

INDUSTRIAL AFFORDABILITY IN TODAY'S URBAN ENVIRONMENT

Central Eastside

The Central Eastside District (CES), a 600 acre sub-district of Portland's Central City, is zoned primarily for industrial and employment land uses. Over the years, as traditional manufacturing/warehousing uses have migrated to areas with larger parcels and easier access to the regional transportation network, the area has become attractive to other industries, including technology and industrial design focused firms. Today, the CES houses over 1,100 businesses and 17,000 jobs. Whereas much of the Portland region saw decreasing employment during the economic downturn, this district grew and is now the location of choice for a variety of industrial and creative businesses. Key elements to the area's evolution are its unique collection of historic industrial buildings, space affordability, and centralized location adjacent to Portland's business core.

The Urban Land Institute (ULI) selected Portland as a Daniel Rose Fellowship city for 2013-14. The focus of Portland's fellowship was the Central Eastside (CES) and, more specifically, how the city could develop in a way that encourages CES employment growth, while ensuring current CES business and industrial users continue to thrive. At the conclusion of the year-long program, the ULI team presented a series of recommendations to Portland. That presentation is available here: <http://uli.org/research/centers-initiatives/daniel-rose-center-for-public-leadership-in-land-use/fellowship/2013-2014-daniel-rose-fellows/portland-or/>.

SE Quadrant Plan

Since the fellowship ended, the Portland team has been working to advance the ULI recommendations in concert with stakeholder and city objectives as part of the SE Quadrant Plan. Adopted by City Council in July 2015, the SE Quadrant Plan updates the long range plan for the Central Eastside District of the Central City. The planning process focused on three key items: 1) engaged the community around ways to strengthen the Central Eastside as a major employment center in the city by building on its current job base and considering options for increased employment opportunities; 2) coordinated with planning for new streetcar and light rail alignments, exploring ways to leverage new investments with an emphasis on employment transit-oriented development (ETOD) and 3) contributed to the update of the Willamette Greenway Plan. (More information can be found here: <http://www.portlandoregon.gov/bps/68508>)

Employment Opportunity Subarea

The Employment Opportunity Subarea broadened the category of industrial uses allowed for a portion of the CES. The provisions of the EOS allow for "industrial office" uses, such as firms involved in software and internet design and production, graphic, architectural, engineering, and industrial design, data processing, studios for broadcasting and recording, and research and development in science and high tech.

The 2015 SE Quadrant Plan amended and expanded the EOS subarea as follows:

- **Allow increased employment densities in industrial employment:** The existing EOS provisions limit the total amount of Industrial Office uses allowed on any one site to 60,000 sq. ft. per site. The provisions also allow up to 5,000 sq. ft. of retail and traditional office uses per site, with the ability to create up to 60,000 sq. ft. of traditional office uses, and more than 60,000 sq. ft. of industrial office uses as a conditional use. However, based on analysis and stakeholder interviews it appeared that the 60,000 sq. ft. limitation per site makes it difficult to fully rehabilitate existing structures in excess of 60,000 sq. ft. without undergoing an uncertain and costly conditional use process. Further, because "site" is defined as ownership, limiting development to 60,000 sq. ft. made new development on sites larger than 20,000 sq. ft. less likely to occur due to the limited return on investment.
- **Expand Employment Opportunity Subarea:** The EOS has been very successful at increasing employment densities, especially those in industrial office space, while not resulting in displacement of existing industrial operations. During the "Great Recession" between 2007 and 2010 over 1,000 new jobs were created in the EOS that contributed to the district's 7% annual employment growth. More recent analyses shows continued growth in the district between 2010 and 2013, when approximately 150 industrial, 1,000 industrial office, 270 traditional office, and 240 retail and food services jobs were added. Metro projects that the Central Eastside will need to accommodate up to 9,000 new jobs by the year 2035. However, a zoned capacity and buildable/vacant lands analysis of the district finds

that the current use of the IG1 zone, as well as the mixed-use zoning already in place along main street corridors and that proposed for the OMSI and Clinton Station Areas, will not be sufficient to meet these employment projections. Therefore, the SE Quadrant Plan expanded the EOS to all lands with industrial (IG1) zoning within the Central Eastside.

Supporting Manufacturing in the Central Eastside

Industrial affordability is a regional issue –broad interest in the Portland metropolitan area is impacting supply and has increased industrial land and building prices significantly. This is particularly noticeable in the Central Eastside, where a broad spectrum of urban manufacturing uses, a strong real estate market, and the SE Quadrant proposed new zoning that provides more flexibility in uses are all converging in the Central Eastside. An important consideration identified by the CES community is the issue of how the expansion of the EOS to all IG1 zoned properties in the CES, and the increased amount of office and retail uses within the EOS, would impact the affordability of the Central Eastside for the manufacturing uses. As such, the Implementation Plan for the SE Quadrant included the following two actions for PDC:

- Conduct best practices study to understand how other cities are addressing the needs of manufacturers, with a focus on but not limited to the ability to obtain affordable space, the economic growth of this sector in their local economy, synergies with other industrial sectors, and the role of government assistance.
- Use best practices research to develop new strategies to create affordable space for craft manufacturers and new industrial businesses in Portland.

Urban Land Institute/National League of Cities Rose Center for Public Leadership Recommendations

Given the success of the City's Fellowship work, PDC sought out the Rose Center as a partner for these two actions and crafted a scope that included the Rose Center's network of national practitioners and Portland's business and industrial community. The national panel will identify best practices and recommendations that are relevant to Portland's market conditions and address how to realistically manage and maintain affordability based on the understanding of the specific tools/programs PDC and partners can provide and consider. On a local level, CES business leaders, makers and company owners overlaid this discussion onto district specific opportunities and challenges.

The national panel presented their findings and recommendations in a public forum on Thursday, March 31, 2016. In summary the panel recommended the City 1) Implement a workforce development strategy focused on equity based on data and metrics; approach maker to manufacturing as a continuum; 2) build industry specific economic development capacity to help industrial businesses scale; and 3) leverage the industrial office market to add and preserve as industrial product bought on line as follows:

- **Equitable Workforce Development:** Create, grow and sustain jobs at all levels for broad diversity of people with emphasis on local workers and those with barriers to employment; scale businesses that sustain and create jobs and offer entry-level opportunities with career ladders.
- **Economic Development** Establish or identify a non-profit intermediary or consortium, focused on manufacturing / industrial economic development.
- **Real Estate:** Preserve manufacturing square footage and the businesses in the district; increase manufacturing square footage in the district; maximize FAR for industrial use and industrial office together in target areas; facilitate additional parking without creating conflicts with freight loading.

The full presentation can be found here:

http://www.pdc.us/Libraries/Central_Eastside/Industrial_Affordability_Rose_Center_Panel_Presentation_2016_pdf.sflb.ashx