturing employment has levelled off, but employment has continued to grow, mainly in the trade, services and government sections (up 18.3 percent).

As can be seen in Table 1, Portland population growth has again slowed in the past two years, principally because of a decline in employment. Whether the 2.1 percent growth rate can be sustained in future years is not clear; but in the absence of any compelling reasons to conclude it will change, we conclude that the experience of the past ten years is a valid basis for projecting future growth in the area.

Growth in Real Income

The importance of continued growth in real income is frequently overlooked and underestimated, but in light of recent trends in the U.S., this crucial variable should not be overlooked. Growth in Portland population in the past decade, although rapid, accounted for only roughly 33 percent of the net increase in retail space constructed over this period, while growth in real income accounted for most of the remainder. Looked at another way, a decline of real per capita income growth from 4 to 3 percent would result in 16 percent less additional retail space required on an annual basis in the Portland area.

Even more significant for the downtown is what effect a slowdown in real income growth may have on living patterns and habits in the U.S. Such a slowdown could have a substantial long term impact on residential, entertainment, commuting and other patterns and preferences of residents of urban areas. These can only be touched on here.

There are at least two problems in the recent past which have caused a marked slowdown in growth in per capita income and which may be short term in duration or a harbinger of things to come. The two are changes in the availability of raw materials, principally oil, and in food supplies. While the oil crisis was mainly politically derived (i.e., the Arab Nations' gambit of pressing for more political leverage through reduction of oil supplies), the energy problem will remain, as the nation's energy resource deficiency is really quite complex.

A more significant cause of the recent very rapid growth in consumer prices has been the increases in food prices. Despite the energy crisis, the year 1973 would have closed with a substantial gain in real per capita income in the United States had it not been for a very sharp increase in food prices. This increase more than offset the increased productivity
of the nation's manufacturing sector and caused overall real incomes to increase only marginally (less than 1 percent) during the past year. The causes of food shortages are very complex; but from our reading of recent developments, there may be some strong reasons to be concerned about the future. A one percent decline worldwide in food production in 1973 was enough to create worldwide shortages. There is also evidence that weather patterns are changing, with the apparent long-term trend towards colder and more erratic weather and with a very definite decline in monsoon rains in the world's Equatorial area, which will most probably continue to create significant food deficiencies in these areas. This has forced the U.S. to become a major exporter of food supplies.

The outlook at this time is for worldwide food supplies to continue to be erratic. If this is the case, this means, more than likely, continuation of relatively rapid inflation in the United States, further eroding whatever gains might result from increased productivity. Real per capita income has grown at varying rates in the U.S. at various intervals in the past. During the past 13 years, the rate has been more on the order of 4 percent. We have used a compound growth rate of 3 percent over the forecast period. In view of the many uncertainties evident at the present time, this estimate could turn out to be high.

An analysis of the nature and magnitude of the impact of this situation is outside of the scope of this investigation, but one probable result will be a continued shift in living habits and preferences of urban residents from "superior" goods to "inferior" ones (houses to apartments and perhaps private autos to public transit, for example).

The continued acceptance of apartment living has been reinforced by trends in the costs of housing construction. The shifting age composition in the state towards more persons in their 30's and fewer in their 20's should have brought with it a corresponding increase in the demand for single family dwellings. Such a shift has in fact been in evidence during the past three years; but continued rapid increases in housing costs, including high interest rates, has modified the extent to which demand for one-family dwelling units has grown in the Portland area. As a result, there has been a greater growth in the number of apartments than might have been anticipated, and we see no reason for this trend to abate. In other words, both income and price effects have been at work encouraging this alteration in Portland area residential patterns.

A variety of recent news articles have described the problem. See, for example, "We Can't Take Food for Granted Anymore" and "Ominous Changes in the World's Weather", Fortune, February, 1974.
Greater reliance on apartments would mean that a greater share of the city's work force could be more conveniently served for commuting purposes by public transportation. This in turn may have a bearing on commercial activity, particularly offices, encouraging centrality rather than dispersion. How pronounced these shifts will be, however, is not clear at this point.

**Policies of the Federal Government**

Federal programs will obviously have a bearing not only on how rapidly the Portland region will expand but also on the future character of the downtown. A slowdown in real income will have a bearing on the availability of federal monies for subsidizing housing in the urban core or picking up public transit deficits, which are likely to be high in the next decade.

The outlook for continued rapid growth in federal expenditures in cities, on the order of the past decade, is not promising. In 1971 federal government expenditures were $211 billion. The projection made by the Brookings Institute for the 1977 budget was for an approximate 45 percent increase over the 1973 budget to $370 billion. As it turns out, the 1974 budget is already far above earlier projections. Part of the increase can be explained by inflation, but the principal cause has been in the increases in Health, Education and Welfare programs.¹

It is hard to see how this trend can continue. This growth has taken place without any corresponding increase in taxation² and has resulted in a series of continuous budgetary deficits during periods of high employment and inflation. No one is certain how this problem is going to be resolved, but the effort to channel federal monies to the communities through the lump-sum route of revenue sharing, both general and special, rather than the more customary grant process, has been somewhat disappointing, as the total level of federal monies reaching the cities has not increased particularly in real terms. Given the many problems faced by the nation in the years ahead, it is doubtful that we will continue to see the acceleration in federal programs favoring communities that we have in the past ten years (although there will probably be a restructuring of programs). We must assume, then, that the City of Portland's efforts with respect to its downtown must rely largely on local, rather than federal, support.

² Taxes have actually been cut substantially as a result of the Tax Reform Act of 1969 and the Revenue Act of 1971.
The amount of future office space demand in the Portland central area will depend upon the growth in such space in the metropolitan area as a whole over the next 15 years and how successfully the central area is able to compete for a continuing share of this growth.

Projected SMSA Office Space Requirements

Total employment in office-using categories in the total Portland metropolitan area in 1962 was on the order of 30,800 persons. By 1971, this level had grown to 51,200, a net increase of nearly 22,400, or 66.2 percent. The greatest absolute growth took place in finance, insurance and real estate employment, but all categories showed rather strong rates of growth. Miscellaneous business services, for example, increased by nearly 5,600 persons over this period.

Translating this growth in employment into space, and using West Coast space coefficients, the four-county Portland SMSA would have required some 5.2 million square feet of office space in 1962 and nearly 8.6 million by 1971, a net increase of some 3.4 million square feet. Looked at on an average annual basis, the area would have absorbed on the order of 375,000 square feet per year. These data are seen in Table 2.

This total does not include space for office functions of manufacturing, construction, retail and wholesale entities, either proprietary or leased. This amount is impossible to estimate precisely, but based on work the consultants have done in other areas, this component will add 10 to 15 percent to the general office space requirement. Assuming the latter estimate, the entire four-county Portland metropolitan area had an annual requirement of roughly 430,000 square feet of net additional office space over this nine-year interval.

In addition, a portion of the total office space inventory is removed each year, as a result of conversions or demolitions resulting from age or other uses of the land. The amount of space removed each year varies. On the average, probably 2 to 3 percent of the total stock is removed. This seldom results in a requirement for a comparable amount of space, however, as these buildings tend to have relatively low occupancy levels by the time they are ready for removal.
### Table 2

**Employment in Office-Oriented Activities**
**Portland S.M.S.A. & Office Space Requirements, 1962 & 1971**

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<thead>
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<td>584</td>
<td>66.8</td>
<td>225</td>
<td>196,650</td>
<td>328,050</td>
<td>131,400</td>
</tr>
<tr>
<td><strong>Non-profit Membership B Organizations</strong></td>
<td>4,867</td>
<td>6,614</td>
<td>1,747</td>
<td>35.9</td>
<td>200</td>
<td>973,400</td>
<td>1,322,800</td>
<td>349,400</td>
</tr>
<tr>
<td><strong>Miscellaneous Services C</strong></td>
<td>1,871</td>
<td>3,338</td>
<td>1,467</td>
<td>78.4</td>
<td>175</td>
<td>327,425</td>
<td>584,150</td>
<td>256,725</td>
</tr>
<tr>
<td><strong>Self-employed Managers and Professionals</strong></td>
<td><strong>4,477</strong></td>
<td><strong>7,441</strong></td>
<td><strong>2,964</strong></td>
<td><strong>66.2</strong></td>
<td><strong>200</strong></td>
<td><strong>895,400</strong></td>
<td><strong>1,488,200</strong></td>
<td><strong>592,800</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30,810</strong></td>
<td><strong>51,209</strong></td>
<td><strong>20,399</strong></td>
<td><strong>66.2</strong></td>
<td><strong>200</strong></td>
<td><strong>5,201,025</strong></td>
<td><strong>8,576,900</strong></td>
<td><strong>3,375,875</strong></td>
</tr>
</tbody>
</table>

**A** Advertising, duplicating services, management consultants, temporary help services, credit reporting and collections, employment agencies, etc.

**B** Labor, professional, business, civic, religious, charitable and non-profit.

**C** Architects and engineers, accountants

**Source:** U.S. Department of Commerce, *County Business Patterns*. Space coefficients based on San Francisco survey by Milton Meyer & Co.
The SMSA requirement for office space grew on a relatively constant basis over the past decade. Table 3 shows the growth in employment in office-using categories. As can be seen, employment moved upward continuously until 1969. During the next two years, employment gains in office categories were small. Between 1971 and 1972 these categories again increased. Using this curve for projecting future employment levels and space requirements, there will be a need for roughly 13.3 million square feet by 1980 and 17.9 million by 1990, a net average annual gain of approximately 460,000 to 470,000 square feet during the years 1975 to 1990, or a need for 360,000 square feet annually.

Growth in office space within the Portland city limits was slightly lower, from roughly 4.9 million square feet in 1962 to 7.9 million by 1972, a 4.9 percent compound rate of growth. By 1980 the city will, if present trends continue, have a requirement for a net additional 2.5 million square feet over the 1972 level, and by 1990 this requirement will have grown to 5.6 million square feet to accommodate finance, insurance, real estate and a variety of business and professional services. Adding an additional 15 percent for office space connected with manufacturing, distributive, utility, construction and other such businesses, the total requirement in the Portland city limits would have increased between 1962 and 1972 to 3.5 million square feet, or 350,000 annually. There will be a total additional requirement of 2.9 million square feet by 1980 and 6.5 million by 1990.

This space will be concentrated principally in two areas, the Portland downtown and the Lloyd Center. The trend in new medical office space locations is toward hospital environs. There continues to be a demand for other professional and services-oriented office space in the various neighborhoods within the Portland city limits, but the magnitude of such space is small in terms of the city's total. Allocating space between the downtown and the Lloyd Center environs is somewhat difficult, as the area's potential depends to a great extent on supply conditions (the availability of suitable sites, for example, as the Lloyd Corporation plans only one additional building in the area). However, the Lloyd Corporation has been able to construct and lease close to 480,000 square feet of space in two towers in the past five years, and while some of this space is spillover from federal agencies in the area, it is obvious that the Lloyd Center is attractive to tenants. A requirement of 60,000 to 70,000 square feet would appear to us to be attainable annually in the Lloyd Center area, with the remaining 290,000 to 300,000 in downtown.
<table>
<thead>
<tr>
<th></th>
<th>Portland SMSA</th>
<th>City of Portland</th>
<th>Outside Portland</th>
<th>Percent Suburban</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>30,810</td>
<td>27,947</td>
<td>3,653</td>
<td>11.6</td>
</tr>
<tr>
<td>1964</td>
<td>33,917</td>
<td>29,662</td>
<td>4,255</td>
<td>12.6</td>
</tr>
<tr>
<td>1965</td>
<td>36,570</td>
<td>32,123</td>
<td>4,447</td>
<td>12.2</td>
</tr>
<tr>
<td>1966</td>
<td>40,336</td>
<td>35,024</td>
<td>5,332</td>
<td>13.2</td>
</tr>
<tr>
<td>1967</td>
<td>41,836</td>
<td>36,024</td>
<td>5,812</td>
<td>13.9</td>
</tr>
<tr>
<td>1968</td>
<td>46,363</td>
<td>39,215</td>
<td>7,148</td>
<td>15.4</td>
</tr>
<tr>
<td>1969</td>
<td>50,064</td>
<td>41,520</td>
<td>8,544</td>
<td>17.1</td>
</tr>
<tr>
<td>1970</td>
<td>51,444</td>
<td>42,220</td>
<td>9,224</td>
<td>17.9</td>
</tr>
<tr>
<td>1971</td>
<td>51,209</td>
<td>41,348</td>
<td>9,861</td>
<td>18.8</td>
</tr>
<tr>
<td>1972</td>
<td>56,581</td>
<td>45,217</td>
<td>11,364</td>
<td>20.1</td>
</tr>
<tr>
<td>1980</td>
<td>76,100</td>
<td>59,500</td>
<td>16,600</td>
<td>21.8</td>
</tr>
<tr>
<td>1985</td>
<td>89,000</td>
<td>68,500</td>
<td>20,500</td>
<td>23.0</td>
</tr>
<tr>
<td>1990</td>
<td>102,000</td>
<td>77,200</td>
<td>24,800</td>
<td>24.3</td>
</tr>
</tbody>
</table>

**SOURCE:** Lord/LeBlanc.
Supply, on the other hand, increased in a rather erratic fashion during the past decade. As can be seen in Table 4, the supply of new office space coming on stream in the downtown and the Lloyd Center varied from zero in 1966 to 884,000 in 1970, with the annual average at 312,000 square feet. The differential between annual supply and the 350,000 square feet of annual demand noted above is explained mainly by growth outside of the downtown and Lloyd Center (such as in space for administrative personnel next to plants and warehouses in the case of manufacturers and distributors, and professional, business and personal services in neighborhood areas).

The annual rate of growth in SMSA office employment between 1962 and 1972 was on the order of 6.2 percent compounded, which was nearly three times the rate of growth in population and roughly 1.8 times the rate of growth in employment in general. The 6.2 percent growth rate will not be sustained in the future.

The principal reason for the expected decline in the rate of growth in Portland area office employment is a projected decline in the rate of growth in the area's labor force. The labor force has been growing very rapidly in the Portland area over the last decade, on the order of 3.4 percent compounded, in contrast with the much slower 2.1 percent growth in population. However, this performance will not continue. The principal reason for the rapid growth in the labor force, which increased from a level of 40 percent of total population to about 44 percent between the period 1960 to 1972, was the rapid growth in numbers of post-World War II youngsters moving into their employable ages during this ten-year interval. This phenomenon will not take place in the period 1970 to 1980, however. The birth rate began to slow during the post-War era, and the net increase in the number of Portland area residents in the age group 25 to 29 will decline from 16,586 between 1970 and 1975, to 6,752 between 1975 and 1980, to 1,638 during the next five-year interval.¹

We would have to expect a slowdown in the office employment growth rate. If office employment continued to increase by 6.2 percent compounded as it had during the past decade, while the labor force growth rate was dropping to a level roughly comparable to the rate of growth in population, office employment in the Portland area would double within 12 years, while the total labor force increased by 26 percent. This suggests that, while the total labor force grew by 139,000, in the next 12 years office employment would grow by 58,500, or 41 percent.

**Table 4**

**NEW OFFICE BUILDINGS CONSTRUCTION**  
**PORTLAND DOWNTOWN & LLOYD CENTER,**  
1962 to 1973  
*(Net Leasable Square Feet)*

<table>
<thead>
<tr>
<th>Year</th>
<th>New Construction, Net Rentable Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>75,000</td>
</tr>
<tr>
<td>1963</td>
<td>346,600</td>
</tr>
<tr>
<td>1964</td>
<td>--</td>
</tr>
<tr>
<td>1965</td>
<td>265,000</td>
</tr>
<tr>
<td>1966</td>
<td>75,000</td>
</tr>
<tr>
<td>1967</td>
<td>105,000</td>
</tr>
<tr>
<td>1968</td>
<td>132,400</td>
</tr>
<tr>
<td>1969</td>
<td>120,000</td>
</tr>
<tr>
<td>1970</td>
<td>884,000</td>
</tr>
<tr>
<td>1971</td>
<td>200,000</td>
</tr>
<tr>
<td>1972</td>
<td>720,000</td>
</tr>
<tr>
<td>1973</td>
<td>500,000</td>
</tr>
</tbody>
</table>

**Total, 1962-1973**  
3,433,000

**Annual Average**

<table>
<thead>
<tr>
<th>Period</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962-1973</td>
<td>286,033</td>
</tr>
<tr>
<td>1964-1968</td>
<td>301,140</td>
</tr>
<tr>
<td>1969-1973</td>
<td>484,800</td>
</tr>
</tbody>
</table>

**Source:** Marlett & Associates, Selected Impacts of the Pacific Rim Center Project, Portland, Oregon (Prepared for The Davidson Company, July, 1973), pp. 3 & 11.
Changing Locational Patterns
of SMSA Office Space

The Portland downtown continues to be the major center for office activity in the Portland area, although a growing share of such space is locating in suburban areas. In 1962, approximately 88 percent of the Portland SMSA's total office employment and space was found within the city limits of Portland, with most of this in the downtown. By 1972, this total had dropped to 80 percent. By 1980 the city's share is projected to drop to 78 percent, and by 1990 it will have only 75 percent of the SMSA total. This distribution of total office space throughout the SMSA, with the growing percentage of the total going to suburban areas, is based upon least squares projection of past performance in the Portland SMSA.

It seems to us that, in light of past performance, there may be an undue concern about the suburbanization movement of office space. While there has been a continuous trend towards more office space in suburban areas, it has in reality been relatively slow. It seems to us that the growth of such space in suburban Portland is not due to a flight from the central area, but rather that the entire Portland office space market is growing very rapidly and that suburban areas are picking up their share of this total market.

The basic cause of growth of suburban office space is accessibility to markets and is functionally related to growth in population. Population in the Portland area has been growing, as noted, at the rate of over 2 percent compounded annually and with the majority of this growth locating in outlying areas. We expect the continued suburbanization of population in Portland, even if an alteration in past land use densities takes place (to higher density use of land). Density in the Portland area at the present time is some 6,000 persons per square mile. Given population growth expected to 1980, there would be a net requirement for an additional 26.5 square miles for urban land uses in the Portland area is present densities prevail. By 1990, this requirement would increase to 74 square miles. Assuming that a rather substantial increase in density was achieved, on the order of one-half again that of present requirements or approximately 9,000 people per square mile, there would be a requirement by 1980 in the Portland area for an additional 17.7 square miles of outlying urbanizable land and 49.4 by 1990. The likelihood of increasing densities beyond this point are very remote. San Francisco, for example, has a present density on the order of 13,000 people per square mile (which is declining). The likelihood of reaching San Francisco densities in the Portland area over the next 15 years are very low indeed, given the ample amount of land available in suburban areas and the relatively limited constraints imposed.
by such things as difficult terrain or other kinds of political or natural boundaries. There is a significant potential for filling in in land passed over.

The office-using categories that over the past decade have shown the greatest tendency for dispersal to non-central areas have been real estate, non-profit membership organizations and some business services (advertising, credit collecting and reporting, duplicating, etc.). As can be seen in Table 5, between 1964 and 1972, the percentage of SMSA real estate agents located outside of the city limits increased from 13 to 31 percent. The suburban share of miscellaneous business services increased from 6 to 14 percent. However, the majority of finance, insurance and professional services continued to concentrate in the central area. The share of these services provided in outlying areas increased only marginally over this 8-year period (banking, for example) or not at all (attorneys, architects, engineers, accountants).

The principal reason for the concentration of office functions in the downtown is to take advantage of external economies. Corporations and banks, for example, rely on a large number of satellite professional and business services. These, on the other hand, must rely upon a relatively large number of potential customers or clients to survive. The CBD provides the greatest opportunity for such exposure. Because of its central location, the CBD minimizes aggregate driving distances, and also allows for convenient service by public transit, vitally needed by banks and insurance companies with large clerical staffs, many of whom use public transit (60 percent of U.S. National Bank employees use public transit, for example). As was noted earlier, we expect an increase in use of public transit, reinforcing the central location of office buildings in Portland.1

GOVERNMENT USE OF DOWNTOWN LAND

Past growth in government office employment in the Portland SMSA has not been overly dramatic. Federal employment rose from 13,000 in 1962 to 14,300 in 1972. State and local public administration employees rose

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1 It is useful to look at the experience in other areas, to see the extent to which suburban office construction has actually occurred. One way is to take a cross-sectional look at a variety of cities of different sizes and characteristics, to determine if there is uniformity or variability with respect to the number of white collar workers working outside of central areas. In the much larger San Francisco-Oakland SMSA, with approximately 3.5 times as many people spread out over a considerably larger area, the City of San Francisco still accounted for 60 percent of office employment in 1972.
Table 5


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>7273</td>
<td>14%</td>
<td>16%</td>
<td>59%</td>
</tr>
<tr>
<td>Credit Agencies</td>
<td>2463</td>
<td>14</td>
<td>17</td>
<td>38</td>
</tr>
<tr>
<td>Insurance Brokers</td>
<td>2189</td>
<td>9</td>
<td>12</td>
<td>23</td>
</tr>
<tr>
<td>Real Estate</td>
<td>4930</td>
<td>13</td>
<td>31</td>
<td>18</td>
</tr>
<tr>
<td>Insurance Carriers</td>
<td>6256</td>
<td>2</td>
<td>4</td>
<td>21</td>
</tr>
<tr>
<td>Misc. Business Services</td>
<td>9666</td>
<td>6</td>
<td>14</td>
<td>68</td>
</tr>
<tr>
<td>Legal</td>
<td>1596</td>
<td>16</td>
<td>15</td>
<td>32</td>
</tr>
<tr>
<td>Non-profit Membership Org.</td>
<td>7107</td>
<td>9</td>
<td>18</td>
<td>27</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td>3756</td>
<td>13</td>
<td>13</td>
<td>20</td>
</tr>
</tbody>
</table>

SOURCE: U.S. DEPARTMENT OF COMMERCE, COUNTY BUSINESS PATTERNS. PROJECTED BY Lord/LeBlanc.
from 14,300 in 1962 to 20,700 in 1972. Projecting ahead on the basis of past growth performance, future government employment should increase in the Portland area as summarized below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal Employment</th>
<th>State and Local Public Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>13,000</td>
<td>14,300</td>
</tr>
<tr>
<td>1972</td>
<td>14,300</td>
<td>20,700</td>
</tr>
<tr>
<td>1980</td>
<td>15,600</td>
<td>25,000</td>
</tr>
<tr>
<td>1990</td>
<td>17,400</td>
<td>31,000</td>
</tr>
</tbody>
</table>

However, the State Department of Employment does not break such employment down by office employees versus non-office workers. In an effort to determine how much actual square footage is used for each of these uses in the downtown and to develop projections for each of the governmental entities, we held a series of interviews with relevant public officials.

Table 6 below outlines existing net square footage occupied by government employees in both the Portland SMSA as a whole and in downtown Portland. The space occupied is broken down into "Government owned and Leased" categories.

We found that federal space needs increased in the 1950's, by 2.1 percent. In 1958, the federal government owned or operated 970,000 square feet in Portland. In 1974, this total had increased to 1,350,000. However, there is presently considerable crowding, and the new 350,000 square foot federal building should relieve much of this as well as reduce the amount of space leased. We expect continued growth in federal office space needs at about 2 percent. We were told that probably between 1980 and 1985 another federal office building will be constructed in Portland. As its primary function would be to house the overflow of the Interior Department's functions now in leased buildings nearby, it would likely be located in the Lloyd Center.

On the other hand, state and local government employment is expected to increase at a higher rate than that shown over the last decade. While state government will continue to grow, our projections of office space needs in Portland have taken into account the State's current feeling that it leases too much space in Portland. Rather than build more office buildings there, the State's plans currently call for a conversion into offices opened up by declining populations in the State's institutions in Salem, and by transferring some activities now using leased space in Portland to other state-owned buildings in Salem.
# Table 6

**FEDERAL, STATE & LOCAL GOVERNMENT OFFICE SPACE USE IN PORTLAND, WITH COMPLETION OF NEW FEDERAL BUILDING, JANUARY, 1975**  
(Net Square Feet)

<table>
<thead>
<tr>
<th></th>
<th>Total in Portland</th>
<th>Downtown Portland</th>
<th>Gov't. owned Downtown</th>
<th>Leased Downtown</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal Government</strong></td>
<td>1,700,000</td>
<td>870,000</td>
<td>650,000</td>
<td>220,000</td>
</tr>
<tr>
<td><strong>State of Oregon</strong></td>
<td>530,000</td>
<td>300,000</td>
<td>180,000</td>
<td>120,000</td>
</tr>
<tr>
<td><strong>Multnomah County</strong></td>
<td>445,000</td>
<td>235,000</td>
<td>185,000</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>City of Portland</strong></td>
<td>190,000</td>
<td>170,000</td>
<td>110,000</td>
<td>60,000</td>
</tr>
<tr>
<td><strong>School District No. 1</strong></td>
<td>35,000</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Port of Portland</strong></td>
<td>31,000</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Tri-Met</strong></td>
<td>24,000</td>
<td>4,000</td>
<td>--</td>
<td>4,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>2,955,000</td>
<td>1,579,000</td>
<td>1,125,000</td>
<td>454,000</td>
</tr>
</tbody>
</table>

* Excluding Postal Service

**SOURCE:** Lord/LeBlanc Survey.

The City and County plan to construct a 270,000 square foot City/County building between the Courthouse and City Hall. The building would include 150,000 square feet for jail and police facilities (this assumes selling the police station at Second and Oak), with the remaining 120,000 square feet for general City/County offices.

Other local government groups that may locate downtown are the Port of Portland and Tri-Met. The Port needs 35,000 square feet for its activities, including a 20,000 square foot conference and exhibition center. It would like to have 25,000 square feet for adjacent trade-related leasable office space. Tri-Met is locating downtown rather than remodel their Southeast 17th Avenue headquarters. The two new federal and City/County buildings should, then, meet the needs of these entities in the downtown over the next 15 years. A small amount of lease space may be required for the Port of Portland and Tri-Met.
DEMAND FOR HOUSING IN THE DOWNTOWN

Population residing in downtown declined from a total of 31,987 in 1940 to some 13,811 by 1970, a decline of some 18,176, or 56 percent over this 30-year interval. This includes persons living in Census Tracts 50 through 57, which constitutes nearly all of the land area in the downtown within the freeway loop and includes some areas partly outside of this loop.  

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>31,987</td>
</tr>
<tr>
<td>1950</td>
<td>28,099</td>
</tr>
<tr>
<td>1960</td>
<td>19,807</td>
</tr>
<tr>
<td>1970</td>
<td>13,811</td>
</tr>
<tr>
<td>1980</td>
<td>10,000</td>
</tr>
<tr>
<td>1990</td>
<td>8,000</td>
</tr>
</tbody>
</table>

Projecting population to 1980 and 1990 on the basis of this trend, we would expect population in the downtown area to virtually be nonexistent by 1990. However, there have been at least some modest improvements of late, which must take those into consideration. There are seven downtown areas with relatively distinct groupings of persons. These include low income pensioners living in residential hotels west of the retail core, residential hotels east of the retail core, the South Park blocks white collar workers, upper middle income residents in the South Auditorium Urban Renewal area, students living on the periphery of Portland State University, the Skid Road population, and other (non-Skid Road) residents in the area north of Burnside. The outlook for each of these areas tends to vary.

Probably the most significant change in population in the downtown area has been the relative decline in the numbers of the city's large transient labor population. The numbers have declined in the last few years, largely due to three factors: (1) welfare payments have now been extended to allow many of the alcoholics in the area to go to nursing homes; (2) the restriction of entry of Mexican labor into the United States has raised wages and reduced the need for many of the Mexicans as well as other workers to migrate to Oregon from California; and (3) mechanization of agriculture has caused the market for transient labor to decline.

in the Willamette Valley. As a consequence, the number of migratory workers drawn to the Burnside area has dropped substantially in the last decade, to the point where the numbers are very small and are expected to continue to decline, assuming no programs are developed to encourage them to remain in the central area.

The numbers of persons living in the residential hotels east of the central core are also expected to decline sharply in number over the next decade, principally because of the deteriorated and unsound condition of the dwelling units in that area and probable reuse or upgrading of much of that land. The majority of housing units in that area at the present time are unsafe and unsanitary, and the outlook for renovation of most of these structures for residential reuse is not promising.

On the other hand, there have been several instances of successful conversions of older hotels in the area to the west of the downtown core into residential units for elderly, retired persons; and there appear to us to be no reasons why more such conversions could not take place in the future. The principal problem will be limited availability of convertible buildings rather than limited demand, and without a fairly comprehensive survey of such buildings it is impossible to say what the overall potential is. But we would expect that at least a portion of the dwelling units lost in the east of the core of hotels would be provided in the area to the west of the downtown through the conversion process.

The north of Burnside area (excluding Skid Road) is also undergoing upgrading in recent years; and this can be expected to continue, given a non-activist policy, with the total population in this area in older residential hotels continuing to decline. We would expect by the year 1990 for the numbers of persons living in this area on a full-time basis to be virtually non-existent.

The student population living around Portland State is concentrated in basically two kinds of structures. One, there are a relatively large number of students living in the Ondine, an off-campus privately-run dormitory. There are also a number of students living in older, run-down apartment houses near the campus. (There are two other concentrations, on in highrise structures in Goose Hollow and the other in Northwest Portland, but both of those are outside the study area.)

The outlook at the present time for more housing near the campus does not appear to be promising, but there may at least be a potential for saving much of what is presently there. The owners of the Ondine have been trying for some time to sell the tower to a hotel chain for a conversion
to a hotel. They are presently in negotiations with Holiday Inn, and the outlook is not known; but it would appear that sooner or later a sale will be consummated. There is declining interest on the part of students for dormitory living at Portland State; and, unless this pattern turns around at that school (as it seems to be at others), the outlook for retaining the Ondine or constructing new dormitories is not promising. On the other hand, there are several older apartment houses holding from 300 to 400 students located within the campus that were acquired by the school to accommodate future classroom expansion. However, enrollment has stopped its forward advance, and it now appears that the land on which these buildings sit will not be needed. With upgrading or replacement of these structures, this area could continue to provide housing for PSU students.

The only housing market for downtown with much promise is in middle to upper income apartments and condominiums such as found in the South Auditorium Urban Renewal area. Even here the outlook is not overly promising for at least the next decade. Three towers were constructed in the area by the Fluor Corporation around the middle part of the past decade. These all leased up relatively rapidly, principally because of the tight money conditions and limited availability of dwelling units in the 1966-67 period in this area. They have continued to experience relatively high occupancy but, because of their high cost of construction relative to rents that the buildings are able to command, the return on investment has been low. The fact that no additional such buildings have emerged in recent years is at least one index that the Portland Center Project was not overly successful and is not likely to soon be repeated.

Three condominium towers have been erected in the downtown in the past four years. While initial sales were brisk, the overall performance has been disappointing. To date, only 145 of a total of 364 units in these three towers have been sold, or approximately 50 per year. The problem is again one of very high construction costs, forcing very high prices which, in turn, has limited the market to a very small segment of Portland's population. The developers would probably have had greater success if they had provided greater numbers of smaller, low-priced units. Also, interest rates have been high in recent months and have probably adversely affected sales. Hence, an absorption of 50 units per year may possibly be improved upon. 1

1 Another constraint is the number of persons who would wish to live in highrise towers. Without a long tradition in the Portland area, the time that it takes for adjustment of the population to such living conditions tends to be great. Highrise buildings have generally not been successful in all but very large cities in the U.S.
The outlook for more such buildings in downtown Portland with an absorption rate of even 75 per year (and with no assurance that the market will continue to grow even at that rate, as the three existing projects may have largely met Portland's potential for such housing) is not promising, except at infrequent intervals. A developer building a tower with 100 units would have to assume that he was going to attract 66 percent of the entire market before moving ahead with his project, in hopes that he would be able to sell all dwelling units within an approximately two-year interval. At best we would expect an average of approximately one tower every four years over the next 15 years in the Portland area, and with the number of units added greater near the end of this interval, as the Portland area population continues to grow and the periphery of the city expands outward. The need is for smaller condominium buildings, with consequent lower risks. Developers have not used this approach in the Portland area at the present time, arguing that high land prices preclude this approach (we note, however, that the American Plaza built its two towers on very low priced urban renewal land). One new project on the drawing boards for the South Auditorium area with several small buildings may be a realistic prototype for more such housing in the future.

Our guess is that most of the north of Burnside and Lownsdale area housing will have been replaced by 1990, with part of this need met in the area west of the CBD. The number of students living near Portland State University should decline somewhat, but the middle to upper income population should increase over the next 15 years. An estimate of 10,000 persons residing in the central area by 1980 and 8,000 by 1990 should be realistic.

Converting this decline into land area is quite complex, as much of the downtown population lives in buildings with ground floor commercial uses. It would appear, however, that at least 30 to 35 blocks containing residential buildings for low income persons in the area east of Broadway will undergo reuse within the next 15 years. The area west of Tenth should pick up a portion of the housing demand.

THE OUTLOOK FOR HOTELS & MOTOR INNS IN THE DOWNTOWN

The number of additional hotel and motel rooms needed in downtown over the next 15 years is a function of (1) net increase in room demand, (2) the occupancy rate, (3) the rate at which demolition or conversions of existing older units take place, and (4) the locational attributes of the central area relative to other areas.
Demand for Transient Housing in the Portland SMSA, 1956 to 1973 and Projections to 1990

Portland's Chamber of Commerce estimates that there are 5,303 rooms concentrated in the city's major hotels and motor hotels. Figure 1 shows the additions to the city's stock of major transient housing facilities over the years 1956 to 1972, and the number of units added annually over this interval. As can be seen, the total stock of hotel and motor hotel rooms increased from 1,650 to 5,500, or by roughly 220 annually, between 1956 and 1972, an annual increase of 5.4 percent compounded. A simple extrapolation of this performance gives a total requirement of roughly 8,200 rooms by 1980 and 12,000 by 1990, or 320 annually between 1972 and 1980, and over 420 during the next decade. At least 40 to 50 of the rooms added each year represent replacements of older hotel facilities which are demolished or converted to other uses, generally housing for the elderly. Hence, 280 to 360 rooms will be required annually over the next 15 years in the Portland area to meet net increases in room demand. An additional 40 to 60 will be required as replacements of existing facilities.

Projects Planned for the Portland Area

The city's hotel/motel room stock increased significantly following 1960 with the introduction of the Hilton Hotel, but there was a sharp decline in motor hotel construction between 1964 and 1969, when only 175 rooms, or 35 per year, were added (see Figure 1). The city's occupancy rate has been high in recent years, perhaps because the industry was slow to perceive additional opportunities following 1963, and this failure has persisted until recently.

Table 7 summarizes hotel and motor hotel units being considered for construction in Portland in the next two years. As can be seen, some 1,500 additional rooms in six installations are presently being considered. Only three of these installations, however, involving 600 rooms, are presently moving ahead. One is a 200-unit Sheraton Inns motel near the airport, and the other two belong to the Thunderbird chain and will be constructed in the Vancouver/Jantzen Beach area.

The Hyatt Corporation is presently negotiating with Portland Commons' investors for the site at Southwest Front and Jefferson Streets in the South Auditorium Urban Renewal extension and will construct a roughly 300-room hotel if they decide to move ahead. Marriott is considering the OIC project for a 400-room installation. These six additions, if built, will meet the incremental growth requirements in the city for the next five years.
Figure 1

NUMBER OF HOTEL & MOTOR HOTEL ROOMS AVAILABLE & NUMBER ADDED ANNUALLY, 1956 to 1972, & PROJECTIONS TO 1980, PORTLAND METROPOLITAN AREA

* ESTIMATE OF GROWTH IN ROOM DEMAND IN PORTLAND AREA, ASSUMING 1956 TO 1970 OCCUPANCY LEVELS.

SOURCE: LORD & ASSOCIATES
Table 7

PLANNED ADDITIONS OR EXPANSIONS TO THE PORTLAND HOTEL & MOTEL INVENTORY

<table>
<thead>
<tr>
<th>Location</th>
<th>Approx. No. of Rooms</th>
<th>Planned Opening</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheraton Airport</td>
<td>200</td>
<td>1974</td>
<td>Moving ahead</td>
</tr>
<tr>
<td>Red Lion Jantzen Beach</td>
<td>200</td>
<td>1974</td>
<td>&quot;</td>
</tr>
<tr>
<td>Quay (expansion)</td>
<td>200</td>
<td>1974</td>
<td>&quot;</td>
</tr>
<tr>
<td>Marriott Vancouver</td>
<td>400</td>
<td>N.A.</td>
<td>Rumored</td>
</tr>
<tr>
<td>Marriott OIC Project</td>
<td>400</td>
<td>N.A.</td>
<td>&quot;</td>
</tr>
<tr>
<td>Holiday Inn Portland State U.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>&quot;</td>
</tr>
<tr>
<td>Hyatt South Auditorium</td>
<td>300</td>
<td>1975</td>
<td>Decisions pending</td>
</tr>
</tbody>
</table>

Total 1500

SOURCE: Lord/LeBlanc Survey.

The Changing Location of Portland Hotels & Motels

Prior to World War II, transient housing construction in Portland consisted mainly of hotels in the downtown area. In the early post-War years, the majority of new construction was in relatively small motel units along principal arterial highways. These were generally independent, owned and operated by older, retired or semi-retired persons. In the late 1950's and 1960's, most major Portland area transient housing construction took place in clusters (1) around the Lloyd Center-Coliseum area, (2) near major freeway interchanges, or (3) adjacent to the Portland airport. These were mainly relatively large motor hotels, run by the major motel chains.

While most of the post-War motel construction took place on sites outside of the CBD, there have been exceptions. The 500-unit Hilton Hotel opened in downtown Portland in 1961, and the 180-unit Portland Motor Hotel was constructed in the central area in 1962. The 140-unit Riverside West and the 257-room Ramada were added on the periphery of the downtown in 1964 and 1970 respectively. As of 1973, the CBD accounted for 39 percent of all hotel and motel rooms. However, the CBD's share of
the total has been declining rapidly since 1962, when it accounted for 64.6 percent of the total. Locations of existing and 1962 units in the Portland area are summarized in Table 8. As can be seen, the principal motor hotels recently constructed in Portland are located at the Airport, Jantzen Beach, peripheral to the CBD, and the I-5 Freeway south of Portland.

Table 8

LOCATIONAL CONCENTRATIONS OF PORTLAND AREA TRANSIENT HOUSING FACILITIES

<table>
<thead>
<tr>
<th>Location</th>
<th>No. of establishments-1972</th>
<th>No. of Rooms 1972</th>
<th>No. of Rooms 1962</th>
<th>Percent of Total-1972</th>
<th>Percent of Total-1962</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>10</td>
<td>2,070</td>
<td>10</td>
<td>39.0</td>
<td>64.6</td>
</tr>
<tr>
<td>Coliseum/Lloyd Cen.</td>
<td>7</td>
<td>1,311</td>
<td>3</td>
<td>24.7</td>
<td>22.8</td>
</tr>
<tr>
<td>Airport</td>
<td>3</td>
<td>438</td>
<td>--</td>
<td>8.3</td>
<td>--</td>
</tr>
<tr>
<td>Periph. to CBD</td>
<td>3</td>
<td>577</td>
<td>1</td>
<td>10.9</td>
<td>5.6</td>
</tr>
<tr>
<td>East Burnside/Sandy</td>
<td>3</td>
<td>224</td>
<td>3</td>
<td>4.2</td>
<td>7.0</td>
</tr>
<tr>
<td>I-5 Freeway South</td>
<td>3</td>
<td>221</td>
<td>--</td>
<td>4.1</td>
<td>--</td>
</tr>
<tr>
<td>Jantzen Beach-Vanc.</td>
<td>2</td>
<td>462</td>
<td>--</td>
<td>8.8</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26</strong></td>
<td><strong>5,303</strong></td>
<td><strong>17</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

SOURCE: Lord/LeBlanc Survey.

Together with change in locations after World War II came change in the type of establishments constructed. Major building prior to World War II consisted of hotels. Since 1950, only two hotels (the downtown Hilton and the 300-unit Lloyd Center Sheraton, which opened in 1959) have been constructed. Since then construction has shifted to motor hotels. In size these have ranged from 60 to 300 units. Of the four Portland establishments with over 250 units, three (the Ramada Inn at the periphery of the CBD, the Travelodge at the Coliseum, and the Jantzen Beach Thunderbird) have been completed since 1970. The size by number of units of motor hotels built since 1950 is given below. Nonetheless, as was seen, there has been a resurgence of late in interest in the central area on the part of the large hotel chains.
<table>
<thead>
<tr>
<th>Room Size Category</th>
<th>Number of Motor Hotels Constructed</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 - 99</td>
<td>7</td>
</tr>
<tr>
<td>100 - 199</td>
<td>4</td>
</tr>
<tr>
<td>150 - 199</td>
<td>3</td>
</tr>
<tr>
<td>200 - 249</td>
<td>3</td>
</tr>
<tr>
<td>250 &amp; over</td>
<td>3</td>
</tr>
</tbody>
</table>

Projected Additions to Downtown

There is a swing back to downtown locations on the part of the lodging industry today, and the interest shown by Hyatt and Marriott in the Portland area is no isolated phenomenon. It is being duplicated throughout the U.S. The reversal of the outward movement of lodging facilities cannot be explained simply by occupancy levels. In Portland the Benson continues to attract exceptional patronage (90 percent occupancy), but the Hilton is less successful.

Our guess is that there are several reasons for the recent interest. Among these are: (1) the trend toward ever larger and more expensive motor hotels has finally reached the point at which the hotels are competitive; (2) the surge in new downtown office building construction has brought with it a concomitant shift in demand by guests to be near destinations; (3) upgrading of the downtown in general through urban renewal is making them more attractive and providing sites at relatively low cost; and (4) the increasing attractiveness of new hotels with their many bars, restaurants and other features, is making them exciting places at which to stay (and making others drab by comparison). These installations, because of their great size, need central locations to survive.

Running counter to the above is rapidly escalating room rates relative to growth in real income. The real question, then, is whether the resurgence of the major downtown hotels will continue. We suspect they will at least hold their share of the market over the next 15 years.

Some 897 of the 2,598 rooms constructed in the Portland SMSA over the past 11 years (including the Hilton) were located in the central area. The interest on the part of Hyatt and Marriott must be considered something of a bellweather, and the very large increase in the supply of office space projected for the central area should trigger greater future interest in the area on the part of the hotel industry. A projection of some 2,000 new hotel rooms in the central area over the period 1975 to 1990, or about 33 percent of total SMSA additions, would seem to us to
be achievable, with increments added at approximately three- to five-year intervals.

Roughly 13 percent of these rooms will represent replacements of existing hotels (several of which will in turn be converted to housing). New units added will be both hotels and motor inns, and, in line with past performance, will be distributed throughout the central area, on its periphery as well as in more central locations.

**DEMAND FOR LAND FOR CULTURAL & ENTERTAINMENT FACILITIES**

Cultural and entertainment facilities use downtown land; more importantly, they help set the character of the downtown. With lively activity in those two spheres, downtowns are relatively alive in the evening hours, with restaurants, bars and other retail facilities benefitting. When these activities dry up or leave the downtown, it becomes a dead area in the evening hours. What, then, is their present status and future outlook, if present trends continue?

**Principal Facilities for Performing Arts, Athletic Events & Conventions**

Portland has three major downtown public assembly buildings. These are the Civic Auditorium in the downtown and the Civic Stadium and the Memorial Coliseum, both on the periphery of the downtown.

The Auditorium is now used nearly to capacity (over 500,000 admissions per year, 25 events scheduled for the 31 days of March, 1974). Five major groups--the Oregon Symphony, Portland Opera Association, Northwest Releasing Corp., Celebrity Attractions and Jack Roberts Productions--use or book shows in the Auditorium. As the Paramount Theater closes for conversion to a convention-banquet facility, the Auditorium will also absorb the weekly rock star concerts presently staged at the Paramount.

The Auditorium's Manager largely credits the development of the South Auditorium Urban Renewal area since 1968, when the Auditorium was renovated, to the growth in use of the facility. There are numerous new office buildings in the area (with office employees staying downtown after work to catch performances), plus the condominiums and Portland Center apartments, whose residents are attuned to Auditorium cultural
and entertainment offerings. The two adjacent parking structures provide ample evening parking for events.

Civic Stadium is greatly underused, with only high school and Portland State University football, which does not draw the principal users. Oregon State University plays one game a year there, while the University of Oregon plays no games in Portland since completion of Autzen Stadium. Low level minor league baseball is the only summer athletic attraction. A World Football League franchise for Portland has been awarded. Civic Stadium has inadequate parking and access, and capacity for only 32,000 spectators.

Memorial Coliseum continues to be booked near capacity, and events are well attended, with hockey, major league basketball, large-scale conventions and assemblies, some rock groups, and trade and consumer shows, as principal users. Hockey is presently declining after many years of excellent attendance.

No alternative facilities are under serious consideration at the present time. The city has considered spending $10 million to cover the Civic Stadium, but is not likely to do so, since parking, limited seating and access problems would remain as large impediments. There are also apparently no plans to erect auditoriums, theaters or arenas to complement the Civic Auditorium or the Memorial Coliseum, although, as noted, these are presently operating at or near capacity. The manager of the Civic Auditorium feels that development of the block directly north of the Auditorium should be encouraged as an expansion of the civic cultural/entertainment complex. He suggests two main theaters on the adjacent block, one a 6,000-seat arena on the main floor for rock concerts and other large events, the other a 1,500-seat repertory theater on the second floor, with entrance facing the opposite direction. The present Civic Auditorium has 3,000 seats, and with Evans Products and the Hyatt Hotel coming in nearby, a realistic usage capacity will be exceeded in his view.

While at this point additional new public assembly buildings in the Portland downtown seems to be relatively low on the list of priorities facing the City's present administration, it would appear to us most probable, given the rapid growth in usage and the apparent limitations of supply, that an additional performing arts facility will be added to the Portland downtown over the next 15 years. The outlook for more than one such facility is somewhat more problematical in light of the need for obtaining voter approval, the prevailing attitude of Portland voters in recent years towards bond issues, and a probable climate of economic
uncertainty in the years ahead. What form the installation takes on (repertory theater, arena, etc.) is anyone's guess, but at least one full block in downtown may be required.

Cultural Facilities

The main downtown cultural facilities are the Art Museum, Historical Society, and the Library. The Historical Society would like to expand into the burned-out apartment house adjacent to it on the Park Blocks, but it is doubtful they will find funding. The Multnomah County Library is cramped for space in a 1912 building, but is most likely to solve that problem by transferring some non-public functions to branches outside downtown. The only possibilities are acquiring the block directly north, building there and tying it to the present site with a skyway; but no money is evident for such a program.

Movie Theaters

In the early 1950's the downtown lost five theaters in rapid succession (the Liberty, Playhouse, United Artists, Newsreel and Circle) as a result of the emergence of television. Three others were added recently through conversion of the Broadway to a multi-theater installation and through opening of two theaters near Portland State, but the Paramount shifted to live concerts.

The severe pounding the movie theater industry took after television appears to have run its course. There are now more theater seats in Portland than a decade ago, although the increases have all been outside downtown, in multi-cinema theaters in shopping centers served with ample parking. Another problem is high property taxes on downtown theaters (because properties are valued at their highest alternative use). Movie theaters operate on thin margins. The film distributors do not look for any increase in downtown theaters over the next decade, but do expect downtown to hold its own (or, in other words, more theaters will not be lost). We concur.

The fate of downtown theaters largely depends on the future course of downtown, and re-emphasizes how each downtown land use depends upon all the others. If the Broadway area loses its critical mass of people strolling about in the evening hours (tourists, residents, etc.) it could suffer the same fate as Market Street in San Francisco or downtown Seattle, both of which have been subjected to rowdyism and muggings. Both have become places where respectable residents seldom go in the evening.
One project worth noting is the remodeling of the Paramount Theater by John Haviland to make it part of a hotel/convention center complex to rival the Hilton. He is removing the theater seats from the main floor of the Paramount, replacing them with tables and chairs for banquets and meetings, and connecting it with his two adjacent hotels, the Heathman and Haviland. There are several amateur theater groups performing in or near downtown, but they are of no major consequence either in terms of levels of attendance or land use.

OUTLOOK FOR RETAILING

As in the case of the other land uses, the prospects for the central area attracting increased retail activity over the study period depends upon growth in total retail sales in the Portland metropolitan area as a whole and the competitive attributes of the CBD relative to the SMSA.

Projected Retail Sales in the Portland SMSA

Well over 90 percent of the CBD retail sales are in the four comparison goods categories of general merchandise, apparel, home furnishings, and miscellaneous or specialty retail sales (sporting goods, jewelers, gift shops, etc.), and in eating and drinking establishments. Hence, we have concentrated our discussion exclusively on these five categories.

As can be seen in Table 9, expenditures in the entire Portland metropolitan area for the five comparison goods categories are expected to increase between 1972 and 1990 by between 100 and 155 percent, depending upon the category. Expenditures are functionally related to growth in population and real income but adjusted to reflect the manner in which expenditures in the various categories vary with income (to reflect their elasticity with respect to income, in other words). These vary depending upon the extent to which they represent necessities or luxuries. Incremental percent increases in outlays for food are quite small, given an increase in family real income; incremental outlays for recreational equipment are quite high. Projections are made on the basis of real income only or, in other words, ignore inflation, to provide realistic estimates of future space requirements for retailing in the Portland area.

Productivity (sales per square foot) of retail outlets was held constant (although the trend is towards more self-service stores which may indeed be necessary in the future if projected growth volumes are to be met, in light of declining labor force participation rates.)
The amount of space required to accommodate this expansion in sales volume would increase from 17.8 million square feet in 1975 to 35.9 million square feet by 1990, or 5.1 percent on an average annual compound basis, in the five categories.

CBD Potential

The central area retail market is made up of two distinct groups: (1) people coming to the CBD to shop, either because they live in or near the downtown or because they prefer to shop there rather than in neighborhood or suburban shopping centers, and (2) the downtown work force and those coming into the CBD on business. The level of CBD retail activity in any one year, then, varies both with the size of the CBD work force and with the amount of retail trade the CBD attracts from its own trade area and from a much wider geographic area. Unfortunately, there is no reliable estimate of the relative magnitudes or rates of change of these two components. Hence, we are forced to rely on past overall sales trends as a guide to future performance.

One thing that is obvious is that the amount of the total future metropolitan area retail space requirements that the CBD can expect to attract is related, to a great extent, to the number of major regional shopping centers likely to emerge over the study period. Table 10 provides an index of the impact on the CBD of growth in sales of Lloyd Center and the emergence of a number of smaller centers in east Portland. As can be seen, while total sales increased in the CBD, in real terms they were declining. All CBD comparison goods categories declined relative to the SMSA; declines in general merchandise and home furnishings were pronounced (43 percent), while apparel and miscellaneous retail sales declining share of the total was considerably less (16 percent).

The 1972 Census data are not available until August of this year, and, since there are no recorded statistics on Portland area retail sales by area, it is impossible to say at this point how well the Portland downtown retailers performed since 1967 relative to the CBD. Downtown retailers seem to feel that the CBD was able to maintain in real terms its volume of five years earlier, although it undoubtedly continued to lose ground in terms of its share of the total metropolitan market.

Washington Square Shopping Center, which opened in 1973, can be expected to make significant inroads into downtown retail volumes, as it will cater to a West Side market that up to the present probably favored downtown relative to Lloyd Center. Obviously, if additional centers emerge during the next 15 years, these too would make inroads into CBD sales. Consumer preference for conventional shopping centers...
appears to us to be quite strong and related to (1) one-stop shopping; (2) covered malls; (3) accessibility; and (4) convenient parking. Socio-economic changes have played a major role. For example, over 50 percent of all women between the ages of 20 and 65 now work, and shopping activity is greatest in evening hours. The CBD has lost the competitive edge in nearly all departments. One notable exception is breadth of merchandise offerings.

On the other hand, the importance of a growing downtown work force and hotel guests should not be minimized in the future of the CBD. One survey conducted in Denver showed that a typical employee working downtown spends $700, or about 35 percent of all his family's household expenditures for comparison goods. Business meetings, conventions, attendees at sporting and performing arts events, vacationers and visitors on personal business, make expenditures in the downtown aside from those at their hotels, if they end up staying in the downtown area. The majority of this money is spend for food, clothing and specialty shoppers' goods. With the projected growth in office expenditures and hotels in the central area, it can be expected that downtown retailers will benefit. Furthermore, while shoppers make fewer trips to the CBD, when they do so, per trip expenditures tend to be higher than in suburban centers.

We have assumed that past trends in downtown retail activity relative to the SMSA are reasonable bases for projecting future market shares. We would expect the ratios to continue to fall rather sharply until about 1980, as a consequence of Washington Square, but that continued growth in downtown of other uses will assist in mitigating the competitive impact of future centers. The CBD will, in other words, become more reliant on its own market. Because of rapid growth in total retail expenditures in the metropolitan area, CBD sales should remain relatively strong even if their share of the total continues to decline. Hence, by 1990 the amount of space devoted to retail sales in downtown should increase by some 956,000 square feet, or 1.8 percent on a compound annual basis, over the 2.5 million square feet found there in 1972. As seen in Table 11, the greatest increases will be in apparel, eating and drinking establishments, and miscellaneous retail or specialty items. General merchandise sales should increase slowly, and home furnishings sales should decline on a non-inflated basis.

The growth in specialty sales in downtown relative to general merchandise stores should not be unexpected. The increasing shift to specialty stores has resulted from growth in real income, which has allowed expenditures to reach a point where economies of scale are achievable in more and more small but highly specialized stores. In reality, the general merchandise
store is a cluster of specialty stores with efficient administrative services. The future of the major retail chains probably hinges on how effectively they are able to duplicate the unique products characteristic of small specialty retailers. The extent to which specialty retailers are encouraged to locate in the central area also provides one clue to future retailing potentials of the CBD.

Table 11

CENTRAL BUSINESS DISTRICT RETAIL SPACE REQUIREMENTS, 1972, 1980 & 1990 (000 S. F.)

<table>
<thead>
<tr>
<th></th>
<th>1972</th>
<th>1980</th>
<th>1990</th>
<th>Change</th>
<th>Annual %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1972/90</td>
<td>Change</td>
</tr>
<tr>
<td>General Merchandise</td>
<td>1322</td>
<td>1431</td>
<td>1655</td>
<td>333</td>
<td>1.3%</td>
</tr>
<tr>
<td>Apparel</td>
<td>444</td>
<td>508</td>
<td>660</td>
<td>216</td>
<td>2.3</td>
</tr>
<tr>
<td>Home Furnishings</td>
<td>128</td>
<td>106</td>
<td>114</td>
<td>-14</td>
<td>-.5</td>
</tr>
<tr>
<td>Eating &amp; Drinking</td>
<td>253</td>
<td>265</td>
<td>375</td>
<td>122</td>
<td>2.2</td>
</tr>
<tr>
<td>Miscellaneous Retail</td>
<td>353</td>
<td>436</td>
<td>657</td>
<td>299</td>
<td>3.4</td>
</tr>
<tr>
<td>Total</td>
<td>2505</td>
<td>2746</td>
<td>3461</td>
<td>956</td>
<td>1.8</td>
</tr>
</tbody>
</table>

SOURCE: Lord/LeBlanc, based on Table 9 volume estimates divided by prevailing West Coast per square foot space/sales volume coefficients.

The principal results should be the following:

1. More retail activity will be in evidence in the central area than in 1974, and the commercial core will be a little larger.

2. Its character will have continued to change, towards more restaurants and shops oriented to the downtown work force and commercial visitors, and more highly specialized retailers whose market is statewide.
3. Retailers will be more spread out in the central area and less concentrated in the core. They will be less tied to the major department stores and more to office and hotel concentrations.

4. The expected volume of general merchandise sales means that another department store should emerge in the area by 1990, to take the place of Rhodes. (Rhodes itself may come back, in a smaller, more efficient store with more up-to-date merchandise and merchandising techniques).

Land Requirements in the Downtown, 1975 - 1990

The demand for land from each of the six categories discussed above is summarized below:

- A maximum of some 5.5 million square feet of office space would appear to be attainable in downtown. This represents, assuming an average building floor area to land ratio of 8:1, a net requirement for approximately 17 blocks, excluding parking, over the study period.

- As was seen, the magnitude of space devoted to housing is more difficult to come to terms with because of multiple uses of blocks containing housing units. Present blocks earmarked as opportunity blocks in the Downtown Plan already contain much of the substandard dwelling units likely to be razed. Future highrise residential towers should absorb no more than four full blocks of downtown land; we assume the equivalent of eight full blocks with housing will be cleared, or a net addition of four to the stock of vacant (by definition "opportunity") blocks.

- One additional block will be required for government offices, for a City/County office building.

- One additional block should be required for a public assembly building and possibly two others for miscellaneous private sector entertainment facilities.

- Much of the additional 900,000 square feet of retail space projected for the central area will be absorbed in office and hotel buildings. Another department store should emerge, but the existing Rhodes store will either be razed or serve as a replacement. A maximum of two additional blocks would appear likely.
The amount of land required for hotel/motel use will depend upon how many and how large the new facilities are. We assume a distribution ranging from smaller motels of 150 rooms to hotels containing up to 500 rooms will emerge. Some existing hotel space will be lost to residential use. A net requirement of seven blocks appears probable.

There will be, then, an additional requirement in the downtown for approximately 26 full blocks to meet future downtown land use demand, excluding parking. Against this total is a current potentially available supply significantly exceeding that requirement. The number of opportunity blocks by area is broken down below:

<table>
<thead>
<tr>
<th>Area</th>
<th>Blocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadway to the River, South of Burnside</td>
<td>45</td>
</tr>
<tr>
<td>Broadway to Stadium Freeway, South of Burnside</td>
<td>29</td>
</tr>
<tr>
<td>Broadway, Burnside, Glisan</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>92</strong></td>
</tr>
</tbody>
</table>

CONCLUSIONS

What, then, are the implications of this probable land use requirement in the downtown in terms of the appearance and character of downtown to 1990?

1. On the whole, downtown should fare relatively well for nearly all land uses on a competitive basis with respect to the metropolitan area as a whole. Suburbanization of office space will continue, but the greatest magnitude of future SMSA office demand can be expected to locate in downtown. The future retail activity will hold up in downtown, although its character will change. Hotel/motel, cultural, entertainment, and governmental uses of the downtown should continue to grow or at least hold their own with respect to the region. The only area of land use where it can be expected that there will be a significant absolute and relative decline is in housing, with the numbers of middle and upper income residents moving into the downtown failing to keep pace with the decline in numbers of moderate to low income persons.
2. Despite this outlook, supply of potentially developable land will continue to exceed demand. One of the principal problems facing downtown over the next 15 years will be underutilization of land, with all or a portion of the majority of underutilized blocks used for surface parking, in the absence of an aggressive program on the part of the City to control how its central area land is used.

3. Land coverage in the downtown depends heavily upon the interaction of three critical variables. These are height and density of office buildings; use of land for parking, particularly for surface parking; and use of downtown land for housing.

4. There is obviously an inverse relationship between the height and density of buildings and downtown land coverage. The lower the FAR, the greater the land coverage from office buildings. Assuming all office buildings were constructed at a 4-to-1 height and density ratio in the downtown, 34 blocks would be required over the next 15 years. At a 12-to-1 ratio, 11 blocks would be required.

5. If the City intends to follow a strong policy of discouraging any significant future buildup in parking in the downtown, then there will be a considerable amount of vacant land available at existing FAR.

6. Presumably much of this land could be used for housing. There are, however, some significant rigidities that would create some problems in allowing such an event to materialize. These have been alluded to earlier and will be discussed at greater length below, but essentially boil down to problems of high construction and land costs, and problems of developing housing on a sufficient scale to generate a sense of neighborhood within the downtown.

The Plan calls for a lowering of office densities or FAR's in a portion of the downtown, construction of additional housing in the downtown, and a slowdown in parking usage of downtown land. The extent to which these and other proposals are feasible is the subject of the following section.
As was seen in the previous sections, the uncertain or controversial elements in the Downtown Plan involve (1) height and density proposals, (2) housing, and (3) the future of downtown retailing. The capability of the downtown to compete for all land uses vis-a-vis the Portland region as a whole is also somewhat at issue, since this capability is so essential to effective implementation of the Plan. Techniques and prospects associated with implementing these proposals is the subject of this section.

HEIGHT & DENSITY PROPOSALS

The Plan specifies height and density of buildings in specific zones in downtown with the intent of regulating development in these areas. This section explores the economic implications of the height and density proposals, to (1) attempt to predict probable future downtown development patterns as a consequence of these proposals and (2) assess their practicability. No value judgments regarding the desirability of these controls is made. Our assessment of the proposals is made only to determine whether they will bring about the results desired and will not adversely affect the remaining elements in the Plan. The emphasis here is on office buildings, since they are the principal building type most generally affected by height and density regulations.

The analysis begins with a discussion of what the development pattern would have been in downtown Portland in the past if the land market had been operating as an effective instrument governing the decisions of land owners, developers and other interested parties. This review is made to determine whether there have been some deviations from the performance that should have emerged, what the reasons for the deviations were, and to tender some solutions. Finally, we discuss the probable ramifications of the proposed height and density proposals on probable future Portland downtown land prices and development activity and indicate some of the conditions needed to make them work.
Past Development Patterns &
the Downtown Land Market

Under normal competitive conditions in the land market there is a consistent relationship between (1) land price and land availability and (2) land price and building density (in the form of square feet of leasable building space). The greater the availability of land relative to demand, the lower the offering price and hence the lower the density. Building height and bulk is a tradeoff for high land prices; land developers tend to increase building sizes significantly as a result of high land costs because of the necessity to spread these costs over larger numbers of floors or larger amounts of floor area. When land prices are relatively low, this necessity lessens considerably. The reason suburban office buildings typically have low profiles is because land prices are relatively low.

In a sense, demand for downtown land has not been particularly high. There are many blocks used all or principally for surface parking. The downtown presently has some 93 relatively underutilized blocks which have been designated as opportunity blocks in the Plan. Forty-five of these are in the area of maximum potential future development. On the other hand, only roughly 28 full blocks will be required over the next 15 years, ignoring parking for the moment, and ignoring any effective plan or city policies to change downtown land demand. At the same time, downtown land prices are by no means low.

Given the relatively low demand relative to the supply of downtown land, there should have been a more extensive use of land, with a greater number of smaller office buildings, and with relatively little underutilized land. Instead, relatively few but large highrise buildings were constructed, while the supply of vacant land in the downtown actually increased. The question is why?

It is important to know what conditions would have had to have been met for the above process to have materialized. A model providing a first approximation to the development pattern that should have emerged would have had the following conditions:

1. A highly competitive market composed of knowledgeable developers and willing sellers of land. There would need to be an ample supply of profit-maximizing office building developers (entrepreneurs) competing for downtown land, all cognizant of development potentials in the downtown.

2. There would need to exist ample numbers of land owners willing to sell at the prevailing market price, without timing of sale complicated
unduly by interim uses, expectations of higher future returns, etc.

3. No advantages connected with building size and no problems connected with assembly of land. Technology would not enter into the picture by allowing developers to reduce unit costs by building larger or smaller buildings. In other words, there would be constant costs over a large range of building size.

4. Developers would not be influenced positively or negatively by the general and immediate environs to prospective building sites. Opportunities and constraints created by externalities were non-existent.

5. Finally, no other controls and incentives existed to encourage or discourage certain types of office buildings.

If these conditions were extant, competition would force a relatively low scale of building size, as each developer would take into consideration all other buildings coming on stream and would not attempt to overbuild. Specific land prices would reflect only the productivity of individual sites, determined by rents tenants were willing to pay and proximity or accessibility to the center of activity in the downtown.

Causes of Past Development Patterns

Explanation, then, for the development pattern that did emerge over the past two decades in Portland's downtown seems to rest with the failure of the above conditions to have been met:

1. Apparently, the profit-maximizing objective has not necessarily been the sole influence at work in the construction of Portland downtown office space during the last decade. Profit maximization obviously was one influence, but apparently more critical in many instances were operating influences, such as the need for sufficient space in buildings to handle existing or future company operations; the desire to convey a certain image by size and character of buildings; etc. In other words, other influences played a role in building height and density decisions.

2. There seems to have been a limited supply of entrepreneurs. Principal suppliers of office space in downtown Portland in the last decade were large institutions, such as banks, major corporations, utility companies, etc., who constructed buildings partly for operational requirements but also for corporate identification. In light of the rather rapid increase in the growth of office space in downtown, it is apparent that either prospective developers did not perceive
opportunities or decided not to compete with institutional developers providing space because of a presumed competitive disadvantage. There were a number of exceptions (Boise Cascade, 200 Market Street), but nearly all of these buildings were smaller in scale and concentrated in the urban renewal area. Part of the explanation may also be in slowness to perceive opportunities. Portland's population growth prior to 1963 was relatively slow. During the next decade, the rate doubled and office space demand tripled, probably taking many of the area's developers by surprise.

3. Downtown land supply is apparently not highly elastic with respect to price. Land prices have remained high or increased in much of downtown, despite the considerable vacant or underutilized land in the area. This phenomenon can probably be explained by a number of influences, but the main one is that there have been alternative uses available which have tended to encourage retention of downtown land. Although considerably less visible in the sense that office buildings are, use of land for ground level parking provides certain rewards. A hypothetical parking lot using one block of downtown land could yield net income to its owner after payment of operating costs but before debt service, between $25,000 and $65,000 per year, depending upon parking fees, lot turnover and operating costs. Assume the following conditions:

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000</td>
<td>$100,000</td>
<td>Gross Income</td>
</tr>
<tr>
<td>25,000</td>
<td>35,000</td>
<td>Operating costs (mainly property taxes, labor)</td>
</tr>
<tr>
<td>$25,000</td>
<td>$65,000</td>
<td>Net income before debt service</td>
</tr>
<tr>
<td>48,000</td>
<td>48,000</td>
<td>Debt service</td>
</tr>
<tr>
<td>-23,000</td>
<td>17,000</td>
<td>Net yield</td>
</tr>
</tbody>
</table>

Debt service is mainly the opportunity cost of using the money tied in land in some alternative investment. There may be minor costs associated with the lot, such as asphalt, a shed, some landscaping, etc., but the principal "cost" to the landowner is the opportunities foregone. Assuming $20 per square foot land is sold with the proceeds invested conservatively at 6 percent, the land owner foregoes an income of $48,000 per year. Hence, the landowner's decision on whether to hold or sell depends upon how successful he is in generating
income relative to his opportunity costs (or how successful an operator is relative to a lease income roughly equivalent to the landowner's opportunity cost).

Other variables enter the picture, however. One is expectations regarding the future value of downtown land. Retention may be related to speculation on anticipated future escalation of downtown land prices, and parking is an interim measure to cover opportunity and holding costs. The land may be undervalued by tax assessors. This is the case in the above example where property taxes are based on an assumed value lower than $20 per square foot. Hence, the public may in a sense be subsidizing the holding of land in less than optimum usage, and is probably widespread, as many parking lots could not operate profitably if this were not the case. There may be structures on the land with remaining depreciable life, thus discouraging immediate sale; or the land may be held by absentee or otherwise indifferent landowners, unaware or indifferent to development opportunities.

4. Technology obviously plays a role. It costs nearly the same per floor to construct a building 30 and 40 stories as it does to build buildings half that high. Hence, unit costs decline by spreading out the cost of land (a fixed cost). As Portland area developers were building to the extent of the market during the past decade, and since relatively few buildings were coming on stream during this period, many of the developers chose to build as much space as they thought they could lease, and these buildings tended to attract a large share of the incremental space market growth during these years. Hence, the office building development pattern that emerged in the downtown was abetted by the influence of technology in building construction.

5. Finally, the buildings that did emerge were influenced by extraneous conditions, such as the size of Portland blocks (which encourage plaza buildings to minimize interior space with no direct access to outside light); by public policies (the technique of "borrowing" and the bonus of providing parking garages on borrowed land); etc.

Some Solutions

The competitive model was not useful in predicting performance of Portland's downtown office building market in the recent past, principally because competitive conditions were far from perfect. The solution to the problem, on the other hand, would appear to rest with changing these conditions, by inducing more competition. The following programs would seem to us to make some sense.
There is a need for more competition. There would appear to be a need to attract more office building developers to downtown Portland. The key seems to be in the availability of a greater supply of building sites, and it seems to us that this is the main reason why the institutions have provided most of the office space in recent years. They have had the financial capability necessary to weather problems associated with assembling land. The smaller speculative office building developers do not. They have, on the other hand, been relatively quick to capitalize on development opportunities when sites have been made available, such as in the South Auditorium Urban Renewal area (where several small buildings have surfaced during the past decade), or in the case of the proposed Northwest Natural Gas Company project.

There is a need for a more vigorous renewal effort. Merely making sites available will itself be no panacea. The interest shown in the South Auditorium area over the past decade, despite its location considerably removed from the City's CBD, was no accident. It was precipitated by the environmental conditions being built into the project. The area was able to overcome accessibility disadvantages by offering environmental advantages, while much better located sites along the waterfront to the north went underutilized despite roughly comparable prices. There is a need, then, for the City of Portland to take a more active role in the downtown development process by making sites available through urban renewal.

There is a need for disincentives for holding downtown land. Without using write-downs, there would be the problem of acquiring sites at prices developers could afford to pay. As will be seen, there should be no need for a write-down for office buildings, but this would be for other land uses (housing, for example), unless some means of discouraging land holding (disincentives) are employed.

The use of land for parking for interim income to meet holding and opportunity costs could be discouraged by constructing several new major parking garages in the downtown; by imposing a prohibition on using vacant land for parking automobiles; by a review of property tax assessments on vacant downtown land (to bring them up to the value of their next highest alternative use); by code enforcement of older buildings with limited remaining useful life; by imposing heavy taxes on autos parked downtown (through parking fees) in lots other than authorized garages; by differential fees favoring city-sponsored garages; and the like. All of these reduce parking operators' incomes by either reducing revenues or increasing operating costs. Publishing results of the downtown land use survey would help by removing much of the speculative incentive for holding land in anticipation of higher
future land prices. Endorsement of a policy to construct downtown parking garages, even without some of the above disincentives, would help, as it would mean introduction of a sizeable increase in parking spaces and hence competition for potential parked autos. Finally, discouraging driving by downtown office building tenants, with a switch to public transit, more car pools, park-and-ride systems, etc., would tend to free downtown sites for development.

Design alternatives are needed to free downtown office building sites. It seems to us that most of the problems that have been created by the design of downtown office buildings (i.e., the tall, slender plaza building, for example) could be overcome by changes in public policy that would permit some changes in design. The Northwest Natural Gas Company model, with its emphasis on smaller scale buildings built on the periphery of a four-block area and surrounding a plaza, with perhaps one lone tower considerably smaller in scale than is customary at present, is one model that would provide some relief from the monotony of the plaza or pedestal building in the downtown, and would create some interesting new spaces for prospective tenants. The main public policy change that permitted this design alternative was closure of two streets. This policy allowed development of much smaller scale (three- to four-story) office buildings and still allows adequate return on investment for its developers. Some variants on this approach would seem to be quite possible, perhaps with emphasis on more intensive utilization of land but with buildings surrounding courtyards or interior plazas. Horseshoe patterns such as the Harrison Square Building, is another model.

Another possibility is to encourage construction of more buildings on partial blocks in downtown. There is a minimum size that all buildings must achieve, so that elevators and other common areas do not represent too great a proportion of total building area for these buildings to be efficient. Aside from that problem, these buildings are typically discouraged because windows are not allowed on sides where buildings may be constructed on an adjoining parcel. It seems to us that this problem could be mitigated by a transfer of development rights between the smaller and the taller building, so that a series of buildings with different heights could be tied together within a single block, providing interest and diversity in the skyline and yet eliminating the need for potentially dead areas associated within plazas. This practice would also make considerably more potential building sites available.

There is a need to reassess appraisal practices. The whole tax assessment, land acquisition and reuse appraisal practice is probably
way overdue for review and reform. Present practice tends to create many problems. For example, tax assessments of downtown land tend to be low, and assessments of existing older buildings tend to be higher than warranted. Acquisition appraisals for purposes of urban renewal tend to be too high, generally based on prices paid by large, well-heeled institutional investors such as banks, who are capable of paying above market prices for key sites. Use of transactions such as P.G.E.'s purchase of waterfront land at $25 per square foot may or may not be a valid indicator of land price for the remainder of the area. There are so many rigidities, institutional complications and extraneous influences at work in the real estate market that excessive reliance on comparable sales may have some unfortunate consequences. Prices paid for any given site depend all too frequently on how badly a given buyer needs the site and the extent to which its sellers can afford to hold out. These conditions may or may not be relevant to adjacent or nearby sites.

Probable Consequences of the Height & Density Regulations

From our discussions with Portland downtown businessmen and community leaders, two questions were of principal concern with respect to the proposed height and density proposal. One was whether construction of low profile office buildings in the downtown would be feasible given downtown land price, and density regulations would discourage new future downtown office space. The other was whether sufficient building sites would be available in the downtown (particularly the office core) as a consequence of the height and density regulations. The question, then, is what can be said about future development activity in the downtown as a consequence of imposition of height and density regulations?

Relationship between Land Cost, Density & Return on Investment

In order to come to grips with the relationship between land prices, floor area ratios in buildings (FAR's), and building sizes, we conducted a series of cash flow and return on investment analyses. We calculated the return on investment from fifteen alternative building assumptions. We assumed buildings would be constructed on downtown Portland parcels with five different land prices, $10, $20, $30, $40 and $50 per square foot, and with three separate FAR's, 4-to-1, 8-to-1 and 12-to-1. We assumed all other conditions to be constant, including construction costs at $32 per square foot, which included tenant improvements and common areas. No parking was assumed, as these improvements should be met by parking fees. Rents were all constant, at $8.70 per square foot (including
amortization of tenant improvements). Building efficiency was assumed at 80 percent. We assumed 10 percent interim financing and 8.5 percent mortgages, 25-year terms at 80 percent of total project value. Fees and contingencies represented 15 percent of total construction costs, and it was assumed that the project would take two years to be constructed. These conditions are not in all cases precisely representative today but reflected those of a year ago. The important point is that they are consistent for all cases. The results of this exercise can be seen in Table 12.

As can be seen, yields vary relatively little between the 4-to-1, 8-to-1 and 12-to-1 height ratios where land prices are $20 or under. Return on investment is 14.2 percent on an after tax basis on $10 per square foot land and increases slightly to 16.7 percent with the 12-to-1 ratio. With land prices increasing to $20 a square foot, return on investment drops slightly. The 12-to-1 FAR yields 15.4 percent, while the 4-to-1 FAR's yield drops slightly to 11.3 percent. Overall cash flow is obviously considerably greater for structures with a 12-to-1 height ratio, but investment required is proportionately greater.

For land prices of $20 to $30 a square foot (representative of most of the blocks peripheral to the CBD), return on invested capital was not enhanced significantly by increasing the height of buildings. (One complication is that, if sites are relatively hard to come by, developers will tend to try to maximize income on sites obtained, and maximization is achieved principally by building higher buildings. It is important to simultaneously attack the site supply problem, then.)

When land prices increase to $40 and $50 per square foot, then height and density regulations begin to play a relatively important role. As can be seen, with $50 a square foot land, an FAR much under 12-to-1 is no longer a particularly attractive investment. An FAR of 4-to-1 is not feasible in blocks with prices much over $30 per square foot.

The above exercise more or less confirms what could be concluded from observation of actual development practices in the downtown. If the arguments of those who contend that it is impossible to build lower profile buildings in the downtown because of high land prices actually did make any sense, then building sizes would have a very direct relationship to land price, with relatively little variability. As it turns out, there has been considerable variability in building heights and densities with respect to land prices. The 42-story First National Bank Building was constructed on land with average per square foot prices roughly comparable to the 22-story Evans Products Building. On the other hand, the 18-story P. G. E. Building had a much lower FAR (of 4-to-1) and yet was constructed on land reportedly selling for $25 per square foot. The very low profile Northwest Natural Gas project will similarly have a land price on the
order of $8 to $10 per square foot average, while a small seven-story
office building proposed by one of the savings and loans for the downtown
core will be constructed on land valued roughly at $40 to $50 per square
foot. The point is that, as was noted earlier, a number of considerations
besides profit maximization enter into the decisions of developers with
respect to the size of their buildings. Secondly, land costs represent a
relatively small proportion of total project costs. These costs can be
spread out over a fairly wide range of size of buildings without causing
any significant reduction in the per-floor cost of the building. The
upshot, then, is that it would be feasible to construct relatively small
office buildings (with FAR's of 4- or 5-to-1) throughout much of the down-
town. There have been few reasons to do so in the recent past, as
conditions noted above encouraged maximum land coverage.

**Future Downtown Land Price Structure**

Since the value of land is a function of the use to which it can be put,
one consequence of the proposed height and density configuration in the
downtown is that it would tend to fix the ratio of land values in each of
the three zones (4-to-1, 8-to-1 and 12-to-1 FAR's) with respect to each
other. Assuming that all developers construct buildings to the maximum
height and density allowable in their zone, it would be almost twice as
advantageous to be an owner of property with an 8-to-1 FAR as it would
in an area with a 4-to-1, and slightly over twice as advantageous to be an
owner with a 12-to-1 FAR as with an 8-to-1. A developer could buy land
in any of these zones, construct a building to its maximum FAR, and
receive an equivalent return on investment, although his investment would
obviously be greater the higher the FAR. We would expect, then, as a
first approximation, a tendency towards such an equilibrium. There
would, of course, be some complicating elements. One would be achievable
rents; rents may not be comparable in these three zones. It is also not
clear that building developers would build to their maximum allowable
floor area. This decision would be a function of the extent to which there
was a market or the other needs of the building owners. Individual sites
would have locational and environmental advantages over some of the
others, resulting in a value differential. Nonetheless, for the most part,
the equilibrium condition noted above would take effect. The new structure
of downtown land prices would be similar to that prevailing today, but
with some modifications.

**The Initial Impact**

San Francisco recently developed a 16-to-1 FAR along Market Street, and
the immediate impact was the emergence of several new office towers.
Table 12

RETURN ON INVESTMENT AFTER TAX*, HYPOTHETICAL DOWNTOWN OFFICE BUILDINGS UNDER A VARIETY OF ASSUMED LAND PRICES & FLOOR AREA RATIOS

<table>
<thead>
<tr>
<th>Land Cost</th>
<th>Floor Area Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4 - 1</td>
</tr>
<tr>
<td>$10</td>
<td>14.2%</td>
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<tr>
<td>$20</td>
<td>11.3</td>
</tr>
<tr>
<td>$30</td>
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<tr>
<td>$40</td>
<td>7.0</td>
</tr>
<tr>
<td>$50</td>
<td>5.1</td>
</tr>
</tbody>
</table>

* Return on investment calculated by discounting the after tax cash flow shown on the third from the bottom line of the computer printouts, reproduced in the Appendix. The minus sign represents cash out each year, or investment. For example, $477,000 is required in Year 1 in Alternative 1. A positive sign indicates cash in or return on investment in each given year. (For example, $198,000 in Year 4, Alternative 1.) When each year's cash flow is discounted by the rate shown, the sum of each individual year's positive cash flow is equal to the discounted value of the cash out (investment). This is compounding in reverse, and the best available method for comparing projects with non-uniform timing of investment and cash flows.

SOURCE: Lord/LeBlanc.
However, Portland has considerably more potential office sites available in its downtown as compared to San Francisco, so we doubt that experience will be duplicated in Portland.

One result of the regulations may well be the near term construction of several smaller buildings, assuming procedures are followed to encourage availability of more building sites on the periphery of the downtown. The new equilibrium land value structure should make developers more or less indifferent as to whether they construct buildings with a 4-to-1, 8-to-1 or 12-to-1 FAR. Return on investment is the same. Hence, it is possible that risk aversion would play an important role. In other words, since a sufficient supply of sites was available, and since return on investment was the same for smaller as well as larger buildings, developers would tend to concentrate on sites with lower FAR since investment would be lower and the risks associated with leasing considerable space would be lessened.

One key would be preferences of building tenants, and it is not clear whether there is a preference for tall buildings, and whether they would be willing to pay a higher lease rate differential to be near transit or for the views provided. Tenants may be equally attracted to the river, plazas, and more intimate character of buildings and environs in smaller structures east of Fourth Avenue. Obviously, there would be an interest in and a need for both. Similarly, higher rents in the taller buildings may be more than offset by potentially lower construction costs on buildings with 4-to-1 FAR's. It is, in any event, very important that the city play a direct role in making sites available for smaller structures and for upgrading general environs (through urban renewal). The actions recommended above, of encouraging a greater supply of potential office building sites to come onto the market, would definitely make more sites available. The City should not expect a flood of such sites at any one time, however. Owners will have a time preference; some may prefer holding downtown sites for future sale despite declining income or price escalation expectations. It may be disadvantageous for some owners to sell sites at the present because of the necessity to pay high capital gains taxes. Others may prefer to wait simply because sales proceeds are not needed now. There are many non-economic considerations facing landowners.

Moreover, the impact of the 4-to-1 ratio on the area with the greatest potential for near-term development of small office buildings (the area between Fourth and the River, Morrison and Jefferson) is significantly complicated by the $25 per square foot land price reportedly paid recently by P.G.E., significantly over existing assessed values. The probable impact of these prices is not clear. The P.G.E. action could have two
effects. One, the $25 per square foot transaction may become the model for other land owners, with these holding out for the high price. On the other hand, the upgrading caused by the P. G. E. project may be the stimulus needed to trigger new investment in the area, in effect justifying the high price. One advantage from having institutions as pioneers is that they can more readily afford to buck the negative environmental influences such as presently found in the waterfront area noted above than can developers building for the general space lease market.

Impact on the Core

First National Bank, Evans Products, P. G. E., Standard Insurance, and Georgia Pacific, all constructed buildings outside the core to take advantage of relatively low land prices. A review of Table 12 shows that return on investment drops at $50 per square foot. Prices in the core will probably either have to soften or prices on land peripheral to the core will have to increase somewhat before there is much incentive for developers to construct major office buildings in that area (aside from possibly institutional investors, such as the U. S. National Bank).

Twenty to thirty years ago there was a need on the part of banks and other service firms to cluster near retail customers, and this clustering was reinforced by heavy reliance on public transit for both shopping and trips to work. Today these conditions are less apparent and dispersion of office space over a much wider geographic area in the downtown is possible. On the other hand, the regulations will at least provide an incentive that was not available before, since the core land, as was seen, will once again become competitive with peripheral land. The transit mall and views from highrise office space may be the factors that offset risk aversion. It is really impossible to say what the likely effects of height and density regulations will be on the transit mall corridor as well as Area 2, since they depend so much on the character of individual projects that may eventually surface in these areas. The corridor, for example, may attract one or more additional large institutional or corporate symbol office buildings. The fate of these areas rests in part, then, with random and hence unpredictable events. The city can provide the conditions and incentives that will induce investment, but it cannot be assured that investment will indeed take place.

The Equity Issue

One concern of the downtown business community with the proposed building regulations relates to questions of equity. There is a concern, for example, that values would be lost. The height and density regulations
would not by themselves force a downward shift in land values, providing the FAR's imposed are consistent with present values. Other public policies might (parking, promotion of housing without some means of subsidization). One basic intent of the Guidelines Plan is to encourage a shift in land uses from, for example, automobiles to buildings, and a shift to office buildings should not cause a decline in land prices. In any event, public policy changes are always favorable to some groups and damaging to others, and it is impossible for policies to be neutral in all respects. There are, it seems to us, ways of handling the problem to make the burden less severe, such as by phasing parking improvements or by transferring development rights, but there may not be a way of resolving all of the problem of downtown building height and density without at least some minor casualties.

**IMPROVEMENT IN DOWNTOWN RETAIL OUTLOOK**

As was seen in Section III, the outlook for downtown retailing is far from pessimistic. Near term sales volumes are likely to dip in a relative (regional) sense and perhaps in an absolute sense as a consequence of Washington Square, but the anticipated continued rapid growth in total SMSA retail sales and emergence of new markets for downtown should, over the 15-year study term, cause total downtown space devoted to retailing to expand. There will, however, be some important changes in the character and location of these activities.

There are three principal ways in which the city can assure that the projected sales are realized and augmented. One of these is through some rather dramatic structural changes in the retail core, by encouraging development of retail facilities similar in character to those found in remaining areas of the SMSA. Another is through some less dramatic techniques aimed at bandaging and repairing downtown retailing problems and deficiencies. The third method is through development of cooperation and controls at the regional level, aimed at enhancing the relative position of downtown. The third of these methods is discussed in a later section.
During the last 25 years nearly every downtown has had to make drastic adjustments or lose economic viability. Only in the larger headquarters cities that have experienced an office boom and in a few quaint villages has new investment been attracted without vigorous and highly organized local effort, usually accompanied by large federal grants. The reasons have been so frequently described as to need no more than listing:

. Near total reliance on automobile travel, particularly in smaller metropolitan areas, makes congestion and high cost of automobile storage a downtown handicap.

. Growth inevitably increases the proportion of the urban population living farther from downtown, and these are households most crucial to retail success because they are affluent enough to afford new housing and have growing families and incomes.

. Obsolete buildings, small parcels, and multiple ownerships in downtown make quick change impossible and development costs high.

. Major department stores with heavy advertising programs can draw customers to any convenient location, which in a small metropolitan area means any location with good freeway access.

. Department stores anchor regional shopping centers, attracting customers who also patronize smaller stores. Thus they are in a position to demand a subsidy downtown cannot offer in the form of lower rent, lower land cost, or profit from participation in development of the center.

. Regional shopping centers offer the customer more convenient parking, weather protection, longer store hours, and unified sales promotion...all as a result of centralized management that never can be fully duplicated downtown.

Each generation of shopping centers is larger than the last in the quest to attain retail dominance through attraction of trade area customers seeking convenient shopping, large selections of comparison goods, and presumably competitive merchandising practices. Prior to the late 'fifties, the regional shopping centers (at that time, 250,000-300,000 square feet of space) often included one major department store and supporting shops. Community centers of that area rarely exceeded
200,000 square feet of supermarket-drug-junior department store space. Today, regional (and the "super regional" centers) commonly exceed 500,000 feet of selling area, with two to four major stores as anchor tenants, and the community centers have expanded, in some areas to include large discount drug chain operations, and even solitary department stores, where land area is at a premium but retailers perceive a market for full-line merchandising. The community center has, however, lost its prominence as larger regional centers have expanded operations to include convenience goods (food and drug items), and are to a certain extent being replaced by neighborhood centers (under 100,000 feet) and free-standing stores (discount operations, the 7-11 "stop 'n shop" market, and the like).

Around the U.S., downtown's share of retailing has been on a decline for some 15 to 20 years, although in many areas the absolute volume of sales in downtown stores has not suffered, and in some cases actually has risen. Without extraordinary conditions, the downtown retail profile has not been enjoying the benefits of rapid demographic and economic growth in expanding metropolitan areas. However, what might appear to be a gloomy picture overall is showing signs of changing. New department stores and supporting retail space are, in fact, being developed in a number of cities of all sizes and character. In almost all cases, the major stores are located within or immediately adjacent to urban redevelopment projects, many financed with the formerly plentiful federal loans and grants for renewal in central cities. Such disparate locations as San Francisco, Baltimore, Hartford, Fresno, California; San Diego, Los Angeles, Pasadena, Cleveland, Kansas City, Oklahoma City, Boise; Wausau, Wisconsin, Detroit, Dallas, New Orleans, Saint Paul, Tampa and Boston fall into this category.

Within the past three to four years, additional major store planning and construction has occurred outside federally funded renewal projects. Use of "tax increment" financing (bonds secured by future tax revenues) has become popular, and use of this technique is most sound with respect to high-value retail and office projects. For this reason, throughout the West Coast and in certain Midwest and Eastern seaboard cities, new central area retail-office-hotel projects are emerging.

The reasons for the shift in interest back to the central cities is because of a recognition of new markets in downtowns. The retail department store has, in the past 100 years or more, gone through a series of changes in locational and operational characteristics. An overly simplified chronology of department store operations in this country would include these milestones:
Prior to 1918: All major "flagship" (key stores) in downtown districts, usually tied into locations with competitors and served by interurban transit.

1918-1930: Additional expansion of downtown stores into smaller cities; initial expansion out of major city central business districts (particularly in California, Illinois, New York).

1930-1945: Depression and wartime curtailment of expansion except in aircraft or shipbuilding centers (California, Great Lakes, Eastern Seaboard).


1955-1970: Proliferation of the regional shopping center; major racial and other changes in central cities prompt closings or cutbacks in quality of CBD flagship stores.

1970-Present: Continuation of exurban regional center trend; early indications of new interest by chains in downtown or other urban office employment concentration zones. Some new construction (urban renewal programs mainly); some renovation. CBD stores begin distinct shift to soft goods and specialty offerings.

Growth in offices, hotels and housing in the downtowns provide new markets. Many of the new stores are "replacement flagship" stores (as in Los Angeles, San Francisco and many cities in the East). In these examples, locations and characteristics are changed to fit the market.

Suburban expansion remains the key to increased sales - and all major chains continue to hedge their central city bets by locating new suburban outlets wherever possible. Remaining in the CBD without suburban representation forces these stores to change the mix of goods offered, and dual representation shifts CBD outlets more to dry goods. Leaving the CBD would, of course, create a void in merchandise that could later attract a new department store operator, and this is another incentive that keeps many stores in the central area despite shrinking profit margins.

The In-Town Shopping Center Alternative

Realization of retail development potential within downtown above levels noted in Section II will require full recognition of market forces and
investor preferences by public officials. New retail space potential in downtown Portland will be keyed to (1) rising employment levels, (2) available sites, and (3) access and parking questions. The outlook for the first element is excellent, as was seen. The second is a problem, at least for sites suitable for larger retail complexes or retail/hotel/office multi-use projects - a growing trend in central cities today. Presently, there are limited opportunities for major redevelopment projects adjacent to the existing retail core. The third item (access and parking) is a major element of the present Downtown Plan evaluation program, and a firm policy has yet to be adopted.

Retail developers (other than small operators working with small sites or multi-use possibilities) tend more and more to seek the "shopping center in town" possibility as an investment, for reasons noted above. Hence, the full realization of a stronger retail concentration in downtown will in all likelihood require direct public action (redevelopment authority and possible joint financing of parking and off-site improvements). The magnitude of current (one million plus feet of floor area) and potential 1990 retail use in downtown (an additional one million feet or more) indicates that:

- Considerable land area would be required, in assembled chunks, to accommodate large retail project proposals (large projects of 400,000 square feet or more).

- Contemporary practice for in-town centers will accept some reduction, but not elimination, of parking for patrons - thus requiring nearby garage facilities.

- Expensive land (especially at the contemporary low floor area ratios of 2- or 3-to-1) and construction costs will drive developers to seek partial (if not total) public underwriting of parking and extraordinary improvements.

Thus, for full implementation of the Downtown Plan retail objectives, the City should consider public action to accommodate at least one future retail (or multi-use with retail emphasis) project of a magnitude of 500,000 square feet, using urban renewal as a basis for implementation.
Support of Existing Downtown Retailing

The other type of public action recommended is directed towards the existing concentration of regional retailing uses (department stores and support outlets in the CBD), and consists of a series of programs, many already under consideration, such as:

1. Maintenance of adequate access and parking for the store operators, short of a critical congestion level;
2. Improvement of the regional transportation system, with service provided during the commute hours and on weekends and holidays;
3. Adequate public services, including sanitation and street maintenance, in the vicinity of the retail core, and
4. Maintenance of an adequate level of public protection to ensure that the retail district is free of crime against persons and their property.

The second series of recommended programs is directed toward the maintenance of Downtown as a major regional retail center as years pass. This set of programs is really tied heavily into regional planning and service policies, but also includes a series of actions that could be taken by Portland City, such as:

1. Completion of an adequate specific "retail district" comprehensive or precise plan, designed to accommodate the apparent retail development potential in Downtown on at least a ten-year horizon;
2. Consideration of the use of public powers (including redevelopment) to provide adequate sites and facilities for new stores and support activities that might wish to locate in Downtown over time;
3. Limiting the sheer amount of commercial strip proliferation that could occur citywide and weaken to a degree Downtown potential.

At this point, it is appropriate to consider the implications of the Downtown Plan related to the distribution and scale of the retailing function. The plan suggests both the maintenance of the existing core are functions (department stores and supporting area), and the introduction of retailing (for diversity) in numerous other Planning Districts, including the Waterfront, Union Station Area, etc. Recognizing the goals of the plan in this respect, we must nonetheless point out that this "dispersal" concept is one that could weaken, rather than strengthen, the Downtown retail function over the years -- at least as related to retailing above the impulse buying or specialty goods category. One possible direction retailing might take, if dispersal is encouraged to a large degree, is to fragment into a series of "centers" located within large buildings, or within multi-use projects: none of the functional centers would be large enough to offer comparison goods or other household shopping categories, and the household-oriented functions of Downtown retailing could continue to be usurped by outlying shopping centers, each in its own right a smaller, competing CBD.
Our general recommendation at this point is to caution future planners working with Downtown Plan guidelines to carefully consider the levels of retailing encouraged in non-CBD zones, such as the waterfront redevelopment areas, while recognizing that some convenience and specialty shopping will logically fit into new larger office or hotel projects. One of the first and most significant steps in such planning is the completion of an accurate inventory of existing space in Downtown retail outlets -- broken down into fine categories -- and the updating of this inventory on a regular (as opposed to a crisis) basis. Reflection upon the size and composition of this inventory when considering plan approvals for new Downtown projects should provide planners with the necessary guidance relative to the desirability and scale of retailing to be permitted. Under all considerations, maintenance of as strong a base of comparison shopping as is possible is crucial. The alternative, that of further loss of the major backbone of retailing to suburban centers, is one not designed to support Downtown Plan implementation, and it must be regarded with a high degree of concern.

HOUSING PROGRAMS & PROSPECTS

The Downtown Plan calls for a broad range of housing opportunities, to meet the needs of persons from a wide range of income groupings. In this section an examination is made of some possible programs that would assist the city in implementing this objective; and some conclusions are drawn regarding the city's prospects of meeting its downtown housing objectives. The discussion differentiates between housing prospects in the middle and lower price and rent ranges, as these prospects do differ.

Middle Income Housing in the Downtown

The outlook, as seen in Section II, was not overly optimistic for middle income housing in the downtown without some incentive program on the part of the city.

The future of downtown housing is tied to effective development costs (and thus rental and sales prices) relative to more conventional urban and suburban residential areas. There is latent demand for housing near office employment concentrations, irrespective of suburban housing opportunities, because of accessibility to jobs and reduced time, cost and convenience of commuting. However, the cost/price relationship is crucial. Typical central city land is apparently simply too expensive (in excess of $10.00 per square foot) and construction costs too high (over $25.00 per square foot) for rentals and sales prices to be held to market levels (under $300 monthly for rentals, or $50,000 sales prices).
At these prices, the locational advantages of downtown cease to provide an adequate tradeoff for commute costs for all but a very small segment of the city's population. Adding the costs of parking in multilevel structures is an additional inflator of housing unit price. Although downtown Portland land values are rapidly reaching the threshold level for housing projects even at high densities (100 DU/acre or more), the escalation in Class 1 construction (fireproof) costs is more detrimental. Thus, without combined public and private action, housing in downtown Portland does not have a bright future - alternative use pressures are simply too strong.

Another problem regards questions of scale. Scale is important in an investment sense, since, as was seen in Section II, the slow rate of sale (or lease-up) of downtown dwelling units means that developers constructing units with typical downtown densities (100 or more units per acre) are forced into carrying considerable unsold inventories for relatively long periods of time. Buildings with 50 dwelling units, then, would be a more realistic scale. This means smaller structures on smaller sites, which generally implies relatively low land costs.

The low absorption effects scale in another way, however. There is a critical mass that is important to housing in downtown areas. There needs to be enough housing units (and hence population) around for residents to feel a sense of community or neighborhood, to reduce the potential for crime or the fear of crime, to provide essential convenience goods and services, etc. Residential building needs, in other words, to be a clustering together in downtowns, and several are needed in each relevant area. Without this level of scale, housing in the downtown ceases to be attractive to prospective buyers and tenants.

In terms of action to support housing programs, all choices effectively come down to subsidies or bonuses, even for middle income units. Subsidies were possible at one time through the use of federal urban renewal programs, with the cost of residential land written down to levels compatible with the rent-paying capabilities of prospective residential tenants, and with the write-down subsidized in part by federal grants. Even with the low land costs associated with housing projects in urban renewal areas, the rate at which dwelling units were added was hardly spectacular. The problem in Portland's principal designated downtown renewal areas (extending between Madison and Glisan, Fourth and the Waterfront) is that the Guidelines Plan rejects the use of condemnation and clearance as a means of implementing land use objectives in this area. Even if the Plan permitted use of this tool, federal renewal programs have for the most part been discontinued and State programs (largely funded through issuance of tax increment bonds) are considerably more
expansive for use by the local areas (although they provide some compensating features).

It would seem to us to be unthinkable that the City would ask its taxpayers to subsidize middle income housing in downtown on a direct basis. The City, we would suspect, has too many alternative pressing uses of its resources for subsidies for the middle income segment of its population, no matter what the secondary benefits that may derive from the program (i.e., effect on downtown as a whole). One sensible alternative, then, is to relax the prohibition against use of more conventional renewal tactics, with use of condemnation, and housing, land and construction write-downs paid for out of tax increment revenues. Since this procedure is potentially the most effective device in its kit of implementation tools, we would hope that the City would at least review the matter once again before shutting the door once and for all on this device.

The other potentially workable technique involves use of the bonus system, similar to that used in the past for parking garages. If buildings in a portion of the waterfront area (say between Madison and Oak) were allowed to be constructed with variable heights, but with maintenance of the 4-to-1 height ratio, a housing bonus system could be used. The bonus could be provided by allowing the developer to (1) build housing on the adjoining unused block; (2) do a twin use building (office and housing) with somewhat higher FAR's; (3) construct a housing project with a density roughly twice that of the office building; and/or (4) allow additional office FAR to developers who also provide housing.

There are two problems with the bonus approach. The first is that in the case of increasing the density of housing in order to reduce effective overall land cost, developers are still confronted with the problem of high cost of highrise construction, which is the principal disincentive for such housing. The problem with providing the office building developer with a bonus is that if the practice does catch on, the landowner most assuredly will increase his asking price for the land, since the yield from the land will now be greater. The value of the land is a function of the use to which it is put. If, by adding a bonus, potential yields from the land increase and the land is now worth more, landowners will push the price up or prospective developers will bid it up to the point where the incentive provided by the bonus will begin to disappear. The answer to this problem may be through administrative action (flexible policies and review procedure).
The Cost of Providing Moderate Income Housing Downtown: The Relevant Variables

The principal problem connected with moderate income housing in the downtown is one of cost. The relative cost of building such units free of subsidies is discussed here, and is followed by the subsidy alternatives available to the City.

We have not attempted here an exhaustive analysis of the cost of all the various types of housing now being constructed. This discussion is included to give a better picture of why housing is so expensive to construct, and more importantly, what conditions need to be met, or which of the critical cost variables the City of Portland might be able to reduce to provide incentives for developers to build or rehabilitate low and moderate cost housing in the downtown area.

Although everyone is aware that housing costs are rising, the cost of housing to a renter or prospective buyer combines many individual cost items, some of which have risen at a rate twice and three times the cost of living index. The composite breakdown of the major cost components in twelve apartment complexes in the Portland area is shown below. Although each apartment project varied in rent per square foot, as well as all other items on a per square foot basis, the percentage of the gross rent going to pay for each cost item did not vary appreciably. That is, it did not matter whether the renter was paying $100 or $300 a month; roughly 40 to 50 percent of that rent was being applied to the interest on the building mortgage. The figures were obtained by adding the projected expenditures for each item over a thirty-year operating life and dividing by the net rents received over that same period after operating costs. Operating costs, such as property taxes, utilities, maintenance and administration, were deducted so that the amount going towards the capital improvement could more easily be identified. In most cases, these operating costs consumed approximately 35 to 40 percent of the gross rents received. The percentage figures, below, therefore, show where the remaining 65 percent of the tenant's rent goes.

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage of Net Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>8.5% (rising 8-9% annually)</td>
</tr>
<tr>
<td>Construction</td>
<td>22.3% (rising 7% annually)</td>
</tr>
<tr>
<td>Interest</td>
<td>47.4% (1/2% increase results in 5.1% increase in rent)</td>
</tr>
<tr>
<td>Taxes</td>
<td>10.8% (2% increase in rent)</td>
</tr>
<tr>
<td>Profits</td>
<td>11.0% (of net rent)</td>
</tr>
</tbody>
</table>

It is apparent that rents within the means of low and many moderate income residents in the downtown section of Portland will not be achieved at
current price and cost levels without subsidies. These may take the form of direct subsidies to the tenant or owner; interest rate subsidies to lending institutions; or tax subsidies to reduce land or construction costs.

In order to determine the extent to which any of these subsidy forms affect the cost of housing to the tenant, we have constructed two hypothetical housing models similar to several housing opportunities now existing in the downtown area. The first is a rather extensive rehabilitation of an existing 200-unit hotel, converted to efficiency units for the elderly. Each unit will contain a new small bath/kitchenette unit designed to meet the requirements of Section 23 leasing program of the Public Housing Act. The second prototype development tested is an "In-fill" apartment complex to be built on a city block. Various densities shall be considered to test the sensitivity of rental rates to land prices.

The purpose of this exercise is to demonstrate how reductions in interest rates, land costs, sponsors' profit and increasing densities affect the rental rate which a tenant would have to pay. We have used a typical financial analysis of the return to a developer over a 25-year life of the project as a means of testing both the economic feasibility of the project, as well as the sensitivity of rent to different cost bases.

**Elderly Housing - Rehab Prototype**

<table>
<thead>
<tr>
<th>Land Area</th>
<th>Cost</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>20,000 S. F.</td>
<td>$4/S. F.</td>
<td>$80,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Existing Building</th>
<th>Value</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>50,000 S. F.</td>
<td>$8/S. F.</td>
<td>$400,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Existing Units</th>
<th>Remodel Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>150 @ 250 S. F./unit</td>
</tr>
</tbody>
</table>

The existing hotel occupies one-half a city block. Its purchase price by a non-profit housing corporation is $480,000. Of this, $400,000 is assigned to the value of the existing structure and refinanced at the time of rehabilitation. The rehabilitation costs could run from $8 to $20 per square foot to bring the building up to minimum public housing standards.

Three separate financing methods were tested. The first is a 3% low interest housing loan which banks and local corporations might be able to supply to very low levels of funding. The second is a 6%, 35-year loan which should prove to be quite comparable to housing monies available from the State of Oregon. The third is the current rate of interest available from private lending institutions at 8-1/2% for 25 years.

As can be seen from the table shown below, if elderly units are to be made available in the $50 or less price category without further assistance,
rehabilitation costs must remain below $10 per square foot on the 6% loan but can rise to over $19 per square foot on the 3% loan. Under current private financing conditions of 8-1/2%, such housing is probably unattainable.

Each dollar added to the per square foot rehabilitation cost adds 5 percent to the rents of these units under the 3% and 6% loans, and more than 6% to the rents under a market rate loan. Each additional half percent of interest added to a 35-year loan adds 8% to each tenant's monthly rent. Here again, we witness the cost of money (financing) compounding the increase in the cost of construction.

<table>
<thead>
<tr>
<th>Rehab Cost Per Sq. Foot</th>
<th>3%, 40 Year Loan</th>
<th>6%, 35 Year Loan</th>
<th>8-1/2%, 25 Year Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20</td>
<td>20.3¢</td>
<td>30.7¢</td>
<td>44.9¢</td>
</tr>
<tr>
<td>$16</td>
<td>17.1¢</td>
<td>26.5¢</td>
<td>39.2¢</td>
</tr>
<tr>
<td>$12</td>
<td>14.8¢</td>
<td>22.2¢</td>
<td>32.3¢</td>
</tr>
<tr>
<td>$ 8</td>
<td>12.3¢</td>
<td>18.0¢</td>
<td>26.1¢</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RENT PER SQ. FOOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20</td>
</tr>
<tr>
<td>$16</td>
</tr>
<tr>
<td>$12</td>
</tr>
<tr>
<td>$ 8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RENT PER 250 S.F. UNIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50.75</td>
</tr>
<tr>
<td>$42.75</td>
</tr>
<tr>
<td>$37.00</td>
</tr>
<tr>
<td>$30.75</td>
</tr>
</tbody>
</table>

Moderate Income Housing - In-fill Prototype

<table>
<thead>
<tr>
<th>Land Area - 40,000 S.F.</th>
<th>Cost - $4/s.f.</th>
<th>Price - $160,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building - 100 units: 40 eff.</td>
<td>Gross Building Area - 80,000 s.f.</td>
<td></td>
</tr>
<tr>
<td>40 1BR Average 620 s.f. 20 2BR</td>
<td>Net Rentable - 62,000 s.f.</td>
<td></td>
</tr>
<tr>
<td>Operating expense - 35% of gross rents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developer's rate of return - 12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------</td>
<td>------------------</td>
</tr>
<tr>
<td>$20</td>
<td>$50.75</td>
<td></td>
</tr>
<tr>
<td>$16</td>
<td>$42.75</td>
<td></td>
</tr>
<tr>
<td>$12</td>
<td>$37.00</td>
<td></td>
</tr>
<tr>
<td>$ 8</td>
<td>$30.75</td>
<td></td>
</tr>
<tr>
<td>$50.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$42.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$37.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$30.75</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| $112.25                |
| $66.25                 |
| $55.50                 |
| $45.00                 |
| $65.25                 |
| $98.00                 |
| $80.75                 |
| $65.25                 |
This apartment project is to be built on a city block. It will contain 100 relatively small units aimed at secretarial and white collar workers. Financing shall be either through available State monies at 6% or current market rate of either 8-1/2-25 year loan, or 9%-20 year loan. The developer expects a 12 percent rate of return on a discounted basis. His equity will be either 10% of the project cost under the 6% and 8-1/2% financing, or 20 percent under the more stringent condition of 9%.

If two working girls, each earning about $4,000 a year, combined 25% of their monthly incomes each, they could afford $165 per month rent.

As we see in the tables below, if the project is financed with a 6% mortgage and construction costs do not exceed $21 per square foot, moderate priced housing is achieved with no further subsidies. However, as the interest rate jumps to 8-1/2 percent, construction costs would have to be below $16 per square foot to be considered moderate income housing. While this construction cost is still attainable, minimum cost of wood frame construction in urban areas has risen to the $18 to $20 per square foot level, and Class I construction costs are still higher. If interest rates should rise to 9%, rental rates on a small unit such as these would have to bring nearly $245 per unit, a very unlikely prospect.

<table>
<thead>
<tr>
<th>Construction Cost Per Square Foot</th>
<th>6%</th>
<th>8-1/2%</th>
<th>9%</th>
<th>6%</th>
<th>8-1/2%</th>
<th>9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$28</td>
<td>34.4¢</td>
<td>48.0¢</td>
<td>53.7¢</td>
<td>$213</td>
<td>$297</td>
<td>$353</td>
</tr>
<tr>
<td>$24</td>
<td>29.8¢</td>
<td>41.6¢</td>
<td>46.5¢</td>
<td>$185</td>
<td>$258</td>
<td>$288</td>
</tr>
<tr>
<td>$20</td>
<td>25.2¢</td>
<td>35.2¢</td>
<td>39.4¢</td>
<td>$156</td>
<td>$218</td>
<td>$244</td>
</tr>
</tbody>
</table>

RENT PER SQ. FOOT                  RENT PER UNIT 620 S.F. AVERAGE

Rents/Land Price and Density

To test the sensitivity of rents to land prices and density, we kept the mortgage at 6% and assumed construction costs to be $22 per square
foot of whatever size building was required to produce the densities of the units per acre. Again, remember that something less than 28-1/2 cents per square foot in rent produces moderate income housing. A 600 square foot one bedroom unit would rent for $170; a 750 square foot two bedroom unit would be less than $215.

As can be seen in the table below, if a density of 60 units to the acre is to be achieved, land prices will have to be below $4 per square foot. Doubling the density, to 120 units per acre, would permit $6 per square foot land prices. This density would require at least three to four floors of apartments above the required levels of parking.

Each dollar added to the cost of land at densities of less than 100 units per acre adds about 3.5 percent to the rent of the units which are built on it.

<table>
<thead>
<tr>
<th>RENT PER SQ. FT. AT VARIOUS LAND COST &amp; UNIT DENSITIES</th>
</tr>
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<tr>
<td>Land Cost/Sq. Foot</td>
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<td>$8</td>
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<td>$4</td>
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</table>

Rents/Profit

A final test was made to see the relationship between rents and the percent of profit which is made by the sponsor/developer. By reducing the expected rate of return on the equity which an owner receives from 12 percent to 3 percent, rents were reduced by less than four percent. However, a non-profit housing corporation could expect to reduce rents by even a greater percentage in light of their tax status and even lower margin of required operating capital.
Implementation Procedures: The Sources of Support & Direction

While the private money market of banks, savings and loan associations, insurance and other such companies will undoubtedly provide some of the funds for the rehabilitation of downtown housing units, most will come from government sources or through governmental subsidies or guarantees. What programs, then, are currently available or anticipated in the near future which will supply desperately needed financial support to this housing effort?

The situation today as far as an effective housing subsidy program is far less encouraging than that of the 1960's. Federal support for "great Society" housing programs is rapidly disappearing - through program cutbacks, impoundment of appropriations, and realignment of categorical grants (special purpose funds) into a proposed "block grant" (general purpose) federal grant policy. Of the "two hundred series" of federal housing subsidy programs enacted prior to 1970, only the 202 (elderly) remains funded; 235-236-237 and the older 220 programs are, in effect, dead. Presently, the administration and HUD officials are permitting a continuation of contract authority for Section 23 (public housing leasing) projects (provisions contained in H.R 14490). The national emphasis is, in summary, away from housing program subsidies on a large scale.

This situation, coupled with the phasing out of categorical urban renewal grants (HUD requests for fiscal year 1975 less than 15 percent of national requests) effectively places the burden of housing programs upon states and local agencies.

As heavy a burden as this appears, there are relatively untested approaches to house production in central cities that should rapidly gain in popularity as federal props disappear. Many states are rushing to approve state financing of housing funds (California is considering at least six bills, Oregon likewise; in North Carolina, Missouri, Oklahoma, Georgia, Illinois - various debt proposals are under consideration). Most of these proposals are to float large general obligation bond issues, and to use funds for (1) direct subsidies, mainly for lower-income units, and (2) mortgage funds to supplement scarce and costly private money. Similar proposals to support conservation and maintenance of existing housing may be found in numerous states.

Some housing experts feel that massive statewide funding of loans funds plus "community development" federal block grants may well do a better job of pump-priming housing in general than was experienced under federal subsidies. Others disagree. What is more significant, perhaps, is the
emerging view of housing professionals that "production subsidies" should revert to moderate-income and middle-income needs (closing a smaller gap), while other approaches to lower-income housing are tried—primarily direct income subsidies, or "rent certificates" (housing stamps, if you will).

Actually, the bulk of housing assistance programs now emerging from state houses are really designed to replace formerly available federal programs. Thus, major changes in the relationships between housing plans and actual supplies of dwelling units are not yet worked into the equation. This phenomenon is likely to occur, however, as other states fund housing and study more closely production assistance models similar to the New York State provisions (for statewide intervention by the quasi-public Urban Development Corporation and its subsidiaries) and other examples.

Descriptions of some of the relevant programs, some of which may serve as models for Portland lobbying efforts, are provided below:

New Oregon State Legislation Affecting Housing

Low Income Loans - HB 2398. This act will be a loan program where blocks of money will be made available to local governmental bodies through the sale of revenue bonds by the State Housing Division. Although the rate of interest which will be charged borrowers is not determined at this time, it is likely to be about 2 to 3 percent below the current commercial market rate, or somewhere on the order of 5-3/4 to 6-1/2 percent. Terms could be up to 40 years. Multnomah County will probably receive 20 percent of the allocation, with the total allocation on the order of $200 million. This amount will probably not be released in any one bond issuance, but, over the next few years, Multnomah County should be in line for roughly $40 million for low income housing units.

Rehabilitation of units is stressed by the wording of the bill. It remains to be seen if this will be the case or whether funds will be doled out on a first-come basis. Residents of projects financed by this program will be required to have incomes below the median level for the area. In addition, they must be spending at least 25 percent of their income on housing. Using 1970 Census figures of family income and outdated figures of income to rent ratios from the 1960 Census, we would estimate that about 38,000 of the County's 70,000 families who are below the median limit would fall within the 25 percent restriction.
Using Department of HUD figures on loan to value ratios, unit construction costs, and the like within their 236 program, we would estimate that the full $40 million could produce about 2,700 new low to moderate housing units in the County, or about half again that many rehabilitated units.

Student Housing Loans - HB 5097. Approximately $10 million has been allocated for student housing in the Portland area, including Portland State and the University of Oregon's Medical, Dental and Nursing Schools. The Columbian Research Institute is currently developing a feasibility study of student housing in the area. It will show the alternate methods for best utilizing this loan money. We estimate on a very preliminary basis only that the amount of the full issuance could create between 600 and 750 new student units, based on an inflated per unit cost of similar student dormitory housing. However, their recommendations might favor apartment units.

Programs in Other States

The newly-enacted Georgia law specifies that at least one-third of the housing units financed by the state agency must be in standard metropolitan statistical areas; another one-third must be financed in areas located outside an SMSA. Two later sections of the act require the finance agency to establish one or more special "capital reserve funds" - which may not fall below a level at least equal to the amount necessary to cover the principal and interest due on the authority's bonds for a calendar year - and a special "general reserve fund."

Vermont's new HFA is empowered to borrow money and issue up to $74 million in tax-exempt bonds (which will not be backed by the full faith and credit of the state); to make loans to mortgage lenders; to buy and sell federally- and state-insured mortgage loans for housing construction or rehabilitation; to create special "debt service reserve funds"; to provide technical assistance; and to acquire property.

The two-part act also calls for the creation of a home mortgage guaranty program, which will expand the activities of the six-year-old home mortgage credit agency. The new body is authorized to offer up to $20 million worth of loan guaranties - all backed by the state's full faith and credit.

Senate Bill 1633 would create a California Housing Finance Corporation and designate it as the only state agency empowered to receive and allocate federal housing assistance funds. The bill also authorizes the state's new HFC to issue its own tax-exempt bonds and to make loans for the creation of housing for low- and moderate-income persons and families. An interest-free start-up loan of $750,000, repayable within 10 years, is appropriated to the HFC from the state's general fund.
SB1634 is conditional upon the creation of a state housing finance corporation as proposed in SB1633. It provides for the sale of up to $500 million in state bonds to create a fund for use by the HFC. The full faith and credit of the state would be pledged for payment of the bonds and their proposed sales would be submitted to the people for their approval at a special election to be consolidated with the general election in November 1974.

In February of this year, a bill was introduced in the general assembly of North Carolina to expand the powers of the North Carolina Housing Corporation. The new agency would be empowered to issue bonds of up to $50 million "to provide financing for residential housing construction, new or rehabilitated, for sale or rental to persons and families of lower income." It would also have the authority to issue mortgage loans to housing sponsors to purchase loans from mortgage lenders when "mortgage loans are not otherwise available wholly or in part from private lenders upon reasonably equivalent terms" and to provide management and counselling services to lower-income persons when no other satisfactory counselling service is available.

In Missouri, House Bill 1190--to double to $200 million the bonding capacity of the Missouri Housing Development Commission--was under final consideration by the legislature in early April. Passage of the bill by both houses is likely. To date, the Housing Development Commission has utilized $95 million of its first $100 million authority. Missouri also has a tax abatement law, which serves as a surrogate for the more usual tax allocation procedure. This measure is discussed more fully in a subsequent section.

In New Jersey, following the federal government's announcement last year that rehabilitation financing under the Section 312 program would no longer be available after June 30, the State Department of Community Affairs came up with a rehabilitation financing arrangement of its own. Initiated in the fall of 1973, the new state-aided rehabilitation program, like its federally-funded counterpart, aims to bring homes in deteriorating neighborhoods up to local code standards. It also has another goal; to encourage private lending institutions, by offering to balance their loan commitments with the guarantee of a state grant of up to 30 percent of home repair costs, to invest once again in "high-risk" urban areas.

Columbus appears to be the first city in Ohio to take advantage of state legislation, first enacted in December 1969 (and amended in 1971 and in 1972), that allows a city or county to exempt persons who rehabilitate deteriorating homes from paying higher property taxes. Passed over four years ago as an incentive to inner-city rehabilitators and builders
to invest in the improvement of deteriorating urban neighborhoods, the state law has become increasingly important in recent months as federal financial assistance for rehabilitation activity has diminished.

The Texas Home Rehabilitation Loan Fund Act would have established two loan programs intended to strengthen the capacity of local governments to deal with neighborhood decline "by providing access to home improvement loans for persons and families of low income; by conducting research on the most efficient and economical methods of accomplishing home rehabilitation; by educating low-income homeowners and potential homeowners in methods of maintaining their homes; and by promoting vocational training programs in all fields related to housing rehabilitation."

In addition to a bill that authorizes an increase in bonding capacity for its state housing finance agency, the 1974 session of the Minnesota legislature also empowered the HFA to initiate a statewide housing rehabilitation loan program, supported by a $100 million bonding authority and a $1 million reserve fund appropriation. The bill enables the state agency to make residential rehabilitation loans to low- and moderate-income homeowners and to sponsors of housing for low- and moderate-income persons and families, when private financing on reasonable terms is not available. The HFA's loans are to be limited to the market value of the property, when existing indebtedness is computed.

Who Will Do What? A Look at Portland's Agencies

Three public and semi-public agencies in Portland each have a part to play in bringing about an improved supply of low and moderate income housing downtown and city-wide. These are (1) the Portland Planning Commission and its staff, which is charged with developing a general plan for the city and the downtown, and overseeing its implementation; (2) Portland Development Commission (PDC) and staff, which plans within the redevelopment areas, assembles land and creates development opportunities; and (3) the Housing Authority of Portland (HAP) which, in the future, will be more involved in leasing new and rehabilitated housing units from owners and developers.

Desperately needed in this team is a non-profit sponsor/developer which would work closely with the three agencies above to actually construct the housing units. Until then, housing opportunities with limited or no profits will go begging. This, and increasing the scope of the office of Housing Coordinator (expediter) are discussed more fully below. However, first a look at some specific steps which each of the existing agencies must do to help bring about more low and moderate income units downtown.
Planning Commission & Staff. The Planning Commission and staff must develop a strong plan and direction for housing downtown and citywide. It should be in a form and contain the information required by the new Federal Housing bill so that the City will lose no time in applying for Federal Housing Assistance when it becomes available. But, furthermore, it must set priorities for low and moderate income housing as to which segment or segments of this below market group needs housing the most. Part of its determination should be where these persons are located; whether any relocation would result in a better environment for those residents; where and how much rehabilitation will be required to stem the deterioration in various areas; how much will this cost; and what is the relative expenditure of monies going to rehabilitation versus new construction. Each of these elements should be determined for various levels of funding.

The participants in this planning process must keep in mind that these decisions are outside the marketplace which generally decides who shall be housed, where and for how much. More or less continuous contact and coordination with citizen groups which truly represent the various segments which will be the recipients of this housing aid and who will pay the bill should be maintained.

Portland Development Commission & Staff. PDC has done an outstanding job in creating an esthetically pleasing and economically viable redevelopment project in the Portland Center. As it moves out into second and third phases, it should more carefully consider the social effects of its actions. Two thousand low and moderate housing units have disappeared in the south end of Portland. If housing is to have a place downtown, the process of clearing and constructing must be replaced or supplemented with rehabilitation and the filling-in process. The Lownsdale and Skidmore Fountain areas create unique opportunities for PDC to employ their innovative talents, to assemble key parcels and existing sound buildings for a variety of uses, including low income housing as a major component. As we will show in later examples, tax increment money from the added value of a new hotel or office building in an area can be used to write down the cost of land and buildings assembled for housing purposes in that same area. The former analysis of how land cost affects rental rates shows clearly that PDC must be able to offer low and moderate housing sponsor/developers cleared land for about $4 per square foot. The feasibility of rehabilitating any residential structure should be considered before the purchase of any major buildings. Non-profit housing sponsors should be encouraged to purchase rehabilitation opportunities directly from current owners wherever possible to save PDC administrative and holding costs.
The Development Commission could offer incentives to corporate and commercial developers to also act as housing sponsors. Donation of land or services (architectural fees, building supervision, etc.) to a non-profit corporation can become tax-deductible expenses to a profit corporation. They, in turn, could be given a reduction in land cost commensurate with the savings to the City resulting from the donation or service.

Housing Authority of Portland. HAP manages over 4,000 low and moderate income units in the Portland area. About 2,000 units are leased under Section 23 contracts; the remaining units were built under conventional or turn-key programs and are owned by the Authority. The future of the conventional and turn-key programs are in doubt, as the present Administration is strongly opposed to this approach to public housing. The prospects are likely that the Section 23 leasing program will be expanded. Currently, HAP has less than 100 units of their allotted monies available for leasing additional dwelling units in the Portland area. Even some of this money is being used to further reduce the rent in other units under construction. HAP is currently applying for 650 additional allotment units.

The Housing Authority has shown strong interest in contracting with downtown apartment owners for a number of their units. Hopefully, in the future, as greater appropriations to this leasing program become available, a number of units can be specifically committed to the downtown area, which would then allow an owner or developer to have a firm commitment of future income as a basis for determining what costs could be borne in the rehabilitation process.

The Section 23 leasing program operates in this way: The Housing Authority negotiates with the apartment owner as to the fair market price of his units. They sign a contract of from one to five years (occasionally with additional option periods). The Authority finds the tenants and charges them 25 percent of their income and makes up the difference between this and the market rent paid to the apartment owner with the federal subsidy. Anticipated changes are that maintenance and administration problems now handled by the Housing Authority will be shifted to the owner in the new Federal housing bill. This would increase the participating owners' reluctance to take part in the program due to high maintenance cost and social problems which many feel are associated with low income residents.

Non-Profit Housing Corporation. Often utilized in California and the East Coast, but seldom seen in Oregon, the non-profit housing corporation plays a vital part in producing low and moderate income housing. Their concern is for social need rather than profit; therefore they can take on many more development opportunities. They act as a sponsor and can
also function as the developer, although often they hire such expertise. The seed money that is required for operation and minimum equity investment (for land purchase, etc.) is generally raised from foundations, charitable organizations, churches, local banks and corporations, and the like. A board of directors operates it like any other business, except operating costs and profit are kept to a minimum. Such non-profit corporations can continue to operate the low income units after their construction, lease them to a management firm or housing authority, or sell the project for no profit.

It is our strongest recommendation that such a non-profit corporation be formed. It would be well if a broad spectrum of the community with knowledge of housing needs and development skills were involved, such as churches, downtown business and labor leaders, and city commissioners. If this is not feasible, an agency such as the Housing Authority itself could sit as this private organization. This, however, would bring up the duality of constructing the units as one entity and leasing the units to themselves. Such a non-profit housing corporation would fill the gap in the process of producing low cost units now missing due to the lack of profit motivation.

Office of Housing Coordinator (Expediter). The City has made a positive and necessary step in the creation of a housing expediter. This office is critical in coordinating the four agencies described above so that a comprehensive attack on the downtown housing problem can begin in earnest. The office must also be an informational source to the community-at-large as to housing programs and opportunities that are available to them, as well as soliciting their opinion at various stages of the City's plans. Such an information bank must include the various development opportunities of sites, rehabable buildings and sources of funding so would-be developers can be guided to existing or future opportunities.

This office will play an ever-increasing role in the coordination and allocation of funds which are going to be disbursed to local bodies in blocks by new Federal and State housing programs. Priorities established at the City Council level will demand close supervision by this office.

Some Concluding Thoughts on the Downtown Housing Issue

While it is important that the City promote housing in the downtown as a vehicle for supporting other Plan objectives, it is not altogether certain that subsidized housing on any major scale makes any sense in downtown, at least substantial numbers of low income housing units. The City Plan calls for it, and at least some such housing is feasible, providing the City
is willing to provide low cost sites and state rehabilitation funds do become available. However, there are some problems.

In the first place, the City may be wishing to use housing to bolster the Plan rather than meet the needs of the poor. An incredible number of problems have surfaced around the country with respect to subsidized housing and the moratorium on the program by the Nixon Administration was not done simply because of differences in philosophy, but rather because of necessity. The problem with subsidy programs in the past is that they have been very expensive, the administrative costs have been excessively high, and the impact on existing neighborhoods has, in many cases, invited resistance.

If future federal programs are in the form of housing allowances, then the downtown, rather than having a captive market, must compete with other areas for tenants. The question is whether it can. There is no clear-cut indication that low and medium income residents would like to live in the downtown, given a choice. Our experience in Fresno, for example, was that they would not. We interviewed residents in several of the pensioner hotels in the area and found that they were living in the downtown area simply because no alternatives were available to them. In Portland, the Lutheran Church sponsored conversion of the old Multnomah Hotel into a residence hotel for the elderly. It had very limited success in leasing its units and, as a consequence, abandoned the project. The hotel was eventually taken over by the federal government and converted to offices. It is not clear why the project failed; perhaps its close proximity to the Burnside area was a factor. The point still remains that the reason why most low income people live in Portland's downtown at the present time is because it is one of the few places left in the City of Portland where housing can be found at rents of less than $75 per month. The reason for that is that the units are unsafe and unsanitary.

In addition, it is important to think through what the externalities are with respect to housing in the downtown. Are the overall net impacts of providing more housing downtown positive or negative with respect to the area? Retail sales would increase, but the magnitude would not be overly great because of the low incomes of such residents. Sales would be largely for convenience items. There would presumably be a slight reduction in aggregate Portland transit costs, although even this is not clear. Many of the residents, for example, would not be working and hence would have limited need for rapid transit. If they did wish to shop, it is quite possible that they would be located relatively distant from the commercial core anyway and would have to rely on some form of transit. It could well be that the transit form would have to be a more personal and hence expensive
one. In addition, the crime rate may go up if the composition of the downtown residents changes to one of many low income residents under the age of 30. This would intensify the fear on the part of the majority of residents in Portland to come into downtown.

In short, it is not clear that (1) given an alternative, Portland's downtown can compete effectively with other portions of the city to attract low income residents and (2) that it is a good idea to spend substantial amounts of local revenue to subsidize such housing. A yardstick is needed to know whether there are better, more productive uses of City of Portland revenues.

**PUBLIC POLICY CONSIDERATIONS:**
**REGIONAL & LOCAL**

Our approach to an evaluation of the Portland Downtown Guidelines Plan is based on the conviction that no major city plan, be it the central area or other key component, can be implemented within a vacuum, particularly without recognition of the interaction of a number of related area-wide planning efforts. Plans and policies that would directly or indirectly affect the performance of the Downtown Plan are (1) regional and (2) local. The implications of identifiable policies on the downtown planning effort are discussed below.

**Policies Deserving Review**

Since the gist of the Downtown Plan is continued centralization of "regional-serving" activities in Central Portland west of the Willamette River, we are concentrating upon public policy sets that involve the following:

- Actions that encourage or discourage public and private investment supporting new activities, including the location of residential, commercial and industrial development.
- Actions that regulate the location and characteristics of such development.
- Actions that tend to shift, over time, the balance of power between historical and emerging activity centers.
Examples of the first set would be the provision of roads, water and related infrastructure to fringe lands under measurable development pressure. The administration of land use regulations, and related police powers, would be valid examples of the second set. Extensive reorganization of public agencies, consolidation of powers (or separation of powers) and related actions are examples of the third set of policies that have a bearing here.

**Policies of Primary Importance**

A further division of public policies may be made from the three sets enumerated above. We would group policy sets into two major categories: mandatory and discretionary. The first category, mandatory policies, will receive little attention here, since these required actions (such as the maintenance of an assessment roll for taxation, taxation at fair market value, provision of a basic potable water supply, etc.) are changed only at state and higher levels of public authority, and after much debate and consideration of all general welfare concerns.

Certain discretionary policies having a bearing on this discussion, however, can be isolated and reviewed within the context of the Downtown Plan implementation effort. These policies, consisting in the main of variations in the thrust and timing of public actions, include:

- Regional and subregional land use planning and land use controls
- Transportation system service levels, service areas, routes, and extent of coverage
- Regional and subregional infrastructure plans and service policies

It is our intent here to provide a concise review of the breadth and characteristics of such policies in the Portland Metropolitan Area as they relate to the Downtown Plan and the outlook for implementation of its major proposals.

**Essence of The Downtown Plan**

Highly simplified, the Downtown Plan developed in the past three years calls for a continued centralization of certain regional activities in Central Portland: it is based upon reinforcement of the area as the primary regional employment center; it calls for strengthening of the retail and service functions in the CBD; it clearly calls for redevelop-
ment of underutilized areas to increase residential inventory; it proposes that Downtown Portland be the focal point of the regional mass transit system, in addition to its central position as the hub of the regional highway network.

Implementation of this plan would thus require, over the years, a combination of public policies that in fact support the directions called out in the planning framework.

A quick look at some public policies in effect or emerging in the region should thus cast some light upon problems and potentials:

**Regional Policy Makers and Their Spheres of Influence**

Within the Columbia Region are literally hundreds of public authorities, each with varying levels of power and influence. Our focus upon the policies associated with regional land use, transportation and policy administration does, however, reduce this formidable list to a manageable number.

Of this group, we would rate the City of Portland as the clear municipal power. In conjunction, as a major influence on the region, we have the Port of Portland's major employers. Utilities, including major federal agencies, the Bonneville Power Administration and local public utilities, are important. The counties that have jurisdiction over unincorporated lands (Multnomah, Washington, Clackamas, and Clark County, Washington) are quite significant. The special service districts providing water, sewers and other necessities rate mention. The transportation policy makers (Tri-County Metropolitan Transportation District, Oregon Highway Division, others) have a very large role to play.

In addition to these policy makers with chartered powers to regulate or direct urbanization, there is a host of newer agencies that are rapidly gaining powers, where previously existed only advisory or similar functions. Of these, we would rate the Columbia Region Association of Governments (CRAG) as an agency of note, and Oregon's Department of Environmental Quality (DEQ) as one major power in environmental matters.
Regional Land Use Planning and Control

There is at present no truly effective regional land use policy group in the Columbia Region. There is, however, a regional planning agency, CRAG; and recent legislation has provided CRAG with new powers that may well become quite important to any concept of regional planning. Now, however, CRAG simply acts in an advisory and coordination capacity. It functions as the local agency for review and approval of grants from higher government levels to local jurisdictions, and thus exerts considerable influence on their plans and programs.

CRAG also maintains a regional "plan" (currently termed "an interim land use plan") which is basically a series of proposals for balanced land use throughout the region: three concepts are considered, consisting of concentration, dispersion, and a combination of the two. CRAG, not surprisingly, favors the third (or combination plan) since this tends to favor "balanced" or incremental growth in regional communities already established. Planning proposals notwithstanding, however, much of the current "interim land use plan" is derived, by necessity, from the plans of local jurisdictions. Recently enacted or pending legislation related to regional land use planning (see below) is almost certain to increase CRAG's influence in the future. Such an increase in regulatory powers will undoubtedly result in a more direct role for CRAG in regional land use planning and control. If this occurs, and if a policy of "controlled balanced growth" is carried forward, policies established and administered by this regional agency could tend to move regional growth away from centralization in Portland and toward incremental growth in existing settlements. If Portland policy makers fully accept the premises supporting implementation of the Downtown Plan, an aggressive, advocate role within the Columbia Region Association of Governments will be quite important indeed.

Another agency operating in a regional sense is Oregon's Department of Environmental Quality (DEQ). Like other statewide or regional environmental agencies, DEQ has been primarily concerned with pollution control; and in this vein, mainly with air and water quality. The very magnitude and complexity of pollution control today gives this agency (and its counterparts at other levels) rather healthy powers to regulate, or at least materially influence, land use in the region. Presently, DEQ is struggling with at least two issues directly affecting Downtown Portland's future. These are (1) control of vehicular travel and concentration, to control air quality, and (2) control of wastes, mainly liquid, to maintain water quality. In the Portland Metropolitan Area, as in others, the enormous dilemma of our dependence on the automobile has complicated the manner in which we distribute our urban activities.
At this point, an equal dilemma is how to continue growth without an immense effort to simultaneously create sufficient treatment of human and industrial wastes. With respect to the Downtown Portland planning proposals, we see two areas of policy on the part of DEQ that will be of considerable significance: (1) control of travel to and from Portland's central zones, with related parking regulations, and (2) control of new suburban development of all types, with respect to loads on water and sewer facilities. Much of DEQ's effort in the travel area is so intertwined with transportation policy administered by others that it is quite difficult to clearly note a posture by such an agency that could be independently held. If, however, no realistic solutions to travel and parking problems are forthcoming, in a collaborative sense, from a number of agencies, Downtown Portland could well find itself by mandate restrained from further intensification. Policies in this area of environmental control are in their infancy. How they really begin to emerge in the next few years will be of considerable significance.

Subregional Planning - Four Counties Examined

Moving directly from the regional scale of public policy sets, we turn to the next largest jurisdictional bodies: that of the counties making up the Columbia Region. These are the Oregon counties of Multnomah, Washington, Clackamas and Columbia, and Clark County, Washington. Columbia County is largely rural and outside the foreseeable urban pattern, so we will look only at the four remaining in any detail.

Multnomah County

This county, heart of the region and containing all of Portland City, is largely built up - with the exception of the hill mass following the Willamette River northwest from Portland, and the eastern fringes (Sandy River zone). Outside Portland itself, Multnomah County is generally residential in character; heavy port and other employment centers run the length of the urbanized area along the Willamette and Columbia Rivers.

In terms of a future land use policy, Multnomah County is now updating and revising its General Plan. County officials note that growth is anticipated in the eastern segments of the county; the rapidly urbanizing communities are Gresham, Troutdale, Fairview and Wood Village. The availability of sanitary sewer connections has strengthened eastern county attraction for new development, as has the rather extensive grid pattern of local streets and highways.
Construction of the Mt. Hood Freeway through Multnomah County is considered to be a remote possibility. Construction of I-205 is considered more likely to occur, but its character has now been reduced from its original concept of 10 lanes with interchanges every 3/4 mile to a 6-lane road with interchanges farther apart. (The Multnomah Board of County Commissioners has also asked for a restudy of I-205, but it has already approved an extension to Foster Road.)

The emerging General Plan shows one new regional commercial center, at Banfield Freeway/182nd Street.

Some revitalization of commercial activity in the Parkrose Area (southeast of Portland International Airport near Bypass 30) can be expected. A new sewage treatment plant will be built nearby. There are good industrial sites along State Bypass Route 30 east of the airport (on the Union Pacific Railroad Line) and a number of firms have recently located there. To accommodate additional growth, Multnomah County's policy will be to strengthen existing centers.

Multnomah County was just recently reorganized by charter amendment and reduced from 7 to 4 departments or Councils (Human Resources, Environmental Services, Judicial Services and Administrative Services), each with a department head. The county and operations will be altered again if the proposed charter amendment for city/county consolidation is passed. The present effort to consolidate the City of Portland and the County (mostly along county organization lines) could create considerable changes, which are difficult to estimate now.

Again, while probably not intended to do so, policies of Multnomah County appear to conflict with the intent to maintain a strong Portland CBD, if only because this county, like CRAG, has other constituents and interests to consider. The proposed city/county consolidation could direct influence toward Portland, but this is not a certainty.
Washington County

Washington County has increased its public planning efforts in the last two years to cope with the rapid development that has been occurring. This county experienced the sharpest population growth rate in Oregon over the 1960-70 decade, jumping from 92,000 to 154,000 persons, or increasing 67.4 percent. By the end of 1973, population was approaching 180,000 persons. Washington County planners attribute this growth to:

- Improved highway access to Portland itself
- Large amounts of developable land within reach of Portland jobs
- Construction of sewer and water lines, schools, parks and other services
- Movement of certain employment generators from Portland or other locations to the county (Tektronix in Beaverton, for example)

The cities within the county grew faster than the unincorporated areas (including annexation), but comprise just over a third of the county's population, so that the county still controls about 2/3 of its total area. Beaverton and Hillsboro were the fastest growing cities through the past decade.

Washington County is still very dependent on the remainder of the region for its employment base. Roughly 46 percent of all employed persons in the county work outside the county. Washington County also depends heavily on Portland's CBD for goods and services. The ratio of non-manufacturing jobs to manufacturing employment is 1.4 to 1 in the county but 3.4 to 1 in the SMSA. Total employment increased 100 percent in the county during the 1960-70 period; manufacturing increased 170 percent while non-manufacturing increased 135 percent. (Tektronix, Inc. is the county's major employer; its 7,000 employees represent 43 percent of all manufacturing employees and 14 percent of total employment in the county.)

But other developments are capable of altering the county's competitive strength in the region. The new Washington Square retail center near Progress is a prime example. This regional shopping center employs some 3,000 persons and contains roughly one-third the retail floor area of Downtown Portland. A new Community College is now being planned adjacent to the proposed Rock Creek Reservoir, which (with the proposed
McKay Reservoir and the Scoggin project now under construction) will add three regional parks to the county.

The Washington County, Oregon Comprehensive Framework Plan (October 1973) has presented its land use requirements to the year 2000 based on a low population projection. The report relates eleven factors which can be expected to impact future growth in Washington County, including:

- Increased highway congestion into Portland
- No new highways from Washington County into Portland
- Increased development controls
- Development of I-205 improving access in Multnomah, Clark and Clackamas counties

Due to these and related factors, they do not see population reaching a high of 484,800 but rather remaining near 412,200. Based on this lower population, they foresee some 404 acres of new commercial uses by 2000 - 41 neighborhood centers, 10 community centers and two regional centers.

One official feels that CRAG's criteria for population or growth control is inadequate because CRAG uses only water and sewer capacity as the limiting factors. He would rather award design/density bonuses for getting the "right" development in the "right" place. He favors design "bonus" criteria rather than utility capacity because too much damage is done by the way developments get built and not just due to the type and size of development -- whether commercial, residential or industrial. Once the County Planning Commission and developers become more familiar with the design bonus concepts, there are plans to implement development ceilings based on standards for types and number of development. The county might go to a priority rating schedule in 1975. Every two years, the county plan will be reappraised as to its design concepts rather than just zoning. They have already rezoned 70% of the county into four broad land use classifications -- Urban Growth Area, Intermediate Urban Growth Area, Rural Intermediate Growth Area, and Natural Resource Area.

Development will take place in a manner to create or reinforce existing communities. The Intermediate Urban Growth Area will accommodate urban use as planned over a 20-40 year time frame consistent with the natural resource base.
It is felt that there should be a balance between employment and residential uses in the county. Concentration in Portland should stop, or at least not exceed certain levels, so that the regional centers concept can be implemented. Washington Square is viewed as a good example of such a desirable center. A connection by public transit of some form is favored between Washington Square and State Route 217, with perhaps medium density residential and/or industrial parks along the corridor. State Route 8 would be another area for this type of linear/cluster development, with medium density units -- 8 to 14 dwelling units per acre -- along the corridors, utilizing 20 acres or larger as a developed project size.

A regional center is seen as feasible at the Sunset Highway (26) and the 217 interchange (north of Beaverton). The intersection is now mostly undeveloped except for nearby St. Vincent's Hospital, but apparently one developer holds acreage of sufficient size for such a shopping center. Standard Insurance is also promoting a shopping center at the Sunset Highway and 185th Avenue intersection near Somerset West. The map of the Recommended 1990 Bus Rapid Transit System for PVMATS shows two bus lines approaching but bypassing this intersection. If the center is ever built, the bus service would surely be routed through it. The county recently stopped a proposed shopping center north of Hillsboro but is still negotiating with the developer about possible design changes.

Washington County experienced sewer problems during the last two years but is now putting in two new sewage treatment plants. The Unified Sewerage Agency in Washington County tends to support a controlled growth approach to planning, as does the Board of County Commissioners. (The Unified Sewerage Agency covers approximately 200 square miles out of the county's 714 square miles.) The county recently revised its zoning code. In previous years, the county zoning was considered much less restrictive than the cities within the county, but now may actually be tighter.

Another important consideration in Washington County (and other counties) will be Senate Bill 101, which became effective October, 1973. This law allows a new agricultural deferral tax, which apparently is similar to the Williamson Act in California. There has been some opposition in the county from groups such as the Rural Land Owners Association, which feels that Senate Bill 101 and some planning and design concepts are intruding on their land ownership rights. (Another similar organization, the Land Use Council of Washington County, was organized after the sewer ban during the summer of 1972.)
Clackamas County

Information on the future of Clackamas County is sparse. The county's Comprehensive Plan (August 1971) is a policy-oriented document with sketchy locational criteria. An "urban area land use" map shows three major "planned commercial" areas. One is west of Lake Oswego near I-5, Meadows Road and 217. Another is south of Lake Oswego and Wankers Corner, where I-205 and Stafford Road intersect. A third is shown near the intersection of the Milwaukie Expressway (224) and I-205 north of Clackamas. Major highway commercial is strung along McLoughlin Boulevard (99E) and 82nd Street (213).

A strong concern expressed in the plan is the residential suburban sprawl and intrusion into recreational areas, particularly the Sandy River and Mt. Hood Corridors. The Mt. Hood Highway (26) from Powell Valley-Gresham to Sandy permits relatively easy commuting from the recreation area to the Portland-Central Multnomah Area. No major policies of control have yet been set forth for areas under severe development pressure in Clackamas County; but conversations with officials indicate that certain related policies are under active consideration.

Clark County, Washington

Clark County, Washington, is presently reviewing its land use, economic base, employment and housing elements for the general plan. It will be a "sketch" general plan and will probably not be finalized for about two years. The county has no specific growth policy with respect to amount or capacities or urban services and is more concerned with the spatial allocation of new development. Sewers have not yet been a problem in Clark County. The major problem is accessibility. The limiting growth factor appears to be internal congestion and lack of access to Portland. Other than the I-5 crossing, there is no bridge for 40 miles up the river and 60 miles down the river. (It is estimated that daily commuters now total some 12,000 going south from Vancouver to Portland, and about 5,000 going north from Portland to Vancouver.)

Local planners are optimistic about the prospects for I-205 Freeway and the Columbia River Bridge, and improved access to Portland especially. This is also one of the routes proposed by the Oregon Public Utility Commission for a light rail transit line. In addition, the I-5 Bridge and approaches will soon be undergoing alignment and lane changes to achieve full freeway status in Clark County. (At present, I-5 in Clark County is in effect a limited highway with many exits and entrances.)
The Washington State Highway Department is undertaking an origin-destination study on the I-5 Bridge and approaches. Clark County hopes to utilize funds that would have gone into the Mt. Hood Freeway and transfer that to the I-5 work, and the proposed I-205 extensions, or the construction of light rail links to the Portland CBD. (The Mt. Hood Freeway money is some $100 million. It would cost about $80 million to put in the five proposed light rail transit lines according to preliminary estimates.)

New development is taking place north and east of Vancouver. A large California development firm owns some six square miles in the eastern area of Clark County near the proposed I-205 alignment. (According to rumor, the developer was instrumental in moving the I-205 alignment further east from its original position closer to I-5.) This firm has 10 year options on most of the property and it will pay taxes until development occurs.

Downtown Vancouver has suffered a gradual decline in retail business for the usual reasons. Its ability to bounce back, however, is strongly affected by factors beyond its control. One factor is the 12 percent installment purchase interest limit in the State of Washington (compared to 18 percent in Oregon), which discourages installment buying in Washington. The other is the 5-1/2 percent sales tax in Washington compared to no sales tax in Oregon. Jantzen Beach Center on Hayden Island (Thunderbird Company) will probably continue to siphon much retail potential from the Vancouver CBD. Negotiations are presently going on for space in the Vancouver Downtown Mall - but downtown Vancouver does not appear to be a promising area for office or retail development in the foreseeable future.

Clark County has developed an urban services boundary, within which it will encourage development and outside of which will be rural. The county has tightened rural zoning to restrict development outside the urban services area to one-acre lots with septic tanks. Politics in Clark County have obviously changed in the last 5 years. "Business as usual" no longer appears to prevail but growth will perhaps not be discouraged as much as in the other major counties. At the moment, there is a traditional growth dispute between the affluent and small cities (such as Camas which is generally higher income, and Washougal with lower income families).
Regional Transportation Planning

The very physiographic features of the Portland SMSA make the nature and effectiveness of the transportation of paramount importance to the distribution of regional activities. Moreover, the backbone of the Downtown Portland Plan is reinforcement of existing office-based and retail activities - making accessibility to the Central Area critical indeed. It is therefore necessary to examine public policies in this area rather carefully.

The Portland SMSA (or Columbia Region) is, at present, tied to surface vehicular transport for movement of people and goods within the region. Basically, this is a system of federal, state and local highways and streets. In addition, a tri-county metropolitan transit authority (Tri-Met) is moving toward a comprehensive public transit system - presently, a bus service network. Portland is firmly tied into the regional highway and transit network as the historical center of commerce. The city's major external surface linkage (north to Seattle, south to California) is via Interstate 5.

Within the region, however, intra-county linkage is not really complete. For instance, previous transportation plans have long called for additional loop freeways east and west of Portland proper. These and other proposals have been often modified, and at present are represented in a synthesis of proposals termed the Portland-Vancouver Metropolitan Transportation Study (PVMATS). Since the PVMATS proposals appear to represent multi-jurisdictional compromises, they are of considerable interest at this juncture.

PVMATS 1990 Transportation Plan - Highways

A cursory analysis of the March, 1971 Interim Report of the Portland-Vancouver Metropolitan Transportation Study documents reveals a strenuous effort to improve circulation outside and around the Portland Central Area. If many of the recommended freeway, expressway and highway improvements are implemented, the potential effect would appear to be a siphoning off of downtown development opportunities due to the creation of numerous highway intersection nodes closer to the suburban population.

Some of the recommended improvements could bring suburban workers more easily to Downtown Portland office buildings. But without adequate public transit and improved downtown circulation and parking, there would be an upper limit to the benefits to the Central Area derived from the recommended highway improvements.
Of course, many of the highway recommendations cannot or will not be implemented even by 1990. The interim report draws on statistics and opinions formulated before 1970 which more than likely cannot be sustained in this present atmosphere.

In our preliminary discussions with officials in the region, only the I-205 segments of the highway plan were expected to be implemented.

Transportation planners in the region note three "hot" transportation issues. The first is the Interstate 505 connection near the Fremont Bridge, which will probably be made. Second is the Marquam Bridge connection to I-80 north, which the spokesman did not feel would be constructed even to accommodate transit and exclusive bus facilities. The third issue is I-205 on the east, which was believed would be implemented. Some portions of I-205 to the south are under construction or completed. If I-205 is constructed across the Columbia River, Clark County would certainly benefit through the opening of development opportunities on its east side. (The implication is usually made that political figures in the State of Washington favor the connection and will put pressure on the Federal Government and others to see that it is built.)

In the region, there is considerable expressed support for I-205. While there is some Oregon opposition for "purely political" reasons (including anticipated competition from Clark County), it was felt that congressional representatives and others were very strongly in support of a new bridge over the Columbia River for the continuation of I-205. Portland officials did not feel that the Mt. Hood Corridor would receive support for new or improved highway construction, but would most likely be developed for transit such as light rail.

Mass Transit

The light rail concept under discussion by the Oregon Public Utilities Commission and others, holds considerable opportunities for the region. Four corridors are presently being studied. The first corridor uses the Union Pacific right-of-way and parallels the Banfield Freeway as far as Troutdale. The second corridor is along Jefferson Street, the west bank of the Willamette to Lake Oswego. The third corridor - Oaks Park - travels on the east bank of the Willamette and diverges to the cities of Milwaukie and Gresham along Johnson Creek. The fourth corridor is the Mt. Hood Corridor. All corridors would use existing rights-of-way and would entail an expenditure of about $83 million, considerably less than some planned highway construction or more "advanced mass transit forms."
It is felt that the light rail concept would take only three to four years to implement. Grade separation is not a problem since the system would be similar to San Francisco trolley-buses subject to traffic lights, and not an exclusive guideway concept. The light rail concept appeared to have the enthusiastic support of many persons for reasons of relatively low cost and relationship to the energy crisis. If implemented, it should tend to encourage a stronger Downtown Portland. A great deal will depend, however, on the level of service contemplated, including efforts to accommodate patronage other than commuter access.

But, in the immediate future, mass transit in the Portland-Vancouver Metropolitan Area will be organized on the basis of an extensive bus (express and feeder) network, similar to that envisioned in the Recommended 1990 Bus Rapid Transit System developed as a result of the PVMATS work. The Tri-County Metropolitan Transit District (Tri-Met) is moving directly toward a radial express bus service network at this time. Tri-Met has located some five "suburban transit stations" (Gateway, Sunset, Lake Oswego, Milwaukie, and Vancouver) sites and is preparing a detail design effort and applications for capital grants to implement the suburban-to-Portland/Vancouver linkage.

The importance of a reasonable merger of environmental guidelines and an improved transportation system (especially mass transit) cannot be overstated. Presently, Tri-Met is initiating a large technical study of system improvements throughout its service area. No clear direction will be available from this work for at least another year.

Other Tentative Regional Policy Directions

The various jurisdictions controlling the scale, pace and location of urbanization are considering, but not yet actually implementing, coordinated land use and service policies. The major regional agencies involved in the Columbia Region (land use, service and transportation) are making many recommendations for (1) control of suburban development, (2) environmentally-oriented transportation improvements, and (3) changes in regional relationships in these areas.

On the whole, however, most policies are either in the discussion stage or slowly moving towards adoption. There are, of course, certain strong policies now in effect related to control of pollution and trans-
portation service. It is in the general area of land use, zoning and development regulations that considerable confusion still exists.

This too, should be clarified in the near future. Legislation is being proposed on all sides to strengthen planning bodies and their roles in shaping suburban and rural land use patterns. For example:

The recent passage of at least two state bills has apparently strengthened the role of CRAG; the bills are SB 769 and SB 100. SB 769 was passed by the Oregon legislature and signed by the Governor. It establishes a new regional planning agency covering the three counties of Clackamas, Multnomah and Washington. The new agency would now be more legally responsible for implementation of a regional plan. Membership is mandatory for the counties and cities therein. The CRAG Executive Board has consisted to date of local elected officials on a voluntary basis. The new board of directors will be appointed as follows:

(a) One member appointed by the governing body of each member county

(b) One member appointed by the governing body of each member city having more than 300,000 population on the effective date of the legislation

(c) One member representing the cities having a population of less than 300,000 on the effective date of the law and situated within each member county in the district, selected by joint action of a majority of the mayors of such cities

The initial board has seven members - one representing Portland, one for each county and one for all the cities in each of the three counties. There are also provisions for appointing associate members from special districts, political subdivisions of the state, agencies of the state or the Federal Government and any other interested and affected public bodies. Presumably, Clark and Columbia Counties as well as agencies like Tri-Met and the Port of Portland will join or have already joined as associate members.

Section 9 of SB 769 says (in part) that the district shall:

(1) Adopt by rule regional land use planning goals and objectives

(2) Prepare, maintain and modify...a plan...
(3) Designate areas and activities having significant impact...and establish rules and regulations for...such areas and activities

(4) Review the comprehensive land use plans in effect...and recommend or require...changes

(5) Coordinate the land use planning activities

(6) ...(R)evie...w the zoning, subdivision and other similar ordinances and regulations of its members and associate members...

(7) Coordinate its activities...with Federal government... (and other local and state bodies)

Senate Bill 100, the Oregon State Land Use Bill gives the above formed body yet more power in reviewing county and city plans. The new district must adopt planning goals and guidelines in compliance with those of the State Land Conservation and Development Commission, and assure the compliance of all the member governments with those goals and guidelines.

These and similar "teeth" placed into regional affairs will clearly impact upon urbanization trends in the region, as they are utilized to the fullest. The net result may well be a series of deterrents to continued suburban expansion, although this is speculation at this point.

Recognizing, however, that a movement is underway to carefully examine the implications of various regional growth patterns, we conclude that:

- In the short run, some limits will be placed on formerly uncontrolled suburban development, but the trend will continue indefinitely
- Central Portland office employment will probably be supported, in the long run, by emerging land use controls and transportation policies; but other uses, particularly retail, are somewhat undermined by possible expansion of regional commercial centers
- The long-run concept of "balanced growth" in the counties could, ultimately, work to the detriment
of Central Portland if sufficient employment-generating use is permitted elsewhere

- All policies combined are not yet acting, in a coordinated sense, to either direct growth to Portland or definitely shift it away from Portland. The ad hoc nature of fragmented jurisdictional actions is really responding to market forces identified in our earlier report on projected growth. We believe that this regional setting will not materially change in the near future, although significant adjustments are coming.

Thus, from a regional point of view, we believe current and anticipated public policies are (1) favoring Central Portland in terms of employment concentration at relatively high densities (services employment); (2) shifting Central Portland's retail base to suburban centers, and (3) strongly supporting increased mobility of suburban workers with reference to overall regional access (which, at least in the short run, may have a neutral impact on Portland - but a strong impact on certain regional residential patterns). Portland's voice in new forms of regional government will be critical to its position as these various public relationships and responsibilities come into increased focus.

Internal Policies - Portland's Own Directions

Though responding and linked to regional policies and impacts, the City of Portland itself does, to a large degree, also initiate policies that have a strong bearing on Downtown's future. There are a number of policy areas where decisions (affecting the scale and distribution of uses within Portland) will tend to support or undermine implementation of the Downtown Plan. Some of the most significant, we believe, are:

- The permitted balance of retail, hotel and office development between the Downtown (the entire area within the loop circulation system) and other areas under significant development pressure; i.e.
  - Lloyd Center across the river
- John's Landing and other similar waterfront zones south of Downtown

- The permitted location, type and scale of development within the Downtown Plan study area, such as high density projects immediately on the Willamette Riverfront, but outside the Plan's designated corridors of high-density use (OIC and PGE are excellent examples)

- Parking facility capacity and location affecting possible intensity of development

- Transit vs. vehicular circulation into and through the Downtown

The scale of uses called for in the Downtown Plan is such that a considerable share of all regional office, retail, entertainment and residential use will have to be captured within the designated zones of the plan. We have previously pointed out the apparent outlook for Portland itself to capture at least the bulk of office development for some time; but it should be clear that the Downtown share itself will be dependent on the shares captured in competing areas, such as Lloyd Center and OIC. To put it plainly, there will only be a finite share of new development in total.

If competing zones in Central Portland are permitted to develop apace with the Downtown, the following is likely to occur: (1) obsolete office and retail space in the Downtown will not be replaced at a pace implied in the plan; (2) policies related to mass transit service to the existing Downtown concentrations will be considerably more difficult to carry out; (3) the current and anticipated problem of underutilization of Downtown land area will be worsened; and (4) suggested residential development programs in the Downtown will be unlikely.

Recent controversial planning decisions at the Portland City level have pointed up this classic dilemma involved in executing the current Downtown Plan. These distributional problems coupled to the regional outlook for continued conflicts in achieving "balanced growth" illustrate that:

- Although regional policies may ultimately fragment the pattern of non-residential uses now generally concentrating in Portland, there is still time for Portland itself to voice strong
support of centralization directed to Portland's business zones

- Even with this achieved, however, Portland must settle upon a strategy that actually reinforces the Downtown Plan's key elements. Without such a stance, the city policies may well achieve some centralization of desirable uses in Portland, but at the expense of the Downtown Plan

Recommended Positions for Portland Related to Downtown Plan Implementation

The determinants of regional location for all proposed Downtown uses will be, as we have pointed out, essentially these:

- The effective demand for new space
- The overall health and vitality of Downtown (in the widest sense)
- Availability of buildable sites that permit financially feasible investment
- Access to Downtown (regional and citywide)
- Perceived obstacles to or support for new development (regulations, attitudes, and effective costs)
- Competitive locations

Our analysis of the outlook for continued development of Downtown Portland assumes that the pressures for continued location of office-based employment there will in all probability continue through 1990. Less certain is the outlook for retailing, at least of the scale implied within the Downtown Plan. The same condition exists with respect to entertainment (theaters and the like) and hotel/motel use; that is, certain pressures for additional space in Downtown Portland can be assumed, but strong contervailing forces (primarily interest in suburban sites) do exist that could diminish Downtown's share of these regional development categories over time. With respect to housing, any major increase in Downtown's residential inventory will occur only with
concentrated public support of its development; and even with that, we fully expect housing advances to come slowly.

Taking these findings forward and relating them to the Downtown Plan (and policies to support the plan's elements) thus generates these questions:

- What changes in public policies will lend the greatest measure of support to the Downtown Plan?
- What specific action programs will tend to enhance the outlook for achieving the "difficult" plan elements?
- Of these programs, which appear "controllable" (i.e. within Portland's sphere of influence and capability) and therefore reasonable recommendations?

In order to even attempt answers to the above, it is necessary to segregate, to the extent possible, questions related to the regional setting (that is, Downtown's position vis-a-vis other competing locations) and questions related to distribution (or the location of suitable uses within the Downtown Plan Area). For instance, the plan calls for continued attraction and development of office and retail space, at a varying scale, throughout the study area. It also calls for various specific types of space use, on a planning district or zonal basis, within Downtown. Clearly, the first element is one of a regional nature, and the second an internal or distributional concern.

From our work on regional growth and public policies, we have determined that certain changes in overall policies may support or undermine the Downtown Plan over the next decade or so (although it is impossible to determine precisely the degree to which this might occur). Again, within the range of uses making up a healthy Downtown Portland, we have found the outlook for office space to be strongest. Retail and entertainment are less so, and the housing outlook the least encouraging. Turning to regional policies then, we find that the largest measure of support for implementation of the Downtown Portland Plan will occur if these policy changes are considered:

- That regional planning agencies take note of the Downtown Plan and recognize its dependence upon a continuing focus on Downtown Portland (this would conflict to a degree with present discussions
That major new commercial centers in outlying locations be less readily accepted, or at least examined carefully for impact considerations prior to approval by local bodies.

That regional transportation planning not be carried out unilaterally (this includes highways and mass transit planning). That is, major elements of the system must be clearly related more to supporting Downtown and less to opening up additional suburban development opportunities.

For instance, there is presently a major regional transit planning effort underway. One aspect of the plan is exploration of additional transit service to Downtown for suburban-to-central city commuters. Another, however, is the concept of intensified residential and commercial use around certain suburban transit stations. Thus on the one hand Downtown employment growth is supported; while on the other new competitive locations (with retailing and office space the logical uses) are being considered. This example (and there are always others) simply points out the conflicts inherent in special-purpose public activity, where it is difficult (and sometimes impossible) for agencies charged with service delivery to work within very broad horizons. Transportation planning in the highways area is also important, since improvements to freeways and land service roads routinely open up adjacent lands to urbanization. Thus, while surface transportation plans may be geared to safety and travel time-saving, one effect for central cities (Portland is no exception) is to spread population and new employment centers further from the traditional regional center.

From an action viewpoint, there is but a limited amount of influence even a major city can exert upon a large regional body. In Portland's case, we believe that a position of concern for the Downtown Plan must, however, be continuously demonstrated; at least to the extent that the area's preeminence as a commercial center is actively guarded in a regional context.

It might easily be argued, however, that adjusting regional planning solely to Downtown Portland's interests is, at this point, inequitable. The basis for such reasoning would be that Portland already has a powerful central city employment base, a reasonably strong retail core, and other growth housing opportunities. Thus, to place regional planning as a whole in a subservient position to planning for Downtown
Portland only adds to Portland's "comparative advantage" (in the eyes of competing locations).

These conflicts arise in every region, and are exacerbated by the heavy dependence of public bodies upon real property valuation for revenues, among other things. Without a massive (and unlikely) shift from this revenue base to another, the struggle for real estate investment (taxable property) will continue between central cities and suburbs. In Oregon, this situation is made more difficult by the absence of a sales tax, further increasing the dependence upon real property taxes for the bulk of local public expenditures.

It is therefore likely that from a regional land use standpoint Downtown Portland will be supported by regional policies that tend to limit commercial proliferation, (especially large shopping/office centers) and undermined by a reverse set of policies. Similarly, maintenance of first-rate access for workers and visitors to Downtown is of paramount importance. Clearly, a mass transit emphasis could provide the greatest support for Downtown with a minimum level of suburban impact (as opposed to street and highway improvements). Portland's role in regional affairs should thus reflect Downtown Plan goals and objectives, concentrating upon the two major considerations noted here.

Moving from a regional setting to the local scene (Portland City), we now find somewhat similar issues to consider. Again in terms of public policy, it may be simply stated that implementation of the major Downtown Plan elements will be supported by (1) minimizing competition; (2) diverting public resources to the Downtown to a reasonable degree; (3) avoiding investment processing and approval obstacles that drive prospective investors elsewhere; (4) bringing buildable sites to the marketplace; and (5) balance planning objectives against the reality of market dynamics.

If one assumes that market forces will in fact continue, or be slightly adjusted in Portland's favor, the citywide distributional or allocation question becomes of some importance. Most importantly, this means attempting to align specific Downtown Planning guidelines with overall development potentials. We mention again that of the various uses slated for Downtown overall, the "difficult" cases will be retailing and housing. For the most part, these and related policies administered by Portland City will affect the "internal" distribution and scale of new development within the Downtown Planning Area (and thus affect apparent investment performance and private interest in Downtown):
- **Height and density regulations** will strongly affect office space development, and to a limited extent housing.

- **Parking regulations** will primarily affect retail and services development, and to a lesser extent office space.

Another consideration, of course, is the character of Portland City attitudes towards intensification of commercial and residential zones elsewhere in the city. Clearly, any serious obstacles to development (arising from land use regulations or transportation problems) could to a degree shift city-oriented potentials to the east bank of the Willamette (Lloyd Center primarily) or the airport vicinity, or to other locations where developing sites for office space, retail or housing is not as difficult.

Thus, also at the local level, recognition of the Downtown Plan is imperative, if the guidelines are to be carried forward. The roles of Portland agencies related to Downtown (particularly with respect to parking and land use regulations) should be adjusted to fit the implied objectives of the plan, and not allowed to develop independently.
Changes in public policies that affect implementation of the Downtown Plan are likely, as we have stressed, to bring about additional support for the "problem areas" (housing, retailing and entertainment), but not materially affect the direction of office-based activity in Downtown zones. What the magnitude of change might be if such policy adjustments are achieved is the subject here.

The foregoing discussion of public policies illustrates that regional policies stressing "balance growth" in other SMSA settlements are likely to impact upon commercial space inventory growth in the Columbia Region, but far less so upon major office development, except for regional centers emphasizing shopping centers with a small office increment (the classic "shopping center" upgraded to multi-purpose use). Our analysis of regional development trends indicates that Downtown Portland, under existing policy sets, should capture some 7 percent of regional retailing potential, to the degree it can be accommodated Downtown, and to the degree that proliferation of such outlying regional centers is controlled through cooperative action at the regional level. Our estimates of Downtown capture potential in retailing and support services reflect the current inventory of outlying competition (and information on a handful of possible entrants into the market); however, the period of 15 years hence will produce enormous pressure for additional outlying commercial development, as investors become aware of the purchasing power being generated in suburban communities, and the possibilities for profitable use of relatively experienced land (over and above residential potentials as development pressures increase).

Exactly what shifts in locational pressure might occur if strong anti-commercialization sentiments were to emerge in the region is impossible to calculate. It is quite safe to assume, however, that the next fifteen years will see some pressures for at least another half-dozen regional commercial centers in the suburbs, as high income generation continues, and existing centers become "too profitable". The implications of shifts in regional planning policies (coupled to localized land use regulation and control) for Downtown Portland are probably on this order:

- No changes in regional attitudes towards additional commercial centers is likely to prevent Downtown from gaining an additional 1.0 million SF of space use in retailing discussed in Chapter II of this report.

- A modest change in public policies, perhaps suppressing one-half of the potential for outlying centers, could give Downtown Portland additional
support, primarily in the comparison goods area (department store interest) simply due to its already strong concentration and convenient access to the regional trade area.

- A major shift to suppressing commercialization of available suburban locations could raise this share substantially; but the actual percentage share under these conditions is impossible to calculate.

There are legitimate reasons for assigning a larger share of such "overspill" potential to the Downtown, including redevelopment opportunities there and the current drift of major retailer interest in CBD locations (where high office employment activity is present or anticipated). The actual numbers that result from this activity in each policy alternative are not easy to generate; hypothetically, however, it is not unreasonable to assume that Downtown Portland might enjoy an increase to some 10 percent in its share of regional retail potentials under the second alternative (modest control of outlying development), and perhaps as much as a 15-20 percent share should dramatic efforts emerge in the region to limit commercial development.

What this would mean to Downtown Portland is basically this: the Downtown share of household-oriented retailing would certainly increase over time, even with existing competition and some additions to the suburban shopping center inventory. This ability to redevelop portions of Downtown for major retail uses and link this new growth to the existing concentration would be critical to the overall image and diversity of Downtown; it would further raise the Downtown employment base, thus perhaps increasing the outlook for housing in the study area, and it would begin to again raise Downtown to its rightful position of prominence vis-a-vis the suburban shopping center. It is not reasonable to assume a Downtown capture of regional retail development above that discussed here, due to the structural nature of the region's trade and various transportation issues. The magnitude of even these changes, however, would be substantial: for instance, an increase to some 20 percent of Downtown's share of all regional retailing could possibly increase overall retail potential by some 1,000,000 square feet or more; this translates into potentials for other major department stores and related shops, or perhaps additional square feet of eating and drinking space --- a decent increase in potential for these categories.

Once past the consideration of possible changes in regional development patterns discussed above, it is appropriate to consider the local context; or the distribution of uses within Portland itself and then within the
Downtown. Our view towards the real potentials for Downtown under all of regional growth alternatives is, however, predicated upon a strong belief that in Portland only the Downtown, with implementation of the plan, will be a suitable location for most of the additional retailing potential here under review. Therefore, although some leakage of this potential out of Downtown could be experienced, and some spillover in Portland itself experienced -- for instance, to Lloyd Center, or other non-Downtown locations -- no major local policy changes are likely to have much effect upon the capture of potentials in Downtown, assuming regional policies support additional growth potential. This is not to say that additional capture in other Multnomah County locations close to Portland might not occur; or that some growth in Clark County, Washington might not be realized; but overall, with respect of retail use, local policies should not have a major impact upon Downtown potentials, given any possibility for additional shares of regional retail and services development.

Housing is affected less by regional policies than by a series of other variables, such as the types of employment added to Downtown Portland, the costs of commuting from outlying residential areas, fuel availability for personal vehicles, and the effective costs of suburban versus intown housing. It is conceivable that regional policies suppressing further residential growth in the fringe areas could, under certain circumstances, divert some residential demand back to the Downtown Area, but it is unlikely that this condition will exist in an effective sense in the next few years. The future of housing in Downtown Portland will thus not be affected to a meaningful degree by any set of regional policies, with the exception of transportation: it is possible that the failure of the region to implement a reasonable transit system for commuting, plus increasing problems with automobile ownership and usage, could increase the outlook for Downtown housing. To recommend that this policy be considered is, however, unreasonable, since the greater public good will be increased by transit, even if it ultimately means less housing in Downtown Portland. No other regional policy appears to be changeable to the degree necessary to dramatically improve Downtown Portland's share of the regional housing inventory. The housing picture, as we have pointed out in this report, will continue to be more of a function of programs that bring reasonably priced housing to an existing market, than of regional policies, even with changes in the residential land use component of the regional plan.

Housing will be affected much more by citywide or localized public policies, including the provision of direct or indirect subsidies for producers of housing in Downtown Portland. But one certain effect upon Downtown housing would be the creation of other publicly supported projects, in
other locations. The clamor for public support of neighborhood rebuilding that continues to be strong in every city is also present in Portland, although still concentrated in areas of serious racial and economic problems, for the most part. Nonetheless, we must point out here that any movement by Portland City to create publicly-supported residential enclaves outside Downtown will most certainly act in a negative sense to prolong the outlook for housing in Downtown, since there is not an unlimited pool of demand available at any given time for in-town units, even of a moderate income character.

Localized housing potential will therefore be affected more by support by Portland City in the area of subsidy for the units, whether direct or indirect; and by the direction of codes and ordinances that support, rather than deter, the creation of new units in Downtown by private investors. With respect to the conservation of existing Downtown units, it is necessary to place that goal above what might be normally-accepted administration of building codes and ordinances -- for example, the rehabilitation of existing units built prior to WWII will most certainly require a sensitive approach to the application of code requirements, since the methods of construction were different from that demanded today, and the imposition of more recent code requirements in many cases could make housing rehabilitation not a feasible proposition for the would-be remodeler.

Other regional plans that have a bearing on the implementation of Downtown Plan guidelines include the actual configuration and service levels of a regional transportation system. It is conceivable that the adoption by Tri-Met (Tri-County Metropolitan Transit District) of a transit system primarily geared to servicing employment in Downtown Portland could raise the effective share of office development in Downtown, if the directions of regional growth did not already stress Downtown Portland as the major concentration of institutional and professional office employment. Thus, although we strongly recommend that Portland City representatives watch closely the planning of Tri-Met system improvements, we do not feel that transit service improvement will necessarily change the share of office development that will accrue to Downtown in the next ten or fifteen years.

Nor will transit per se have a great bearing on the future of retail potential in Downtown; at least until that point when automobile travel in the off-work hours and on weekends is more seriously curtailed than at present (another fuel "crisis" of serious duration might well have a much larger impact, with or without transit to fill the gap, since it could well divert some retailing to Downtown, as employees buy there before leaving for home; but it could move the other way, too, by inducing consumers to buy very
near home at convenient times, thus supporting additional outlying retail center growth). More direct relationships will exist between transportation policy and the outlook for housing Downtown, but as we have noted, only to the degree that travel costs begin to exceed Downtown housing cost increments.

It is impossible to second-guess the reactions of all groups to the adoption of a parking policy that specifically limits the amount of new parking that can be developed to service new construction in Downtown Portland. One certain reaction we can foresee is on the part of the retailing community, however; since parking is quite important to them, negative views towards the absolute limitation of parking in the CBD particularly are to be expected. Our own recommendation is that any parking policy adopted try to maintain the level of spaces necessary to support new retailing and some office space use, and drop parking associated with new residential development, as a starter; then fall back to various set levels of parking by phasing out existing lots and permitting new construction to include some parking (perhaps at greatly reduced levels). Other consultants and city staff working on parking and transportation questions have additional views on this subject that involve avoidance of congestion in Downtown, access to key points, and the like. Our main contribution here, we believe, is to urge moderation in the application of a ceiling on total parking development, and carefully balance the requirements of new construction with the elimination of surface lots that now prevent much optimal utilization of Downtown land. One must remember that of the groups that may be impacted adversely by a parking limitation, retailing will be the category hardest hit; office use will be the next most affected, and residential use the least affected (since many in-town residents will not require or desire what might be a "normal" parking space allocation).
Preservation of Historic Buildings; Street Improvement Outlays

Extensive preservation of historical buildings in a central city is a most challenging and difficult subject at best. The Downtown Plan recommendations related to preservation have been amplified by the work of various groups concerned with restoration of many areas within the Downtown Plan study area, especially near the Waterfront, around the Skidmore Fountain area, and the like.

We have these thoughts related to implementation of the preservation guidelines suggested by the plan:

- Limit serious preservation efforts to those structures or features clearly of an "historic" nature, since resources to accomplish a sweeping program on scattered structures will be difficult to acquire.

- Recognize that private parties interested in preservation will not always be acting in concert with civic-minded or esthetically concerned leaders of a restoration movement -- the necessity to recover investment will often exist, and views of owners towards extensive repairs or restoration will be coupled with their attitudes towards return on investment. Therefore, standards applicable to the restoration of these structures should be carefully drawn up to prevent unnecessary costs from impacting upon the owner (by unnecessary we mean the common search by city planners and designers for a "perfect" restoration -- and this after the building and safety departments have demanded seismic strengthening, new code-level electrical systems, fire systems, and so forth).

Although there is apparently a reasonably strong level of demand for restored buildings to house professional and institutional firms interested in the charm of such space, this is not an unlimited market; and there will be a point where required rentals to meet historic preservation levels will not be in line with market demand.
The Downtown Plan presently calls for a number of street and related improvements, in addition to parking facility and park development recommendations. The recommendation we have to offer on this subject is simply this: many of the contemplated street closings, creation of pedestrian walkways, skyways and related improvements are of merit to the public at large, but perhaps less so to property owners and prospective developers, if the improvements will be paid for through direct charges or assessments against real property in the Downtown alone. Already Downtown land values have risen to the point where some sites are of interest only to a developer capable of financing relatively intense space use, at rather high FAR levels; and the housing picture, as we have pointed out, gets considerably more dim as these site costs continue to increase in zones where new housing might be viewed a desirable use.

We recognize that Portland, like other cities, has limited flexibility in its use of general fund or general obligation revenues to finance specific area improvements; we must caution those responsible for plan implementation, however, to view many of the plan improvement elements as possibly excessive, especially when attempting to introduce "problem" uses into the various Planning Districts -- and to act accordingly when calling for some of these improvements in conjunction with private property development. An overall criterion we offer for consideration is this: no major improvement project, with the exception of parking, should be seriously considered in the near term if it involves significant assessments against existing space use or potential development, unless property owners and developers are generally in favor of and willing to support the costs of the program.
Financial Support and Related Incentive Programs
Supporting Downtown Development

Nationally, there have been a number of financial and related programs developed on a city-by-city basis related to development or redevelopment of central cities and older neighborhoods. The number and utility of these programs has increased by necessity as federal support for community development has decreased steadily since 1968. Some of these program types could have applicability to implementation of the Downtown Plan; others might be too ambitious, or not sufficiently flexible for Oregon's major metropolis. A review of a few of these program types is useful, however, and is presented here.

Program Types and Normal Usage

Housing support programs and the status of housing finance has already been covered in this report. This category of program is straightforward, common, and varies little from state to state, city to city, except in legal or procedural details. Housing is, however, often treated along with other uses in the development of programs to (1) induce private investment directly, or (2) prevent "disinvestment" or the shifting of investment from older urban areas to new emerging zones of interest. Often treated as one category, we see the use of public action programs falling into these separate categories -- although the specific public actions may blur into what appears a "comprehensive" support for an area's growth and economic vitality.

Redevelopment, federally or locally financed, has had the most visible direct impact of all programs employed. It is in itself action-oriented, and although costly, often changes rather dramatically the shape, size and function of a planning area. The nature and impacts of redevelopment are commonly understood today, and no extensive referencing will be provided here.

Typically in conjunction with some sort of redevelopment scheme or related area wide improvement, there are associated program types that bear specific mention here:

- **Public improvements without major reuse activity** designed to stabilize or improve an area's activity base (such as a street, traffic, landscaping effort). Often funded on a benefit assessment basis covering public debt (bonds and other long-term debt).
"Tax abatement" and related incentives designed to improve the investment climate for areas where private interest is low. Normally used in place of federal coverage of redevelopment costs, or where state statutes do not provide for tax increment or similar locally financed programs.

Joint development involving the coordination of public and private investment in a mixed use configuration. Usually associated with the employment of air or other development rights and parking facilities, transportation terminals, or rights-of-way.

Oregon law and Portland practices provide numerous examples of the use of local Improvement District (assessment) procedures, and the sale and repayment of general obligation, revenue Bancroft Bonds and others. Our assumptions are that the further employment of such programs will be considered for Downtown implementation, and that some improvements called for in the plan will so be financed.

Tax abatement and related financial incentives are not commonly considered in Oregon (or on the west coast as a whole), and at some point might be applicable to a few difficult development objectives, such as the production of new housing Downtown. Such an approach would, however, involve legislative action at the statehouse. Two excellent examples of the use of tax incentives are illustrative, from New York and Missouri (there are others).

New York State (State Tax Code Section 485, 2210) will permit firms developing in low-income areas (in cities of a size above 125,000) to claim state income tax credit and certain exemptions from real property tax for up to ten years following development of a new project. Various requirements related to minority employment and operating characteristics are placed on the private enterprise. The City of New York (Admin. Code J51-2.5) permits up to twelve years tax exemption for owners improving rent-controlled buildings, or a partial abatement for twenty years covering 90 percent of new value created by remodeling. Other exemptions (Real Property Tax Law Section 421) are granted developers of new apartment buildings agreeing to a 15 percent discount on rents or sales prices to tenants. Provisions for exemption vary. New York's well-known Mitchell-Lama Housing Program (Housing Finance Law, Articles II, III, IX and X) also exempts developers of moderately-priced housing from taxes - up to 100 percent for 30 years. Other types of development (industrial or job-generating) receive more
in the way of direct subsidy (low interest loans or grants) in New York, and the bulk of tax abatement goes to housing, a very difficult problem there.

Missouri's incentive program (Chapter 353, State Statutes) was designed to support the redevelopment of St. Louis and Kansas City, primarily, and consists of two significant enabling considerations: (1) transfer of a city's right of "eminent domain" to a selected private redeveloper, and (2) real property tax abatement. Basically, the law provides that a redeveloper may condemn sites if required (with proper public approvals) to develop suitable projects in "blighted" areas. Taxes are paid on land only for ten years following reconstruction, then at a 50 percent rate of assessed value for another 15 years. However, "in-line payments" to the city involved are required (at a level corresponding to that set by the area before redevelopment).

These programs and others similar are all designed to force-feed investment into difficult areas. They are variations on the theme of land cost write-downs and tax increment financing employed in various states, and should be considered as carefully as these programs are prior to adoption.

In states and cities where redevelopment authorities are well-funded and effective, transfer of eminent domain power seems an unnecessary move. Tax abatement, however, does positively affect housing prices, as it reduces a major component of operating cost, and is another method whereby housing can be supported. If in fact housing cannot be developed within the normal ranges of public powers in Downtown Portland, this technique might well be considered. It does bring with it, however, the same questions of equity (siphoning off revenues from school districts and counties) that accompany the "freezing" of valuation for tax increment finance, and should be approached cautiously.

Joint development holds some promise where significant public investment is already installed or programmed. If Portland proceeds with a concept of peripheral parking facilities, for instance, joint development for other uses is a real possibility, and investors might well be interested. The sheer amount of underutilized land now available (parking lots, other "opportunities" noted in the plan) makes a major look at joint use seem rather premature.
Redevelopment Procedures

Forecasts of 1990 development potential that might be captured Downtown must be viewed as investment that could occur if conditions Downtown favor such investment. These necessary conditions, as we have previously noted, include the availability of sites (at reasonable prices), the ability for developers to receive adequate transit service and develop some parking, and related considerations.

The present approach to redevelopment in Downtown consists of (1) completing existing clearance projects, (2) proceeding with the Waterfront Renewal Area, but on a scale of limited reuse, with minimum clearance and maximum retention of existing buildings, many of which are historical, and (3) limiting the scope of public acquisition and redevelopment in the future. This may seem desirable at face value, but in the long run may well act in a detrimental fashion upon plan implementation.

Our analysis of potentials that might be captured in Downtown through the next fifteen years indicates that assembly of larger blocks of land would be the key to meeting plan guidelines with respect to housing and retail use. Office development is much less dependent on redevelopment authority, intervention, since the scale of site assembly is considerably smaller than for multiple use projects, but there is a relationship here also. Without public intervention, holdouts within key areas are likely to prevent private interests from accomplishing much in the way of extensive rebuilding. This situation may not be particularly crucial in the short-run (five years or so), but over a longer term, it may well suppress the type of development desired.

We strongly recommend that conventional redevelopment procedure be considered as a desirable tool for plan implementation and not something to be avoided. The likelihood of Downtown Portland attracting a major multi-use retail/office/housing project near the existing CBD is low without the ability to offer a larger (say four block) site to private developers. There are safeguards that can be utilized to prevent large-scale clearance from becoming either a financial or political problem. For example, a project can be designated but not executed until careful discussion of a potential redeveloper's plans and level of interest indicates whether or not to commit public monies. This approach (a back to back escrow arrangement) prevents the potential project from entering the public workload prematurely and siphoning off funds critically needed for other projects.
We estimate that, if sites are available, the Waterfront Area could, by 1990 capture up to 2 million square feet of office space and 500,000 square feet of retail use. Housing redevelopment will occur if integrated into multi-use projects; this will probably be necessary to offset low financial returns from housing developed alone.
This raises an important question related to the use of scarce public resources for redevelopment as Downtown Plan implementation is carried forward. At least one major private project (The Oregon International Center on the Waterfront) may be granted use of public financial tools, such as tax increment financing. Without rating OIC one way or the other as to its apparent viability with or without public financial participation, we must point out that this and other projects likely to emerge within or near the Downtown in the next few years should be ranked rather carefully with respect to other apparent needs for public intervention or financial assistance, prior to the granting of such commitments from the public sector. It is quite possible that the dropoff in federal funds available for redevelopment coupled to certain emerging legal difficulties in the use of tax-secured debt instruments will severely restrict any city's ability to move ahead with large commitments to development projects, no matter how appealing the probable social or economic impacts. Also there are definite limits to the availability of such resources given the city's tax laws. Thus, it makes considerable sense to begin thinking now of the probably requirements for public assistance within the overall Downtown Plan context just in the problem areas (Areas 2 and 3) before committing public participation to other projects that might well proceed independently as soon as market conditions are right.

Overall, there will be only so many dollars available to support Downtown Plan improvements and development projects. What the requirements might be, financially, to bring Downtown up to a higher level of regional importance over the years are now unknown. Until further investigation is made into these costs, the premature commitment of various public incentives, financial and legal, should be avoided. At this point, only the Waterfront Renewal Area (Areas 2 and 3) has official sanction as a possible "target area" for public participation in a rebuilding program; and even this area is just now being evaluated by various parties to determine its probable future character and the requirements for public assistance.

Precise design and related planning for the Waterfront Areas is to be carried on during the next two months. Our preliminary review of the study area has, however, enabled us to develop these tentative conclusions regarding a redevelopment approach there:

- If maximum rehabilitation of historic and other structures is assumed, limited large sites can be offered for reuse (there are probably no more than three or four multi-use project possibilities, excluding the Union Station properties).
In the provision section a broad range of implementation questions and procedures were discussed. The discussion included both the technical ramifications and relevant public policy considerations connected with various Plan proposals. In this section the specific measures that we feel the City should employ to implement its proposed Plan are outlined.

**The Height & Density Issue**

Before accepting in final form the proposed FAR's for all areas, review these to determine if landowners would be treated unfairly as a consequence of imposition of height and density regulations. Our own review suggested that they probably would not be, since the Plan's specific height and density proposals conformed relatively closely to prevailing land use and value patterns. However, this is not altogether clear in the waterfront area between Morrison and Madison, as the P.G.E. project, developed since completion of the Plan, complicates the picture considerably. One method to assure a reasonably fair allocation of land values would be to have independent appraisals made in areas where there are questions of the appropriateness of an assigned FAR. If existing values are considerably higher than other areas with identical FAR, the City might consider the possibility of increasing the FAR by a reasonable amount, keeping in mind its overall objectives with respect to downtown and the fact that many sales take place at excessive levels because of reasons noted earlier.

Review the proposals for height controls along the entire waterfront. A 40- to 50-foot height limit along the entire length of this area may not be realistic in light of (1) reuse pressures in the southern half of this area, (2) the preferences and predilections of many office building developers and tenants, and (3) limited opportunities for non-assisted housing along the waterfront. Retention of a low FAR but with variable heights allowed would permit use of a bonus system for medium income housing, which would appear to be the only way that housing can be feasibly developed in the waterfront area. In addition, height controls over a smaller area would probably be
politically more readily accepted, and the size of the area would be more in line with the specialized market for such space. Finally, reducing the size of the area would tend to more effectively set it off, giving it a special uniqueness and attraction, than in the case where height limits were extended over a very extensive area. A large portion of the area between Oak and Glisan could appear to have excellent potential as an area oriented largely to rehabilitation and preservation of existing building heights, along the lines of the New Orleans French Quarter or San Francisco's Jackson Square.

Retail Development Recommendations

. Limit the dispersal of retailing throughout the downtown. The present plan calls for retail in numerous Planning Districts, but retail development (especially for comparison goods) should be encouraged as close to the existing CBD concentration as possible.

. Consider setting aside a potential site for at least one retail complex (up to 500,000 square feet of floor area, plus additional office and residential use if that is suitable) within downtown. One general area might be a site just west of the existing CBD, including the Rhodes store now vacant. A second would be somewhere directly north of the CBD, just across Burnside within the existing urban renewal boundaries (Areas 2 and 3).

. Align retail store parking requirements (in direct consultation with existing store operators and prospective developers) within the overall parking policy being considered for downtown. Do not arbitrarily cut retailer requirements for parking without careful consideration of the impacts upon the overall Downtown Plan guidelines (presently, outlying shopping centers use a standard of some 5 spaces per 1,000 square feet of selling area; CBD retailers can do with less, but there will be a floor required to maintain a viable retail district.

. Ensure that transit and related transportation system improvements include consideration of retailing in downtown as well as the movement of commuters into downtown for employment. Examine the transit system proposals for service to include consideration of adequate headways at night and on weekends to encourage movement within Greater Portland to and from CBD shopping facilities.

. Encourage the replacement of obsolete retail space with new retail space, not office or other uses, particularly in those blocks near the existing department store concentration. Space for specialty
shops can be worked in almost at will, since the demand for such goods from rapidly increasing office employment will continue to be significant.

In general, maximize the physical assets within the existing CBD retail core, through a program of public improvements and services wherever required. Minimize the impact of special assessments and related charges to the extent fiscally and legally possible, to reduce the possible flight of retailers in that district due to rising costs of occupancy.

**Housing Recommendations**

- Emphasize moderate-to-middle rental and sales targets, and forego lower-income production as an unrealistic objective.

- Attempt to stimulate new housing integrated into mixed-use projects, granting concessions to master developers for including housing in approved plans. Develop a procedure whereby developers of joint use projects, using a series of bonus and concession formulas (such as increasing FAR per unit of housing developed) would be induced to provide a number of medium rent housing units within a project at a suitable location.

- Develop a planning approval procedure whereby applicants for joint-use projects can receive rapid, equitable review of proposals where housing appears to be a desirable ingredient.

- Examine the relationship of such a joint-use approach to development regulations in general, particularly in the waterfront area.

- Work carefully and conserve existing housing in suitable locations, and return underutilized sites in appropriate housing locations to the residential market. Complete a survey of downtown to more precisely identify suitable locations for housing (working from the rather broad area identifications contained in the downtown planning districts).

- Investigate a city-sponsored revolving fund for housing development (rehabilitation and new construction) which could be linked to statewide financing programs for new moderate income housing development. Concentrate upon a city program whereby developers interested in the provision of moderate income housing would receive assistance similar to that found in other metropolitan areas (with the public
defraying some of the planning costs, and perhaps providing outright grants for the remodeling of valuable segments of the inventory).

Consider creation of a Division of Housing Production or Coordination that would operate in conjunction with, but not under the authority of, City of Portland departments or the Portland Development Commission. This agency would have the clear-cut responsibility for working with state and private agencies in the moderate and middle income housing area. Place the responsibilities for development of lower income housing squarely in that agency where access to federal and other sources of public housing finance exists. Remove the responsibilities associated with lower-income housing from agencies responsible for dealing with private developers of market-rate housing. Far too much attention is paid to the rather impossible task of developing below-market-rate housing through the private market producers. It is not a viable approach.

Set a 1990 target of 1,000 market-rate housing units for the downtown. Reassess progress on a regular basis, and readjust the target up or down as progress is achieved on the bonus-concession approach or from non-assisted sources.

Examine the legal, political and financial implications of instituting tax abatement or related incentives with respect to the development of downtown housing, but with full recognition of the problems inherent in redirection or curtailment of multiple agency revenues from real property taxes.

Work to eliminate or substantially modify the restrictive requirement of the Building Code which prevents more than 50 percent of a building's value being added without bringing the entire building up to code. This requirement clearly works to remove buildings which could be rehabilitated in a series of stages. Fire safety in the form of one-hour firewalls and doors, additional corridor exits and sprinkler systems may certainly be necessary; but when viewed in terms of the number of downtown tenants who are living under far worse conditions of sanitation, inadequate heat and plumbing and the like, it makes little sense to penalize an owner who cares enough to want to put in any improvements. It is questionable, also, whether any masonry structure can be brought up to earthquake standards without incurring costs beyond new construction cost levels.
Public Policy Questions

- There is relatively little that central cities can do of a direct nature to influence regional development trends. In Portland’s case, it would use the threat of water rate increases or other such devices for leverage.

- A better method is to engage in a variety of indirect measures to preserve Portland’s status vis-a-vis the metropolitan area. One of these is to encourage outlying areas to divert multi-housing into concentrations easily serviceable by public transit, thereby strengthening the central area. In general, open up direct lines of communication with outlying governments, aimed at discussing mutual goals and objectives. There is a necessity to identify policies that are favorable, negative or neutral with respect to both. The City can identify where its best interests can be served by the counties, and the counties can ask for favors in return. None of the cities is raising questions as to what it should become in a hierarchy of regional communities. The indirect route through supraregional governments (i.e., CRAG) helps, but the most effective vehicle is through direct conversation.

- Encourage cooperation with respect to new outlying shopping centers. Encourage their construction more in line with the incremental growth in SMSA retail space demand, rather than follow beggar-thy-neighbor policies.

- With respect to local policies, realize that what happens in areas peripheral to the downtown can have even more profound effects on downtown than what happens in suburban areas. In particular, minimize the competitive advantages of peripheral areas by imposing on them zoning, parking and other controls that are advantageous to the downtown.

- Use urban renewal tax increment monies judiciously. Use TA revenue in areas where the consequences are limited to one or two private developments alone only with the greatest of reluctance. The function of renewal is partly to bring about an upgrading of areas that have undergone decline, but principally it is to stem further downgrading and to force an upgrading of properties peripheral to the renewal boundaries. It is particularly designed to upgrade areas which could not undergo renewal in the absence of intervention, because of multiple ownerships, the necessity to develop on a massive scale, and so forth.
Reconsider attitudes and positions with respect to conventional urban renewal tools and procedures (condemnation and clearance). These tools can be used on a spot, rather than widespread, basis with excellent results, without the negative consequences of massive renewal. Merely by being able to threaten use of condemnation would enable the city to move desired projects ahead with greater effectiveness. Moreover, development of large multi-use projects, the most dynamic central city investment device at work today, is robbed of its effectiveness without city-assisted intervention in the land market.

Develop effective ordinances regarding elimination of surface parking. Do it judiciously, phasing controls over time so as not to disrupt existing parking, tax revenue and land use requirements in downtown. Such a program may have to begin by being limited to a specific area at the outset, but one objective of the city should be to convert underutilized land into offices, housing, hotel and other urban uses to generate a more dynamic quality into downtown.

As was seen in Section II, the outlook for downtown land uses, aside from housing and perhaps retail, appears very favorable. Hence, the principal implications of the City's moving ahead with implementation recommendations relate to the effect on housing and retailing. They would also indirectly affect the other principal land uses, however, in the sense that they would tend to enhance and augment downtown locations vis-a-vis projects located in outlying areas.

It would be impossible to calculate precisely the extent of the effect of Plan implementation on housing and retailing, as their magnitudes would depend upon how many of the above recommendations were actually put into effect, the vigor with which they were pursued, the extent to which ordinances or policies were carried, etc. Nonetheless, it is possible to say in a general way that at least an additional 1,000 market-rate dwelling units could be added to the downtown and an equivalent number of moderate income, assisted housing units could also be feasible. With respect to retailing, an additional 1 million square feet of such space would be possible, providing the City was willing to take some rather dramatic steps, such as encouraging development of an in-town shopping center or a variety of multi-use centers, assisted through conventional urban renewal processes. In any event, one major improvement that would be forthcoming would be elimination of much of the blight and otherwise negative environmental conditions associated with surface parking. With this measure, the City would bring down the scale of office, hotel and other buildings, increase the numbers of such structures, and, in general,
bring about an upgrading in the appearance and vitality of the downtown over a much broader area than is likely to be the case if the present pattern of tall buildings and ground-level parking lots is continued.