



COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION

OREGON CHAPTER

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Metro/Reserves Steering Committee – Core Four Members

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Dear Reserves Steering Committee Core Four Members:

With the Urban and Rural Reserves designation timeline approaching its end, the undersigned business members of the Reserves Steering Committee wish to call your attention to the important economic tradeoffs that will be made in selecting Urban and Rural Reserve areas. Our Reserve decisions will impact the region's job base and prosperity for decades to come.

These economic tradeoffs were illustrated in the June 2009 Economic Productivity of Employment and Industrial Land project (Economic Mapping Pilot Project) recently undertaken by Business Oregon (formerly Oregon Economic and Community Development), with support from Washington County municipalities and participating groups within the Reserves Business Coalition. Over the summer, the Economic Mapping Pilot Project was presented to the Washington County Reserves Coordinating Committee, the Regional Steering Committee, and other stakeholder groups.

The Economic Mapping Pilot Project analyzed economic productivity of Title 4 employment land in Washington County in terms of payroll, property taxes, and market value of land and buildings. The area studied represents a core section of the County's high tech industrial cluster, which in turn represents a core component of the State's employment market and economy. Further, the study estimated the potential economic productivity of proposed Urban Reserve areas in Washington County that are adjacent to, and share many traits with, the current Title 4 land.

The Economic Mapping Pilot Project concluded that the Washington County Title 4 land studied had an average market value of \$807,000/acre, generating an average payroll of \$616,146/acre and property taxes averaging \$6,220/acre (2005 dollars). As a whole, the 3,534-acre study area supported a total of 26,875 jobs, with an annual economic impact of \$2.7 billion in market value, \$2 billion in payroll, and \$21 million in property taxes in 2005.

The Pilot Project then estimated that based on the close proximity to the existing economic cluster, and the locational advantages of the land for industrial/employment uses, similar economic productivity could be expected in the future from proposed, adjacent Washington

County Urban Reserve areas. **Projections indicated a potential economic impact of \$2.9 billion in market value, \$2.8 billion in payroll and \$22.6 million annually in property taxes, assuming that the approximately 4,100 acres of potential Urban Reserves are developed over time to reflect the opportunities and aspirations in the Goal 9 economic planning work of the City of Hillsboro.**

In contrast, one measure of economic productivity of Washington County agricultural land estimates an annual impact of \$3,757/acre (2002 dollars), as measured by a case study developed by the Oregon Department of Agriculture ¹. This impact includes total sales times an economic multiplier of 2.2. A more current number using the 2007 census of agriculture² and the same methodology (sales per acre multiplied by a multiplier of 2.2) shows an annual impact of \$5,352.

The difference between the economic output of farmland and Title 4 industrial land in Washington County is stark: an average annual payroll of \$616,146 per acre (with no economic multiplier applied) for industrial land, vs. a total economic impact that is under \$6,000 per acre (after the multiplier is applied) for agricultural land.

Of course there are a broad set of cultural, environmental and business reasons that drive our desire to protect agricultural and rural land within the metropolitan area. However, **the economic tradeoff of overemphasizing some Rural Reserve areas versus Urban Reserves could be very steep.** In other words, the *opportunity cost* of preventing - for the long term - urban employment growth on adjacent rural land which is well-suited for such growth could be measured as lost urban economic output (above), less the potential rural economic output. **Over the 40-50 year Reserves timeline, thousands of jobs and hundreds of millions of dollars of payroll and taxes in the metro area could be forfeited to protect a small fraction of the region's rural lands, and a very small percentage of the state's farmland. Future generations may regret such a tradeoff in jobs and economic strength.** Further, much of the proposed Urban Reserves area will likely remain under rural uses for many years to come, until regional leaders bring these lands into the growth boundary and proceed with comprehensive planning and zoning, and individual property owners choose to sell or develop.

The sustainability and growth of the region's high tech employment cluster, as well as other hard-won, newer arrivals such as the solar and biopharma employment clusters, will be dependent in part on the availability of suitable sites for growth of major industrial and employment facilities. In 2008, the Reserves Business Coalition provided preliminary feedback to the Reserves Steering Committee as to the suitability of the 404,000-acre Reserves Study Area for future employment growth. Most of the topographically-suitable acreage was located within Washington County, near existing employment clusters, and this finding was partially considered in Washington County's mapping of proposed Urban and Rural Reserve areas.

While protection of rural areas is an essential part of our State's land use system and the reserves program, carefully balancing the region's economic needs with preservation needs must be part of the dialogue. Under state laws governing the establishment of Urban Reserves in the metropolitan area, providing "sufficient development capacity to support a healthy economy" is the second factor for selection of suitable Urban Reserves. **Going beyond topographical suitability, the Economic Mapping Pilot Project studied one of the healthiest**

¹ 'Case Study: Washington County Agricultural Metrics (http://egov.oregon.gov/ODA/do_reports_land.shtml)

² http://www.agcensus.usda.gov/Publications/2007/Online_Highlights/County_Profiles/Oregon/cp41067.pdf

economic areas in the state and explored how similar employment and economic activity could take shape on adjacent, potential Reserves land. This type of analysis, as well as the consideration of the economic contribution of other uses of potential urban land, should be a fundamental method in applying the “healthy economy” factor in Washington County and throughout the region.

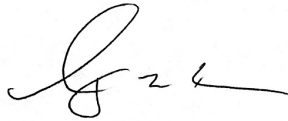
The employment market weakness in our state and in the Portland metro area during the current recession has highlighted the fragility of our job base. **To achieve job market recovery, and to help offset future economic downturns, we need to carefully consider how our long term land use strategies affect employers’ plans for our region.** Growth of our major employment clusters is critical to providing a sustainable job base for the future. We wish to ensure that the next generations of Oregonians have the same - or greater - potential for their careers and for economic prosperity as current generations have enjoyed.

For these reasons, we encourage your thorough consideration of the Economic Mapping Pilot Project findings, and we support designation of regional Urban Reserves sufficient to meet potential mid- to high-end employment growth during the Reserves timeline.

The undersigned business members of the Reserves Steering Committee appreciate your consideration of our recommendations and would be pleased to answer any questions.



Greg Manning



Greg Specht



Craig Brown

cc: Clackamas County Reserves Citizens Advisory Committee
Washington County Reserves Coordinating Committee
Clackamas County Citizens Advisory Committee
Reserves Steering Committee
Reserves Business Coalition