



2024 Urban Growth Report

December 5, 2024



Metro respects civil rights

Metro fully complies with Title VI of the Civil Rights Act of 1964 that requires that no person be excluded from the participation in, be denied the benefits of, or be otherwise subjected to discrimination on the basis of race, color or national origin under any program or activity for which Metro receives federal financial assistance.

Metro fully complies with Title II of the Americans with Disabilities Act and Section 504 of the Rehabilitation Act that requires that no otherwise qualified individual with a disability be excluded from the participation in, be denied the benefits of, or be subjected to discrimination solely by reason of their disability under any program or activity for which Metro receives federal financial assistance. If any person believes they have been discriminated against regarding the receipt of benefits or services because of race, color, national origin, sex, age or disability, they have the right to file a complaint with Metro. For information on Metro's civil rights program, or to obtain a discrimination complaint form, visit oregonmetro.gov/civilrights or call 503-797-1890.

Metro provides services or accommodations upon request to persons with disabilities and people who need an interpreter at public meetings. If you need a sign language interpreter, communication aid or language assistance, call 503-797-1700 or TDD/TTY 503-797-1804 (8 a.m. to 5 p.m. weekdays) 5 business days before the meeting. All Metro meetings are wheelchair accessible. For up-to-date public transportation information, visit TriMet's website at trimet.org.

EXECUTIVE SUMMARY

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. However, the regional forecast contains optimism that, over the long run, greater Portland's quality of life will attract people seeking a place to live and work at rates similar to the decades long historic average.

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 homelessness 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 27,000 homes to address historic underproduction and its impacts, including houselessness, as well as housing being used as second homes or vacation rentals. 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) indicate 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

Analysis conducted for the draft Urban Growth Report revealed 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.

Based on the analysis in the draft 2024 UGR, Metro’s Chief Operating Officer subsequently recommended that the Metro Council address a regional deficit of growth capacity for 2,300 to 5,300 homes and further recommended that the Council expand the UGB to include the Sherwood West urban reserve to address the growth capacity deficit. Based on Council direction, this analysis provides a final assessment of housing capacity needs as a basis for the 2024 growth management decision.

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 over 5,000 acres of industrial land inside the UGB that meets the legal definition of being buildable.¹ The Urban Growth Report analysis shows a regional surplus of 3,930 acres of industrial land to accommodate expected industrial job growth under the most likely (baseline) forecast. There is a small surplus even under a high growth employment forecast.

However, the available acres of industrial land may not always have the location and site characteristics that will accommodate current needs for industrial development, particularly with regard to site size. The Sherwood West employment area offers the potential for business growth because of unique characteristics that are in short supply elsewhere in the UGB, including the potential for assembling larger 50+ acre sites, relatively flat parcels, and relative proximity to existing job clusters.

Industrial land options

Informed by the analysis in the draft 2024 UGR, Metro's Chief Operating Officer subsequently recommended that the Council expand the UGB to include the Sherwood West urban reserve to address the need for two 50-acre industrial sites identified by the Oregon Semiconductor Task Force. The need for those two large sites cannot reasonably be met on industrial lands already inside the UGB because the inventory of industrial lands lacks a sufficient number of industrial sites of this size that also have the site characteristics needed to accommodate high-tech manufacturing.

Commercial land needs

Depending on the amount of employment growth anticipated, this analysis identifies a potential surplus of 814 buildable acres of commercial land (low growth forecast) to a potential deficit of 1,786 buildable acres (high growth forecast). Under the most likely (baseline) growth forecast, there is a deficit of 286 buildable acres.

Commercial land options

Informed by the analysis in the draft 2024 UGR, Metro's Chief Operating Officer subsequently recommended that the Council expand the UGB to include the Sherwood West urban reserve to address the need for additional commercial land under the baseline forecast. Consistent with observed development trends, it is reasonable to assume that a small portion of the region's industrial land surplus will be available for commercial uses², thereby addressing any remaining, negligible commercial capacity gap. Likewise, it is reasonable to assume that, if there is

¹ This estimate has been revised downward since the release of the draft UGR based on advice to use a lower (10 percent) slope threshold for industrial lands.

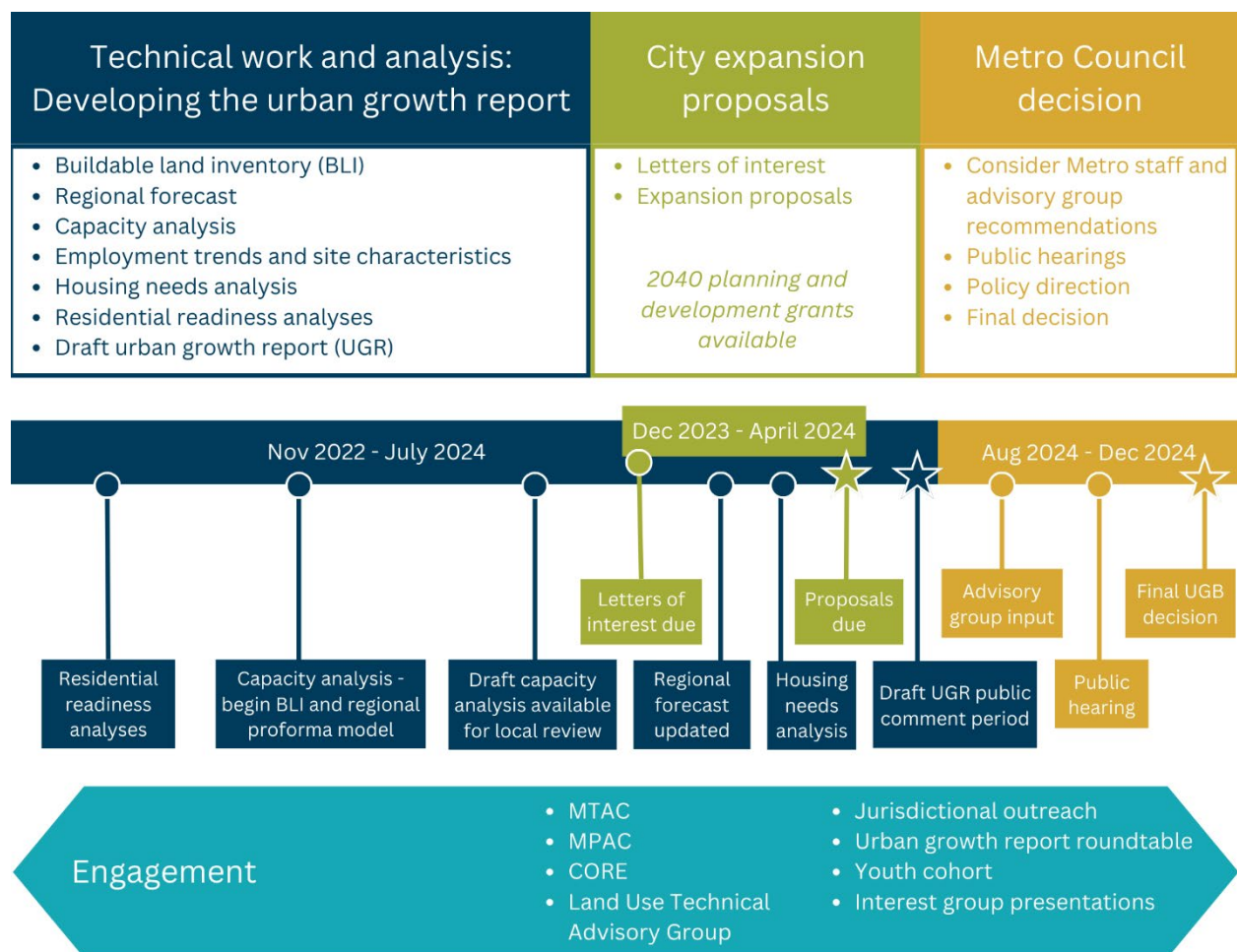
² These may be, for instance, office jobs at industrial firms or smaller retail uses in industrial areas that serve the needs of nearby workers.

remaining demand for commercial space, additional commercial redevelopment in mixed-use zones would occur.³

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 analysis.



³ As described in Appendix 2, pro forma modeling typically identified residential uses, rather than commercial uses, as the most financially feasible form of redevelopment in mixed-use zones.