

Citywide Industrial Lands Inventory and Assessment

Prepared for

Portland Development Commission

by

ECONorthwest

99 W. Tenth, Suite 400
Eugene, OR 97401
(541) 687-0051

with

Group Mackenzie

0690 S.W. Bancroft Street
Portland, OR 97201
(503) 224-9560

Johnson Gardner, LLC

520 SW Sixth Avenue., Suite 914
Portland, OR 97204
(503) 295-7832

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Summary

BACKGROUND

The *Citywide Industrial Lands Inventory and Assessment* (the Industrial Lands Report) was initiated by the Portland Development Commission (PDC) to examine the availability of development-ready land for industrial uses in the City of Portland. This study, and two supporting technical reports, identify barriers to development and suggest ways that public policy and investment can remove those barriers. The technical reports supporting this summary report are:

- *Market Demand Analysis Report* (the Demand Report). Its main purposes are to provide (1) an economic context for evaluating land-supply issues in general, and (2) market information to ensure that the concept plans for the case-study sites are consistent with likely market demand.
- *Employment Sites Pre-development Analysis* (the Site-Evaluation Report). This document provides information about each site selected for evaluation. It identifies site, urban renewal area (URA), and policy issues that affect each sites development potential, and provides a concept plan for development (including recommended improvements to make the site more “project-ready,” costs of those improvements, and likely financial performance of the resulting development).

These two technical reports cover the details of the assumptions, data, analysis methods, and findings that are summarized in the Industrial Lands Report.

FINDINGS

THE MARKET FOR INDUSTRIAL LAND

The City of Portland has over 4,000 gross, vacant employment acres, but more than half of the supply is constrained. According to the preliminary results of the Portland’s Industrial Land Inventory, the City has a total of about 2,000 gross, vacant, buildable acres. To accommodate the forecasted industrial employment growth of about 10,500 employees in the City of Portland from 2000 to 2010, the City would need over 700 net acres (about 800 gross) of vacant industrial land. Between 2000 and 2025, the need is about 1,700 net vacant buildable industrial acres (about 1,900 gross) to accommodate about 25,500 employees.

While the Demand Report estimates the City has nearly three times more buildable industrial land than it will absorb over the next 10 years, and on the order of 15% more than it will absorb over the next 25 years, these surpluses must be viewed with caution. First, they are derived from a generalized database, not from detailed fieldwork. Second, they do not

consider several policy changes that could reduce the supply of land—E-Zoning, environmental contamination issues (unidentified and identified Brownfield areas), land-lease only for Port owned land, and existing river-dependent restrictions on some riverfront properties—all of which are likely to constrain additional vacant, buildable land for industrial development, reducing the surplus.

Moreover, “vacant, buildable” industrial land is not the same as “development-ready” industrial land, which should be substantially less (the buildable land may lack services or be constrained by owner preferences in such a way that it cannot be purchased and under construction in six months). There are a number of opportunities and constraints that affect when the land will be ready to develop and what type of use will likely occupy the land. The Industrial Land Inventory, at its present level of development, does not have the information necessary to make an assessment of “development-ready.”

While the preliminary industrial land inventory does not provide enough information to be able to assess the readiness for development of sites, the combination of what appears to be substantial buildable land, a sluggish market, and an over-supply of speculative industrial space with more already announced in the pipeline suggests that most users of industrial buildings and land should be able to find an adequate supply in the short-term (one to three years). The qualification of that statement is (1) there may be short-term problems for users needing larger (10 acres, plus), development-ready parcels, and (2) after the short-run (3-5 years) the problems will get worse as the existing supply of built space gets absorbed, and because the City of Portland cannot expand its boundaries to bring in vacant land for industrial development.

CASE STUDIES

The 18 case studies conducted for the Site Analysis Report provided specific examples of barriers to development. It is expected that at some point in the future, these sites will attract firms that are willing to develop the sites, even with the existing barriers. Many sites, however, exhibit more than one barrier, making them unattractive for development in the short run. Major barriers include:

- Conflicts between Plan District and Urban Renewal Area goals and current land uses
- Parking maximums and minimums that place restrictions on a site that may conflict with industry and market standards
- Difficulty accessing sites
- Expansion of environmental overlays reduces the viability of industrial development by removing developable land from the site area
- High vacancy rates erode the viability of the site concept plans. While the financial analysis (part of the Site Evaluation Report) indicates

residual property values consistent with what would be required to support a viable development in many of the concepts, the underlying assumption of 10% vacancy in these scenarios is not currently realistic.

RECOMMENDATIONS

There are a variety of activities that the City and the Portland Development Commission can conduct to increase the development readiness of vacant industrial land within the city and promote efficient redevelopment of industrial sites. The following is a list of recommendations made by the consultants (ECONorthwest and Group Mackenzie) for the consideration of Portland Development Commission staff and Commissioners.¹

REGIONAL

Portland's economy is intertwined with businesses located throughout the region. A strong regional economy, and an adequate regional supply of industrial lands, is important to the health of the City's economy. The City has a comparative advantage as a financial and business service center for firms throughout the region, and its economic and fiscal position can be improved if those firms do well, which growth of high-tech and manufacturing in the region can help achieve. For other manufacturing and distribution firms, the City must depend on its other comparable advantages, such as central location and access to the Port and rail, to keep expanding employers and attract new ones.

Regional ('R') recommendations address issues that Portland does not have the authority or ability to resolve on its own, but which it could attempt to resolve by cooperating with the efforts of other governments in the region:

- **R1: Work with Regional Economic Development Partners.** For all aspects of economic development, including programs to make industrial land development-ready, regional coordination is desirable.
- **R2: Support UGB expansion for large-site industrial uses.** The City or PDC should support what the rest of the region, through the Metro process, believes to be appropriate (technically and legally) expansions of the UGB to accommodate future industrial development.
- **R3: Support further study of regional employment land.** A regional *employment* lands study would potentially address issues raised in this report regarding the fact that (1) not all industrial businesses in Portland have a high export component and many non-industrial businesses do, (2) some of those non-industrial businesses are currently using industrial land and would do so in the future, and (3)

¹ These are the consultants' recommendations and do not necessarily represent the views of PDC staff or Commissioners.

the expansion of some of those businesses could be slowed down by a parallel lack of *commercial* land.

- **R4: Work with regional partners to maintain and improve the transportation infrastructure.** The industrial firms in the region require a functioning transportation infrastructure that includes air, roads, rail, marine, and telecommunications.
- **R5: Remove farm tax deferral program on land inside the UGB.** The site evaluations in this study found at least one case where industrial land in the City has tax deferments for current farm uses.

CITY AND DISTRICT

The City needs accurate information about the quantity and quality of the existing industrial land opportunities. This report, and the Industrial Lands Inventory prepared by the Bureau of Planning (July 2003), is an important step in understanding the quantity of vacant, buildable industrial land. These reports identified 75 sites that are five acres or larger of vacant, buildable industrial land in the City. The City needs to better understand the development issues on each of these sites to make them ready for development. City and district ('C') recommendations include:

- **C1: Get a more detailed accounting of the City's inventory of industrial land.** In particular, the City should collect additional information about indicators of "development readiness" for the approximately 75 sites in the City that have five or more acres of vacant, buildable land.
- **C2: Identify and preserve sites that provide the best opportunities for large employers.** Sites (individual sites and adjacent vacant sites that may be aggregated) should be identified and a strategy developed (most likely, either Title 4 or public acquisition) to preserve these sites.
- **C3: Update industrial sanctuaries.** One strategy for reducing commercial speculation on industrial land is a clear and firm zoning policy that does not allow or substantially limit non-industrial uses. Industrial sanctuaries are one tool the City can use to restrict non-industrial supporting commercial, retail, and residential uses in industrial zones.
- **C4: Acquire financial resources, to clean up, or assist in cleaning up, polluted sites.** The City should pursue multiple options for flexible funding mechanisms to clean Brownfield sites.
- **C5: Prepare an industrial redevelopment plan for the City of Portland.** The creation of an industrial redevelopment plan that identifies potential sites and provides a variety of financial and

programmatic tools and incentives to aid development is important to the continued viability of Portland as an industrial city.

- **C6: Provide built space by facilitating redevelopment.** The City's supply of vacant, buildable industrial land is not small (2000 acres), but it cannot be added to by boundary expansions. New industrial development in the City will increasingly occur on land that has previously been developed. The City should develop a strategy for redeveloping vacated and underutilized industrial sites. Strategies include public assistance in resolving seismic, brownfield, access, infrastructure, and other redevelopment problems, and public incentives (e.g., SDC credits) that would promote private sector interest in consolidating parcels for redevelopment.
- **C7: Expand or create new Urban Renewal Areas.** Urban Renewal Areas are at a redevelopment advantage as they are eligible for tax increment financing (TIF). Additional funding can help finance infrastructure improvements, provide grants to local businesses, and other improvement programs.
- **C8: Prioritize funds for site acquisition or remediation.** There are a number of key sites that have potential for aggregation for large industrial users, provide better access to sites, or environmental remediation. The City should pursue funds for projects that show a high level of return for the City's investment.
- **C9: Provide funding for environmental review.** Because the extent of environmental contamination on industrial sites is not fully understood, the City should consider providing grants to property owners in order to complete Level I and Level II environmental assessments on their properties.
- **C10: Create a development regulatory structure that is understandable, predictable, stable, timely, and customer driven.** Many of the barriers identified in the site analysis include multiple regulations that are so burdensome that they significantly inhibit development at some sites. The City should continue its regulatory improvement process, with an increased emphasis on removing barriers to desired development.
- **C11: Continue working with the Port of Portland to make its industrial land ready for development.** The City should work with the Port to develop programs and marketing tools to encourage appropriate industrial development of Port properties.

SITE-SPECIFIC

The 18 case studies provided specific examples of barriers to development for vacant and redevelopable sites in Portland. While most barriers are not considered long-term barriers, many sites exhibited more

than one barrier, making them unattractive for development in the short run. Site-specific ('S') recommendations include:

- **S1: Evaluate and recommend changes in parking and use restrictions that constrain development.** Parking was an issue in the Holman, St. Vincent de Paul – West, and intent of plans and current use is an issue at the Bitar, Bauer, and American Waterways sites.
- **S2: Remove the River Industrial (i) Greenway overlay from the BES Swan Island site.** It is questionable whether river-related use is feasible on this site.
- **S3: Relocate radio towers.** PDC should consider assisting in the relocation of the radio towers. These sites have reasonable development potential, but the first action item is to move the towers.
- **S4: Preserve Radio Tower Marine Drive site for a large industrial user.** The site, which includes five parcels with multiple owners, has been identified for its potential as a large acre, single user site.
- **S5: Consider eliminating the expansion areas of the City's Environmental Zone from the Radio Tower Airport Way site.** That site will be severely impacted by the expansion of the Environmental Zone: 36% of the site would be undevelopable under the proposed expansion (which is still under consideration by the City). The remaining site would be shaped in such a way to make it difficult to develop an industrial flex product that would house light industrial users.
- **S6: Master plan and invest in infrastructure and transportation improvements on Columbia Boulevard, west of I-5, to support redevelopment of Simpson Lumber and Fletcher Food sites.** Numerous development issues (such as drainage and storm water issues, topography, Environmental Zones, and access challenges created by the Union Pacific rail line) make these sites difficult to develop. The resolution of these issues should be done on an area wide basis, as opposed to site by site, with a focus on providing opportunities for development ready sites in the Interstate Corridor URA.
- **S7: Master plan and invest in infrastructure and transportation improvements at the American Waterways site.** The recommendation is to engage the property owners and other interested parties to initiate a master development planning process to address opportunities, barriers and issues, that would result in a plan that would set the stage for redevelopment of this prime riverfront site.

- **S8: Pursue activities that improve access to sites.** The Radio Tower Airport Way, Radio Tower Marine Drive, Fletcher Foods, and Simpson Lumber sites have access issues that should be addressed to facilitate development while ensuring safe ingress/egress.

BACKGROUND

The mission of the Portland Development Commission is “to bring together resources to achieve Portland’s vision of a diverse, sustainable community with healthy neighborhoods, a vibrant urban core, a strong regional economy and quality jobs for all citizens.” The goals of the *Economic Development Strategy* of the City of Portland and the PDC (2002) include the creation of (1) jobs, income, and wealth, and (2) investment that generates municipal revenue to fund the provision of facilities and services that maintain and enhance our quality of life.

PDC and the City of Portland want to ensure that the City has an adequate supply of development-ready land for non-retail employment uses. For the purposes of this report, “development-ready” means that a developer or business could begin construction within six to twelve months of deciding to do so. For that to occur, land must be:

- Vacant and buildable. If previously developed, it must be either already cleared for development or have minimal structures that can be quickly demolished or re-used, and it must not have any potential for delays associated with required environmental clean-up.
- Properly zoned and otherwise free of real or potential policy constraints.
- Adjacent to major infrastructure with capacity to serve the development at competitive prices (at least roads, water, and sewer).
- On the market at competitive prices.

Whether the land that is available is sufficient requires some assessment of the demand for that land.

In Spring 2003, PDC contracted to have these issues investigated. The results of that investigation are contained in this report: the *Citywide Industrial Lands Inventory and Assessment* (the Industrial Lands Report). The aim of this report is to increase the supply of industrial land (primarily) and commercial land (secondarily) in Portland that the private market perceives as ready for development. It identifies barriers to development and suggests ways that public policy and investment can remove those barriers.¹

This document is the summary report for the study. It summarizes the findings of the two technical reports, and expands on strategies and policies that the City and PDC might consider to make more job-supporting land

¹ For more information about the scope of this study—about what issues it addresses and does not address—see Appendix A of this report.

available for development faster. The technical reports supporting this summary report are:

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- *Employment Sites Pre-development Analysis* (the Site-Evaluation Report, or Case-Study Report). This document provides information about each site selected for evaluation. It identifies site, urban renewal area (URA), and policy issues that affect its development potential, and provides a concept plan for development (including recommended improvements to make the site more “project-ready,” costs of those improvements, and likely financial performance of the resulting development).

These two technical reports cover the details of the assumptions, data, analysis methods, and findings that are summarized in this document.

The findings in this summary report draw from the following sources:

- **Review of the Market Demand Analysis.** The Market Demand Analysis evaluated many sources of data, including the preliminary Industrial Inventory Database provided by the Bureau of Planning, employment data from the Oregon Employment Department and U.S. Bureau of Labor Statistics, forecasts Metro’s integrated land use and transportation model (MetroScope), and market transaction data from CoStar, RealNet, and Norris, Beggs & Simpson.²
- **Review of the Site-Evaluation Report.** Information for site concept plans came from a review of Portland’s zoning and development code, and a site analysis. PDC staff and the market demand analysis consultant team provided expertise and input into the formation of site concept designs throughout the project. The site-evaluation team, led by Group Mackenzie, provided suggestions on policies to alleviate some of the constraints they identified with respect to site development.
- **PDC and Consultant Meetings.** Two meetings of PDC and consultant staff were held in June to identify and evaluate possible policy changes.

ORGANIZATION OF REPORT

The remainder of this report is organized as follows:

² Information on projects either under construction or planned and proposed was provided by Norris, Beggs & Simpson. Land sales comparables were provided by CoStar.

- **Chapter 2 The market for industrial and employment land** summarizes the findings from the Market Demand Analysis to provide context to the policy implications, conclusions, and recommendations.
- **Chapter 3 Case studies of employment sites** summarizes key observations of the site analysis by major observed topic, as opposed to a site-by-site list of observations. Data in this chapter is derived from site analysis and concept plans completed by Group Mackenzie.
- **Chapter 4 Conclusions and recommendations** discusses the implications of the information in Chapters 2, 3, and 4 (economic context, case study observations and corresponding policy implications.).
- **Appendix A Scope of this report** provides more information about the scope of this study, including what issues it addresses and does not address.