

PORTLAND PLAN

Comprehensive Plan Evaluation

An introductory research paper to assist in the Portland Plan Work Program development

ECONOMIC DEVELOPMENT Technical Working Group

> DRAFT REPORT <

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Introduction

Portland has a long and successful tradition of shaping its future through thoughtful planning. Much of what the community values about Portland is, at least in part, the legacy of the 1972 Downtown Plan, the 1980 Comprehensive Plan and the 1988 Central City Plan. However, these plans, which were intended to guide the city's growth over a 20-year period, are largely outdated. They no longer adequately prepare the community for the challenges and opportunities that lie ahead or provide guidance regarding how and where to make the next round of major investments in infrastructure and programs.

On November 13, 2007, the City received a letter from the state Department of Land Conservation and Development (DLCD) directing Portland to undertake Periodic Review of its Comprehensive Plan. The DLCD letter calls on Portland to evaluate the comprehensive plan provisions on economic development, housing, public facilities, transportation and urbanization to determine whether they are consistent with state law. The City will also evaluate supporting documents (e.g., forecasts, inventories, analyses and facilities plans) and implementing regulations (e.g., zoning). If the plan, supporting information or regulations are deficient, the City must prepare a Work Program to bring them into compliance with state law, and include a public outreach strategy that effectively involves the community in the planning effort.

Merely updating the comprehensive plan per state law will not provide the City with the coordinated, comprehensive guidance document needed to prepare for the opportunities and challenges that the community will likely face (e.g., global warming, a changing economy and projected population and job growth) or achieve the community's aspirations for the future.

Consequently, the City has launched a planning process to prepare a new over-arching plan for the City of Portland, the "Portland Plan." The Portland Plan will satisfy the state's Periodic Review requirements and address other issues and opportunities to prudently guide the City's physical, economic, social, and cultural development in a manner that meets community needs and aspirations.

To evaluate the current Comprehensive Plan and scope the Portland Plan, the City formed six Technical Working Groups (TWGs) to address the following topics: Economic Development, Environment, Housing, Infrastructure, Sustainability and Urban Form. Each topic had its own approach. Some existing committees, such as the Citywide Asset Managers Group that prepares the annual City Asset Report, were tapped to participate on the TWG. The groups began meeting in October 2007 and completed their discussions in February 2008. The number of meetings varied widely by topics. Generally, groups met at least monthly.

The TWGs were composed of staff from the Planning, Environmental Services, Housing and Community Development, Office of Sustainable Development and Transportation bureaus. In addition, staff from Parks and Recreation, Building and Development Services, Management and Finance, Water Bureau, Portland Development Commission, Port of Portland and the Housing Authority participated.

A transportation expert served on several TWGs because transportation concerns are woven into all the other topics. Transportation is also specifically addressed in the Comprehensive Plan Evaluation Report. This separate report summarizes the individual TWG reports.

Additional input was also considered from the Portland-Multnomah Food Policy Council, community health advocates, Portland Peak Oil Task Force, ReCode Portland, a project facilitated through Tryon Life Community Farm to promote regulations that support grassroots sustainability, and visionPDX. This input loop will be continued in future community meetings and at public hearings before the Planning Commission and City Council.

The TWGs were asked to examine at the Comprehensive Plan, other plans and regulations to help define the initial focus issues and identify the known goals, policies, needs, challenges and opportunities that the Portland Plan should address. Specifically, the TWGs were asked to do the following:

1. Summarize and assess the existing policy frameworks, including the Comprehensive Plan, 1988 Central City Plan, and other current policy statements to identify the following:
 - a. Which policies remain relevant,
 - b. Which do not, and
 - c. What is missing.
2. Prepare draft assessments of conditions and trends that they believe are most relevant and critical to understanding the issues to be addressed by the Portland Plan.
3. Identify additional research or analysis that should be undertaken to develop the policies for the Portland Plan and the Central Portland Plan.
4. Suggest particular planning projects for the Work Program, the complete list of planning projects/tasks that will need to be done, and set forward any specific staff or resources needed to accomplish those projects.

Some groups also responded to a draft "Suggested Approach" to the Portland Plan process that offered "5 Framing Ideas" that represent the big issues facing the community including: (1) Global Climate Change, (2) World Economy, (3) Affordable Living, (4) Investment in Green Infrastructure and (5) Character of Place. Over time, these five ideas evolved and included other ideas. Each TWG considered the ideas that seemed most relevant to their topic.

As the TWGs held discussions on the topics listed above, they were asked to always consider the community values expressed in visionPDX: community connectedness and distinctiveness; equity and accessibility; sustainability, accountability and leadership; inclusion and diversity; innovation and creativity; and safety.

This report is the TWGs summary of their group discussions. It is intended to help to start a citywide conversation on the issues, challenges and opportunities. It is hoped that individuals and groups will add to the conversation started by these reports.

Key Findings

- Economic globalization trends have put more pressure on regions to be adaptable and competitive to remain prosperous. While the regional economy is on a long-term growth trajectory, job growth in Portland is lagging.
- Portlanders identified equity and accessibility, sustainability, and community connectedness and distinctiveness as core values in *visionPDX*, elevating them as essential ingredients of prosperity. Recent economic trends underscore these values. Inflation-adjusted income has declined for most Oregon households in the last two decades, despite economic growth. Pressure to respond to climate change is expected to alter how the city develops and to expand Portland's expertise as a sustainable city. And while many neighborhood business districts have become distinctive places that enhance neighborhood livability, many have not been as successful.

Proposed Products

- Portland Development Commission will prepare a 5-year citywide Economic Development Strategy concurrently with the 20+ year Portland Plan, integrating short-term and long-term direction for economic development. Portland's Economic Development Strategy was last updated in 2002.
- As part of this periodic review of the Comprehensive Plan, Statewide Planning Goal 9 (the economic development goal) requires an economic opportunities analysis of industrial and employment land supply and demand, as well as designation of an adequate supply to meet forecast demand in the 20-year planning period and the short term.
- The Portland Plan will update economic development policy, the urban form plan for employment districts, and capital projects planning, in order to support city objectives and respond to changing conditions.

Existing Economic Development Policies

Existing economic development policies in the Comprehensive Plan and other related plans and strategies were reviewed for completeness and continuing relevance in relation to current conditions and trends. The following issues were identified.

1. *Lack of a common economic development goal among many plans* – Current policy and strategic direction for economic development in Portland is provided in many plans, each with different core economic development goals centered on their respective implementation roles or geography. Here are examples:
 - Comprehensive Plan (1994 update) economic development goal: Foster a strong and diverse economy which provides a full range of employment and economic choices for individuals and families in all parts of the city. Implementation focus: land use and infrastructure. Geographic focus: citywide.
 - Central City Plan (1988) economic development goal: Build upon the Central City as the economic heart of the Columbia Basin and guide its growth to further the city's prosperity and livability. Implementation focus: land use and infrastructure. Geographic focus: Central City.

- Economic Development Strategy (2002) goal: Facilitate the growth and diversification of business activity that (1) creates jobs, income, and wealth, and (2) creates investment that generates municipal revenue to fund the provision of facilities and services and enhance our quality of life. Implementation focus: business development. Geographic focus: urban renewal areas, city, and region.
- Consolidated Plan (2006) statutory goal: Expand economic opportunities which primarily benefit low- and very low-income persons. Implementation focus: poverty reduction programs. Geographic focus: citywide.
- Regional Business Plan (2007) vision: A metropolitan economy that is built upon sustainability, innovation, openness, and individualism. Implementation focus: private sector advocacy for competitiveness. Geographic focus: region.
- Oregon Business Plan (2007) vision: Quality jobs and statewide prosperity spring from growth of companies that sell goods and services outside Oregon. The plan proposes a framework of pioneering innovation, people, place and productivity to support growth in these traded sectors. Implementation focus: private sector advocacy for competitiveness. Geographic focus: state.

Problems can arise from lack of explicit interbureau goals and coordinated implementation. Organizations frequently partner to support different objectives, but if their funding and strategic directions do not line up, they can be working counter productively. Community economic development and industrial economic development have partially overlapping concerns, but their scale and focus of efforts differ substantially by target geography and population served. Bureaus and agencies do not consistently incorporate or reflect strategic objectives of state economic development agencies, private associations or non-profit organizations whose work impacts economic development in the city.

2. *There isn't anything in the current policy that positions the city within federal, state, regional, and county efforts* – The city's demographics, objectives, and economy are distinct within the county, region, state, and federal jurisdictions that implement economic development and related programs within city boundaries. However, current policies do not clarify very well the city's economic development goals or roles in relation to its inter-jurisdictional partners. Current city policies and strategies also do not set out an explicit legislative or funding agenda to support its economic development objectives.
3. *Lack of explicit performance measures or targets* – The Comprehensive Plan and other strategies that set direction for economic development efforts in Portland do not typically specify how to measure progress, which would help to gauge the proportion of responses and facilitate innovative, adaptive responses over time.
4. *Lack of focused direction within plans* – Current economic development visions, plans, and strategies in the city and region have been criticized for being too unfocused. Typically, they are lengthy and their detailed direction is not linked to a few core ideas and priorities for the planning or strategy period.
5. *Comprehensive Plan policy review* – Updates and refinements should be considered to existing economic development policies, which address land and buildings, business development, community-based economic development, transportation and infrastructure, and districts. A recent update of the Statewide Planning Goal 9 Rule sets new requirements for policies to support an adequate short-term employment land supply and strongly encourages policies on prime industrial land and brownfield

redevelopment. Consider adding policies to provide direction on competitiveness, equity, sustainability, workforce, and business climate, consistent with the Economic Development Strategy. Existing Comprehensive Plan policies on economic development have generally focused on land use and infrastructure, but there is interest in moving beyond that focus to more holistically respond to community values identified in *visionPDX* and to recent economic trends.

6. *Lack of policy direction on sustainable economic development* - The City of Portland has established leadership on urban sustainability, and in 2007 established a sustainable economic development initiative that created a partnership with the Office of Sustainable Development and Portland Development Commission. The Economic Development Strategy and Portland Plan provide an opportunity to extend this leadership into economic development efforts that reflect integration of economic, environmental and social considerations.
7. *Lack of a citywide brownfield policy* - The Bureau of Environmental Services has proactively addressed the issue of brownfield redevelopment along commercial corridors through the Portland Brownfield Program. And the Portland Development Commission assists brownfield redevelopment in urban renewal areas. However, as land-locked Portland nears buildout, brownfields are becoming an increasingly important share of our land supply for growth. Portland lacks an adequate citywide policy and programmatic response to overcome the barriers to recycling its hundreds of brownfields back into productive use.
8. *Other plans and strategies* - Integrate new economic development policy direction into related implementation strategies (e.g., Economic Development Strategy, Consolidated Plan).

Key Issues & Trends

1. Economic Growth & Population Shifts

Long-term Regional Economic Growth Trajectory

- *Seven percent economic growth rate* - The 6-county Portland metropolitan economy has grown from \$38.7 billion in gross domestic product (GDP) in 1992 to \$95.6 billion in 2005, an average annual growth rate of 7.2 percent. After the recent recession, regional GDP grew by 8.3 percent from 2003 to 2005. Economic growth is both a driver and response to regional population growth. Migration has been the primary factor in metro Portland's population growth since 1980.

Economic Growth, Portland Metropolitan Area, 2001-2005

	GDP (millions of current dollars)			Average Annual Growth	
	2001	2003	2005	Recession 2001-03	Recovery 2003-05
Total Gross Domestic Product (GDP)	\$77,181	\$81,556	\$95,573	2.8%	8.3%
Industry	Share of Total GDP				
Private goods-producing industries*	21.5%	20.8%	23.9%	1.1%	16.2%
Manufacturing	15.5%	15.5%	18.3%	2.6%	17.8%
Construction	(D)	4.3%	4.6%	-6.7%	12.2%
Private services-providing industries**	68.8%	68.0%	65.5%	2.2%	6.3%
Financial activities	22.0%	(D)	(D)	(D)	(D)
Information	4.0%	3.6%	3.6%	-2.1%	7.3%
Professional and technical services	(D)	6.0%	(D)	0.4%	6.8%
Transportation and utilities	4.6%	(D)	(D)	(D)	(D)
Education and health services	7.0%	(D)	(D)	8.0%	(D)
Arts, entertainment, and recreation	0.7%	0.7%	0.7%	2.0%	2.5%
Accommodation and food services	2.2%	2.3%	2.2%	4.0%	6.6%
Retail trade	5.6%	5.4%	5.0%	0.9%	4.6%
Government	9.8%	11.2%	10.6%	10.3%	4.9%

(D) Data suppressed for confidentiality.

* Goods production industries also include agriculture, for which data was suppressed.

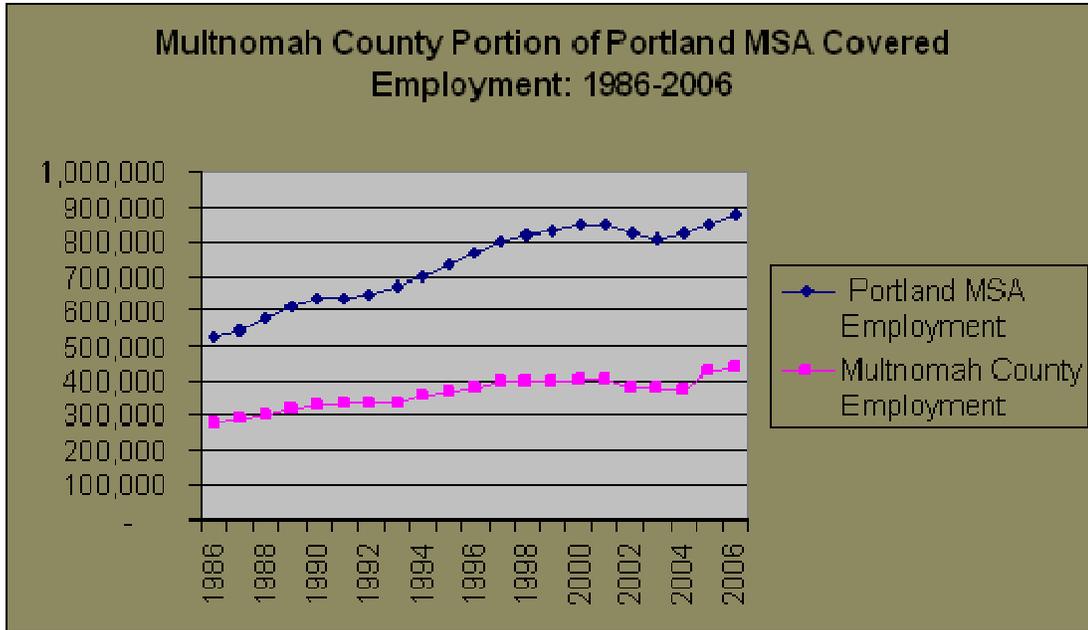
** Service industries also include wholesale trade, for which data was suppressed.

Portland-Vancouver-Beaverton, OR-WA MSA (6 counties)

Source: Bureau of Economic Analysis, U.S. Department of Commerce

Lagging Job Growth in the City

- *Job rich city with job growth below regional average* - In 2000, 60 percent more workers worked than lived in Portland. However, from 1995 to 2005, the county's share of metro area job growth was about 9 percent, compared to a 30 percent share of housing growth.
- *Job forecasts* - Metro currently projects employment growth from 1,045,000 jobs in 2005 to 1,664,000 by 2030 in the 4-county metro area, an annual growth rate of 1.9 percent, and from 437,000 to 600,000 in the City of Portland, an annual growth rate of 1.3 percent. Many factors could influence forecast accuracy, such as the effectiveness of economic development efforts, business cycles, growth in emerging industries, and adaptation to global warming.



Growth Opportunities & Constraints

- *Room for traded sector growth* - Portland’s industrial districts have room to grow, particularly the airport district. The expanding Central City has surplus zoning capacity. The Central Eastside and Gateway also stand out as designated regional center areas with long-term growth potential.
- *Site readiness challenges* - Traded sector businesses attracted to Oregon often list Portland as their site preference and then settle for a suburban or rural location due to a lack of large, development-ready sites in Portland. Recent analysis of the city’s industrial land supply (Industrial Districts Atlas 2004, et al.) indicates a tightening land supply that will require overcoming brownfield and other environmental development constraints to meet expected demand. Goal 9 compliance requires policies to support an adequate short-term land supply to meet demand.
- *Transit-oriented development* - TOD offers strong market potential to share in regional residential and commercial growth. The market and urban design potential of the city’s 93 commercial corridors and home businesses in neighborhoods needs further research. Some neighborhoods appear underserved by commercial land. Some large institutions have location-specific needs for campus growth.
- *Infrastructure needs* - Portland has a growing maintenance backlog of aging infrastructure and growth will bring capacity needs. There is a wide gap between planned transportation projects and budgets.
- *Workforce development* - Access to higher education in Oregon has not kept pace with global trends or competitive opportunities. Additionally, vocational training will be challenged to keep pace with retiring boomers and industrial growth. Training programs have a key role in aligning workforce supply and demand.
- *Commercial Brownfields* - The City of Portland Brownfield Program has identified approximately 375 potential brownfield sites along commercial corridors on

Portland's eastside that have not previously been identified as such. Cleanup needs can have a negative impact on the economic, social and environmental condition of the property. These impacts apply to the site itself, neighboring properties and commercial corridors as a whole, representing lost economic opportunity. Some local, state and federal resources exist to address these issues but at a limited scale.

Demographic Shifts

- *Population growth and workforce housing* – Portland regional population is projected to reach 2.8 million residents by 2025. The housing development market in the city has been robust in response to that growth. However, as Portland housing values rise in relation to wages, the ability to expand workforce housing for lower-wage city jobs is challenged and suggests the need for innovative solutions.
- *Emerging cultural diversity* – Portland's racial share of 77.9 percent white population in 2000 is high among U.S. cities, but it is diversifying. Between 1990 and 2000, the share of foreign born population in Portland increased from 7.7 to 13.0 percent and Hispanic population increased from 3.2 to 6.8 percent (U.S. Census). These demographic shifts expand intercultural needs related to language barriers, immigration laws and other responsiveness issues to ensure that economic opportunity is available for a diversifying population.
- *Aging boomer generation* – As most baby boomers age into retirement over the next 10-20 years, many employers will be challenged to replace them. Portland's ability to attract workers and assist younger workers to transition into positions of retiring boomers will continue to be an important competitive advantage. Further labor market research can help clarify the different needs of younger workers and their likely effects on the economy.

Possible Performance Measures

- Economic growth (city job growth, regional GDP growth,
- Traded sector investment (industrial and office development)
- Increase in wage levels
- Rate of brownfield reclamation (sites and acreage per year).

Suggested Directions to Explore & Research Needs

- Set a target city share of regional job growth that supports city objectives.
- Analyze and provide adequate land supply and infrastructure capacity to support forecast 20-year job growth (DLCD compliance). What zoning and public investment choices make sense to respond to available demand and our competitive strengths?
- Facilitate site preparation and redevelopment to provide adequate short-term land supply of sites (DLCD compliance). Opportunities include expanded efforts for redevelopment of every brownfield, increased employment density at transit stops, and integrated industrial/environmental zoning.
- Support adequate workforce development programs that balance the needs of both supply and demand.

2. Competitiveness in a World Economy

Competitive Responses to Globalization

- *Economic globalization trends* have been widely cited since the early 1990s as the international marketplace has opened up to increasing competition. Examples include outsourcing and off-shoring to lower-cost nations, growth of world trade much faster than production, and increasing scale through international mergers and trade blocs (e.g., NAFTA). New technologies, such as the internet and containerization, have facilitated international commodity flows. Dominant postwar growth in the US and Western Europe has shifted to dominant Asian growth in recent decades.
- *Increasing competitive uncertainty* – Business leaders in Portland’s traded sectors have commonly cited the need to reinvent their business lines to stay competitive. Traded sectors are firms that compete in international markets, bring income into the region, and tend to drive the regional economy. The extent that they expand in Portland or elsewhere in the world has come to depend on competitive factors.
- *Traded sector focus of state and regional business strategies* – The *Oregon Business Plan*, prepared by a broad private-sector coalition and updated each year, focuses attention on the competitiveness and growth of traded sector clusters as the priority of economic development efforts. The plan proposes a “4 P’s” framework of supportive conditions for traded sector growth: pioneering innovation (e.g., culture of research and entrepreneurship); people (e.g., well educated workforce); place (e.g., quality of life); and productivity (e.g., infrastructure and reasonable costs). The *Regional Business Plan 2006* prepared by the Portland Business Alliance reflects the same focus on traded sector competitiveness and clusters.

Niche Industrial Growth

- *Manufacturing/services share of the economy* – Manufacturing made up a declining share of Oregon jobs between 1977 and 1997, as the share of service sector jobs has expanded. However, the manufacturing sector share of economic output (GDP) remained stable at around 24 percent. Oregon manufacturing has essentially become less labor intensive, reflecting productivity gains that support competitiveness.

Shifts in Oregon Employment and Economic Structure

Industry	Industry Share of Oregon Gross Domestic Product			Industry Share of Oregon Employment		
	1977	1997	Change	1977	1997	Change
Manufacturing	24.8%	24.7%	-0.1%	23.2%	16.0%	-7.2%
Services	11.9%	17.1%	5.2%	16.4%	25.6%	9.3%

Sources: GDP - U.S. Economic Census; covered employment - OED.

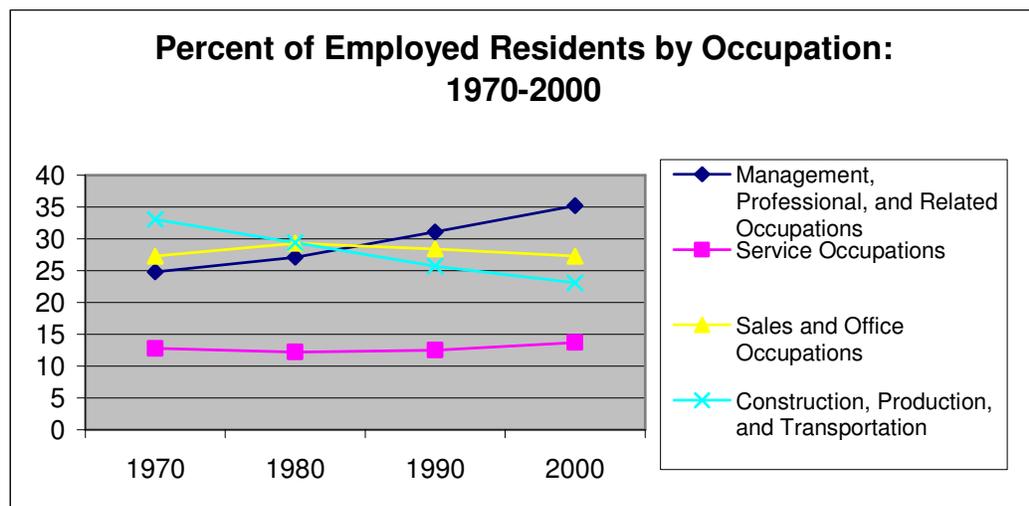
- *Outperforming national trends* – “Post-industrial” characterizations of the U.S. economy vary by region and industry. While the nation lost 9 percent of its manufacturing jobs between 1980 and 2000, manufacturing jobs in the Portland metro area grew by 18 percent. Also, the metro area’s recovery from the recent

recession appears to have been driven largely by the manufacturing sector, which generated annual GDP growth of 17 percent from 2003 to 2005, the fastest growing sector in the regional economy.

- *Portland's industry clusters* – A diverse share of the firms in the region's traded sector clusters are located in Portland, particularly in the industrial districts. Oregon's two largest export clusters are high tech, which is concentrated in Washington County, and metals and equipment manufacturing, which is concentrated in Portland. In 2005, computers and electronics made up 37 percent of state exports and metals and equipment manufacturing 29 percent.
- *Competitive importance of productive capacity* – Recent interviews with 60 industry leaders in Portland's harbor districts highlight the competitive importance of productive capacity. Asked how they would spend \$100 of public investment to best support industrial retention and expansion, they allocated on average \$39 to transportation, \$24 to land development, \$14 to workforce development, \$14 to utilities, and \$8 to other factors. Portland's competitiveness as a seaport and heavy industrial center appear closely linked.

Expanding Knowledge Sectors & Creative Class

- *Rising creative class* – The share of city residents working in management, professional, technical, and creative occupations has increased from 24 to 42 percent between 1970 and 2005.



- *Technology and creative sectors* – Many medium-sized cities with large technology sectors have experienced substantial growth in recent decades, including Portland. High tech has become Oregon's largest export sector in the last two decades. The City of Portland has also had substantial growth since the 1990s in the creative service fields, such as advertising, design, and independent films.
- *Portland as a model for attracting talent* - Portland has been recognized as an emerging model of economic growth through planned livability and distinctiveness. In contrast to traditional urban theory that explains centralized growth extending out from core cities with competitive advantages, emerging theories are focusing more on decentralized growth in multinodal regions driven

by the attraction of talent and propulsive knowledge-based sectors. Portland has been a national leader in attracting college-educated 25-35 year olds between 1990 and 2000.

- *New economy indexes* – A variety of recent indexes have been developed that rank cities' economic competitiveness on various factors. The *City Vitals* report by CEOs for Cities and Joe Cortright (2007) is an example, emphasizing talent, innovation, connections, and distinctiveness. Portland ranks relatively high among the 50 largest U.S. cities in many measures of these factors:
 - *Talent* - ranked 18th (of 50) in creative professionals; 20th in college attainment;
 - *Innovation* - 7th in patents; 6th in self-employment; 6th in small business employment;
 - *Connectedness* - 7th in community involvement; 3rd in economic integration; 8th in transit use; 15th in foreign travel;
 - *Distinctiveness* – 11th in weirdness index; 8th in culture/cable ratio; 4th in restaurant variety; 3rd in movie variety.

Portland's Diversifying Economic Structure

- *Long-term diversification* – In contrast to the often cited description of Oregon's economic history as a recent "transition" from a resource-based to high tech economy, Portland's economic history is more one of different sectors and layered diversification. From the city's initial development after 1850 as a Pacific trade gateway and regional commercial center, it grew substantially as a niche industrial center after WWI, and has more recently grown as a creative, technical, and professional services center. The dominant sectors that drove past waves of growth continue to evolve and grow.
- *Growth as regional commercial center and distribution hub* – In addition to its traded sectors, primarily in manufacturing, Portland is the core city to a growing Columbia Basin market. In this economic role, it includes a variety of partly traded regional services that continue to generate substantial job growth and bring income into the metro area, including transportation, professional and business services, finance, utilities, health care, higher education, and entertainment.

Multnomah County Employment Trends, 1985-2006

	Jobs in County, 2006		Net County Job Gain or Loss		
	Total	% of PMSA	1985-2000	2001-03	2003-06
All Industries	439,302	50%	133,671	-24,684	19,589
<i>Primarily Traded Sector</i>					
Manufacturing	37,668	34%	8,308	-8,114	2,154
<i>Regional Service Sectors</i>					
Transportation	20,317	66%	8,462	-1764	953
Wholesale	23,486	45%	2,786	-1346	-714
Information	11,458	55%	1,084	-1,917	-33
Professional & Business Services	66,474	56%	31,956	-5,374	5,394
Health Care	46,969	55%	17,807	1,442	1,533
Education	8,775	54%	3,782	598	726
Utilities	1,658	74%	53	-311	-4
Financial Activities	30,633	55%	4,083	284	-2,477
Leisure and Hospitality	44,380	55%	12,934	-1,064	3,482
Federal and State Government	22,233	74%	-3,602	666	2,881
<i>Local Sectors</i>					
Retail	40,521	44%	9459	-2,470	1,104
Construction	20,515	41%	12,243	-3,252	3,449
Other Services	17,943	55%	18,656	-849	851
Local Government	44,322	55%	19,650	-1,166	160

Source: Covered Employment, Oregon Employment Department; 2001-06 data in NAICS; 1985-2005 data in SIC adjusted to approximate NAICS; PMSA is Oregon Portion

Central Portland

- *Expanding office development* - Central Portland is a concentrated growth area, including an 80 percent increase in office space between 1988 and 2004. Data challenges have made it difficult to document Central Portland employment trends. This is a core area for professional support services, creative services, institutional clusters (hospital, universities, and government), arts and culture, and destination retail. The industrial role of the Central Eastside is evolving to include more industrial office growth in class C office space. How should the Gateway Regional Center, which has nearly comparable freeway and transit access and is near the airport, compete with or compliment the role of the Central City?
- *Higher education catalyst opportunities* - Expansion of higher education institutions and commercial R&D in the Central City offers catalyst economic opportunities.

Possible Performance Measures

- Traded sector cluster growth (target industry job growth and capital investments)
- Productive capacity (import/export cargo, international flights, freight delay, share of industrial land, industrial and office space absorption, higher education and training access)

- Innovation and entrepreneurship (patents, percent self-employed, percent employed by small business)
- Talent & distinctiveness (college attainment, weirdness tolerance index, percent creative class)

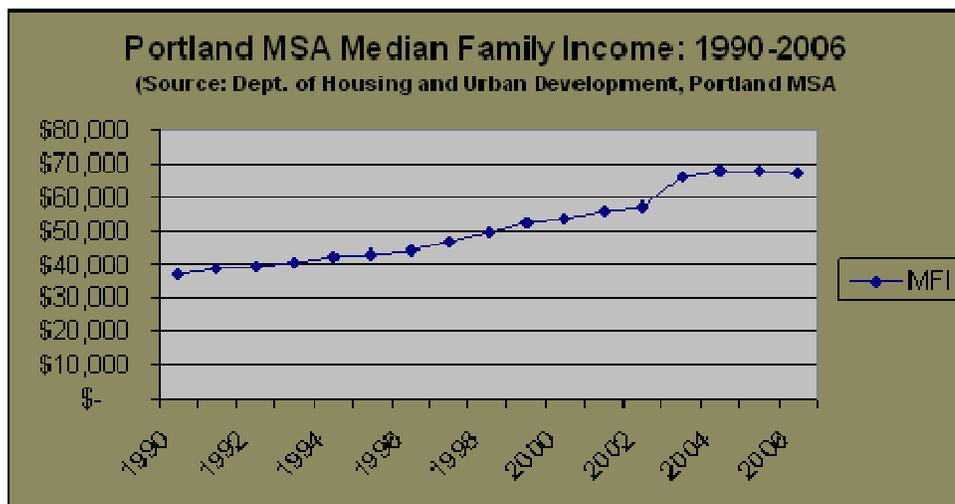
Suggested Directions to Explore & Research Needs

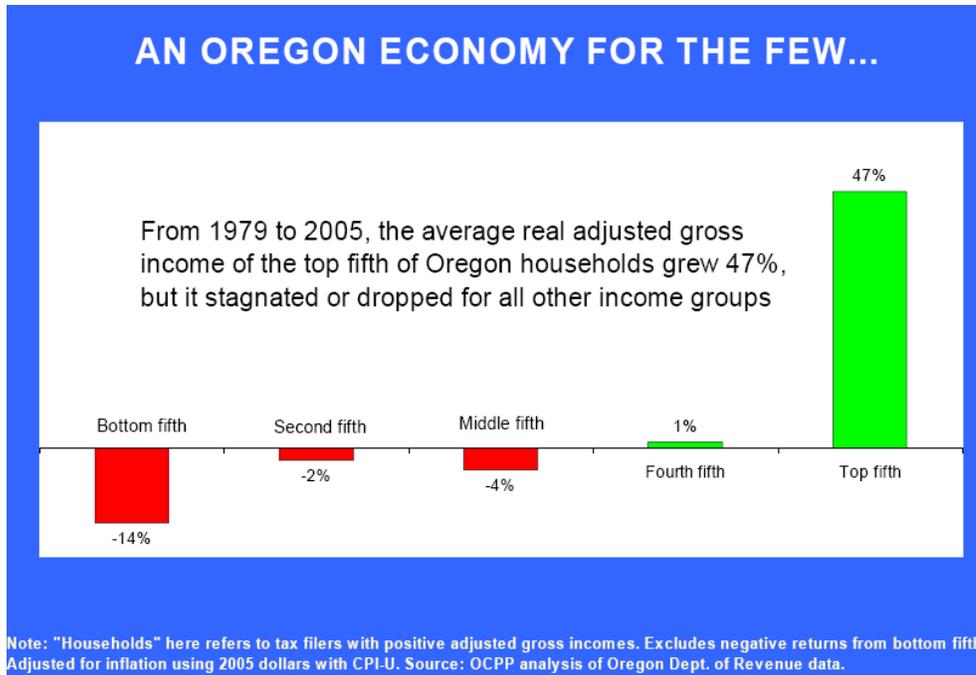
- Explore and strategize the city's competitive position in the world economy and with the region.
- Strategize business development initiatives to support the growth of the city's traded sector clusters (Economic Development Strategy).
- Explore opportunities to expand the city's higher education and R&D facilities.
- Identify seaport/airport catalyst investments to support Portland's role as a global trade gateway.
- Foster a supportive climate for small and micro business development (e.g., urban form, assistance).

3. Growing equity gap

Rising Incomes But Not for Most

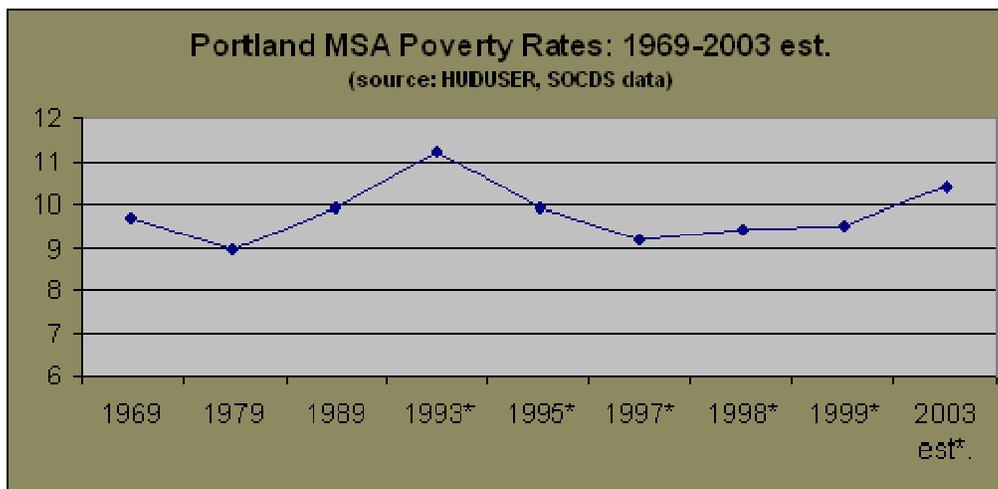
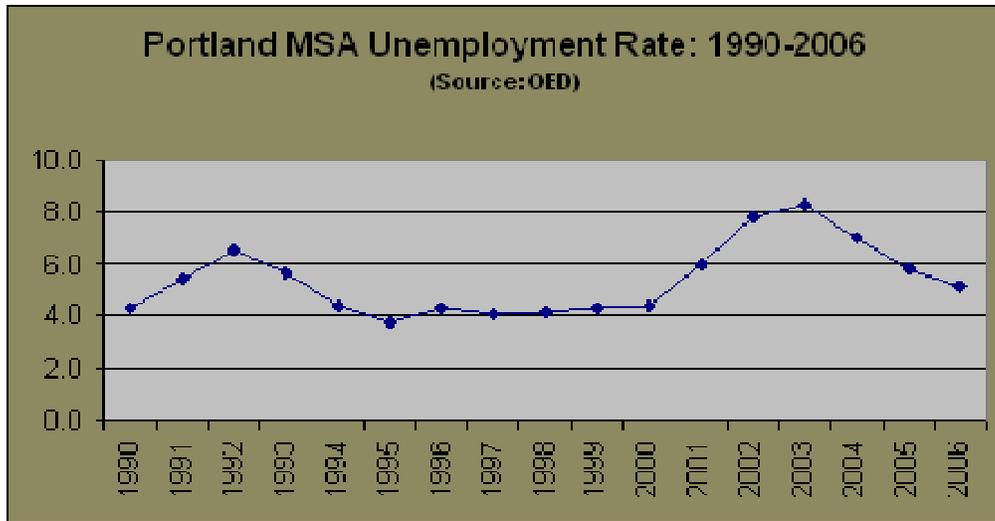
- Median family income in the Portland metro area has increased substantially since 1990, although inflation accounted for part of that gain.
- The income benefits of economic growth since 1979 have been concentrated almost entirely in the top fifth of Oregon households.





Poverty & Vulnerability to Business Cycles

- Economic distress for the most disadvantaged residents is aggravated by business cycles. National business cycles have generated somewhat wider swings in unemployment rates in the Portland metro area than the nation over the last decade.
- Low unemployment rates during most of the 1990s brought down the metro area rate of persons in poverty to below 10 percent. Poverty rates climbed again with the 2001 recession. Poverty rates in Multnomah County are substantially higher.
- The region's highest geographic concentrations of poverty were in Central Portland in 2000, reflecting its large share of subsidized affordable housing, but poverty dispersed substantially toward East Portland and some suburbs between 1990 and 2000. High rates shares of children in poverty are more dispersed in the region with notable concentrations in East Portland.
- The labor market exhibits increasing shares of second jobs, temping, and labor market flexibility.



4. Affordable Living

- *A broader definition of poverty and affordability* - Increasing attention has been given to affordable housing need in Portland as housing values have recently escalated. Effectively addressing the issue, however, goes beyond housing supply. It is interrelated with income trends, jobs/housing mismatch, and affordability of other location-related basic needs that represent a hardship for the poor, including transportation, quality child care, and health care.
- *Growing skills gap* - Workforce development programs have been criticized for not meeting the needs of lower income populations with many barriers to employment.
- *Wealth-building* - Building the wealth of the community typically is thought to require greater access to education and training opportunities, quality jobs, home ownership, affordable transportation, quality childcare, health insurance, rehabilitation programs, and other services.

Possible Performance Measures

- Economic distress (city poverty & unemployment rates)
- Affordable living (median family income growth; share of land with affordable housing, child care, transportation, and convenient shopping)

Suggested Directions to Explore & Research Needs

- Poverty reduction citywide (e.g., workforce development, target sectors with accessible living-wage jobs, micro business development)
- Strategize a broader definition of poverty and affordability than housing. Consider access to transit, quality daycare, healthcare, and convenient shopping.
- Revitalization in distressed areas (e.g., East Portland)
- Reclaiming brownfield sites for the purpose of providing affordable housing, and business sites.

5. Climate Change & Energy

The assessment report of the Sustainability Technical Work Group addresses trends and policy implications of climate change and energy in detail. The following discussion is intended to supplement and not repeat the findings of that report.

Cities have two categories of response to climate change: mitigation and adaptation. Mitigation strategies will seek to limit the magnitude of uncontrolled climate disruption through a variety of measures to reduce energy use and resulting greenhouse gas emissions. Given the current scientific consensus, cities are looking at new policies to dramatically accelerate mitigation efforts in the near term. The mitigation efforts are likely to include much stronger efforts to improve energy efficiency, and install clean energy production systems and infrastructure. All of these mitigation efforts represent investments that can be expected to produce financial returns over time. Further, these investments will become more attractive over time, as fossil fuel energy prices continue to face upward pressure due to peak oil, new regulations or continued disruption of global supplies.

This dramatically shifting landscape is creating a substantial opportunity to enhance the region's economy by reducing reliance on imported, fossil fuel energy and creating new opportunities for traded sector business activity in these areas. Close coordination between developing climate change policies and programs and corresponding efforts designed to capture the economic development potential of those new measures will be critical.

Market Potential for Sustainable Development

- *Settlement patterns and impacts of changing climate* – The sustainability assessment report explores the varied impacts of climate change and opportunities for responsively adapting energy consumption and urban development patterns.
- *Market transformation potential* – Responsive public and private investments over the next 30 years in building energy efficiency, clean energy technologies and infrastructure, and clean mobility systems offer potential to transform the private development market to responsively adapt to climate change pressures and new carbon policies. The physical transformation of buildings, energy infrastructure and distributed technology would entail substantial investments with corresponding benefits to the regional economy, with associated job creation

opportunities. Further, these investments offer direct and specific opportunities for traded sector businesses that supply advanced technologies, materials and management systems.

Growth Potential in Target Sectors

- *Propulsive growth in the energy sectors* – Global warming and increasing energy costs have already begun to stimulate new growth industries in alternative energy production, energy efficiency, and related fields. In Portland there has been significant new business growth related to solar power manufacturing, biofuels, wind energy, and green development design and engineering services. Attracting and growing new businesses can create meaningful job opportunities across the occupational spectrum – from blue collar (or ‘green’ collar) to research, managerial and finance.
- *Portland’s competitive edge* – Portland has an international reputation as a pioneering leader in the field of sustainability. Accumulating expertise in green building development, solar energy, biofuels, and related fields offer catalyst potential for innovation and expanding local economies of scale in the growing energy sector. This competitive position will not last, however, without aggressive efforts to remain on the leading-edge of urban sustainability. As all cities increase their efforts to reduce greenhouse gas emissions, the competitive landscape is certain to evolve.
- *Import substitution growth potential* - A sustainable economic development initiative could foster connections between new economic development efforts focused on traded sector (export) growth and import-substitution strategies focused initially on energy, food, and building materials and value-added products. Local production can potentially reduce energy costs, expand local consumer choices, and cushion impacts of sudden price increases.

Possible Performance Measures

- Increased economic activity, job growth and capital investments in target business and industry sectors, with specific measures for growth in exports within these sectors.
- Investment in building energy efficiency, clean energy infrastructure, and distributed, clean energy technology, with associated economic impacts and job creation.
- Per capita spending on local, sustainable production, highlighting economic benefits of import substitution (e.g., renewable, clean energy; food and fresh produce, green building materials).

Suggested Directions to Explore & Research Needs

- Focus on efforts to support and market Portland’s niches in established target sectors.
- Develop policies and tools to support investments that would serve to transform existing energy infrastructure, building energy use, and clean, distributed energy production, through leveraged private investment.
- Serve as a catalyst to spur aggressive research and development for advanced technologies and products that make significant contributions to reducing the impacts of greenhouse gas emissions.

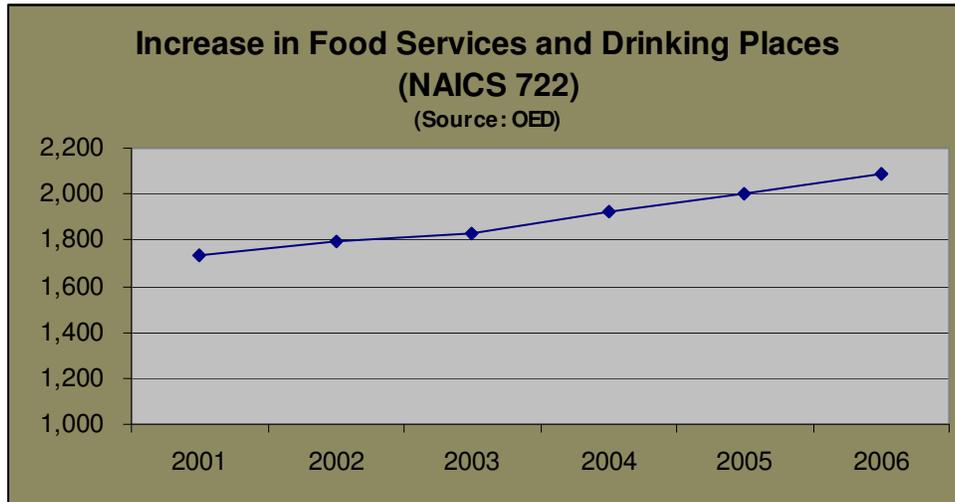
6. Distinctive, Vibrant Neighborhood Business Districts

- Diverse, distinctive neighborhood commercial areas - visionPDX* highlights the extent that Portlanders value the quality of neighborhood business districts. The city currently has 93 corridor segments of commercial activity (average one mile length) outside of the downtown with varying uses ranging from a mix of upscale, artful, locally serving, and mostly auto-oriented commercial areas. In addition, independent businesses, specialty shops, and “slow food” (distinct from fast food) districts are quickly evolving, forming important commercial market niches. Market performance, however, of these 93 commercial corridors varies widely – a combination of soft (underperforming markets) to transitional (emerging corridors) to healthy (revitalized) corridors. Each has levels of performance that will need to be understood better. These corridors offer great opportunities for job growth, quality of life improvements, infill and redevelopment, and marketed niche and distinctiveness features.

DISTRICT	BUSINESSES			EMPLOYEES ¹			SEGMENTS	
	Total	% of All Districts	#/Mile	Total	% of All Districts	#/Mile	Total Miles	% of All Districts
East District	1,210	19%	55	15,093.0	19%	692	21.81	24%
Inner East District	835	13%	69	16,652.0	22%	1,385	12.02	13%
North District	384	6%	55	3,478.0	4%	495	7.02	8%
North East District	1,128	17%	70	9,839.5	13%	610	16.11	17%
NW District	357	6%	135	4,811.0	6%	1,822	2.64	3%
South East District	1,721	27%	72	16,942.5	22%	707	23.98	26%
SW District	840	13%	95	10,600.5	14%	1,196	8.86	10%
All Districts	6,475	100%	70	77,416.5	100%	837	92.44	100%

Source: InfoUSA 2005, Planning Bureau Commercial Corridor Project

- *Food culture* - The City is experiencing significant growth in the restaurant industry since 2000 despite the recession.



- *Underused place-based commercial revitalization tools* – A variety of commercial revitalization programs are widely used in U.S. cities, such as main street programs, business improvement districts (BID’s), and community development corporations focused on economic development and housing. Outside of urban renewal areas (limited to 15 percent of the city) and two BID’s (Lloyd District and Central City), commercial revitalization tools have been very sparsely used among Portland’s 93 commercial corridors.
- *Transit-oriented development* – Portland’s nationally recognized transit system provides a potentially equivalent opportunity for transit-oriented development – concentrated housing and job growth in urban centers and along commercial corridors.
- *Commercial brownfields* – The prevalence of commercially and residentially zoned brownfields along commercial corridors creates disincentive for maintaining and growing healthy and successful neighborhood business districts.

Possible Performance Measures

- Neighborhood commercial vitality (retailers/restaurants within ½ mile)
- Urban vitality (per capita income & education levels within 5 miles of CBD center)

Suggested directions to explore and research needs

- Consider programs to support neighborhood commercial vitality (e.g., diversity, distinctiveness)
- Neighborhood-based organizational and network capacity building
- Overcome barriers to brownfield redevelopment and transit oriented development

7. Funding & Implementation

- *Limitations of existing funding models* – Economic development in Portland has relied on a variety of public financing mechanisms including the use of local, state and federal tax revenues, tax increment financing, private funding for a range of public projects and grants awarded through a variety of mechanisms. These funding streams have been used to implement a broad set of goals. However, some of the primary funding models used today are not necessarily adequate or well suited to emerging needs. For example, urban renewal funding is a primary funding source for traded sector business development, but it is limited to bricks-and-mortar solutions and extends to only 15 percent of the city. Gas tax, community development (CDBG), and higher education revenues have not kept pace with transportation, equity, and workforce development needs. Also, emerging, largely unfunded needs are becoming more important to economic competitiveness, such as brownfield redevelopment and freight rail investments.
- *Public-private partnerships and private incentives* - International trends toward public-private funding show promise, including highway tolls, land developer partners in large infrastructure projects, real estate investment trusts, etc. Incentives are also increasingly used to strategically leverage private sector investments.
- *Best practices* - The Economic Development Strategy and Portland Plan provide an opportunity to explore best practices used in other cities to meet our economic development goals.
- *Funding to reclaim Brownfields* – Most funding for brownfield redevelopment through the public sector comes from grant sources at the Environmental Protection Agency (EPA). This source of funding is limited in that it is directly accessible only to public or non-profit agencies. These sources of revenue also place constraints on spending that don't provide for the full range of activity required for brownfield redevelopment. Other sources developed through the State of Oregon are limited and should be increased. The City of Portland is attempting to reduce dependence on EPA grants for these purposes through development of local sources of capital and incentives.

Suggested Directions to explore & Research Needs

- New funding models and lobbying strategies to advance city goals (e.g., expand on limited URA, CDBG funding).
- Explore and incorporate best practices of other cities in economic development

Draft Work Plan

How should the Portland Plan respond to the trends, policy issues, and suggested directions discussed?

Draft Products & Related Tasks

1. Evaluation Report and Work Plan, October 2007 – May 2008
 - a. Evaluation Report – Convene TWG; analyze major trends, policy deficiencies, and information needed; suggest preliminary directions to explore
 - b. Work Plan – Prepare draft; approval process
2. Initial Policy Framework, January 2009
 - a. Economic Prosperity White Paper (Planning) – Analyze what makes us competitive and prosperous; propose policy metrics and analyze trends; test preliminary directions; draft policy framework; hold two workshops
 - b. Economic Opportunities Analysis, Phase 1 (Planning) – 2030 forecast; employment lands typologies; preliminary 20-year supply analysis; preliminary employment land designations and policy concepts
 - c. Background Materials for Economic Development Strategy (PDC lead) – Target industries analysis, inventory of intergovernmental roles, best practices, et al.
 - d. Other Policy Direction Research as Needed (e.g., OSD, BHCD, Port leads)
3. Policy Plan, June – September 2009
 - a. Central Portland Plan – Strategize Central Portland’s economic strengths, higher education opportunities, other issues as needed; draft, discuss, refine, and approve economic development policy
 - b. Economic Development Strategy (PDC lead) – Assemble advisory group; prepare strategy; approval process
 - c. Draft policy changes for Comprehensive Plan – Utilize advisory group; draft, discuss, refine, and approve economic development goal and policies
4. Implementing Plans, September 2010
 - a. Economic Opportunities Analysis, Phase 2 (Planning) – Land supply constraints analysis; short-term land supply analysis, including brownfield and transit-oriented redevelopment tools; infrastructure capacity analysis
 - b. Urban Form Designations for employment lands – Draft, discuss, refine, and approve designations
 - c. Capital System Plan Recommendations – Draft, discuss, refine, and approve project recommendations
 - d. Other Implementation Recommendations as Needed

Stakeholder and Public Participation

1. Present products for review to business and industrial groups
2. Hold workshops on scoping and draft results of Economic Prosperity White Paper
3. Convene Economic Development Strategy and Policy advisory committee

Work Plan Questions

1. *Can the work be done on the overall project schedule?* State requirements can be met and an economic development strategy can be prepared within the project schedule. Other work must be managed and limited to fit the schedule.
2. *Can it be done by existing staff with their existing work assignments?* No. Two Planning Bureau planners are currently allocated to work on the economic development components of the comprehensive plan update and Central Portland Plan. Interbureau assistance is also needed (see task descriptions). PDC is anticipated to lead preparation of a 5-year citywide economic development strategy.
3. *Does it require specialized analysis that will require either new staff or consulting experience?* Yes. One additional planner and consulting assistance is recommended to complete the work assignments.
4. *Can the proposed work plan work with the suggested public involvement strategy?* Business and industrial outreach is challenging and critical to economic development policy and strategy. A stakeholder advisory committee is recommended for the Economic Development Strategy and Portland Plan Economic Development Policy.
5. *Who should be involved?* Interbureau and intergovernmental partners in economic development roles should participate. Business community participation should include a cross-section of area and minority chambers of commerce, trade associations, and area business and industrial associations. The broader community, particularly labor, equity and sustainability groups, have a stake in identifying and responding to economic prosperity issues.
6. *Additional Needed Work* (surveys, etc). Statewide Planning Goal 9 specifically requires an economic opportunities analysis, community economic development policies, and designation of adequate employment land supply to meet 20-year forecast needs and short-term land supply needs. Other data/research needs are noted within the assessment under the suggested direction to explore and research needs sections.