



Draft 2024 Urban Growth Report

EXECUTIVE SUMMARY

July 9, 2024



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Oregonians have a long tradition of taking a thoughtful approach to growth that protects farms and forests and helps shape vibrant, sustainable urban communities. Tools like the urban growth boundary (UGB) enable us to make the most of the land we have as we work toward achieving our region’s shared goals. Over the past four decades the urban growth boundary has helped the Portland metro region minimize our carbon footprint and focus development in town centers and along transportation corridors, providing easier access to destinations where people live, work, play and study.

Under Oregon state land use law, urban growth management decisions focus on whether there is an identified regional need to add land to the UGB for forecasted housing and jobs growth. But a decision about whether to expand the boundary goes beyond that requirement. It also provides a chance to check in on how the region is changing, highlight successes, and draw attention to areas of concern. In the coming months, the Metro Council will make their 2024 growth management decision against a backdrop of new regional challenges and opportunities, informed by a shared desire to improve housing affordability, community stability, downtown revitalization, and equitable economic growth.

Metro and its partners are prepared to confront the challenges faced by our region with policies and investments that extend beyond managing the region’s UGB. Examples include investing in supportive housing services, affordable housing, parks and nature. Together we are building regional transit connections along 82nd Avenue in east Portland and Clackamas County and along the Tualatin Valley Highway; and these new connections are leveraged by Comprehensive Economic Development Strategy (CEDS) plans and investments.

We also understand that collectively, we must do more to broaden the availability of affordable housing and economic prosperity. In this context, if a need is identified to provide more land for housing and job creation, Metro's charge is to work with cities seeking proposed UGB expansions that meet certain conditions. For the 2024 growth management decision, only one city – Sherwood – has requested an expansion. The request includes a completed concept plan for a proposed expansion within a designated urban reserve area.

This Urban Growth Report (UGR) sets out data and analysis to inform the Metro Council’s decision whether to expand the UGB as proposed by the City of Sherwood.

Planning amid uncertainty

Slower population and employment growth

Several factors shape the context for the decision whether to expand the UGB. Among them, regional population growth is slowing. This reflects a nationwide trend where people are

choosing to have fewer children (U.S. Department of Health and Human Services, 2024) - and Oregon's birth rates are among the nation's lowest. This means that in coming years our region is likely to see population growth only from net in-migration. Consequently, regional population growth rates are projected to be lower over the next 20 years.

The relatively high cost of living on the West Coast may be an additional headwind for regional population growth from migration, which historically has been highly variable from year to year.

Slowing population growth also means slower job growth. Sectors expected to grow the most are those that serve the existing population, such as health care and professional services.

Holding our ground in semiconductor manufacturing

Despite long-term declines at the national level, the greater Portland region is expected to maintain its historic strength in high-tech manufacturing thanks in part to assistance from the CHIPS Act. Computer and electronic manufacturing jobs are holding steady with modest gains due to our region's advantages in semiconductor research and development rather than large-scale production, which is more vulnerable to offshoring to countries with lower costs.

Underproduction of housing, particularly for people with the fewest resources

Our nation's housing markets continue to struggle to produce enough housing to match household growth, particularly for households with lower incomes. This backlog of housing production became evident in the aftermath of the 2008 housing bubble and recession – and its effects are still felt today. Those who experience this housing shortage most acutely are people with the fewest resources. Housing instability and houselessness disproportionately impact people of color.

For developers and builders, the cost of labor, materials and lending remain a burden on housing production. Nationwide, access to buildable lots is a challenge in part because of lower numbers of land development companies. In our region, as elsewhere, the cost of serving raw lands with needed infrastructure is a significant barrier to housing development.

On a positive note, jurisdictions around the state have removed regulatory barriers to producing a greater variety of housing types. “Middle housing” options that include townhouses, duplexes, triplexes, quadplexes and cottage clusters hold promise for providing additional housing types for people of varying incomes – particularly ownership options in smaller formats. In fact, in the future middle housing may well be more profitable to build than single unit detached housing.

Pandemic impacts on work

Though many aspects of life have returned to normal after the COVID-19 pandemic in 2020 and 2021, it has had lasting impacts on what that “normal” looks like. After peaking in 2021, the share of employees working from home full time or hybrid remained at 24 percent in 2022 for the greater Portland metropolitan area. While offering more flexibility for office workers and

some cost savings for businesses, this persistent trend has led to high office vacancy rates and has long-term implications for demand for office space.

Housing capacity needs

While there is a housing crisis nationally and in our region, it is not clear that shortage is caused by a sheer lack of space for additional housing to be built. Metro’s UGB housing need analysis shows that within the Metro area UGB, there is an existing need for approximately 24,000 homes to address historic underproduction and its impacts, including houselessness.

Additionally, under the baseline population forecast conducted for this Urban Growth Report, approximately 150,000 additional homes are needed to meet expected population growth over the next 20 years.

Trends projecting more one-person households and an aging population (often on fixed incomes) predict that the need for more affordable, smaller homes will increase. To meet these housing needs, we must continue to focus on public investment and removing barriers to housing production in existing urban locations.

Housing capacity gap analysis

Baseline analysis conducted for this Urban Growth Report reveals that there is likely room to accommodate most, if not all, of the region’s existing and future housing needs inside the existing UGB for the next 20 years. Growth projections vary, however - and based on the range of those projections the Metro Council has latitude to determine there is a need to add the Sherwood West urban reserve to the UGB or to take other measures to encourage redevelopment. This latitude derives from several factors described in more detail in this report. Generally, those factors relate to uncertainty around future migration rates, redevelopment potential and middle housing potential. As a result of different growth projections, the UGB capacity deficit, or “gap,” for accommodating housing needs can vary within the following ranges:

- For single unit detached and middle housing capacity, the gap ranges from a potential deficit of approximately 2,250 homes to a potential surplus of approximately 32,500 homes.
- For multi-family housing capacity, the gap ranges from a potential deficit of 23,900 homes to a potential surplus of 3,750 homes.

Housing capacity options

If the Metro Council determines that there is a need for additional capacity to address housing needs, it may take measures to increase the likelihood of developing housing on land already inside the UGB and/or expand the UGB to add the Sherwood West urban reserve area as proposed by the City of Sherwood. If the Council elects to expand the UGB, it may wish to consider conditions of approval to help achieve a certain housing mix or number of housing units to best meet the region’s housing needs.

Employment land needs

Industrial land needs

Although analysis shows a surplus of industrial land in aggregate throughout the region, individual businesses seeking specific development-ready properties for sale or lease may struggle to find options.

Metro, with review by cities and counties, identified almost 6,000 acres of industrial land inside the UGB that meets the legal definition of being buildable. The Urban Growth Report analysis shows a regional surplus of 4,550 acres of industrial land to accommodate expected industrial job growth under the baseline forecast. There is a surplus even under a high growth employment forecast.

However, the available acres of industrial land may not have the location and site characteristics that will lead to industrial development. The Sherwood West employment area offers the potential for business growth because of unique characteristics that are in short supply on lands already in the UGB, including the potential for assembling larger sites, relatively flat parcels, and relative proximity to existing job clusters.

Industrial land options

Informed by this analysis, the Metro Council has the discretion to do one of the following:

- Based on regional employment forecasts and the aggregate inventory of industrial lands, decide that there is no need for additional land for industrial uses.
- Add the mixed employment portion of the Sherwood West urban reserve to the UGB based on a determination that the area offers unique site characteristics for industrial and flex uses that are in demand and that cannot be found elsewhere in the UGB.

If the Council determines that there is a need to expand the UGB to provide industrial sites with specific characteristics, it may wish to consider conditions of approval to protect those sites from other uses.

Commercial land needs

Depending on the amount of employment growth anticipated, this analysis identifies a potential surplus of 800 buildable acres of commercial land (low growth forecast) to a potential deficit of 1,800 buildable acres (high growth forecast). Under the baseline growth forecast, there is a deficit of 320 buildable acres.

Commercial land options

Informed by this analysis, the Metro Council has the discretion to decide one or more of the following:

- Plan for the low growth forecast and find no need for additional land.
- Plan for the baseline forecast:

- Assume that 320 acres or more of the region’s industrial land surplus is functionally available for commercial employment uses, thereby addressing the commercial capacity gap; or,
- Assume that additional commercial redevelopment would occur if there is demand for commercial space.
- Plan for the baseline forecast and find a need for a UGB expansion.
 - Add the commercial employment portions of Sherwood West urban reserve to the UGB.
 - Consistent with observed development trends, assume that a small portion of the region’s industrial land surplus will be available for commercial employment uses, thereby addressing the remaining commercial capacity gap.
- Plan for the high employment growth forecast and find a need for UGB expansion.
 - Add the 135-net-acre commercial employment portions of the Sherwood West urban reserve to the UGB.
 - Add approximately 1,665 additional net acres of urban reserves that lack a concept plan or city support to the UGB.

Engagement

Metro staff have shared information from this report and explained the methods used to collect and analyze the data during its production. An Urban Growth Report Roundtable started meeting in September 2023 and met eleven times to discuss approaches used to collect data and share early information.

Staff from cities, counties and local experts were invited to review data during the process to ensure accuracy. Thank you to everyone who participated in the production of this plan.

Next steps

The release of this draft 2024 Urban Growth Report kicks off policy discussions, leading to recommendations and a Metro Council decision by the end of 2024. This Urban Growth Report is intended to provide the best available information to support those discussions without implying more precision or certainty than is warranted in a 20-year planning effort.

Tentative milestones:

Now-August 4, 2024 Public comment period on draft UGR and Sherwood expansion proposal

August 14, 2024 Release Chief Operating Officer recommendation

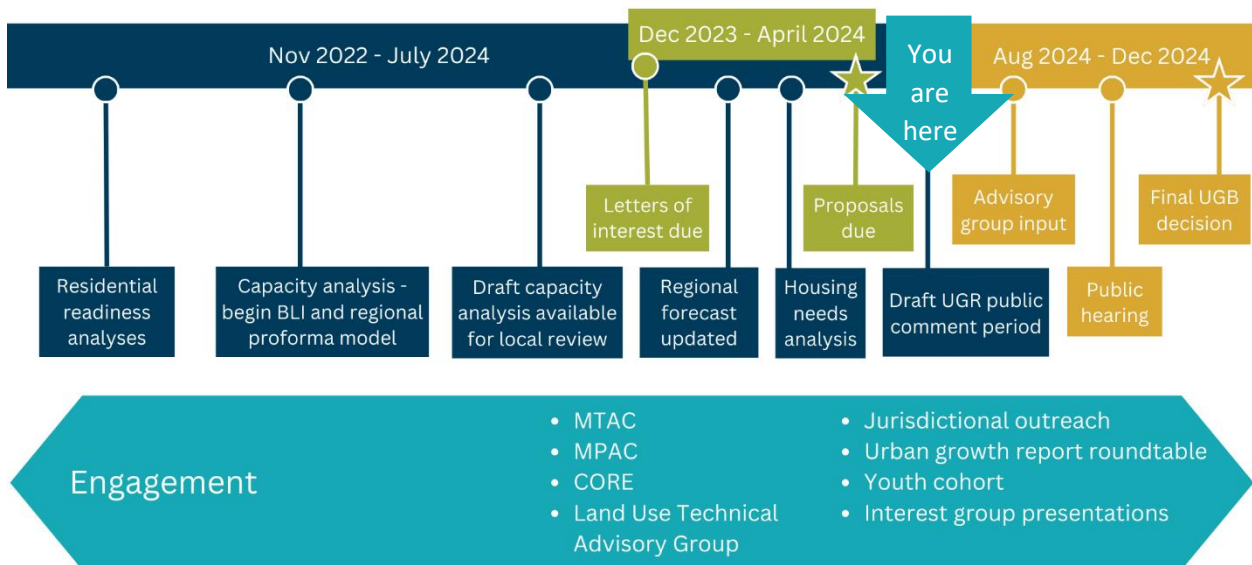
September 18, 2024 Metro Technical Advisory Committee recommendations to MPAC

September 19, 2024 Committee on Racial Equity recommendations to Metro Council

September 25, 2024 Metro Policy Advisory Committee recommendations to Metro Council

- September 26, 2024 Metro Council public hearing on Chief Operating Officer recommendation
- October 1, 2024 Metro Council direction to staff
- November 21, 2024 Metro Council public hearing
- December 5, 2024 Metro Council decision

Technical work and analysis: Developing the urban growth report	City expansion proposals	Metro Council decision
<ul style="list-style-type: none"> • Buildable land inventory (BLI) • Regional forecast • Capacity analysis • Employment trends and site characteristics • Housing needs analysis • Residential readiness analyses • Draft urban growth report (UGR) 	<ul style="list-style-type: none"> • Letters of interest • Expansion proposals <p><i>2040 planning and development grants available</i></p>	<ul style="list-style-type: none"> • Consider Metro staff and advisory group recommendations • Public hearings • Policy direction • Final decision



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