CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS
Policy Session Worksheet

Presentation Date: 9/4/18 **Approx. Start Time:** 10:30 a.m. **Approx. Length:** one-half hour

Presentation Title: Metro Urban Growth Report and Urban Growth Boundary Decision

Department: Planning and Zoning Division, Department of Transportation and Development

Presenters: Jennifer Hughes, Long Range Land Use Planning Manager and Martha Fritzie, Senior Planner

Other Invitees: Dan Johnson, DTD Director; Cheryl Bell, DTD Deputy Director; Mike McCallister, Planning Director

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

None. This is an informational item only.

EXECUTIVE SUMMARY:

Metro is moving toward a December decision on whether and where to expand the Urban Growth Boundary (UGB). The Metro Chief Operating Officer will release her recommendation on UGB expansion on September 4, and the Metropolitan Planning Advisory Committee (MPAC), on which Commissioner Schrader serves, is scheduled to make a recommendation to the Metro Council on September 12 or, if a second meeting is necessary, September 26.

The draft UGR, attached, assesses the projected population growth in the region through 2038 and the capacity for jobs and housing within the existing UGB and will be used to inform MPAC's recommendation and the Metro Council's decision. The draft UGR concludes that the most likely scenario is that the seven-county Metropolitan Statistical Area (the Oregon counties of Clackamas, Columbia, Multnomah, Washington and Yamhill and the Washington counties of Clark and Skamania) will grow by 524,000 people/279,000 households over the next 20 years with 63 to 72 percent of those expected to locate inside the Metro UGB. This capture rate exceeds the historical average of 61 percent. On the jobs side, the most likely outcome is 209,000 new jobs in the seven-county region by 2038. Historically, the Metro UGB has captured 82 percent of the region's jobs.

It's important to note that the most likely outcomes fall within a forecasted range that concludes with 95-percent certainty that population growth will be between 365,000 and 659,000 and jobs growth between 135,000 and 258,000. Although state law requires a 20-year supply of land inside the UGB, the wide range of possible outcomes in terms of population and jobs growth gives the Metro Council flexibility in determining whether there is a need to expand the UGB this year and, if so, to what degree.

Four cities have submitted UGB expansion requests: Beaverton, Hillsboro, King City and Wilsonville. The requests, totaling approximately 2,200 acres, are focused on supplying land for housing and are expected to result in approximately 9,200 new dwelling units. Each of these cities was required to complete a concept plan for their expansion area and to address six desired outcomes adopted by the Metro Council. The consistent message from Metro staff is

that the UGB expansion decision will be focused on the merits of the city proposals rather than on a math exercise based on a specific estimate of land supply relative to demand.

Although not central to the current urban growth boundary decision-making process, the draft urban growth report highlights concerns and trends relevant to planning projects the County is currently engaged in. First, even at the low end of the population forecast, the region needs to build a significant amount of new housing units over the next 20 years. It seems inevitable that we will continue to grapple with challenges (e.g., infrastructure, governance, density, affordability) in determining where and how this housing development occurs. In this context, the planned countywide housing needs analysis and the ongoing work of the Housing Affordability and Homelessness Task Force are particularly relevant. Second, the UGR identifies a nationwide trend of "businesses relocating from more remote campus settings to downtowns," and states that "[b]usinesses are doing this to attract and retain an educated workforce that wants access to urban amenities." This analysis is supported by the report's finding that the highest rate of job growth in the region from 2007 to 2016 was in central Portland. The relationship between urban design and job growth can inform the County's efforts as we move forward with the Park Avenue Station Area plan and consider whether to expand such planning to the larger McLoughlin Boulevard corridor.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? ☒ YES ☐ NO

What is the cost? Metro land use coordination activities are part of the ongoing responsibilities of the Planning and Zoning Division.

What is the funding source? General Fund

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department's Strategic Business Plan goals?

  This item is directly related to the Long-Range Planning program's goal of providing coordination services to regional partners, in this case Metro, as part of the program's focus on guiding future development based on a coordinated set of goals and policies.

- How does this item align with the County's Performance Clackamas goals?

  A decision on whether to expand the urban growth boundary aligns with the County's goal to grow a vibrant economy because job creation and housing development rely on an adequate urban land supply.

LEGAL/POLICY REQUIREMENTS:

Not applicable

PUBLIC/GOVERNMENTAL PARTICIPATION:

The public and governmental participation process for the finalization of the Urban Growth Report and the decision on whether to expand the urban growth boundary is overseen by Metro. Planning staff and Commissioner Schrader have been involved in the ongoing discussions on

this issue as part of their service on the Metropolitan Technical Advisory and Metropolitan Policy Advisory Committees (MTAC/MPAC). MPAC is scheduled to vote on a recommendation to the Metro Council on this issue on September 12.

The Board submitted a letter in support of Wilsonville's UGB expansion request as part of the city's application to Metro, and the Clackamas County Coordinating Committee approved a letter of support for Wilsonville's proposal on August 2, 2018. The County has not commented on the requests of the three Washington County cities.

OPTIONS:

Not applicable. This item is informational only.

RECOMMENDATION:

Not applicable. This item is informational only.

ATTACHMENTS:

- 2018 Urban Growth Management Decision: Engagement and Process Timeline, dated July 10, 2018
- 2018 Growth Management Decision, City Expansion Proposals, dated June 2018
- Urban Growth Report (Discussion Draft, published 7/3/18)

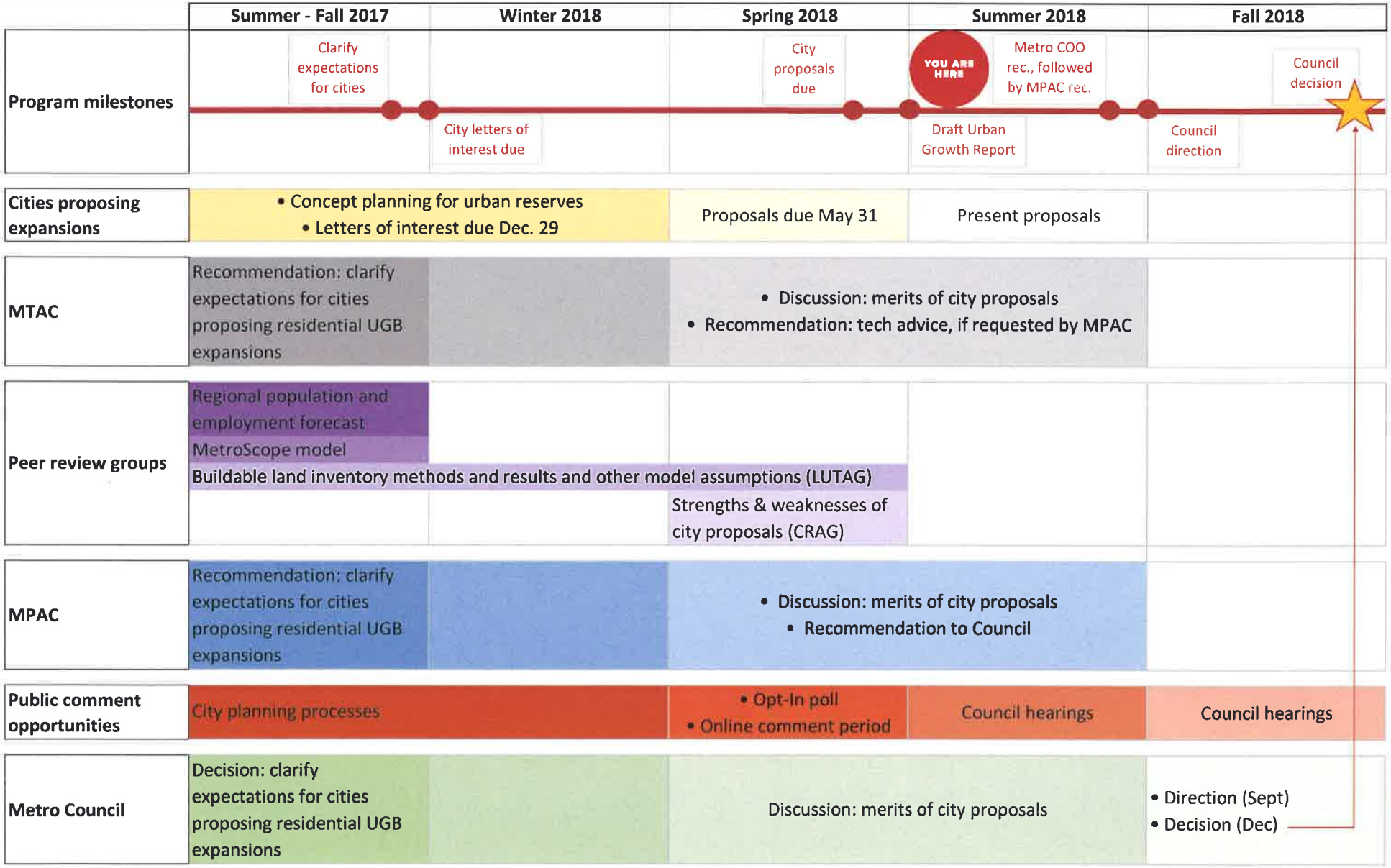
SUBMITTED BY:
Division Director/Head Approval _____
Department Director/Head Approval _____
County Administrator Approval _____

For information on this issue or copies of attachments, please contact Jennifer Hughes @ 503-742-4518

July 10, 2018

2018 urban growth management decision: engagement and process timeline

Per work program endorsed by Metro Council in February 2017



June 2018

2018 growth management decision

City expansion proposals

Metro is working with residents, elected leaders, community groups and researchers to evaluate whether communities and existing land inside the greater Portland area's growth boundary have enough room for the people and jobs over the next 20 years.

Beginning in late June, the Metro Council and its advisory committees will begin to examine the population and jobs forecast for greater Portland to inform weather the urban growth boundary needs to expand. In the meantime, Metro has asked cities to prepare information that will help determine where expansion should happen if it's needed.

If we expand, where should we grow?
To answer this question, Metro asked the cities of the region to submit proposals on where and how their communities would expand into new areas. It takes more than land to encourage new housing, jobs and communities. Generally, cities were asked to show:

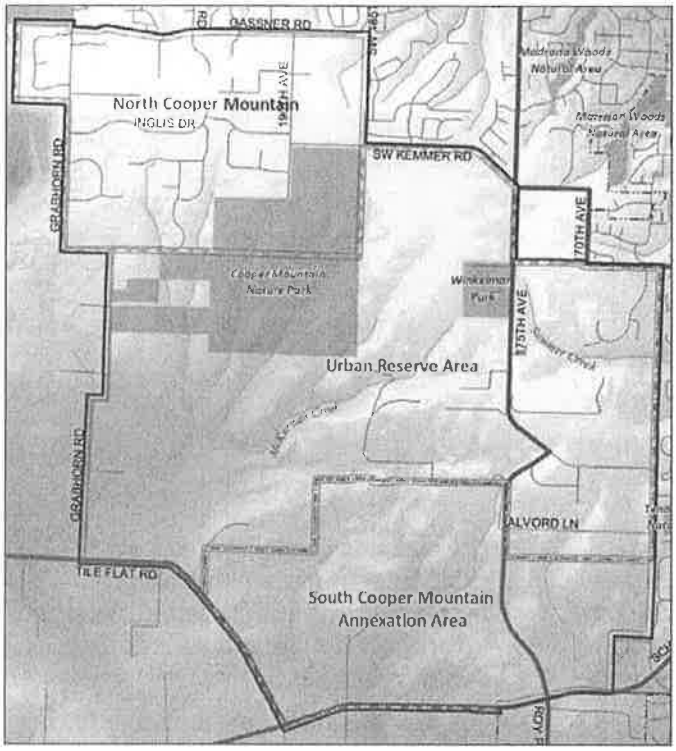
- the housing needs of people in the region, county and city have been considered
- development of the proposed expansion area is feasible and supported by a viable plan to pay for needed pipes, parks, roads and sidewalks
- the city has reduced barriers to mixed-use, walkable development in their downtowns and main streets
- the city has implemented best practices for preserving and increasing the supply and diversity of affordable housing in its existing urban areas
- the city has taken actions to advance other key outcomes, such as social equity and meaningful engagement of communities of color in community planning processes.

Four cities submitted proposals to expand greater Portland's urban footprint by 2,181 acres with hopes for developing about 9,200 homes in these areas. All expansion proposals are in urban reserves.

City	Gross acres proposed
Beaverton	1,242
Hillsboro	150
King City	528
Wilsonville	271

City of Beaverton

Name of urban reserve	Gross acres	Buildable acres	Homes planned
Cooper Mountain	1,242	600	3,760



Beaverton would like to provide an additional 12,300 housing units inside the city limits by 2035. The Cooper Mountain Urban Reserve Area could provide 3,760 units, nearly 31 percent of the projected demand, with a variety of single-family and multi-family homes.

The city will also encourage growth and development in its existing urban areas, specifically in downtown, in the Murray Scholls and Cedar Mill areas, and around transit stations and main streets through improvement programs, street improvements, key attractions and an urban design framework.

The city is also facilitating a diverse supply of affordable housing types through financial assistance, land acquisition, development code and best practices toolkit for preserving multifamily housing.

The City of Beaverton's Diversity, Equity and Inclusion plan is working to eliminate barriers for traditionally underserved populations in the city. Beaverton is also using multi-cultural engagement practices in its planning efforts by meeting these communities in their homes, restaurants and schools to hear their feedback.

City of Hillsboro

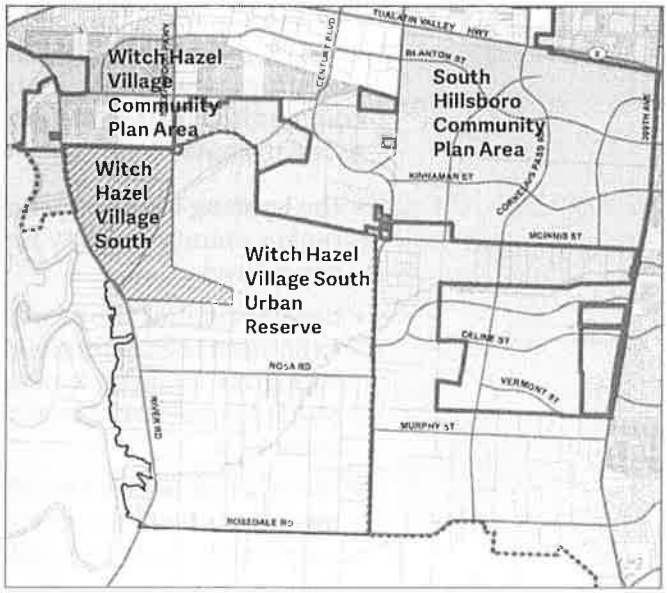
Name of urban reserve	Gross acres	Buildable acres	Homes planned
Witch Hazel Village South	150	75	850

Hillsboro expects to increase its population by 1.5 times to 156,000 people by 2045 and would like to provid an additional 1,300 new single-family detached homes over the next 20 years. The Witch Hazel Village South Urban Reserve Area could provide 850 additional residences.

The city will also encourage growth and development in its existing urban areas, specifically in downtown, the Tanasbourne-AmberGlen area and its North Hillsboro employment district and around transit stations and main streets through urban renewal, public-private partnerships and other strategies.

As of 2017, the city has over 2,100 regulated affordable housing units, making up 6 percent of the city's housing supply. After Portland, the city boasts the region's highest share (14 percent) of regulated affordable units in regional centers and town centers.

The City of Hillsboro has identified cultural inclusion and expanded engagement with diverse community members as a guiding public outreach principle going forward. Hillsboro's Public Engagement Committee will help craft the community involvement outreach strategies that engage a representative range of the community, particularly for communities of color, low-income populations and other underserved or underrepresented groups.



City of King City

Name of urban reserve	Gross acres	Buildable acres	Homes planned
Beef Bend South	528	400	3,300

King City asserts that the city limits are virtually built out, stating that with no realistic path to vertical infill growth, the city will be unable to provide more housing.

The city will also encourage growth and development through its comprehensive plan and zoning code and is discussing redevelopment opportunities with commercial property owners.

King City also allows and encourages a mix of affordable housing types, including single family attached and detached, apartments, condominiums and manufactured homes.

The mayor and city council have led an outreach effort to ensure its residents have had the chance to weigh in on planning the new urban area.

City of Wilsonville

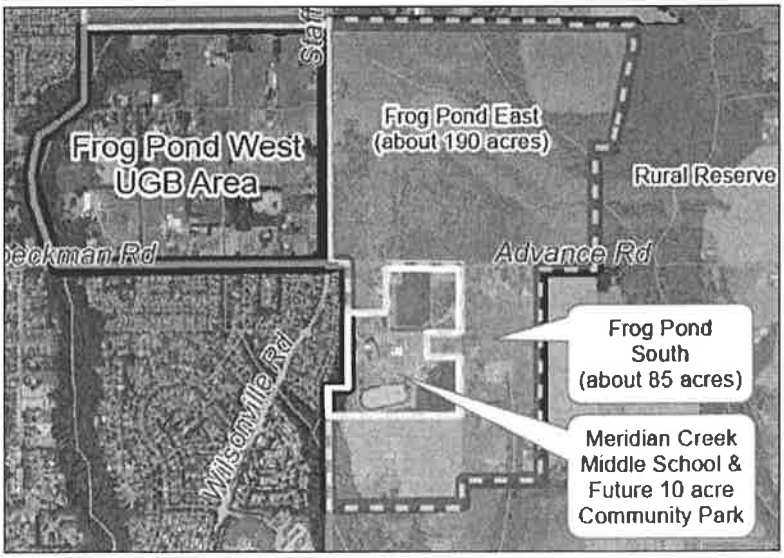
Name of urban reserve	Gross acres	Buildable acres	Homes planned
Advance Road (Frog Pond)	271	192	1,325

Wilsonville has grown at a quick pace, with an average population growth rate of 2.7 percent from 2014 to 2017. While additional single-family housing opportunities are planned for the proposed expansion area, the city is also planning for other housing options to meet various needs in the community.

The city will also encourage growth and development in its existing urban areas, specifically in the town center and other commercial and neighborhood centers such as Village at Main, Wilsonville Old Town Square and Villebois, a mixed-use, pedestrian-friendly and transit-supportive community.

The city is also committed to providing a wide range of housing types, sizes and densities at different prices and rent levels through regulated affordable housing units, property tax exemptions for properties that offer subsidized rent to low-income individuals and families, and implementing an equitable housing strategic plan.

The City of Wilsonville is working to meaningfully engage its residents in its planning processes. With a growing Latinx and Spanish-speaking population, the city is starting to integrate interpretive services and translated materials into its engagement strategies. The city council also recently declared Wilsonville a welcoming and inclusive city.



The 2018 growth management decision

Oregonians believe in a better way to manage growth. As people move here and businesses create jobs, greater Portland's urban growth boundary protects farms and forests, promotes economic development, encourages equitable housing and supports development of new neighborhoods when needed.

Metro is tasked with managing the urban growth boundary by the State of Oregon. Under Oregon law, greater Portland must have enough land inside its urban growth boundary for 20 years of growth. Land inside that boundary is available for construction of homes, employment centers and shopping areas for our region's residents. That means that even if the boundary wasn't expanded for two decades, all of the growth we expect in greater Portland can fit inside the existing boundary.

Metro is working with residents, elected leaders, community groups and researchers to evaluate whether communities and existing land inside the growth boundary have enough room for the people and jobs we expect in 20 years. If we need to expand our urban footprint, we'll work with communities to grow where growth makes sense.

By the end of 2018, the Metro Council will decide whether there is enough land in greater Portland's urban area for 20 years of growth. If not, the council will decide what areas are best suited to handle future growth.

Next steps

- **June 2018** Cities proposing urban growth boundary expansions present those proposals to the Metro Council, the Metro Policy Advisory Committee, and the Metro Technical Advisory Committee
- **June 8 – July 9, 2018** Online public comment period on city expansion proposals.
- **late June 2018** Metro releases draft 2018 Urban Growth Report
- **July 2018** Overview of draft 2018 Urban Growth Report at Council, the Metro Policy Advisory Committee, and the Metro Technical Advisory Committee
- **July 2018** City Readiness Advisory Group provides feedback on the strengths and weaknesses of city proposed expansions to Council and the Metro Policy Advisory Committee
- **Sept. 4, 2018** Metro's Chief Operating Officer recommendation
- **Sept. 12, 2018** Metro Policy Advisory Committee recommendation to the Metro Council
- **Sept. 20 and 27, 2018** Metro Council public hearings and direction to staff on whether and where the UGB will be expanded (and any other policy direction)
- **Dec. 6, 2018** Metro Council public hearing
- **Dec. 13, 2018** Metro Council decision on growth boundary expansion

If you picnic at Blue Lake or take your kids to the Oregon Zoo, enjoy symphonies at the Schnitz or auto shows at the convention center, put out your trash or drive your car – we've already crossed paths.

So, hello. We're Metro – nice to meet you.

In a metropolitan area as big as Portland, we can do a lot of things better together. Join us to help the region prepare for a happy, healthy future.

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June 8, 2018

DISCUSSION DRAFT

2018 GROWTH MANAGEMENT DECISION

Urban Growth Report

Published July 3, 2018

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Metro

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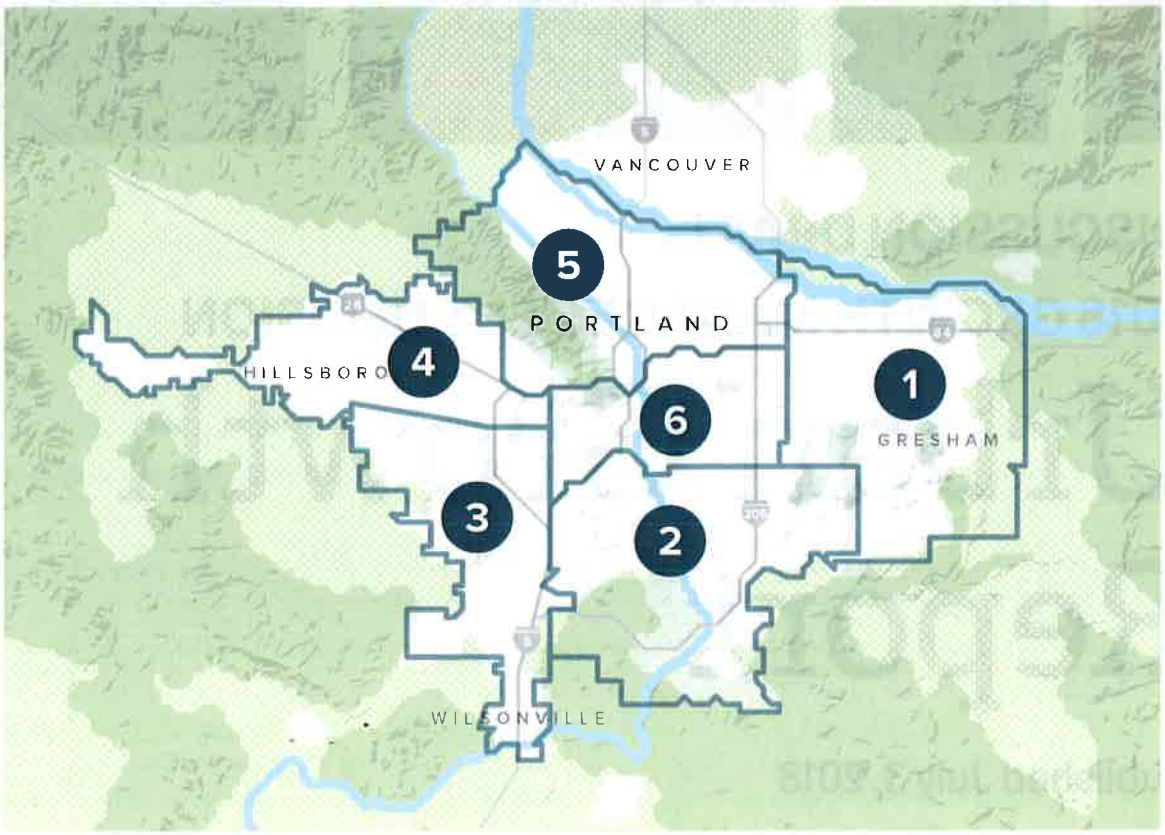

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8. Regional Industrial Site Readiness Inventory (2017 update)
9. UGB expansion proposal narratives from cities

Executive summary

A tradition of shaping the future to protect the quality of life

As people move here and businesses create jobs, greater Portland's urban growth boundary (UGB) protects farms and forests, promotes economic development, encourages equitable housing and supports development of new neighborhoods when needed.

Metro is working with residents, elected leaders, community groups and researchers to evaluate whether communities and existing land inside the growth boundary have enough room for the people and jobs we expect in 20 years. If we need to expand our urban footprint, we'll work with communities to grow where growth makes sense.

By the end of 2018, the Metro Council will decide whether there is enough land in greater Portland's urban area for 20 years of growth. If not, the council will decide what areas are the best suited to handle future development.

We need more housing and jobs to prepare for population growth

We need more housing, particularly housing that is affordable to people with modest means; we need a greater variety of housing to match our changing demographics; we need more middle-income jobs; and, we need to do a better job of engaging diverse communities in decision making.

Solutions won't be as simple as adding land to the UGB and hoping for the best. Real solutions lie in choices made at the federal, state, regional, county, city, neighborhood, and private sector levels. In that difficulty there's also good news – we each have choices we can make to improve things even when that progress feels incremental.

An outcomes-based approach

Land alone can't address housing needs, particularly for people making lower wages. Seeing this, the Metro Council has reoriented its growth management decisions to find the most viable and desirable ways to produce needed housing and job growth. For growth at the urban edge, it all starts with a strong city proposal for an expansion into an urban reserve.

For the 2018 decision, four cities have submitted proposals for UGB expansions into urban reserves. All four proposals are for housing.

Achieving desired outcomes

To guide its decision-making, the Metro Council, on the advice of the Metro Policy Advisory Committee (MPAC), adopted six desired outcomes, characteristics of a successful region:

- People live, work and play in vibrant communities where their everyday needs are easily accessible.
- Current and future residents benefit from the region's sustained economic competitiveness and prosperity.
- People have safe and reliable transportation choices that enhance their quality of life.
- The region is a leader in minimizing contributions to global warming.
- Current and future generations enjoy clean air, clean water and healthy ecosystems.
- The benefits and burdens of growth and change are distributed equitably.

The merits of these four proposals will be the focus of policy discussions in the summer of 2018. Generally, cities are expected to show that:

- The housing needs of people in the region, county and city have been considered.
- Development of the proposed expansion area is feasible and supported by a viable plan to pay for needed pipes, parks, roads and sidewalks.
- The city has reduced barriers to mixed-use, walkable development in their downtowns and main streets.
- The city has implemented best practices for preserving and increasing the supply and diversity of affordable housing in its existing urban areas.
- The city has taken actions to advance Metro's six desired outcomes, with a particular emphasis on meaningful engagement of communities of color in community planning processes.

Next steps

Through discussions in the summer of 2018, the Metro Council will come to a determination as to whether any of the four proposed expansions are needed to accommodate population growth.

- **July 2018**: Overview of draft 2018 Urban Growth Report at Council, the Metro Policy Advisory Committee, and the Metro Technical Advisory Committee
- **July 2018**: City Readiness Advisory Group provides feedback on the strengths and weaknesses of city-proposed expansions to Council and the Metro Policy Advisory Committee
- **Sept. 4, 2018**: Metro's Chief Operating Officer recommendation
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Introduction

A tradition of shaping the future to protect quality of life

As people move here and businesses create jobs, greater Portland's urban growth boundary (UGB) protects farms and forests, promotes economic development, encourages equitable housing and supports development of new neighborhoods when needed.

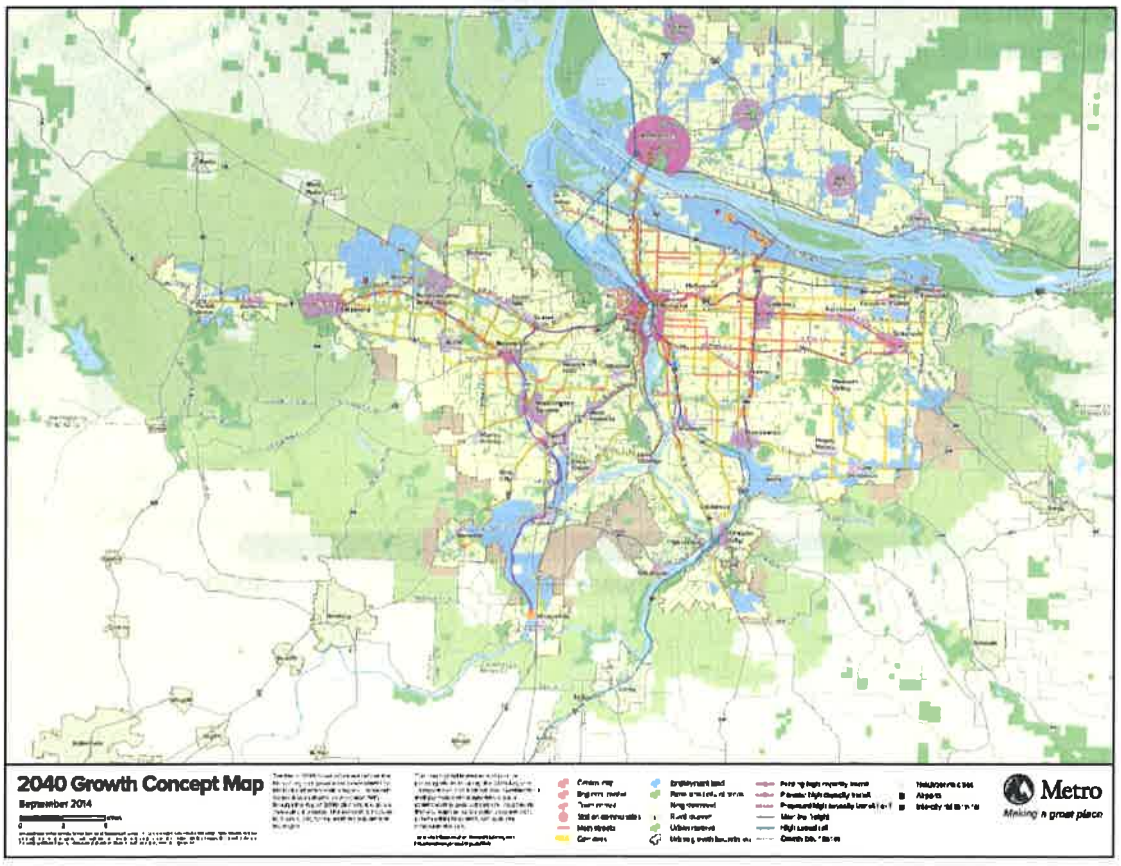
Oregonians have a long history of thinking ahead, trying to shape our destiny rather than simply reacting. This planning tradition demands good information about our past, present and future.

Metro is working with residents, elected leaders, community groups and researchers to evaluate whether communities and existing land inside the growth boundary have enough room for the people and jobs we expect in 20 years. If we need to expand our urban footprint, we'll work with communities to grow where growth makes sense.

By the end of 2018, the Metro Council will decide whether there is enough land in greater Portland's urban area for 20 years of growth. If not, the council will decide what areas are the best suited to handle future development.

These periodic decisions are an opportunity to continue our work on the 2040 Growth Concept, which calls for focusing most growth in existing urban centers and making UGB expansions into urban reserves – areas suitable for future development – after careful consideration of whether those expansions are needed.

Figure 1: The 2040 Growth Concept, the regional plan for focusing growth in existing urban centers and employment areas

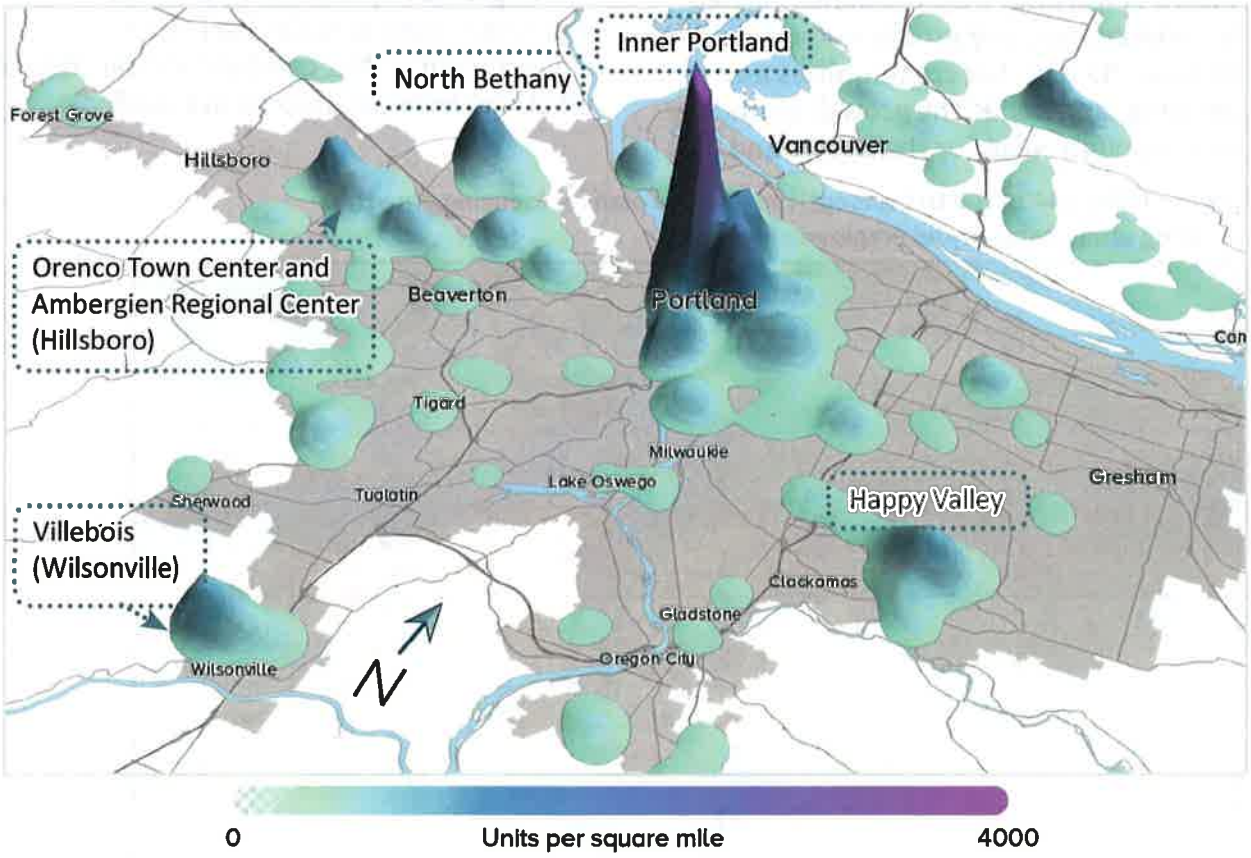


An outcomes-based approach

Learning from experience

In past growth management decisions, the process focused on theoretical projections, leading participants to debate the numbers rather than assessing the viability of development in UGB expansion areas. Discussions of the merits of actual UGB expansion options took a back seat. UGB expansions that lacked city governance and an infrastructure strategy failed to produce housing or jobs. Conversely, those that had those issues sorted out got developed into communities and job centers. At the same time, regional and local plans were being realized – record amounts of housing and job growth happened in existing urban areas, far outpacing previous estimates of redevelopment and infill potential.

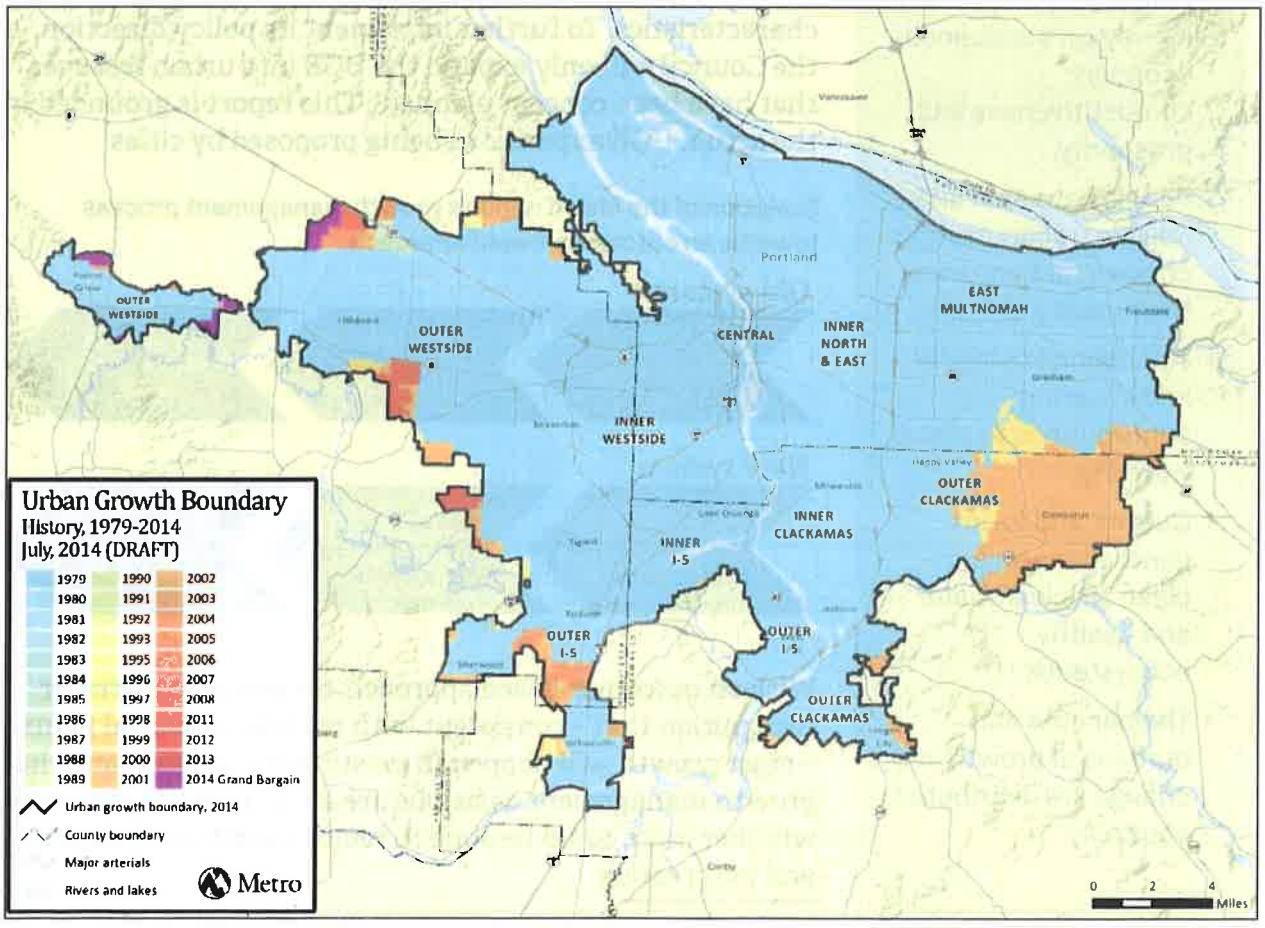
Figure 2: Housing permits in the Portland Metro area, 2009-2017 - units per square mile



The region's UGB was originally put into place in 1979. Since then, about 31,000 acres have been added to the boundary, mostly from 1998 onward. What has happened in those expansions has been informative. Homes and businesses were built in areas that addressed market demand and had governance and a means of paying for pipes, pavement and parks. Without those elements, little or no development happened. In the post-1998 UGB expansion areas, 16 percent of the planned housing has been built. It is clear that land readiness is more important than land supply for producing housing and job growth.

All of this leads to one big lesson that guides this year's growth management decision process: land alone can't address housing needs, particularly for people making lower wages. Seeing this, the Metro Council has reoriented its growth management decision process to implement the most viable ways to produce needed housing and job growth. For growth at the urban edge, it all starts with a strong city proposal for an expansion.

Figure 3: UGB expansions since adoption of the Metro UGB in 1979



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- The benefits and burdens of growth and change are distributed equitably.

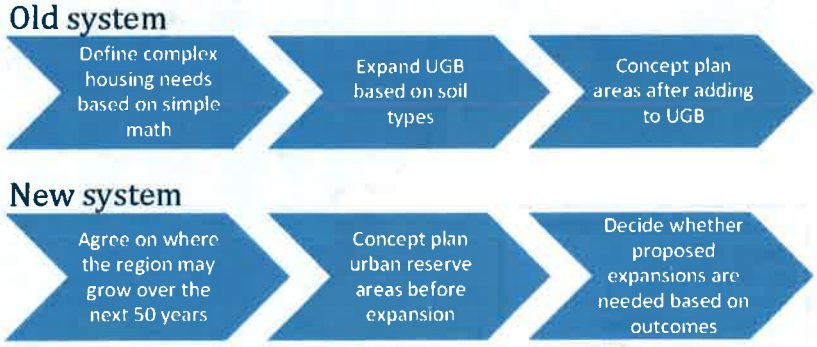
A better approach to making decisions

In 2010, based on those experiences and other factors, the Metro Council adopted a policy of taking an outcomes-based approach to urban growth management decisions. In each subsequent decision, the Council has moved closer to implementing this approach.

A basic conceptual underpinning of this approach is that growth could be accommodated in a number of ways that may or may not involve UGB expansions. Each alternative presents considerations and tradeoffs, but there is not one "correct" answer. For instance, different decisions could lead to somewhat different numbers of households choosing to locate inside the Metro UGB versus neighboring cities such as Vancouver or Newberg. Other decisions could lead to a slightly different housing mix.

An outcomes-based approach acknowledges that development will only occur when there is adequate governance, infrastructure finance, and market demand, and, therefore, any discussion of adding land to the UGB should focus on identifying areas with those characteristics. To further implement its policy direction, the Council will only expand the UGB into urban reserves that have been concept planned[1]. This report is grounded in the actual UGB expansions being proposed by cities.

Evolution of the Metro region's growth management process towards an outcomes-based approach



With an outcomes-based approach, there is also a greater recognition that – consistent with regional and local plans – most growth will happen in existing urban areas and that growth management decisions are an opportunity to gauge whether more could be done to remove barriers to housing and job creation.

1. This policy was adopted by the Metro Council in 2010.

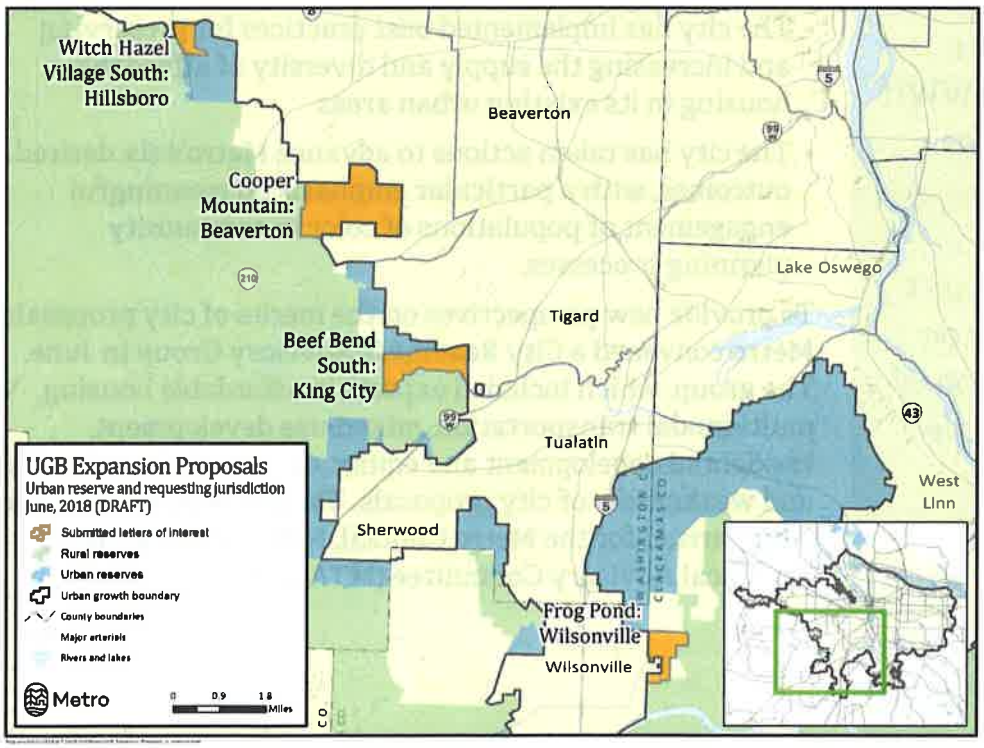
What are cities proposing for UGB expansions?

For the 2018 decision, four cities have submitted proposals for UGB expansions into urban reserves. All four proposals are for housing. Cities' narrative proposals can be found in Appendix 9. The four proposed expansions would total about 2,200 gross acres. After accounting for environmentally-sensitive areas, they include about 1,270 net buildable acres. The four cities' plans include about 9,200 homes at full build-out.

In the past, the region has added, on average, about 10,000 new households per year in the Metro UGB. The 9,200 homes in proposed expansion areas would address about an average year's household growth. Experience shows that adding more land beyond what cities are proposing would not produce more housing. This emphasizes the need to do all we can to encourage more housing production in existing urban areas.

Statewide Planning Goal 14 (Urbanization) lays out several factors that must be considered when determining where to expand the UGB. The Goal 14 "locational factor" analysis can be found in Appendix 7. The four urban reserve areas proposed for expansion by cities all compare favorably according to the factors described in Statewide Planning Goal 14. In light of those factors, it is appropriate for all four to advance for further consideration by the Metro Council.

Figure 4/Table 1: City-proposed UGB expansions for consideration in the 2018 decision



Proposing city	Name of urban reserve	Gross acres	Buildable acres	Homes planned
Beaverton	Cooper Mountain	1,232	600	3,760
Hillsboro	Witch Hazel Village South	150	75	850
King City	Beef Bend South	528	400	3,300
Wilsonville	Advance Rd. (Frog Pond)	271	192	1,325

"The U.S. is no longer a nation of pioneers building log cabins on the Western frontier. Nor is it a post-WWII nation of nuclear families buying tract homes in Levittown. We can't indefinitely rely on new construction of low density, single-family housing to accommodate population growth."

—Brookings Institution, 2018

The merits of these four proposals will be the focus of policy discussions in the summer of 2018. On the advice of the Metro Policy Advisory Committee (MPAC), the Metro Council has adopted code factors that describe expectations for cities proposing residential expansions. Those factors speak to the elements of the proposed expansion and to actions being taken by cities in their existing urban areas. Metro issued administrative guidance to assist cities in preparing proposals that address these code factors[2]. Generally, cities are expected to show that:

- The housing needs of people in the region, county and city have been considered
- Development of the proposed expansion area is feasible and supported by a viable plan to pay for needed pipes, parks, roads, and sidewalks
- The city has reduced barriers to mixed-use, walkable development in their downtowns and main streets
- The city has implemented best practices for preserving and increasing the supply and diversity of affordable housing in its existing urban areas
- The city has taken actions to advance Metro's six desired outcomes, with a particular emphasis on meaningful engagement of populations of color in community planning processes.

To provide new perspectives on the merits of city proposals, Metro convened a City Readiness Advisory Group in June. The group, which included experts in affordable housing, multi-modal transportation, mixed-use development, residential development and equity, discussed the strengths and weaknesses of city proposals. Those discussions will be summarized for the Metro Council, MPAC and the Metro Technical Advisory Committee (MTAC) in July.

2. See Appendix 9 for administrative guidance.

Possible outcomes of different growth options

Over the years, Metro has sought to improve its growth management analyses. In earlier iterations, the calculation of land need was relatively straightforward: land supply minus land demand equals land need. While that simple approach has an appeal, it glosses over a number of policy questions and market factors that deserve greater discussion. Inevitably, that approach led to debates about numbers and ideologies rather than discussions of practical options.

This analysis strives to highlight policy questions and make the practical options – a decision whether to make any of the four proposed UGB expansions – more evident. This approach leads to a conclusion that future growth could be accommodated with or without UGB expansions, but different choices will have different outcomes.

Is there a need for more land to support job growth?

Commercial land demand

Commercial employment is a broad category that includes all non-industrial employment, such as teachers, cooks, doctors, sales clerks, nurses, real estate agents, architects, counselors, coffee shop workers, insurance agents, and bankers. What all of these sectors have in common is that to prosper, they need to locate close to where clusters of people live. From a growth management perspective, this means that the needs of these sectors will be best met in existing urban locations either on vacant land or through increased redevelopment and infill.

For the 2018 decision, no cities have proposed UGB expansions for commercial uses aside from select nodes that would provide neighborhood services in proposed residential expansion areas. There is no indication that adding land to the UGB when it has not been proposed by a city would result in commercial employment. For these reasons, there does not appear to be a need for additional land to be added to the UGB for commercial employment.

Industrial land demand

As our nation's economy has evolved from farming roots through the industrial revolution and into a knowledge-based economy, several dynamics have been at play that influence the nature of industrial land demand:

- As technology has improved over the last century, industrial workers have become more productive. This means that industrial job growth is stagnant and that demand for space is driven less by employment than it was in the past.
- E-commerce has driven demand for close-in warehousing and distribution facilities to enable quick deliveries. This may increase the likelihood of redevelopment of some sites.
- Data centers have emerged as users of industrial land, but they provide relatively few jobs (instead, they pay franchise fees that benefit cities).
- Large industrial firms seeking new locations consider sites all around the country or world, making it impossible to forecast regional land demand for large industrial sites.
- Site requirements for industrial uses can be very specific. For instance, some industrial users require rail access, others require redundant power sources, others require an educated workforce, and others require manual laborers. Forecasting those specific requirements would imply more certainty about the future than is possible.
- Providing raw land is just one step of many for producing industrial jobs. Typically, infrastructure investments and site assembly are also required. Brownfield cleanup and wetland mitigation are also common needs.

These dynamics mean that it is challenging to estimate land needs based on an employment forecast. This difficulty is amplified by the additional uncertainty surrounding employment forecasts since job growth can be influenced – for better or worse – by international relations, monetary policy and many other factors that lie outside the control of cities, counties, the region or state.

For these reasons, determining industrial land needs is best understood as an exercise in economic development goal setting rather than forecasting. This is true at the regional level and even more so at the local level.

The peer-reviewed baseline employment forecast for the seven-county area shows a net decrease of about 9,000 industrial jobs during the 2018 to 2038 time period. While some new industrial firms may emerge and some existing industrial firms may grow, those gains are outweighed by expected employment decreases at other industrial firms. The expected net decrease in regional employment in industrial sectors such as manufacturing, warehousing and distribution means that there is not a regional need for more industrial land to support employment growth. Even under the high growth forecast, industrial employment remains essentially unchanged from 2018 to 2038, again pointing to no need for additional industrial land to support employment growth.

Likewise, for the 2018 decision, no cities have proposed UGB expansions for industrial uses. There is no indication that adding land to the UGB when it has not been proposed by a city would result in industrial employment. For all of these reasons, there is not a regional need for additional land to be added to the UGB for industrial employment, including employment on large industrial sites.

The Metro Council has put into place a process for considering specific non-residential UGB expansion proposals outside of the standard growth management cycle. If cities develop an employment concept plan for an urban reserve area, that "major amendment" process can address needs that aren't anticipated in the 2018 growth management decision.

Is there a need for more land to support household growth?

Urban growth scenarios

To inform the Metro Council's determination of whether there is a need for residential UGB expansions in 2018, Metro staff produced a number of scenarios that tested different permutations of a few assumptions:

- varying levels of population, household and employment growth (using the range forecast for the seven-county metropolitan area)
- different amounts of buildable land in the Metro UGB (varying amounts of redevelopment capacity)
- UGB expansions as proposed by four cities vs. no UGB expansion.

The scenarios are described in more detail in Appendix 3. Several general observations can be made about the scenarios:

The region is on track to continue using land efficiently

- Most capacity for housing production within the existing UGB comes through redevelopment and infill.
- Redevelopment and infill construction thrives when there is strong economic and population growth.

Increased spillover growth to neighboring cities does not appear to be a threat

- The original Metro UGB was adopted in 1979. Since then, about 61 percent of the new households in the larger seven-county metropolitan area have located inside the Metro UGB.
- In all scenarios, the share of the seven-county area's new households that locate in the Metro UGB (the "capture rate") is higher than historic rates, ranging from 63 to 72 percent.

- Barring unanticipated changes in the growth capacity of neighboring jurisdictions, a decision not to expand the UGB will not cause excessive spillover growth into neighboring jurisdictions like Sandy, Newberg, or Clark County, Washington.

More housing production is needed to keep up with household growth

- The region needs more housing production to keep up with population growth, particularly for households earning lower incomes.
- If development of the four proposed UGB expansions is viable, they can modestly increase housing production in the region.
- Regional scale analysis is not sensitive enough to distinguish between the effects of the individual proposed expansions.

Housing affordability will remain a challenge

- As in other regions around the country, housing affordability will remain a challenge.
- Encouraging more redevelopment and infill is the most effective means of keeping housing prices in check for renters.
- If developed, the four proposed UGB expansions would result in modest reductions[11] in housing prices for owner-occupied housing by providing additional housing supply.
- If developed, the four proposed UGB expansions would have little impact on prices for renter-occupied housing given that one-third of the planned housing in those areas would be multifamily.

Most housing will remain single-family housing, but most most growth capacity is for apartments and condominiums

- Currently, about 68 percent of all housing is single-family housing. All scenarios show that share decreasing in the future, with most resulting in about 60 percent single-family housing (still a majority).
- In keeping with regional and local plans, infrastructure funding realities and smaller household sizes, most growth capacity is for apartments and condominiums.
- If developed, the four proposed UGB expansions would result in a modest increase in choices for single-family housing for ownership.
- While demand for owned and single-family housing is strong, households appear willing to substitute rental and multifamily housing to a certain extent.

The region is on track to stay within the urban reserves "budget"

- There are approximately 23,000 gross acres of urban reserves that are candidates – if needed – for UGB expansions through the year 2045 (to address regional land needs to the year 2065).
- If urban reserves were added to the UGB at the average rate of about 850 acres per year, all urban reserves would be used (added to the UGB) by the year 2045.
- The four city-proposed expansions total 2,200 gross acres. At the above-described "budget" of 850 acres per year, this amounts to about 2.5 years of usage.

11. The amount of potential housing price reduction varies depending on other assumptions about redevelopment potential, household growth, and future UGB expansions (beyond the 2018 decision). All other things being equal, however, the proposed expansions could help moderate housing prices somewhat.

Changes in where we live and work
Where we stand today with housing

Greater Portland came roaring out of the Great Recession. In less than 10 years, the region grew its economy and added high-wage jobs at higher rates than almost any other large U.S. metro area. Median incomes went up. The poverty rate went down. Thousands of young, educated workers migrated to the region drawn by the high quality of life and the opportunity of a booming economy.

This influx of new affluence and new people brought both economic growth and new challenges , changing the dynamics of our housing market and shifting the geography of affordability in a short period of time.

But longer-term trends also shaped our housing supply, and those trends continue to challenge our ability to create housing choices that meet the needs of our changing region.

Housing construction came to a halt in the Great Recession, driving up housing costs

All around the country, housing construction came to a halt during the Great Recession. As the population continued to grow, demand intensified and housing prices rose – slowly at first, but gaining momentum with each passing year. Rent and home price increases were among the highest in the nation; vacancy rates, the share of unoccupied rental units, were among the lowest. This was true in greater Portland and dozens of other cities around the country.

Long-term residents living in rental housing found themselves priced out of their neighborhoods, while would-be homebuyers struggled to save for down payments that seemed to double overnight. Renters suffered the most, often facing substantial rent increases with little notice.

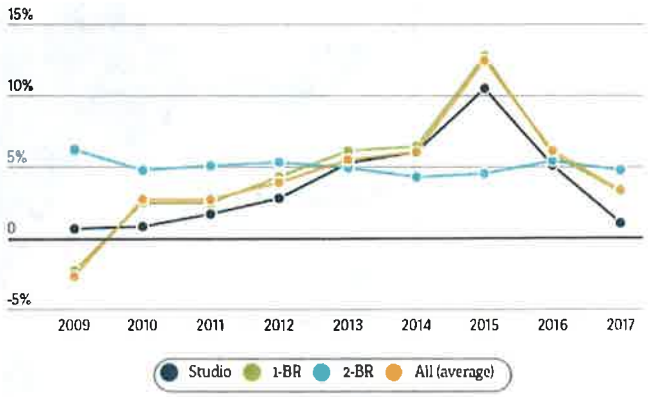
Like most regions, we are playing catch-up with housing construction

Housing construction took off again as the region emerged from the Great Recession. Increased housing supply has begun to temper housing rents and prices, which are still rising, but not as quickly.

Though it's of little consolation to people who work and struggle to keep a roof over their heads, rents here are similar to those in cities around the country. For one-bedroom apartments, the Portland region is in the same rental price range as Atlanta, Minneapolis, Nashville, Denver and Chicago. Rents are more expensive here than a number of other cities, but still represent a value compared to other coastal cities.

When it comes to rents, location matters. To live close to jobs, amenities, and transit, people have to pay a premium that is often out of reach.

Figure 5: Annual percentage change in rental unit costs by size, Portland metro area, 2009-2017.



Sourc: Data courtesy of CoStar commercial real estate company

3. See Appendix 5 for more information on historic residential development trends.

Figure 6: Median rent for a one bedroom apartment in 2009 (source: Rainmaker Insights)

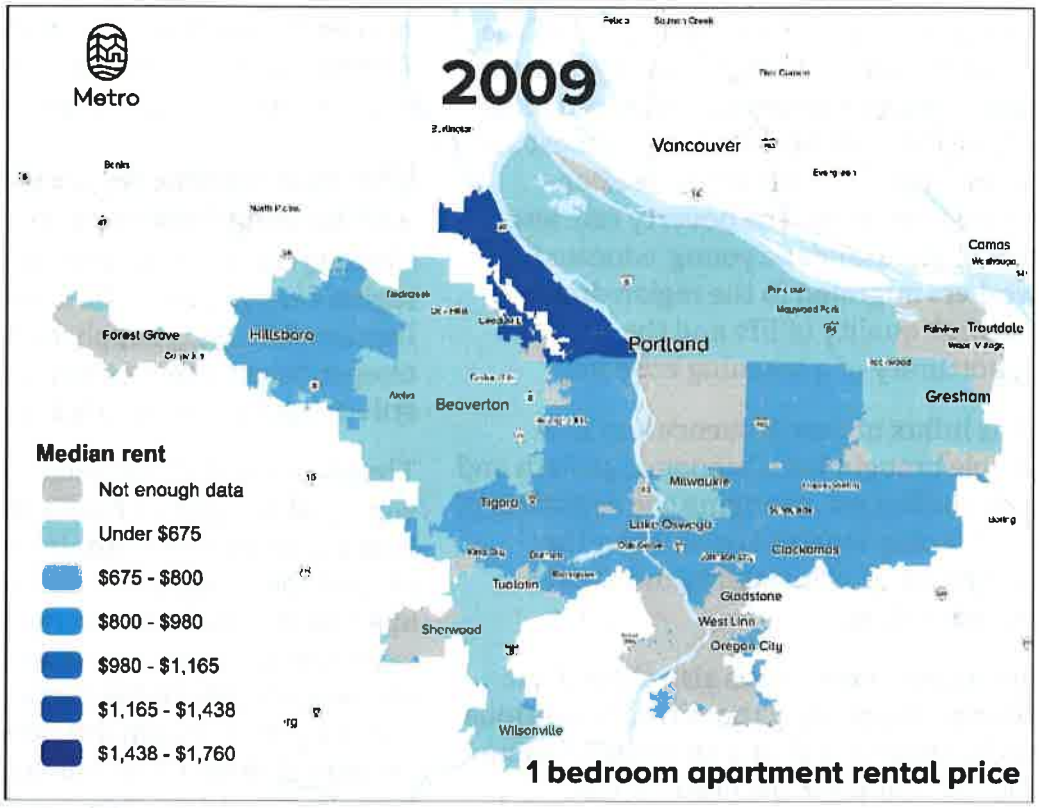
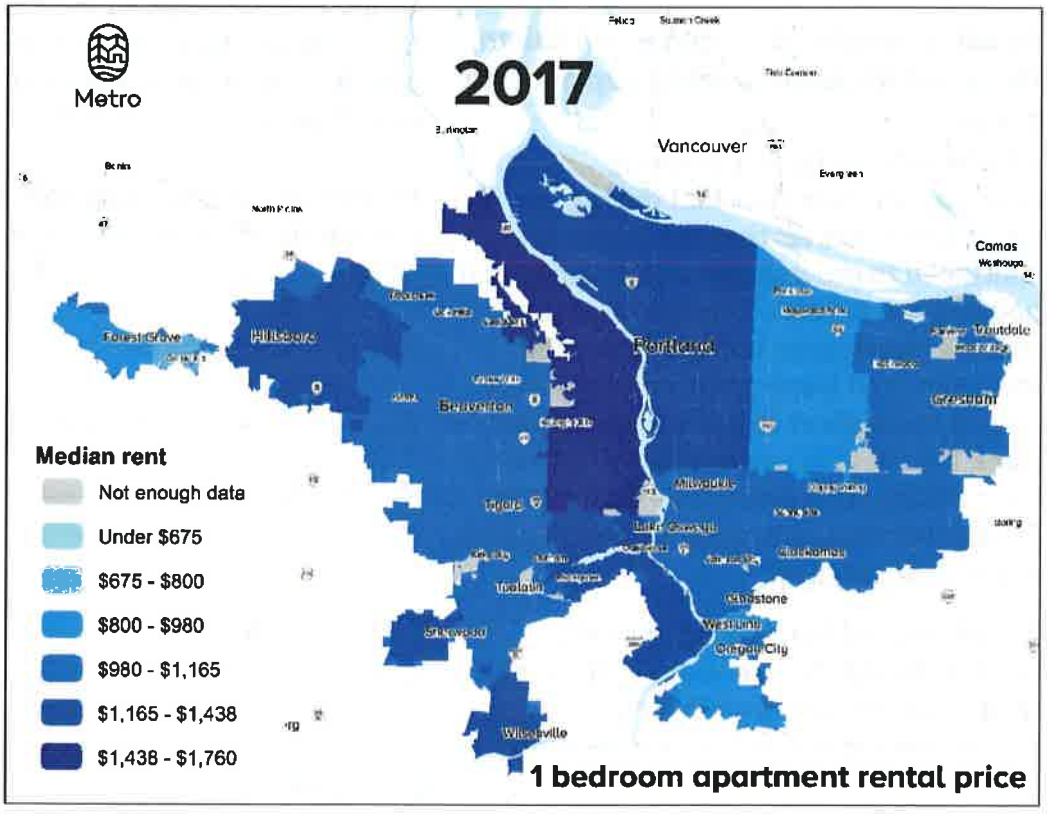


Figure 7: Median rent for a one bedroom apartment in 2017 (source: Rainmaker Insights)



What's helping to keep housing prices under control?

Simply put, the most straightforward way to keep housing prices in check is to build more housing. Without that housing supply, an ever-increasing population competes for a limited pool of housing, driving up prices. This is especially true in central locations with access to jobs, transit, services and amenities.

More than 20,000 new units of multifamily housing have been completed in the Portland metropolitan area since 2010[4]. More than half of those units were built in the past two and a half years.

Since 2015, developers submitted 25,000 permits for future multifamily buildings in greater Portland, meaning more apartments are in the pipeline[5].

The increased available supply loosened regional apartment vacancy rates from a tight 4.6 percent in 2014 to a somewhat more comfortable 5.5 percent in 2017[6]. This growing availability of housing gives apartment-seekers more choices, generating competition among property managers who have moderated their asking rents accordingly.

Nearly 30,000 permits for new single-family units, including duplexes and triplexes, were submitted between 2010 and mid-2017[7].

"Missing middle" housing

Our grandparents, parents, kids, friends and neighbors have diverse housing needs, but for too long there has been little housing diversity.

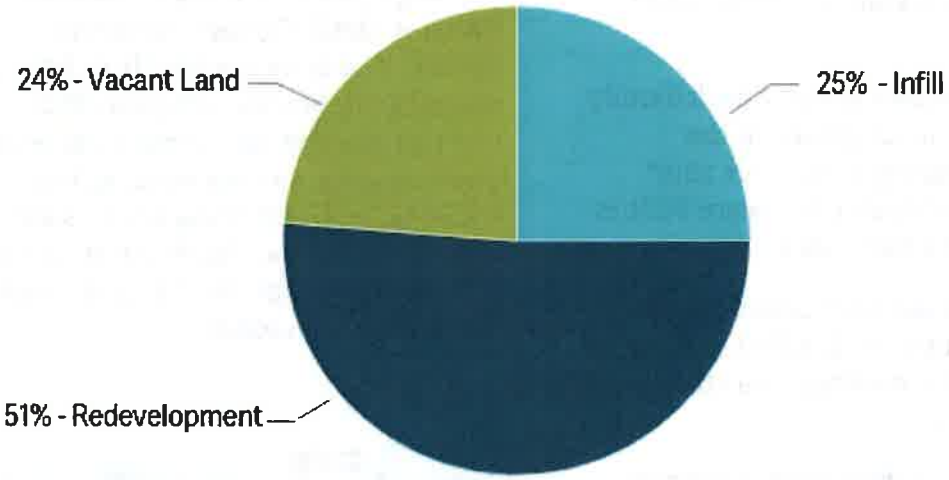
There are solutions for diversifying housing options in our communities. "Missing Middle" housing refers to options that lie on the spectrum between single-family homes with yards and mid-rise housing, for example, accessory dwelling units, cottage housing, and triplexes. However, these choices are often not widely available in the locations that provide the greatest access to jobs, services and amenities.

4. Source: CoStar
5. Construction Monitor
6. Source: CoStar
7. Source: Construction Monitor

Most new housing is being built in existing areas

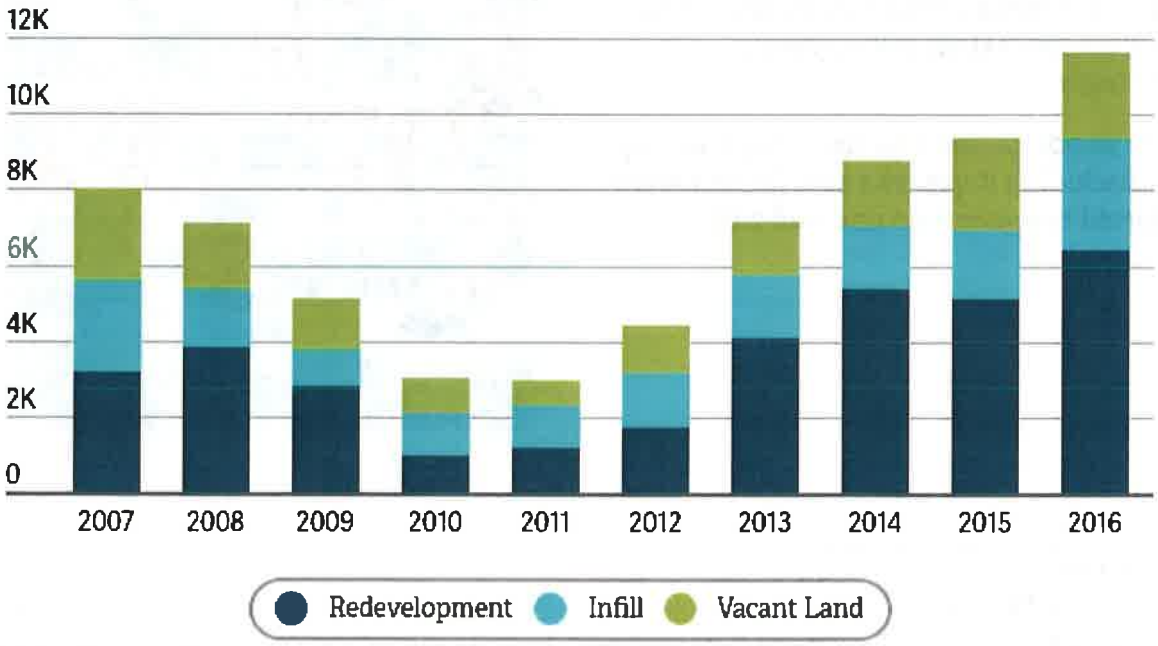
Long-standing plans, investments, and market conditions have resulted in three-quarters of new homes being built through redevelopment and infill in existing urban areas (in the Metro UGB from 2007 through 2016). This means that, as housing is built, we are making efficient use of land and public resources.

Figure 8: New units (total) built by development type, Metro UGB, 2007-2016



Source: Metro Land Development Monitoring System output dataset from May 2018 RLIS data input

Figure 9: New units built by year and development type, Metro UGB, 2007-2016



Source: Metro Land Development Monitoring System output dataset from May 2018 RLIS data input

The emergence of ADUs

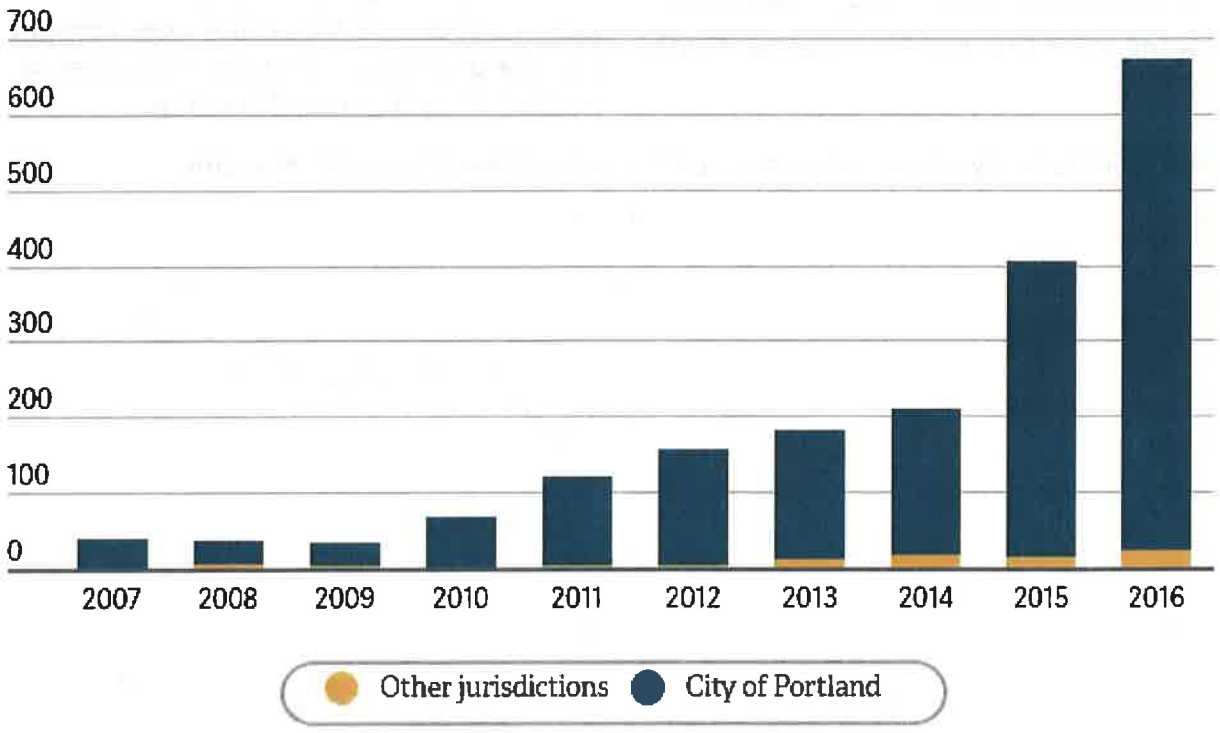
Since the mid-1990s, Metro has required that all cities in the region allow accessory dwelling units (also known as "ADUs," "granny flats" or "in-law" cottages) in single-family neighborhoods. Though it took several years, construction has taken off, particularly in the City of Portland, with several hundred ADUs built per year in the Metro UGB for several years now.

In 2017, ADUs made up 7 percent of the region's new housing. Among other factors, the City of Portland's waiver of system development charges for ADUs is credited with this uptick.

A common refrain about ADUs is that they only get used for short-term rentals such as Airbnb, so they don't contribute to the regional housing supply for residents. A 2017 survey of Portland ADU owners and tenants indicates that this is largely not the case. The survey was commissioned by Portland State University's Institute for Sustainable Solutions. Sixty percent of ADU owners surveyed reported that their ADU is used by someone as a primary residence, while 26 percent reported that the ADU is used as a short term rental[8].

Even when used as short-term rentals, ADUs may become long-term rentals over time as owners pay off ADU construction loans or grow tired of managing ever-changing guests. In a year-over-year comparison, about half of the Airbnb listings in Portland were no longer active (Brown, 2017).

Figure 10: Accessory dwelling units (ADUs) by year, Metro UGB, 2007-2016



Source: Metro Land Development Monitoring System output dataset from May 2018 RLIS data input

8. 14 percent reported that their ADU is vacant, used as extra space, or "other".

We're using land more efficiently for single-family housing

Today, a new single-family home uses about half as much land as one built in 1980. This trend of using land inside the UGB efficiently helps us to protect farms and forests. It also makes it more feasible to provide single-family neighborhoods with transit and other services.

What's holding housing back?

Getting enough housing built is not without its challenges and the reasons are varied, including:

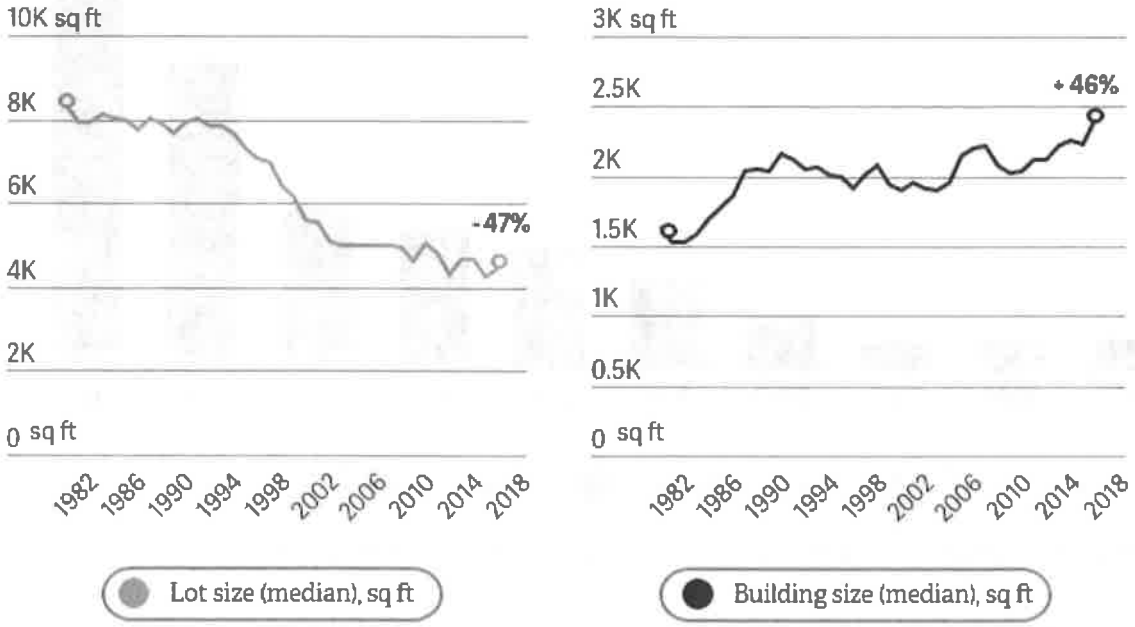
- a lack of funding for pipes, pavement, parks and other facilities to make vacant lands development-ready
- neighborhood opposition to change that can slow or stop housing proposals
- uncertainty in permitting processes
- difficult access to financing for developers
- zoning codes that restrict "missing middle" housing
- depending on the location, achievable rents that are sometimes insufficient to spur redevelopment
- site specific challenges such as lot sizes and configurations, access, contamination, or property owners that don't want to develop or sell.

Land alone doesn't result in housing

The Metro Council made most of its UGB expansions from 1998 onward. Since then, the Metro Council has added about 27,000 acres or about 42 square miles to the UGB. For context, that's an area the about the size of two Beavertons, or 420 Oregon Zoos.

New construction in these expansion areas is a challenge. In addition to overcoming the normal financing and permitting hurdles, a city or developer must also build streets, sidewalks, sewers and other basic infrastructure to support a neighborhood. Infrastructure easily costs hundreds of millions of dollars. Since they were brought into the UGB, these areas have produced 16 percent of their planned housing

Figure 11: Single-family lot size and building size (annual medians), Metro UGB, 1980-2016



Source: Metro Land Development Monitoring System output dataset from May 2018 RLIS data input

(fewer than 11,000 approved or pending permits out of the expected 67,000).

In those cases where development readiness has been resolved – for example, Happy Valley, North Bethany, River Terrace, Villebois, Witch Hazel – housing has been built.

Aside from getting land ready for development, our region shares another challenge facing regions around the country: the private market often can't profitably build new housing that is affordable to people earning lower incomes. Without that potential for profit, affordable housing doesn't get built even if our community plans allow for it.

Cities proposing UGB expansions have been asked to describe how they are encouraging construction and preservation of affordable housing in their existing urban areas.

A shortage of cities

It matters, not just how much housing gets built, but where housing gets built. People in the greater Portland region were forward-thinking in the mid-1990s when they called for focusing most growth in existing downtowns and transportation corridors. That vision made our region more prepared for recent growth trends.

Cities around the country have seen a reversal of decades-long pattern of people moving away from urban centers (Edlund, Machado, & Sviatschi, 2015). Sales prices for central locations now reflect people's preference to live close to urban amenities like restaurants, grocery stores and cafes (Couture & Handbury, 2015). Construction of new housing in those locations is not keeping up with demand, leading economists and others to point to a "shortage of cities" (Cortright, Our Shortage of Cities, 2014).

This trend isn't restricted to central cities. Many people that live in the suburbs are seeking urban amenities – restaurants and transit, for instance – like those offered in Orenco and Tanasbourne in Hillsboro and The Round in Beaverton.

In the end, no one can predict future housing preferences, particularly when so much seems in flux. Regardless of preferences, there are significant headwinds for keeping up with population growth by building single-family homes. Those challenges include record levels of student loan debt, tighter lending standards, and high costs for new pipes and pavement that show up on a house's price tag.

Finding home

Cheranda Curtis calls her studio apartment her "sanctuary." Having an affordable place to live has given Curtis the opportunity to stay sober, hold a steady job and save for a house.

Patti Jay felt "exhausted with having to move again" after she received a no-cause eviction. She's grateful she found a place to live close to her son's high school, which means he didn't have to switch schools.

Displacement of people of color

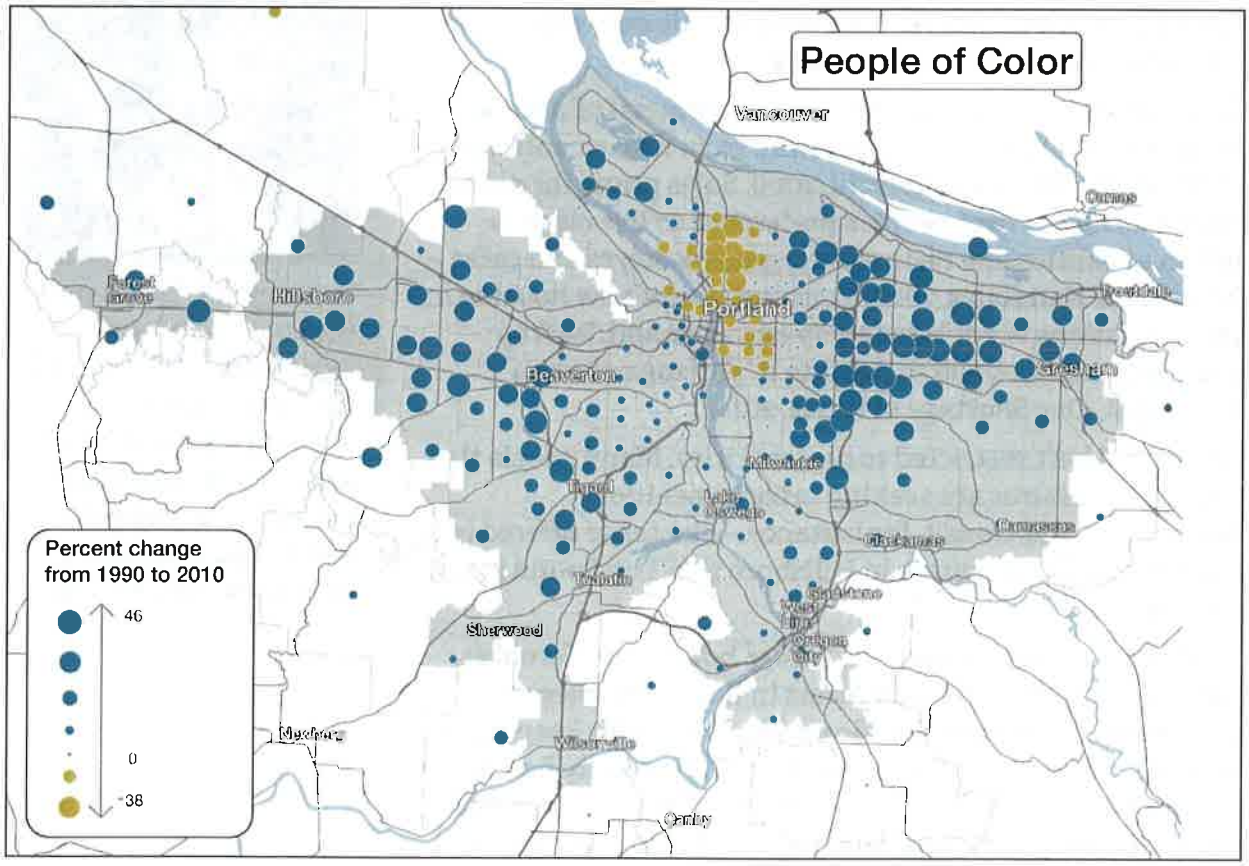
Unable to afford living in the region's urban centers, many people have moved to areas of the region with cheaper housing. Cheap housing comes with hidden costs, though. When you factor in the additional transportation costs – the increased costs of gas and car expenses or the extra time to bike, walk or take transit – a significant portion of the affordability benefits are lost if it requires long commutes.

Displacement has disproportionately affected communities of color, leading to a shift in the racial geography of the region over the last decade.

Displacement is a geographic consequence of a series of systemic inequities that would not be entirely solved with more abundant, affordable housing close to the region's city centers. But, not providing it exacerbates community divisions, by putting some people further from resources, jobs and opportunities readily available in more walkable, transit-served areas. Likewise, it disrupts the social institutions and networks that bind communities together.

And the impacts can be long-term. Displacement and housing stress can have wide-ranging impacts on health and well-being – impacts that can span generations.

Figure 12: Displacement and migration of communities of color, 1990-2010



Source: US Census

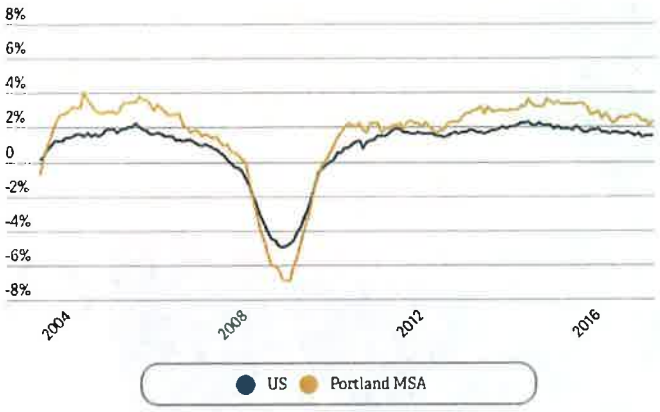
Where we stand today with jobs

Ascending out of the Great Recession

Our regional economy is the envy of many others. Educated, working-age people continue to migrate here in increasing numbers, providing local employers with a steady pool of skilled workers while also attracting employers in other regions to consider locating here[9]. And with a strong 4.6 percent increase in a measure of regional economic activity called gross domestic product (GDP), greater Portland had the 10th-fastest growing economy out of the nation's 100 largest metro areas in 2015 (State of Oregon Employment Department, 2016).

Job growth in the greater Portland region exceeds the national rate of job growth. In 2015, our region's jobs increased by 3.3 percent while the nation saw a 2 percent increase.

Figure 13: Annual percentage change in job growth, Portland metro area compared to the national average, 2004.-2018



Source: US Bureau of Labor Statistics

Manufacturing plays an outsized role in our economy

More than a quarter of greater Portland's economic output comes from the manufacturing sector. Nationally, manufacturing accounts for less than half that – just 12 percent of the nation's total economy (United States Bureau of Economic Analysis, 2018).

"In a region like this I don't think that there are a lot of barriers [to job growth]. You know, people want to live in a nice environment – you can't get much nicer than Portland. People want to live someplace where housing is affordable – let's hope we can keep it affordable.

By and large, across the board, these are people that are conscious of their communities, they like green energy systems, they like public transportation. These are all very important issues for our audience that we're targeting [for employee recruitment]."

—Dr. Lisa Coussens, OHSU, Knight Cancer Institute

9. See Appendix 4 for more information about employment trends.

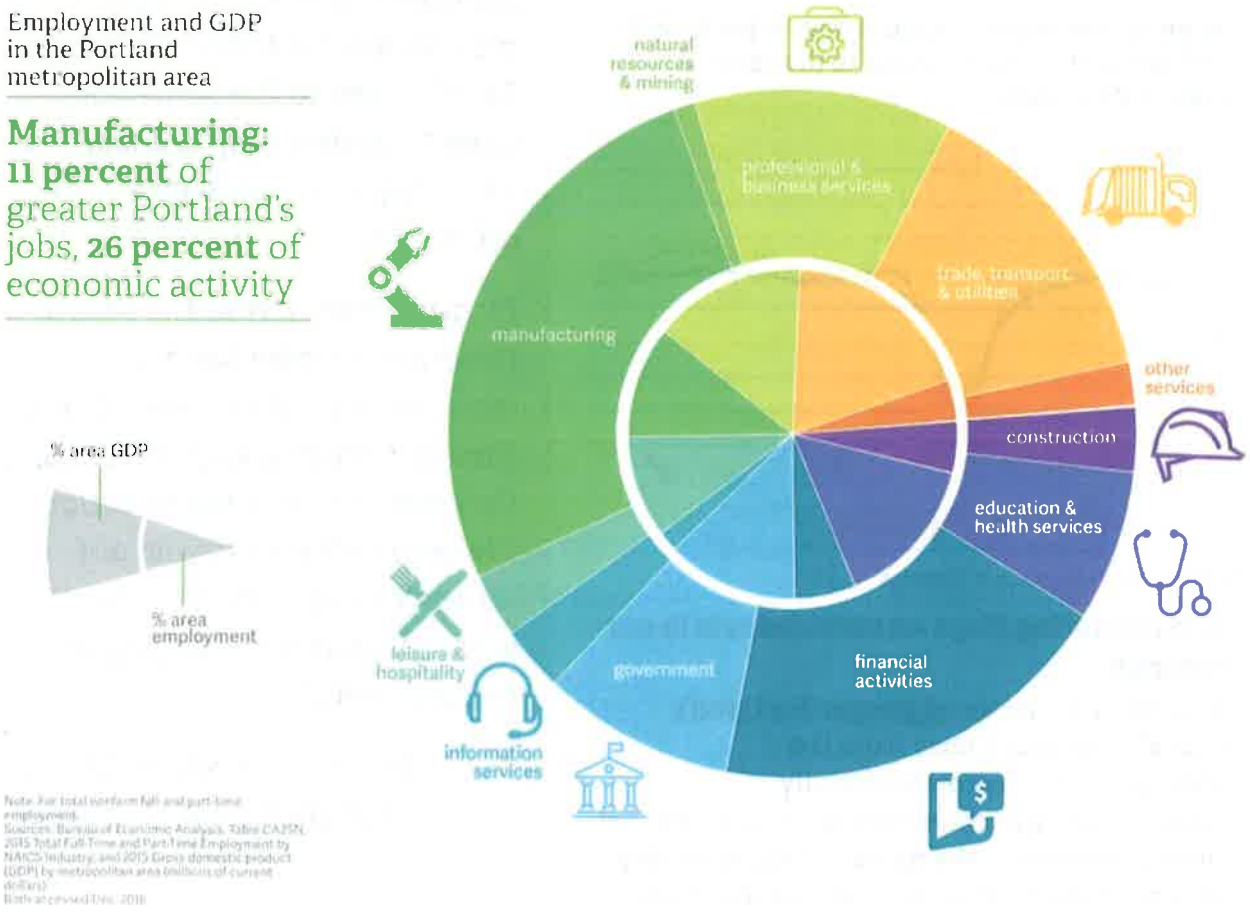
But economic activity doesn't always equal jobs: manufacturing accounts for just over a tenth of greater Portland's jobs.

Thanks largely to production of high-value products such semiconductors and electronics, the manufacturing sector contributes an oversized amount to the regional economy relative to its share of the workforce.

But despite its strong contribution to the region's economy, jobs in the manufacturing sector stagnated in 2016 – by December 2016, the industry had lost 1.4 percent of its Portland-area jobs relative to the year before.

Still, the large profit margins of the region's high-tech manufacturing exports means that the sector's earnings are substantial, even as the size of the manufacturing workforce is somewhat stagnant.

Figure 14: Employment and gross domestic product (GDP), Portland metropolitan area, 2015



Most jobs are in population-serving and other non-manufacturing employment

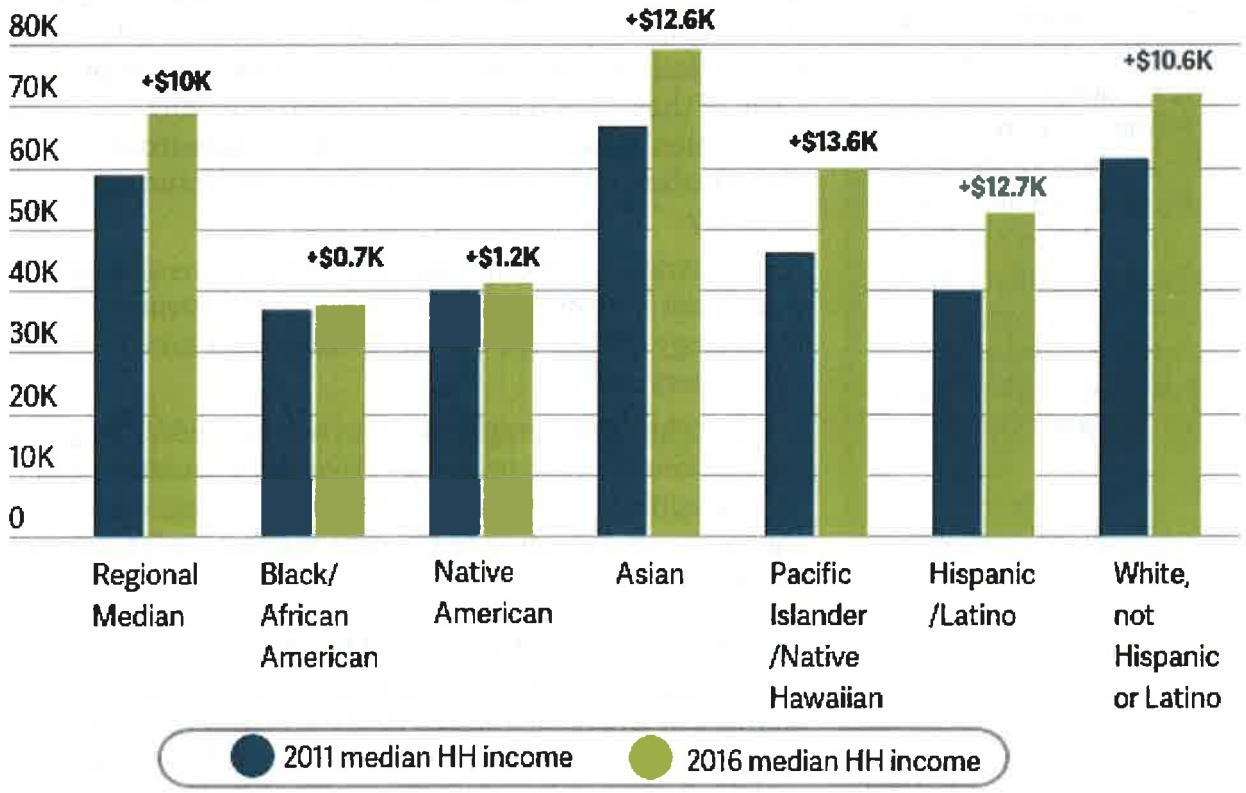
As in the past, a large portion of future employment is expected in jobs that serve the public: education and medicine, for instance. As the population grows, so too will employment in these sectors.

Likewise, sectors like professional and business services (attorneys, engineers, and architects, for example) and financial services (insurance agents, real estate agents, and bankers, for instance) will continue to make up much of our region's employment. What all of these sectors have in common is that they need to locate close to clusters of where people live . From a growth management perspective, this means that the needs of these sectors are best met in existing urban locations

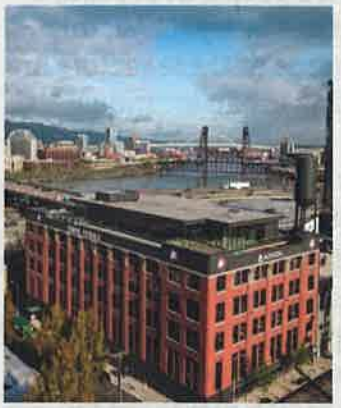
Not everyone is benefiting from economic growth

Though the headlines about unemployment rates and productivity are good, not everyone is prospering. From 2011 through 2016, median household income in the greater Portland region increased by $10,000. However, Black and Native American households only saw an increase of about $1,000.

Figure 15: Change in median household income by race, seven-county Portland-Vancouver-Hillsboro MSA, 2011 vs. 2016



Source: 2011 and 2016 American Community Survey (1-year estimates)



Help wanted

"Last year, Millenials became the largest component of the American workforce. For many companies, attracting and retaining millenial workers seems to require having a downtown office. "Probably for the first time in history, instead of people moving where jobs are," says Tom Murphy, a senior fellow at the Urban Land Institute, "jobs are moving where the talent is."" (Wogan, 2016)

Photo credit: autodesk.blogs.com/between_the_lines/

Middle income jobs were slow to recover from the Great Recession

Wage polarization has been a long-term trend both locally and nationally and the recent recession only accelerated the shift toward more high and low wage jobs and a smaller share of middle wage jobs. As of 2007, middle wage occupations comprised nearly 65 percent of the jobs in the Portland metropolitan area, but that share was less than 58 percent by 2017.

Middle wage job growth has picked up in the last couple of years. As of 2017, the region finally recovered the number of middle wage jobs lost during the recession. But low and high wage jobs have fared much better, both during and after the recession, leading to increasing wage polarization. The polarization trend is expected to continue in the future for the region and the U.S. as a whole, in large part due to globalization and technological change.

Occupations within the middle wage category have also seen different trajectories over the last ten years. In the Portland metropolitan area, around 13,200 manufacturing production jobs were lost during the recession and only 4,600 of those jobs had been recovered as of 2017. Production workers face continuing pressure from globalization and automation in the manufacturing industry .

Administrative and office support occupations also saw significant job losses and weak recovery as advances in technology change the nature of office work and the need for support staff.

On the other hand, employment in several middle wage occupations that are primarily driven by population and demographic change continued to grow during and after the recession, including healthcare support workers, police officers, and teachers.

Changes in where businesses locate

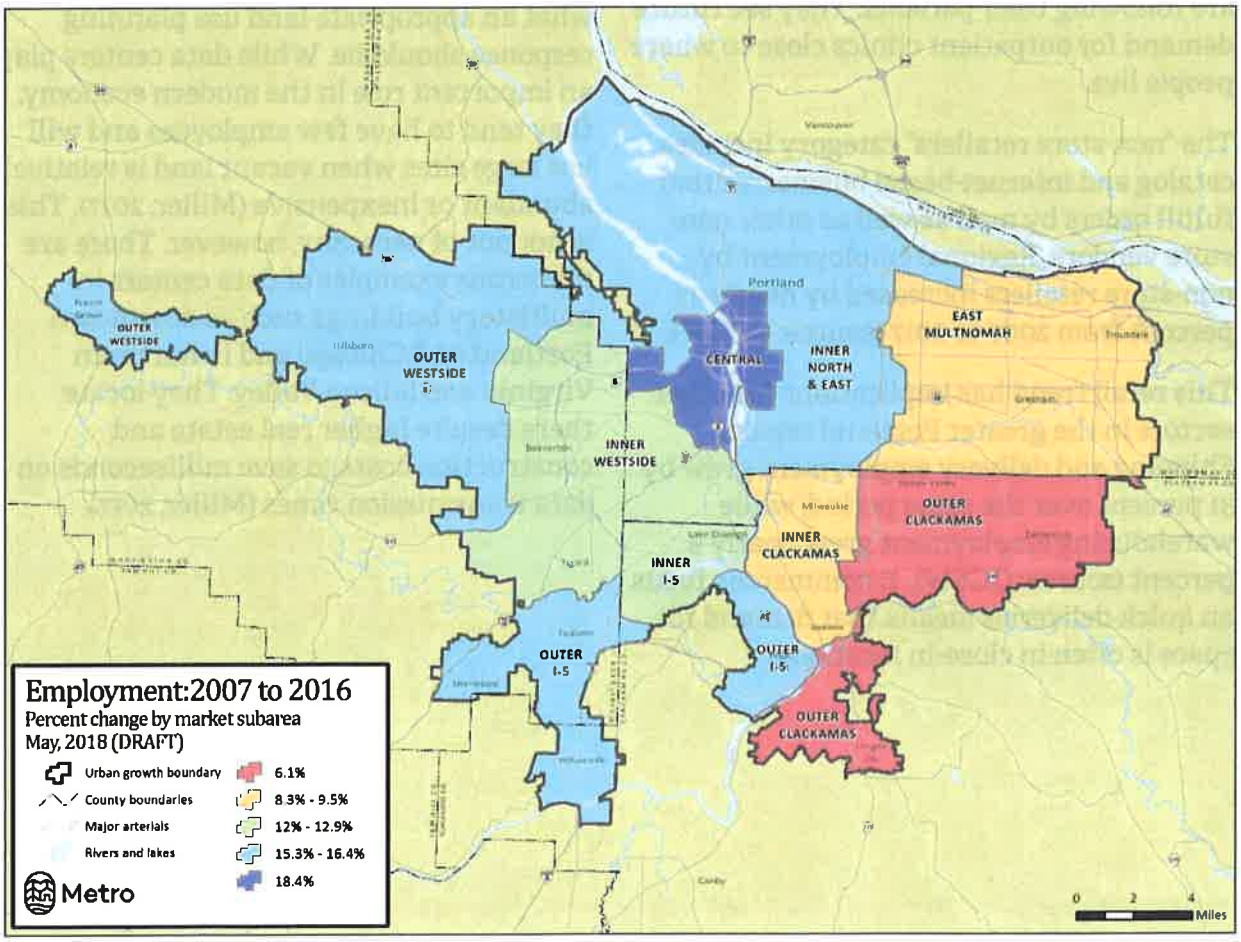
As we plan for future employment, we need to be aware of changes in where businesses locate and how they use space. Most of these trends point to more efficient use of land.

Nationwide, there has been a trend of businesses relocating from more remote campus settings to downtowns. Businesses are doing this to attract and retain an educated workforce that wants access to urban amenities like restaurants, bars, cafés and transit.

This is now a mainstream trend. In recent years, G.E. moved its headquarters from a suburban campus in Connecticut to a downtown Boston location. The new G.E. headquarters won't have a parking lot. McDonald's and Kraft Heinz both moved from suburban Chicago locations to downtown.

In the greater Portland region, these trends are evident. The highest rate of job growth in the region from 2007 to 2016 was in central Portland at 18.4 percent growth. This was followed by the outer west side, inner north and east, and the outer I-5 areas at 15.3 to 16.4 percent growth. Job growth in east Multnomah County and Clackamas County has lagged behind at 6.1 percent.

Figure 16: Percent change of employment by market subarea, 2007-2016



Our workplaces look different than they used to

Inside office buildings, workers are taking up less space than they used to. In many professions, gone are the days of private offices. Instead, a laptop and a chair are often more typical.

Among the increasing ranks of the "gig economy" (self-employed), work space can be co-working space that is leased by the hour or a seat at a coffee shop for the price of coffee refills.

In the medical sector, health care providers are following their patients. They see future demand for outpatient clinics close to where people live.

The "non-store retailers" category includes catalog and internet-based businesses that fulfill orders by mail as well as other non-store vendors. Regional employment by non-store retailers increased by nearly 27 percent from 2007 to 2017 (source: QCEW).

This retail trend has implications for other sectors in the greater Portland region. Shipping and delivery employment grew by 31 percent over the same period, while warehousing employment grew nearly 9 percent (source: QCEW). E-commerce's focus on quick deliveries means that demand for space is often in close-in locations.

For "brick and mortar" retail, the emergence of e-commerce and people shifting their consumption habits from retail goods to meals and entertainment portends the closing of malls and retail businesses in commercial corridors (Thompson, 2017). This trend can be seen in the closure of many Sears, J.C. Penney, Macy's, and Kmart stores and all Toys R Us stores in the U.S. Between 2007 and 2009, 400 of the U.S.'s largest 2,000 malls closed (Esri, 2014).

The construction of data centers has recently created more demand for industrial land. Policy makers may wish to consider what an appropriate land use planning response should be. While data centers play an important role in the modern economy, they tend to have few employees and will use large sites when vacant land is relatively abundant or inexpensive (Miller, 2017). This is not out of necessity, however. There are numerous examples of data centers in multistory buildings such as downtown Portland and Chicago and in northern Virginia and Silicon Valley. They locate there despite higher real estate and construction costs to save milliseconds on data transmission times (Miller, 2017).

From home to work and back

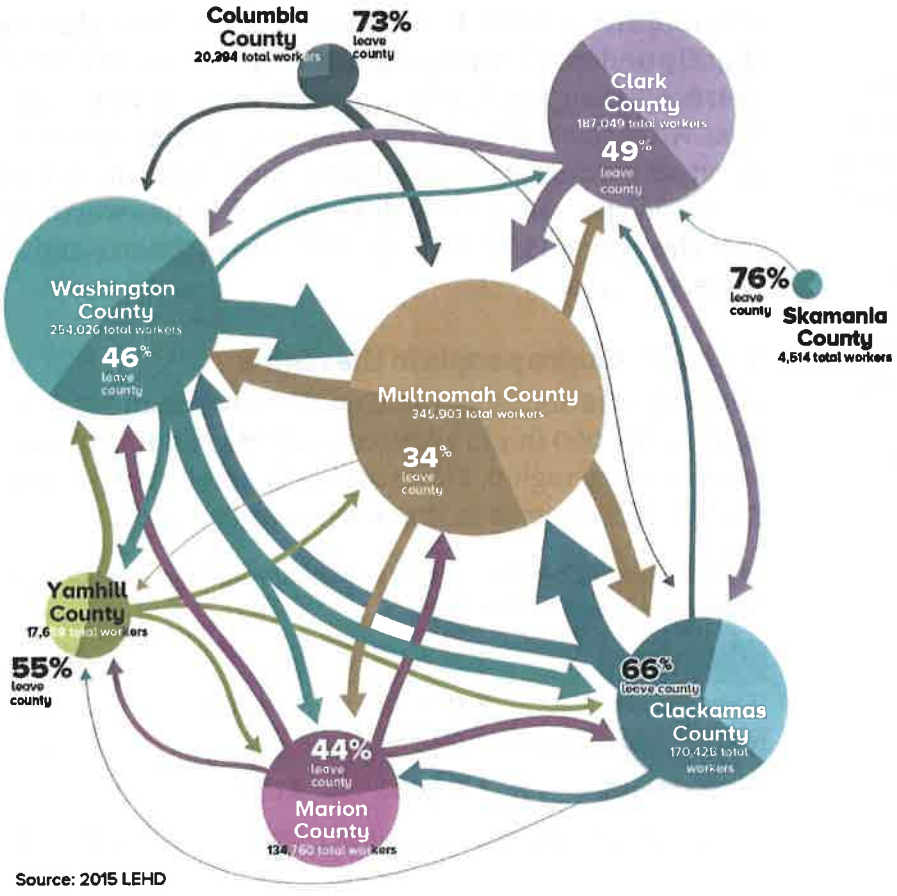
Ours is a regional economy that doesn't stop and start at state lines, the UGB, or county and city boundaries. People make complex decisions about where to live and work. Few of us choose the job closest to home or the home closest to our job. Rather, we consider other factors, which might include:

- whether jobs are a good match for our skills
- whether jobs pay enough
- whether our spouse or partner is also employed, but in a different location
- whether homes match our budget
- whether homes and neighborhoods match our preferences
- whether we can tolerate or afford longer commutes
- whether local schools meet our needs and preferences.

These choices are borne out in the data on commute patterns that show people commuting across city and county lines, Those patterns will not be changed by any UGB expansion for housing or jobs. The best course of action is to plan communities with a mix of uses that shorten our other trips – going to the grocery store, for example – and provide reliable and safe multimodal transportation options to link different parts of the region.

In the context of growth management decisions, these patterns influence the amount of housing and job growth that is likely to locate in the Metro UGB. Historically (since 1979), about 61 percent of the new households in the seven-county metropolitan area and 82 percent of the new jobs have located in the Metro UGB.

Figure 17: Where greater Portland area residents work by county, 2015 (source: US Census LEHD)



Good sources

Metro bases its forecast on the best sources available:

- U.S. Census
- U.S. Bureau of Labor Statistics
- U.S. Bureau of Economics
- Federal Reserve Board
- Portland State University's Population Research Center
- IHS Markit

Handling uncertainty

There is uncertainty in any forecast. Metro recognizes uncertainty by producing a probabilistic range forecast. The midpoint of the range is the most likely outcome. However, migration trends, federal monetary policy, technological change, recessions and international relations are all factors that may move actual growth higher or lower in the range.

Regional outlook

The communities inside the Metro UGB are a major part of a larger regional economy that extends over seven counties and across state lines. To understand housing and employment needs in the Metro UGB, we need to first understand what's happening in the larger seven-county metropolitan area. This larger area is the starting point for Metro's population, household and employment growth forecasts. This seven-county forecast is documented in Appendix 1.

Metro subjects its forecast model and the forecast results to a peer review process that includes public and private partners who are experts in economics and demographics. In the case of the draft forecast, the peer review panel found the forecast to be reasonable and in line with other projections. Documentation for the peer review process is included in Appendix 1.

To check how we're doing, Metro also provides comparisons of past forecasts and actual growth (see Appendix 1). Those comparisons show that Metro's forecasts have been accurate and reliable. Metro's 2010 forecast has held up well, slightly underestimating population growth and slightly overestimating employment growth in the seven-county area. After five years, the forecast was within three percent of actual estimates for population and employment, less than a one percent annual difference. It is also worth noting that the year 2015 "actual" numbers are estimates and also subject to error.

We expect more people in the region

Between 2018 and 2038, there could be between 365,000 (low) to 659,000 (high) additional people residing in the seven-county region. The most likely amount of growth is 524,000 more people in the seven-county region.

Table 2: Population forecast for the seven-county Metropolitan Statistical Area (2018 to 2038)

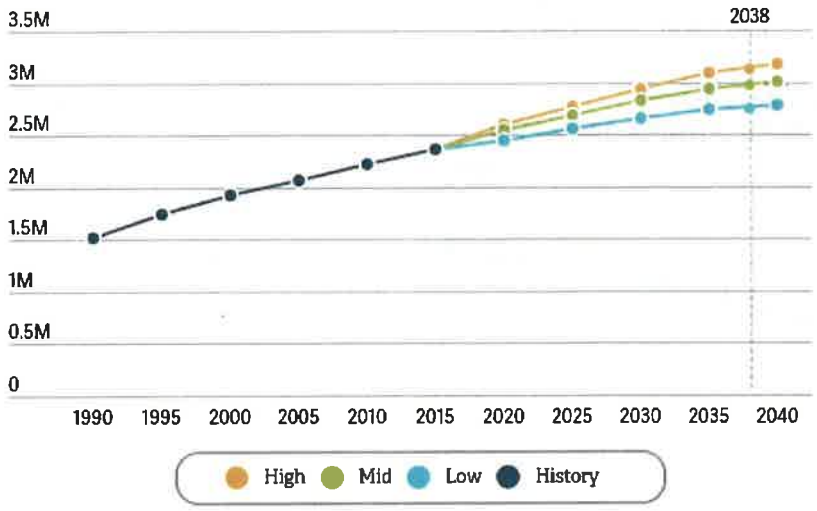
	2018	2038	Difference
Low growth	2,414,000	2,779,000	365,000
Most likely growth	2,481,000	3,005,000	524,000
High growth	2,516,000	3,175,000	659,000

The primary source of population growth in the region will

continue to be migration. Births represent an ever-shrinking source of population growth in our region and nation. In 2017, the U.S. saw the fewest births in 30 years and its lowest general fertility rate in history. (U.S. Department of Health and Human Services, 2018)

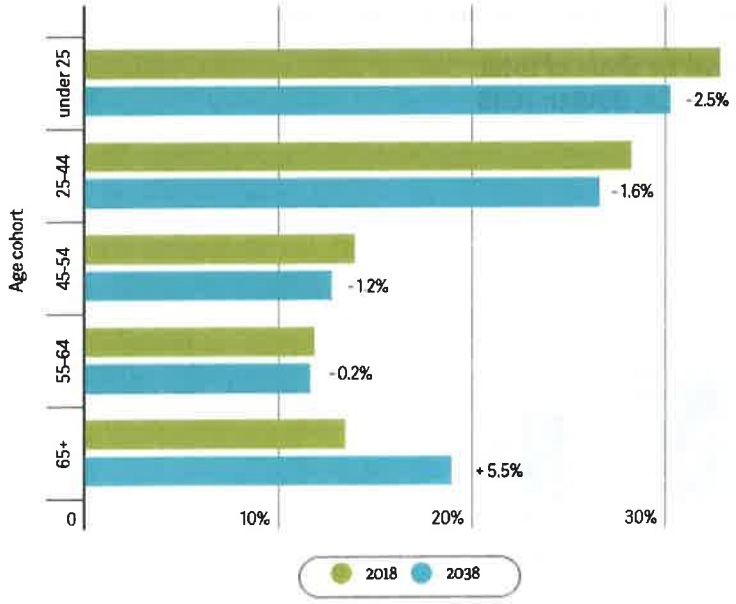
Along with declining birth rates, the region's population is aging. In 2018, about 13 percent of the population is 65 years or older. By 2038, about 19 percent of the population will be 65 years or older.

Figure 18: Population history and range forecast, seven-county Portland-Vancouver-Hillsboro MSA, 1990-2038.



Source: 2018-38 Portland-Vancouver-Hillsboro, OR-WA MSA Forecast, Metro Research Center, Nov 2017

Figure 19: Age cohorts as a percentage of total population, seven-county Portland-Vancouver-Hillsboro MSA, 2018 and 2038



Source: 2018-38 Portland-Vancouver-Hillsboro, OR-WA MSA Forecast, Metro Research Center, Nov 2017
Note: Age bracket size (i.e. the number of years per age bracket) varies by cohort.

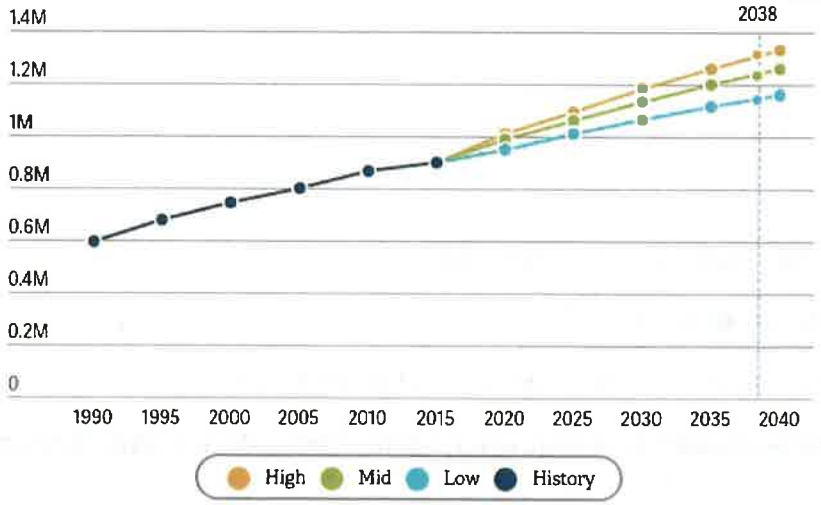
We expect more households in the region

Between 2018 and 2038, there could be between 212,000 (low) to 335,000 (high) additional households in the seven-county region. The most likely amount of growth is 279,000 more households in the seven-county region.

Table 3: Household forecast for the seven-county Metropolitan Statistical Area (2018 to 2038)

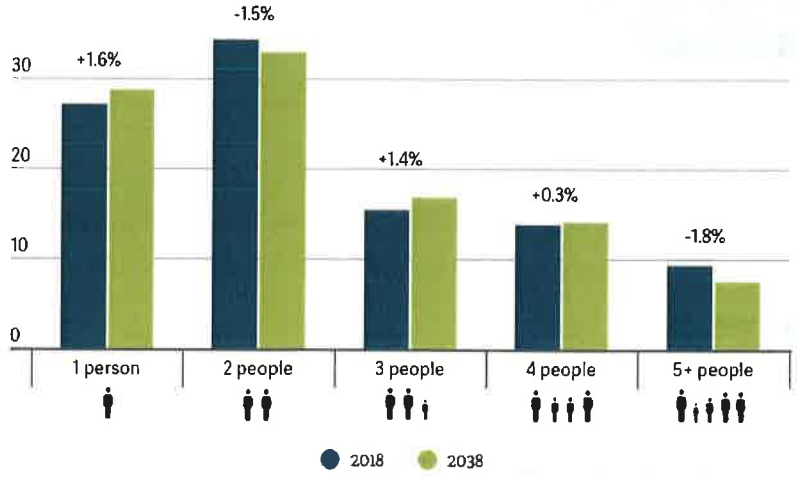
	2018	2038	Difference
Low growth	932,000	1,144,000	212,000
Most likely growth	958,000	1,237,000	279,000
High growth	972,000	1,307,000	335,000

Figure 20: Household history and range forecast seven-county Portland-Vancouver-Hillsboro MSA, 1990-2038



Source: 2018-38 Portland-Vancouver-Hillsboro, OR-WA MSA Forecast, Metro Research Center, Nov 2017

Figure 21: Household size history and forecast by share of total, seven-county Portland-Vancouver-Hillsboro MSA, 2018 to 2038



Source: 2018-38 Portland-Vancouver-Hillsboro, OR-WA MSA Forecast, Metro Research Center, Nov 2017

Because people are staying single longer and having fewer children, the average household size for the seven-county metropolitan area is expected to drop from 2.6 people per household in 2018 to about 2.4 people per household in 2038. Today (and in 2038), almost two-thirds of households consist of one or two people.

In 2018, about 23 percent of heads of households are 65 and older. By 2038, about 30 percent of heads of households will be 65 and older.

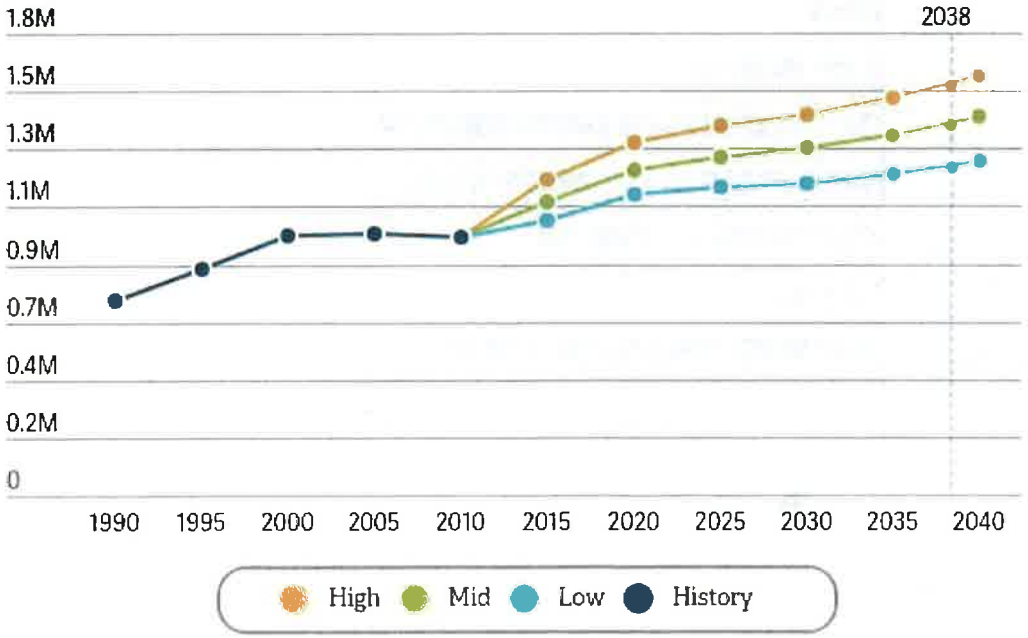
We expect more jobs in the region

Between 2018 and 2038, there could be between 135,000 (low) to 258,000 (high) additional jobs in the seven-county region. The most likely amount of growth is 209,000 more jobs in the seven-county region.

Table 4: Employment forecast for the seven-county Metropolitan Statistical Area (2018 to 2038)

	2018	2038	Difference
Low growth	1,108,000	1,243,000	135,000
Most likely growth	1,193,000	1,402,000	209,000
High growth	1,293,000	1,551,000	258,000

Figure 22: Employment history and range forecast seven-county Portland-Vancouver-Hillsboro MSA, 1990-2038



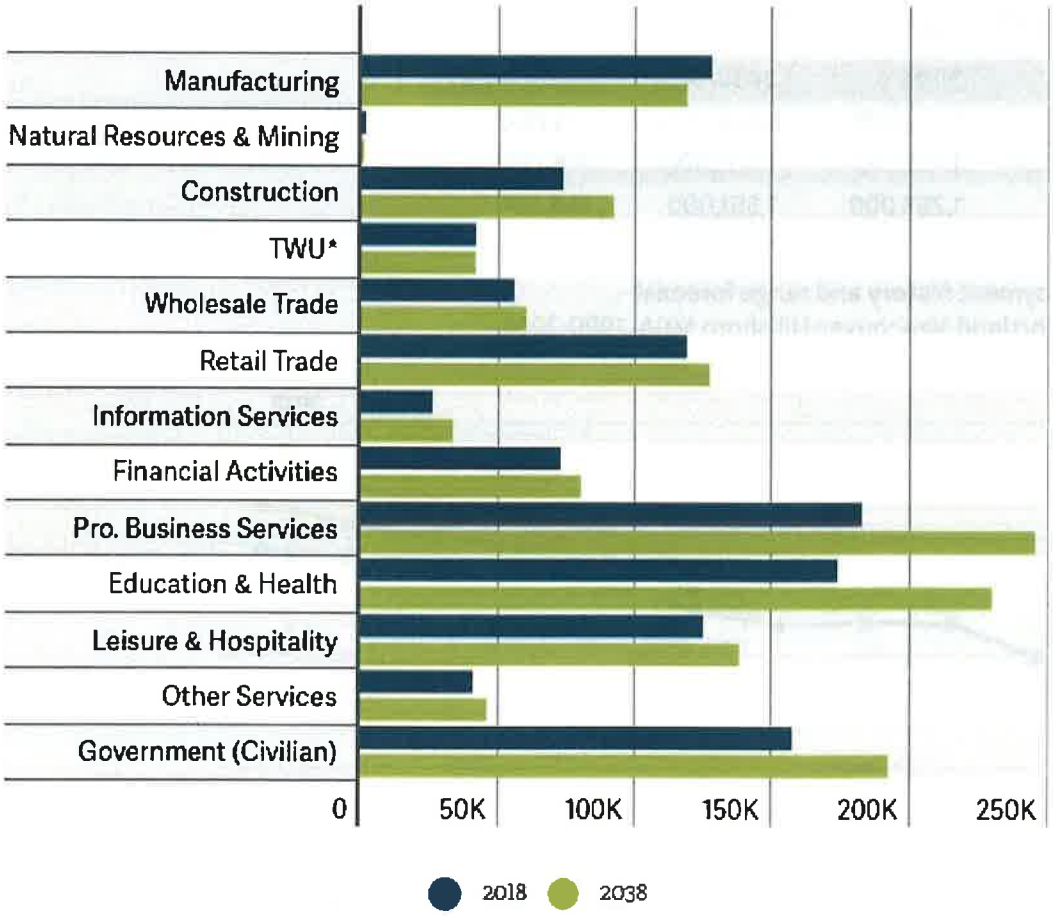
Source: 2018-38 Portland-Vancouver-Hillsboro, OR-WA MSA Forecast, Metro Research Center, Nov 2017

There is more uncertainty around the job forecast than the population forecast since the economy may be positively or negatively impacted by global events, innovations, and decisions that can't be predicted. Actual growth will not follow a smooth trend line, but will have ups and downs with business cycles.

There is yet more uncertainty when it comes to forecasting employment by sector, but most economists see continued strength in sectors like education and medicine that serve the growing population.

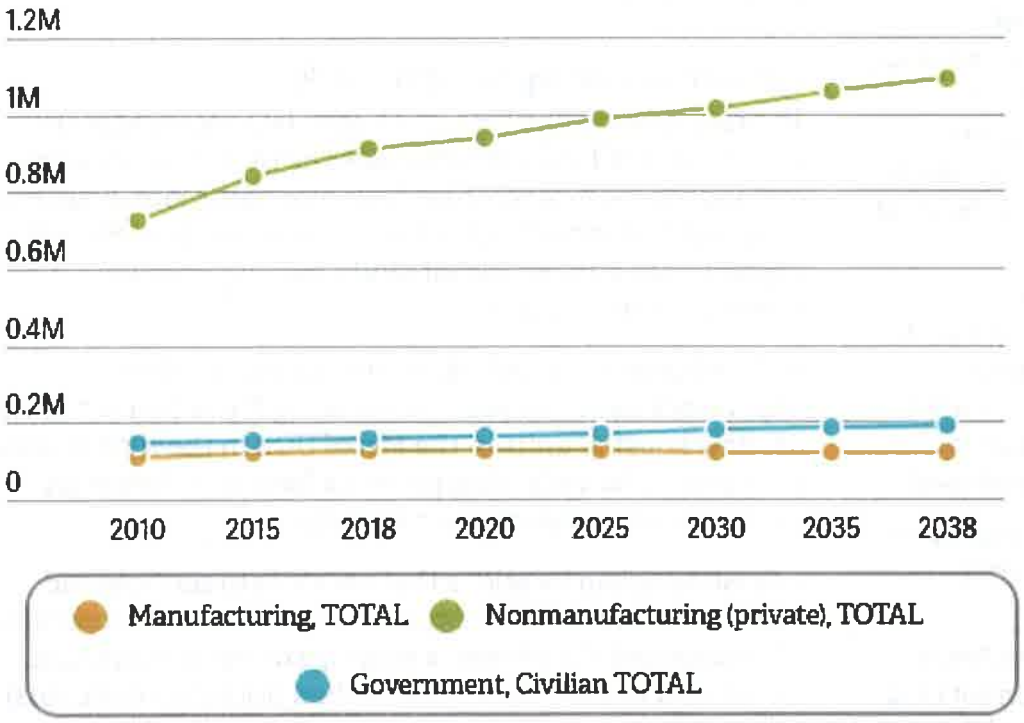
On the flip side, because of automation and other factors, many economists see slow or no job growth for industrial sectors – such as high-tech manufacturing and wood products – that have traditionally been strengths for Oregon (Lehner, Oregon's Industrial Structure and Outlook, 2018). Instead, going forward, employment growth in the high-tech sector is expected in software development (Lehner, Oregon High-Tech Outlook, 2018).

Figure 23: Employment by sector, current and baseline (likely) forecast seven-county Portland-Vancouver-Hillsboro MSA, 2018 and 2038



Source: 2018-38 Portland-Vancouver-Hillsboro, OR-WA MSA Forecast, Metro Research Center, Nov 2017
"TWU" = Transport, Warehousing and Utilities

Figure 24: Employment history and projections (by major sector) seven-county Portland-Vancouver-Hillsboro MSA, 1990-2038



Source: 2018-38 Portland-Vancouver-Hillsboro, OR-WA MSA Forecast, Metro Research Center, Nov 2017
Forecast is for mid-range projection.

How much room is there for housing and job growth inside the UGB?

Where growth can happen

Redevelopment Development on a tax lot where the original structure has been demolished and there is a net increase in housing units or jobs.

Infill Additional development on a tax lot where the original structure has been left intact and the lot is considered developed.

Vacant land Land inside the UGB that's not developed.

Urban reserves Areas outside the current UGB designated by Metro and the three counties as the best places for future growth if urban growth expansions are needed over the next 50 years.

Neighbor cities Cities in the larger metropolitan area, but outside of Metro's jurisdiction: Vancouver, Newberg, Sandy, etc.

Committed to using land efficiently

To protect farms and forests, Oregon law encourages the efficient use of land already inside the UGB. This focus on making the most of what we have also keeps jobs, housing, shopping and services closer by. Future development will happen – not only on vacant land – but also through redevelopment or infill.

Redevelopment and infill have demonstrated their importance in recent years, accounting for 76 percent of the net new housing units in the Metro UGB in the 2007 to 2016 time period, far exceeding previous forecasts. This is an important reminder of several points:

- Existing urban locations that are close to services and amenities are in high demand, so much so that economists have cointed the phrase "a shortage of cities" (Cortright, Dow of Cities: Big data on the urban price premium, 2018).
- Encouraging redevelopment and infill is the means to address the shortage of cities and to reduce housing prices in these locations.
- Redevelopment and infill are not static. They are more likely in locations that are in high demand.

Buildable land inventory review process

Metro inventories buildable land through a comprehensive process that includes extensive review by city and county planning staff. Many local staff participated in Metro's Land Use Technical Advisory Group (LUTAG), which assisted in the inventory. LUTAG began meeting in the summer of 2017 and met regularly through spring of 2018.

Appendix 2 describes the methods that Metro used to estimate how much buildable land is inside the UGB. All cities and counties in the region had an opportunity to review the buildable land inventory used in this analysis. The inventory results are described in Appendix 2.

Though the inventory assumes that current zoning regulates allowable uses, it does not assume that all of that zoned capacity is viable in the next 20 years (there is zoned capacity for over 1.3 million homes in the UGB).

The inventory begins with aerial photos locating vacant land. Subsequent steps account for environmental constraints such as steep slopes and wetlands.

Aside from vacant land, additional housing and jobs are also expected on some already-developed lands. There are a variety of uncertain market factors that may influence long-term redevelopment and infill potential. For that reason, redevelopment and infill potential are expressed as a range.

Buildable residential land inside the UGB

The buildable land inventory for the Metro UGB includes capacity for 229,200 to 364,300 additional homes. The difference in the two numbers is attributable to redevelopment potential. Because of a variety of factors (infrastructure, market, neighborhood opposition, etc.), not all of this capacity may be development-ready in the 20-year planning period.

Table 5: Residential buildable land range (source: Metro, in coordination with cities and counties)

	Single-family homes	Multi-family homes	Total homes
Low	93,300	135,900	229,200
Medium	93,300	227,700	321,000
High	93,300	271,000	364,300

Note: single-family housing capacity is shown as a static number rather than a range since there are fewer market uncertainties than with multifamily redevelopment

Buildable employment land inside the UGB

Metro categorizes employment land as commercial or industrial according to adopted zoning. As documented in the 2014 Urban Growth Report, these categories are somewhat flexible and it is common to find commercial employment on industrial land.

Commercial (non-industrial) employment land

There are 2,150 to 2,530 net buildable acres of commercial employment land inside the Metro UGB. Because there is uncertainty around redevelopment of land in mixed-use zones, these buildable acres are expressed as a range.

Industrial employment land

There are 8,600 net buildable acres of industrial employment land inside the Metro UGB.

Large industrial sites

Expanding and attracting traded-sector businesses are important aspects to creating middle-income jobs. As an income tax dependent state, Oregon's higher wage jobs generate revenue to fund schools, parks and other public services. The greater Portland region competes globally to attract these coveted jobs, so it is important to have development-ready sites where businesses can locate.

The 2017 update of the Regional Industrial Site Readiness project inventoried large, vacant industrial sites (over 25-net buildable acres per site) and is included as Appendix 8. The inventory is a subset of the previously described industrial land inventory. It finds 65 large industrial sites inside the UGB and at varying stages of development readiness:

- There are 45 large industrial sites inside the UGB that may be available to the general market[10].
- An additional 20 large industrial sites inside the UGB that are held by existing firms for potential future expansion.

The focus of the Regional Industrial Site Readiness project is to identify actions that must be taken to make these sites development-ready to produce jobs. The project finds that many large industrial sites have extensive needs including:

- infrastructure needs, particularly transportation improvements
- site assembly
- brownfield cleanup
- wetland mitigation
- annexation by cities
- willing seller.

These challenges mean that, of the 45 large sites that aren't being held by existing businesses for future expansion:

- 10 sites are developable within a 6-month timeframe (Tier One)
- 11 sites will require 7 to 30 months to be made development-ready (Tier Two)
- 4 sites will require more than 30 months to be made development-ready (Tier Three).

Any sites added to the UGB would be Tier Three, requiring months of effort and substantial investment to make them development-ready.

10. The inventory identified 47 sites, but two of them outside the UGB, so they are not included here.

Policy considerations related to the need for proposed residential UGB expansions

Under state law, UGB expansions can only be made when there is a regional need for additional land. That determination of need must be based on historic development patterns on land inside the Metro UGB, as well as trends in development, demographics and the economy. Past development patterns and trends show that redevelopment and infill are the region's primary source of growth. Past experience also shows that UGB expansions produce housing when governance and infrastructure funding are addressed, but rarely without those elements. Looking forward, the scenarios described above illustrate that future household growth could be accommodated in a variety of ways. However, the quantity, location, type, and tenure of housing growth would vary slightly with different decisions.

After reviewing this analysis and the city expansion proposals, the Metro Council may wish to consider several policy questions to help reach a conclusion regarding whether some or all of the proposed UGB expansions are needed:

Efficient land use: The Council has policies to encourage efficient land use through redevelopment and infill to maintain a compact urban form.

1. Have the cities that submitted expansion proposals demonstrated that they are removing barriers to mixed-use development in their existing urban areas?
2. Would making the city-proposed UGB expansions position the region to make urban reserves last for their intended duration?
3. Do city concept plans for urban reserves make efficient use of land?

Viability of housing production in expansion areas: The Council has a policy to only expand the UGB into concept planned urban reserves to ensure that the expansions get developed as intended.

4. Have the cities that submitted expansion proposals (with concept plans) made the case that the expansions would result in housing production? Is there a viable plan for paying for needed pipes, streets, parks, and other public facilities and services?

Housing choices: The Council has policies to encourage a variety of housing choices.

5. Are the cities that are proposing expansions planning for a variety of housing types (citywide)?
6. Would the city-proposed UGB expansion provide additional housing choices that are desirable? In particular, are the city-proposed UGB expansions needed in order to provide more single-family housing choices in the context of the region's ongoing shift towards apartments and condos?

Housing affordability: The Council has policies to encourage housing choices for those households with the fewest choices.

7. Have the cities that submitted expansion proposals demonstrated that they are taking actions to increase and preserve their supply of affordable housing (citywide)?

Desired outcomes: The Council has policies to make decisions that advance the region's six desired outcomes.

8. Have the cities proposing expansions demonstrated that they are taking actions to advance the region's desired outcomes (citywide)?
9. Have the cities proposing expansions meaningfully engaged diverse communities in community planning (citywide)?
10. Have the cities proposing expansions taken actions to reduce racial inequities in social outcomes related to housing, jobs, transportation, and parks?

Next steps

This report, along with the four expansion proposals are intended to inform policy discussions in the summer of 2018. Through those discussions, the Metro Council will come to a determination as to whether any of the four proposed expansions are needed to accommodate household growth.

Timeline (subject to change)

- **Summer 2017 – Spring 2018:** Technical peer review of forecasts, buildable land inventory, modeling assumptions, etc.
- **Dec. 29, 2017:** Deadline for cities to submit letters of interest for growth boundary expansion proposals into adjacent urban reserves. Five cities – Beaverton, Hillsboro, King City, Sherwood and Wilsonville – submitted letters of interest
- **May 2018:** Cities submit full proposals for UGB expansions. Four cities – Beaverton, Hillsboro, King City and Wilsonville – submitted proposals
- **June 2018:** Cities proposing UGB expansions present those proposals to the Metro Council, the Metro Policy Advisory Committee, and the Metro Technical Advisory Committee
- **June 8 – July 9, 2018:** Online public comment period on city expansion proposals
- **July 3 2018:** Metro releases draft 2018 Urban Growth Report
- **July 2018:** Overview of draft 2018 Urban Growth Report at Council, the Metro Policy Advisory Committee, and the Metro Technical Advisory Committee
- **July 2018:** City Readiness Advisory Group provides feedback on the strengths and weaknesses of city-proposed expansions to Council and the Metro Policy Advisory Committee
- **Sept. 4, 2018:** Metro's Chief Operating Officer recommendation
- **Sept. 12, 2018:** Metro Policy Advisory Committee recommendation to the Metro Council
- **Sept. 20 and 27, 2018:** Metro Council public hearings and direction to staff on whether and where the UGB will be expanded (and any other policy direction)
- **Dec. 6, 2018:** Metro Council public hearing
- **Dec. 13, 2018:** Metro Council decision on growth boundary expansion

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