

PRELIMINARY URBAN GROWTH REPORT

2009 – 2030

Residential – Executive Summary

March 2009 draft

 Metro | *People places. Open spaces.*

INTRODUCTION

Planning for the future is not just an exercise in providing numbers and forecasts. Planning creates opportunities for people and communities to define and articulate their collective desires and aspirations for enhancing the quality of life in our region. It allows citizens and their elected leaders to take stock of the successes that have been achieved in their communities through years of hard work. It also forces us to think carefully about and to be accountable for the costs of our choices, ensuring we get the greatest possible return on public investments.

Planning for the long term provides us with an opportunity to confront new challenges – such as climate change, fluctuating gas prices and changes in the global marketplace – and decide how best to meet them while sustaining a healthy economy, protecting our natural resources and creating safe and vibrant places to live and work.

We live in a place where planning ahead is a way of life. Those of us who live in the Portland metropolitan region are the beneficiaries of a valuable inheritance. The citizen leaders, business owners and elected officials who came before us had the good sense to recognize the beauty and abundance of our region, the foresight to plan for our future and the creativity and wisdom to invest in their vision. Today, we reap the benefits of distinctive, compact cities surrounded by farms and forests, connected by an expanding light rail system with networks of parks and natural areas that link the Cascades with the coast.

We're not starting from scratch. We begin with a forward-thinking and widely-regarded long range vision, the 2040 Growth Concept. To date, we have had great success in implementing that vision and its call for compact, vibrant communities. Another tool that the region has for achieving those results is the urban growth boundary which was adopted thirty years ago. The boundary and the 2040 Growth Concept encourage efficient use of land, support activity in centers and along main transportation corridors and protect our agricultural and natural heritage. Expansions of the boundary have been made with the aim that they maintain these qualities while providing additional residential and employment capacity.

Despite adding approximately 28,000 acres to the boundary since 1979, we've accommodated virtually all of our region's growing population within the original boundary. In the last ten years alone, almost 95 percent of all new residential development occurred inside the original boundary. In many communities, growth has transformed once-abandoned business districts into bustling centers. In others, public investments are not keeping pace with population growth. As we plan ahead, we have much to be proud of and ample room for improvement.

What is the purpose of an Urban Growth Report?

Oregon's land use laws were crafted to protect and maintain a high quality of life for our citizens. Because one of the most important measures of quality of life is the ability to choose an appropriate and affordable place to live, our land use laws address how we as a society provide housing opportunities.

In the Portland metropolitan area, Metro is the agency legally responsible for anticipating changes in population and monitoring the availability of an array of housing to meet people's needs. Oregon land use law requires that Metro maintain capacity sufficient to house the numbers of people anticipated to live here over the next 20 years. For this reason, every five years, Metro conducts an inventory of the current residential capacity within the urban growth boundary, forecasts population growth over a 20-year timeframe, calculates the anticipated need, and documents the results of these analyses in an urban growth report.

WHY DO THINGS DIFFERENTLY?

A rapidly changing world compels us to step back and reconsider how we have traditionally planned for growth and determine whether those assumptions will be valid in the future. We must consider whether sticking with familiar ways of doing business could inadvertently lead our communities to be ill-equipped to deal with future uncertainties.

The changing American family

The composition of our households is different today than it was in the past and it will change even more in the future. Of U.S. households in 1960, 48 percent included children and 52 percent did not, with 13 percent including just one person. Demographic trends indicate² that in the Metro region by the year 2040, only 28 percent of households will include children while 72 percent will not, with 26 percent including just one person. This change in household configuration is partly due to changes in the number of children that people are having, but mostly occurs because people are living longer, well past child-rearing years. These demographic shifts tell us that we need to plan for a different mix of households than we have in the past.

Worldwide economic crisis

In the latter part of 2008, it seemed we were witnessing merely the bursting of an over-inflated housing market bubble. As events have played out, however, we've witnessed a worldwide economic downturn of a scale not seen since the Great Depression. In the Portland metro region, our tradition of planning has helped to protect housing values, avoiding the worst of both the bubble and its burst. According to the Case-Shiller index, during the period of December 2005 to December 2008, home prices in the Portland region decreased by only three percent, compared with decreases of 43 percent in Las Vegas, 31 percent in Tampa, 13 percent in Atlanta, and 40 percent in San Francisco.

No one knows how low the economy will sink, whether the efforts of the federal government will succeed in bringing about a recovery or how long that recovery will take.

What kind of region should we leave to our children?

In the summer of 2008, the Metro Council, with guidance from the Metro Policy Advisory Committee, agreed that our planning efforts should start with defining the outcomes that our citizens tell us they want. To that end, the Metro Council and our regional partners in local government adopted six desired outcomes to guide our regional planning for the future:

1. People live and work in vibrant communities where they can choose to walk for pleasure and to meet their everyday needs.
2. Current and future residents benefit from the region's sustained economic competitiveness and prosperity.
3. People have safe and reliable transportation choices that enhance their quality of life.
4. The region is a leader in minimizing contributions to global warming.
5. Current and future generations enjoy clean air, clean water and healthy ecosystems.
6. The benefits and burdens of growth and change are distributed equitably.

² C. Nelson (2008). *Metropolitan Portland Mega Trends 2005-2040*. Presentation given on October 8, 2008 and available electronically at <http://www.oregonmetro.gov/files/planning/nelson.pdf>

If, as many perceive, we are in the midst of a fundamental long-term economic transformation, moving from a manufacturing base to an idea-generating base, the regions that thrive are likely to be those that provide an environment where talented, educated professionals can easily interact. Our region's long range vision, the 2040 Growth Concept, is the blueprint for creating that environment. Now we must renew our efforts to implement it.

A warming planet

What changes should we anticipate on our landscape and from our climate? While researchers do not predict significant changes in annual precipitation amounts for this region, they do anticipate that even a modest rise in temperature will reduce the annual snow pack in the Cascade Range, affecting the amount of water available for urban and agricultural use throughout the dry season. A reduction in summer flows will also reduce the energy generated by hydroelectric dams.

We must plan for reduced water and power at the same time as a growing population places greater demands on these resources. Oregon law sets ambitious targets for reducing greenhouse gas emissions³. Though it has not yet been determined where responsibilities for these reductions will lie, it is clear that we must redouble our efforts to foster the development of compact, walkable, mixed-use communities with access to reliable transit.

Fluctuating energy and food prices

Motorists across the country experienced gas pump sticker shock in 2008. For many, filling their tanks became a significant financial investment when fuel prices topped four dollars a gallon during the summer months. In the Portland metro area, transit ridership set new records. The connection between the price of gas and the cost of goods also became startlingly apparent, particularly as food prices skyrocketed due to the rising cost of transporting products from farm to market. Because our strong transportation system provides for a variety of ways to get around, we are better positioned than many areas of the country to cope with inevitable future fuel price spikes and shortages. Intelligently planned patterns of urban growth can decrease our dependence on foreign oil sources and the cost of commuting. We can also strategically plan future growth to retain or increase access to fresh, locally grown foods.

Expensive pipes and pavement

The Portland metropolitan region, like most cities in the United States, faces a challenge with deteriorating and inadequate infrastructure. A 2008 study commissioned by Metro estimates the cost of building public and private facilities to accommodate growth in the three-county Portland metro area through 2035 will run between \$27 billion and \$41 billion. Traditional sources of funds would likely cover half of that. In addition, the region needs \$10 billion to repair and rebuild existing sewers, sidewalks, roads and other public systems.

Regardless of how we choose to accommodate more growth, there is much to do and much to pay for. We need to consider the potential return on public investments, pool regional resources where appropriate, strategically manage future demand, embrace emerging technologies and creative approaches and identify new sources of funding.

³ *Oregon House Bill 3543 (2007) mandates a halt in the growth of greenhouse gas emissions by 2010; by 2020, a 10 percent decrease below 1990 levels; by 2050, at least a 75 percent decrease below 1990 levels.*

2009 RESIDENTIAL ANALYSIS: RANGE DEMAND AND SUPPLY

In addition to reviewing our past, the urban growth report peers into the future to consider the conditions and the needs of the people living here decades from today. Most any view into the future is inherently cloudy and because of this lack of precision, it is wise to consider a range of possibilities and plan for contingencies. For that reason, the population forecast and housing capacity analysis in this report are both expressed as ranges, allowing the region's elected officials and citizens the opportunity to err on the side of flexibility and resilience in choosing a path.

The capacity analysis included in the report assesses the potential gap between anticipated population and anticipated capacity for housing growth. It is that difference that requires the region to act now to ensure that future generations have housing choices in vibrant, sustainable communities.

How many households are we planning for?

Population growth is a primary factor that influences future housing need (more detail on the 20-year range forecast is available in the Executive Summary of the 20- and 50-year range forecasts, released March 19, 2009, and available online at www.oregonmetro.gov/forecasts). In order to determine whether there may be a need for additional residential capacity within the 20-year planning period, the population forecast is converted to a household range forecast.

The forecast begins with the seven-county Portland Primary Metropolitan Statistical Area (which includes Clackamas, Multnomah, Washington, Clark, Yamhill, Columbia, and Skamania counties) and is then narrowed to the area within the urban growth boundary. To identify the range of dwelling unit demand in our region, Metro calculates a capture rate, an estimate of the portion of the seven-county population that could settle within Metro's urban growth boundary by the year 2030 (61.8 percent, based on historical experience). In order to assess need, a vacancy rate – the percent of capacity that would need to be vacant at any given moment to allow for people to move from residence to residence--is also calculated (four percent, as used in the 2002 UGR).

New dwelling unit demand range within the Portland metro area urban growth boundary (2007-2030)

Low end of forecast range

224,000 dwelling units

High end of forecast range

301,500 dwelling units

It is estimated that there is a 90 percent chance that the rate of growth will fall within the forecasted range.

What is the capacity range?

The report is intended to launch a discussion of how the region might adapt more of its existing capacity to meet future market demand. This purpose is in keeping with guidance provided in Oregon Statewide Planning Goal 14 to take actions inside the existing urban growth boundary first and to determine if growth cannot be “reasonably” accommodated inside the existing boundary before expanding it. This approach supports decision-making that is focused on the possible outcomes of our choices.

Our region’s capacity to accommodate growth changes over time. Residential capacity within the existing urban growth boundary is a product not just of the zoned capacity of vacant buildable land, but also of the amount of redevelopment and infill that is likely to occur within the 20-year time period. In some locations the zoned capacity may exceed demand. Market dynamics can shift because of a variety of public and private sector influences; local investments in development incentives and infrastructure can play an important role. This analysis distinguishes between capacity that may be counted on within the next 20-year period and that which relies upon changing market dynamics.

Low supply

Key assumptions:

- Market feasibility factor applied to high-density multi-family and new urban areas
- Refill at 27%
- No units from urban renewal or incentives

184,500 dwelling units

High supply

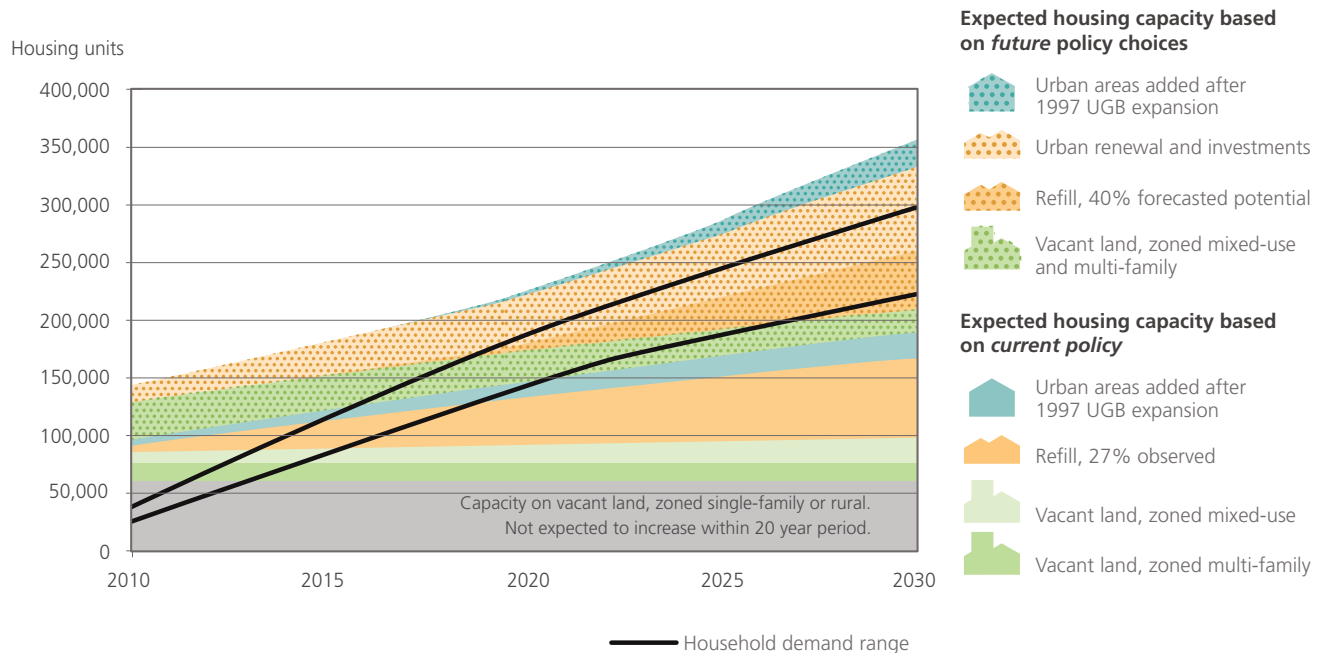
Key assumptions:

- Market feasibility factor NOT applied to high-density multi-family and new urban areas
- Refill at 40%
- Additional units from urban renewal and/or incentives

358,300 dwelling units

Figure 1, below, depicts the 20-year dwelling unit demand range along with a dwelling unit capacity range. The demand range is illustrated with two black lines that show the upper and lower end of the household forecast. Two primary types of dwelling unit capacity are identified in this figure. The capacity depicted with solid colors is considered market-feasible capacity that can be relied upon with a continuation of current policy and investment trends. The capacity depicted with dotted colors is deemed to be zoned capacity that requires additional policy or investment actions to make it market feasible by the year 2030.

Figure 1 Household demand forecast and sources of residential capacity
Within current Metro urban growth boundary



Expected housing capacity based on current policies

The first type of capacity depicted in Figure 1 with solid colors is zoned capacity inside the current urban growth boundary that is market feasible (by the year 2030) with no change in policy or investment trends. A significant portion of this capacity is on vacant lands. Based on the most up-to-date information on local zoning, vacant land zoned for single-family residential use is a substantial source of market-feasible capacity. There is also market-feasible capacity on vacant lands zoned for multi-family residential and mixed uses. The figure illustrates the minimum amount of household growth (27 percent, in keeping with historic rates) that could occur through redevelopment and infill (“refill”) by the year 2030. Finally, a portion of new urban areas (areas brought into the urban growth boundary from 1998 onward) is deemed to be market feasible by the year 2030.

Expected housing capacity based on future policy choices

The second type of capacity depicted in Figure 1 with dotted colors is zoned capacity inside the urban growth boundary that is likely to require changes to public policies and investments to make it market feasible by the year 2030. Policy and investment actions taken at the local and regional levels can increase the refill rate as well as the market feasibility of vacant lands. These are the very actions that can make our communities even greater places to live, work and play.

What is the potential gap between housing demand and capacity and what are some policy choices?

Although adequate zoned capacity exists inside the current urban growth boundary, in order to meet even the low range of the forecasted demand the region must take some action (e.g. make policy changes or investments) to make more of that zoned capacity market feasible. If enough policy changes and investments are put in place, it will be possible to meet the high range of demand without expanding the boundary. These policy and investment actions, by their nature, can make our communities more desirable places to live.

The potential difference between projected dwelling unit demand and supply (in the year 2030) could range from a deficit of 117,000 dwelling units (low supply, high demand) to a surplus of 134,300 units (high supply, low demand).

Local and regional policy and investment choices made over the next two years will influence where we settle within these ranges and will shape our region's future. As we make these choices, questions to consider include:

1. What are some policy changes that could be made to increase the desirability (market feasibility) of higher density, mixed-use developments?
2. What is the right balance of incentives and urban growth boundary expansion policy to increase the region's rate of redevelopment and infill in centers, transportation corridors and main streets?
3. Will the region identify an infrastructure funding source to support development in past boundary expansion areas?
4. Will there be a market for higher density residential developments in urban growth boundary expansion areas (past and prospective)? If so, during what time frame? What are the characteristics of expansion areas where this type of development would be marketable?
5. What are the relative costs of investing in different locations?
6. Under what conditions is it no longer "reasonable" (per Statewide Planning Goal 14) to accommodate growth inside the existing urban growth boundary?

NEXT STEPS

This preliminary urban growth report that is designed to frame policy questions and choices for the region's residents and elected leaders to discuss and address throughout 2009. As such, it will evolve in response to public input and to any policy decisions made by local and regional governments this year.

This document is the first of two parts of the preliminary urban growth report and deals solely with the capacity to address residential needs. A second part, addressing the capacity of the current boundary to accommodate the forecasted employment growth over the next 20 years, will be released for public review in late April 2009.

This summer, regional leaders will engage in a more specific discussion of the long-term aspirations of local communities and the capacity assumptions in the preliminary analyses, culminating in a draft urban growth report to be issued in September 2009. This fall, the Metro Council, with the boards of commissioners of Clackamas, Multnomah and Washington counties, will adopt urban reserves to accommodate potential urban growth boundary expansions over the next 40 to 50 years, as well as rural reserves that will be off-limits for expansion during that same time period. These designations will be informed by the 2060 population and employment range forecast, released on March 19, 2009, as well as by the preliminary urban growth report.

In December 2009, the Metro Council will accept a 2030 population and employment range forecast and Metro will complete a report. This report will describe any gap in the capacity of the existing boundary that must be addressed through local and regional policy actions in 2010 and 2011.

Throughout 2010, local and regional governments will continue to implement policies and investments to create and enhance great communities while accommodating anticipated growth. By the end of the year, the Metro Council will submit to the Oregon Land Conservation and Development Commission its plans to accommodate at least 50 percent of any identified 20-year capacity need through efficiency measures designed to accommodate future growth within the existing boundary through boundary expansions. If there is any additional need to take further action to accommodate the forecasted 20-year growth, the Metro Council will consider urban growth boundary expansions into designated urban reserves by the end of 2011.

CONCLUSION

This report is not an end in itself. It provides a foundation for a robust public discussion about the type of region—and the character of its distinct communities—we want to provide to future generations, and provides an invitation to take part in that discussion and help shape this place we call home.

There are important choices to be made in the coming months. We have the collective knowledge, creativity, resources and vision to shape a healthy and sustainable future for those who come after us. The Metro Council invites the residents of the region to join in this effort to make our region the greatest place to live, work and raise a family.



Metro | *People places. Open spaces.*

Clean air and clean water do not stop at city limits or county lines. Neither does the need for jobs, a thriving economy and good transportation choices for people and businesses in our region. Voters have asked Metro to help with the challenges that cross those lines and affect the 25 cities and three counties in the Portland metropolitan area.

A regional approach simply makes sense when it comes to protecting open space, caring for parks, planning for the best use of land, managing garbage disposal and increasing recycling. Metro oversees world-class facilities such as the Oregon Zoo, which contributes to conservation and education, and the Oregon Convention Center, which benefits the region's economy.

Metro representatives

Metro Council President – David Bragdon

Metro Councilors

Rod Park, District 1

Carlotta Collette, District 2

Carl Hosticka, District 3

Kathryn Harrington, District 4

Rex Burkholder, District 5

Robert Liberty, District 6

Metro Auditor – Suzanne Flynn

www.oregonmetro.gov

Metro

600 NE Grand Ave.

Portland, OR 97232-2736

503-797-1700