



# Oregon

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## Department of Land Conservation and Development

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May 14, 2012

TO: Metro Scenario Planning Rulemaking Advisory Committee (RAC)

FROM: Robert Cortright, DLCD Staff

SUBJECT: **Revised Statement of Need and Fiscal Impact, Housing Cost Impact Statement**

At the April 23<sup>rd</sup> meeting, the RAC reviewed and commented on the draft statement of need and fiscal impact. The RAC's comments are summarized below. This memo revises the department's analysis in response to comments from the RAC and will be used by the department in preparing a final Statement of Need and Fiscal Impact and Housing Cost Impact Statement with its rulemaking notice to the Secretary of State. Revisions to the April 16<sup>th</sup> Memo are shown in **bold** for new language, and ~~strike-through~~ for deletions.

### **SUMMARY OF RAC COMMENTS FROM APRIL 23RD**

RAC members offered a number of comments and suggestions regarding the draft statement of need and fiscal impact:

- The fiscal impact analysis should focus on the direct effect of the rule – i.e. requirements for local governments to conduct scenario planning – rather than estimating potential effects of scenario plans implemented to meet the rule.
- Potential costs to local governments of conducting scenario planning were underestimated, especially costs associated with public involvement and engagement. These members recommended that the department provide more information about potential costs of scenario planning.
- More information should be provided about provisions of HB 2001 that provide for state reimbursement of local costs to conduct scenario planning, as well as other potential funding sources.
- It is premature for the department to estimate what actions and programs will be included in Metro's preferred scenario. In particular, local governments expressed concern that the analysis over-emphasized the extent of land use plan changes that might be part of the preferred scenario given the region's extensive work to plan for compact, mixed use development.
- The assessment that a preferred scenario would not increase total costs of needed transportation system improvements should be revised to acknowledge that current funding sources for transportation are inadequate and that new funding sources would be needed to support a more multi-modal transportation system as part of a preferred scenario.

- The discussion of impacts to businesses, especially freight mobility and small businesses, should be expanded that businesses will be impacted by efforts to reduce light vehicle emissions and to acknowledge need for road improvements for freight mobility.
- The analysis should indicate that the proposed rule will have cost impacts to ODOT.

## **NEED FOR THE PROPOSED RULE**

### ***Requirement***

The department is required to include “[a] statement of the need for the rule and a statement of how the rule is intended to meet the need.”

### ***Proposed Response***

The proposed rules are needed because the Legislature through House Bill 2001 (2009) directed the Commission to develop and adopt rules guiding Metro and Portland area local governments in the selection and implementation of a land use and transportation scenario to meet greenhouse gas emission reduction targets:

*(8) On or before January 1, 2013, the Land Conservation and Development Commission, in consultation with the Oregon Transportation Commission, shall adopt rules that establish a process for cooperatively selecting a land use and transportation scenario for each metropolitan service district to achieve the greenhouse gas emissions reductions identified in the rules adopted pursuant to subsection (6) of this section and a process for the adoption of regional or local plans to implement the scenario. (HB 2001 §37(8)-(9))*

The proposed rules are also needed to explain how Metro and local governments may meet greenhouse gas emission reduction targets that LCDC adopted by rule in May 2011. The proposed rules are also needed to provide guidance and avoid confusion and uncertainty about how requirements for land use and transportation scenario planning required by HB 2001 are to be met in a manner that is consistent with other state planning requirements.

## **FISCAL IMPACT**

### ***Requirement***

Statutes require “[a] statement of fiscal impact identifying state agencies, units of local government and the public which may be economically affected by the adoption, amendment or repeal of the rule and an estimate of that economic impact on state agencies, units of local government and the public. In considering the economic effect of the proposed action on the public, the agency shall utilize available information to project any significant economic effect of that action on businesses which shall include a cost of compliance effect on small businesses affected.”

### ***Proposed Response***

The proposed rules are one stage in a process that began with the Legislature's adoption of HB 2001 in 2009. In 2011, LCDC adopted targets for reductions in greenhouse gas emissions from light vehicles in the state's metropolitan areas. HB 2001 requires Metro to achieve its target by 2034; the proposed rules described in this document will guide the planning process for Metro and its local government members to select and implement a preferred land use and transportation scenario that will result in achieving the required reductions in greenhouse gas emissions. The direct fiscal impacts of the proposed rules are only the costs of planning by Metro and the other local governments and those costs will be covered in part by funding from the state as provided in HB 2001. The longer term impacts of the entire process envisioned by HB 2001 will require investments in infrastructure and planning, but the specific impacts are speculative until Metro chooses a preferred scenario. ~~Nonetheless, this statement addresses both the short-term and long-term impacts to the extent possible at this stage in the process.~~

The ~~immediate~~ **principal** effect of the proposed rules is to guide and direct additional land use and transportation planning by Metro and local governments required by HB 2001. These effects occur over the next several years (2013-2016.) The longer range effects of the proposed rules occur as plans and policies result in changes to metropolitan development patterns and the metropolitan transportation system (2016 and beyond).

The costs and economic effects of this additional planning are difficult to estimate because they depend on the particular scenario and set of implementing actions that Metro chooses to adopt as part of its preferred scenario and the extent to which the preferred scenario calls for changes to adopted local plans. ~~While Metro has conducted some analysis of potential alternative scenarios, the details and scope of a preferred scenario is difficult to predict.~~ **Metro's initial analysis of 144 different combinations of policies and levels of effort shows that 93 different combinations could be expected to achieve the greenhouse gas emission reduction targets.** ~~remains to be determined.~~<sup>1</sup> **The large number of possible preferred scenarios and the fact that impacts will vary depending on the scenario selected makes it difficult to estimate impacts of the proposed rule.** Consequently, the department's analysis is necessarily general.

Based on a review of Metro's initial work done as part of the Climate Smart Communities project<sup>2</sup> and by ODOT as part of the Statewide Transportation Strategy<sup>3</sup>, the department

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<sup>1</sup> ~~For example, Metro's Phase 1 analysis, which evaluated 144 combinations of policy level scenarios revealed that more the 90 of the scenarios tested could be expected to meet the adopted greenhouse gas reduction targets. Understanding Our Land Use and Transportation Choices, Phase 1 Findings, Metro, Climate Smart Communities Project, Metro, January 12, 2012.~~

<sup>2</sup> ~~Understanding Our Land Use and Transportation Choices, Phase 1 Findings, Metro, Climate Smart Communities Project, Metro, January 12, 2012.~~

<http://rim.oregonmetro.gov/webdrawer/rec/231744/view/Planning%20and%20Development%20-%20Regional%20Tran~g%20Our%20Land%20Use%20and%20Transportation%20Choices%20-%20Phase%201%20Findings%20-%20January%202012.%202012.PDF>

<sup>3</sup> Draft Statewide Transportation Strategy, ODOT, March 2012. See recommendations for the Ground Passenger Travel Market. <http://www.oregon.gov/ODOT/TD/OSTI/docs/PC/16Mar12/Report.pdf>, and Draft recommendations address a combination of actions including compact urban growth, increased mixed use development, increased transit service in metropolitan areas, improvements to bike and pedestrian circulation,

estimates that a preferred land use and transportation scenario ~~is likely to~~ **could** include a combination of the following policies and actions:

- increase in the amount of development that occurs in the form of “complete” walkable, mixed use neighborhoods;
- increased transit service;
- improvements to bike pedestrian circulation;
- parking management and, in selected areas, parking pricing;
- incentives to encourage use of alternative modes (walking, biking, transit, carsharing)
- supporting state actions including state policy and investment to support alternative modes, compact development more efficient use of light vehicles – such as pay as you drive insurance, shift from gasoline tax to VMT based fees or taxes.

The department also estimates that a preferred land use and transportation scenario is likely to be based in large part on existing regional and local plans. The region has invested a considerable amount of time and effort in developing current 2040 Growth Concept and Framework Plan. Metro’s initial analysis indicates existing plans move the region in right direction in terms of reducing greenhouse gas emissions. In addition, proposed rules would direct Metro, to extent possible in developing and selecting a preferred scenario to be consistent with adopted plans and accommodate local growth aspirations. The proposed rules would also direct Metro to develop and evaluate a reference case scenario that evaluates likely outcome of implementation of existing plans. Together, these factors should lead Metro to select an alternative that is reasonably close to existing plans.

#### Affected Agencies, Units of Local Government and the Public

The proposed rules would apply to and primarily affect Metro, and local governments in Portland Metropolitan area. The rules also affect ODOT and DLCDC. Scenario planning required by the proposed rules and HB 2001 may indirectly affect the public and businesses in the Portland Metropolitan area. The expected effects on each of these groups are analyzed below.

#### **Metro and Local Governments Impacts**

##### Planning Costs

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carsharing. See also Appendix A-5 STS Recommendations, Challenges and What It Will Take (Trajectories), ODOT, March 30, 2012. <http://www.oregon.gov/ODOT/TD/OSTI/docs/PC/PostMtg/ApdxA5.pdf> Identifies trajectories for individual policy elements for 2020, 2035 and 2050.

~~As noted above, HB 2001 directs additional planning by Metro to select a preferred scenario and subsequent planning and implementation of the preferred scenario by Metro and area local governments. Terms of HB 2001 require ODOT and DLCD to provide funding to Metro and local governments to complete this work through life of the bill.<sup>4</sup>~~

~~<sup>5</sup>As discussed above, the preferred scenario required by the proposed rules is likely to require some changes to comprehensive plans, transportation plans, and adoption of other measures. The extent of changes and costs are difficult to determine because costs depend on particular scenario and set of implementing actions that Metro chooses to adopt as part of its preferred scenario and the extent to which proposed scenario calls for changes to adopted local plans.~~

~~To the extent there are additional planning costs to Metro and local governments to prepare and adopt a preferred scenario, these costs are eligible for reimbursement as provided by HB 2001.~~

### Planning Costs

**As noted above, the principal effect of the proposed rule is to direct Metro to prepare and adopt a preferred scenario, and then for Metro and local governments adopt changes to regional and local plans to carry out the preferred scenario.**

**Metro is currently engaged in scenario planning through the Climate Smart Communities project and has received funding from ODOT to conduct this work leading to selection of a preferred scenario. The proposed rule is not likely to result in additional costs to Metro to complete preparation and adoption of a preferred scenario.**

**The proposed rule is likely to result in additional costs to local governments to adopt plan or ordinance amendments to implement the preferred scenario. The extent of additional planning costs to local government depends on the particular scenario that Metro selects. As discussed above, there are a large number of potential preferred scenarios that Metro might select, each of which would result in somewhat different impacts on local governments depending on the details of the preferred scenario – i.e. the extent to which the preferred scenario directs additional actions by local governments, as opposed to regional programs or actions to implement the preferred scenario. Again, because the details of the preferred scenario are not known, it is not possible to provide a detailed estimate what the additional costs to local governments might be.**

**Based on Metro and ODOT work done to date to analyze alternative scenarios the department believes that a preferred scenario is likely to result in some additional planning cost to local governments. Depending on the scenario selected, the additional work may be**

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<sup>4</sup> HB 2001, Section 38(4)(b): “The Department of Transportation and the Department Land Conservation and Development shall provide grant support to each government entity required to carry out the provisions of subsections (2) and (3) of this section in amounts sufficient to fully reimburse the entities for any costs incurred in carrying out the provisions of subsections (2) and (3) of this section.”

<sup>5</sup> Some expansion of roadway capacity will be needed to accommodate freight mobility and a growing population, but the total amount of expansion needed would be much lower than would otherwise be needed.

**modest or significant. Some additional planning cost is likely because compact, mixed use development patterns are a key policy lever for achieving reductions in vehicle travel and emissions<sup>6</sup>.**

**Unknown at this time is the extent of amendments to comprehensive plans, zoning and transportation plans might be needed to implement the preferred scenario. Several factors suggest that the extent of changes to comprehensive plans and zoning that might be needed may be limited:**

- **The region has already done significant work to plan for compact, mixed use development through the 2040 Growth Concept and related work. As a result, existing comprehensive plans and zoning currently enable the types of development expected to contribute to reduced vehicle travel and emissions.**
- **Metro’s initial analysis as part of the Climate Smart Communities project indicates the region’s adopted plans for compact development will make a substantial contribution to reducing emissions<sup>7</sup>.**
- **Metro’s Urban Growth Report concludes that factors other than zoning are the main barrier to implementation of the 2040 Growth Concept “In most cases, the maximum zoned capacity in centers and corridors is adequate to meet demand. However, some locations (e.g. along transit lines) may still benefit from re-zoning and the creation of mixed use zones to accommodate unmet residential demand.”<sup>8</sup> For both housing and employment, the programs to achieve higher densities may involve investments or incentives or other programs.**
- **Recent information suggests development trends are changing in a way which should support reduced vehicle travel and emissions. For example, Hillsboro shared recent census information showing that an increasing share of housing stock in region’s larger cities is in multifamily development and provided examples of successful higher density residential developments.**
- **The proposed rule includes provisions that encourage and direct Metro to rely on existing land use and transportation plans as it prepares and selects a preferred scenario. Metro is required to analyze a “reference case” scenario for 2035 based on implementing existing plans. And, the proposed rule would direct Metro to consider adopted plans and local aspirations for growth in developing and selecting a preferred scenario.**

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<sup>6</sup> Metro found that strategies related to two factors “community design” and “pricing” are most effective in reducing emissions from vehicle travel: Finding 5: Community design and pricing play a key role in how much and how far people drive each day and provide significant GHG emissions reductions. The analysis revealed that community design or pricing strategies must be more ambitious than current policies to meet the target. However, pricing and community design together yield the largest GHG emissions reduction per capita.”

<sup>7</sup> **Finding 1: Current local and regional plans and policies are ambitious and provide a strong foundation for meeting the region’s GHG target.** If realized, they will result in substantial per capita GHG emissions reductions from 2005 levels. However, a continued shift in consumer preferences and significant investment, commitment and leadership are needed to realize these aspirations. (Climate Smart Communities Scenarios Project, Phase 1 Findings, January 2012, page 16)

<sup>8</sup> **2009-2030 Urban Growth Report, Residential Analysis, page 89**

## **Reimbursement of Local Planning Costs**

**HB 2001 provides for reimbursement of costs local governments incur to carry out preferred scenario:**

**“The Department of Transportation and the Department Land Conservation and Development shall provide grant support to each government entity required to carry out the provisions of subsections (2) and (3) of this section in amounts sufficient to fully reimburse the entities for any costs incurred in carrying out the provisions of subsections (2) and (3) of this section.” HB 2001, Section 38(4)(b).**

**"The Department of Transportation and the Department of Land Conservation and Development shall provide funds for rulemaking, technical assistance and grants under this section from available funds" HB 2001, Section 38(4)(c). A metropolitan service district and local governments within the jurisdiction of the district are not required to comply with the subsections (2) and (3) of this section unless district and local governments receive sufficient funds for reimbursement of costs in carrying out the provisions of subsections (2) and (3) of this section. HB 2001, Section 38(5).**

**While a process has not been established to define eligible costs and methods for reimbursement, the department notes that Metro and ODOT have negotiated an intergovernmental agreement (IGA) that provides funding for Metro to conduct work it is required to complete as provided for in HB 2001. Under the agreement Metro pays for approximately 50% of the scenario planning related work and ODOT has provided funds for approximately 50% of the work. There are limited funds available from ODOT for this work at this time and any work completed using these funds must be linked to transportation in order to meet the federal eligibility requirements. The department expects that similar arrangements would be developed for reimbursement of cities and counties for costs related to implementation of the preferred scenario. As noted above, because details of the preferred scenario remain to be determined, it is not possible to estimate extent of local costs that may be incurred.**

**The department also notes that the section of the statute that requires reimbursement from available funds is scheduled to sunset in 2016<sup>9</sup> – so, only eligible local implementation costs incurred up to that time would qualify for reimbursement. Since it is uncertain whether this reimbursement provision might be extended, there are likely to be some additional costs to local governments after 2016. Other state and federal funding programs are available to support local planning work that could help reduce these costs. Through the Transportation and Growth Management (TGM) program the state provides grants to cities and counties to update land use and transportation plans. Use of these funds must be linked to transportation in order to meet federal eligibility requirements. On average the TGM program provides about \$1 million per year to support planning in Region 1, which includes the Portland metropolitan area. While grant funds are competitively awarded, grant criteria favor projects which meet important state, regional and local needs**

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<sup>9</sup> Section 39 of HB 2001 provides that: “Sections 37, 38 and 38a of this 2009 Act are repealed on January 2, 2016.”

**and efforts to reduce greenhouse gas emissions from transportation. Consequently, it is likely that some of costs of completing required planning after 2016 would be offset by TGM grants.**

### Implementation Costs

The preferred scenario will likely call for changes to urban development patterns and the transportation system that will, in turn, involve new or additional regional or local programs, actions or investments. As noted above, department estimates that the preferred scenario is likely to include a combination of actions, including expanded transit service, increased investment in bicycle and pedestrian circulation improvements, and efforts to promote walkable mixed use development, etc. These efforts will involve costs to Metro and local governments, but the department believes that these costs are likely to be no greater than costs associated with a business-as-usual approach under existing plans.

*Transportation system costs.* As noted above, a preferred scenario is likely to shift public spending on the transportation system from roads to actions and programs that support use of alternative modes – transit, walking and cycling – and shorter trips. This shift in funding is likely to reduce the need to expand roadway capacity. ODOT's analysis of the draft Statewide Transportation Strategy, which recommends many of the actions likely to be included in a preferred scenario, estimates these changes would likely not increase total spending on the transportation system:

**Accommodating increasing population and improving performance at lower cost:**

Accomplishing the vision will require a substantial change in funding priorities, but not in total funding. Metropolitan congestion and delay can be reduced with minimal expansion of the roadway system by reducing trip lengths, increasing travel by non-auto modes, and increasing the efficiency of roadway use. Achieving the same results by expanding the roadway system would require massive amounts of spending and the effects would not be long lived.<sup>10</sup>

**While total costs or needs for transportation system funding are likely to be about the same as they would be without the proposed rule, it is important to note that state and local governments face significant policy issues related to transportation system funding:**

- **Existing sources of transportation funding (particularly the existing gasoline tax) are not adequate to meet expected needs. Revenues from gas taxes are expected to decline dramatically as vehicle fuel efficiency increases and as per capita vehicle travel declines. New or expanded sources of revenue will be needed to offset these reductions and meet identified needs.<sup>11</sup>**

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<sup>10</sup> Draft Statewide Transportation Strategy, ODOT, March 2012, page 20

<sup>11</sup> ODOT, "Current Realities" presentation to the Oregon Transportation Commission, November 2011, reports that Highway Funding is declining and insufficient to preserve the system; the gas tax will not be a sustainable funding source in the long-term, and there does not appear to be public support for new revenue.

- **There is considerable uncertainty about public support for new or increased taxes or fees to improve or expand the transportation system.**
- **Achieving greenhouse gas emission reductions is likely to require development of new methods to fund the transportation system. For example, given the state’s existing constitutional limitation on spending of gasoline and related vehicle taxes on roads and highways, some new funding arrangement would be needed to support expanded transit service or and other non-roadway programs or actions.**

**With or without the proposed rule, the region and the state face a sizeable gap between identified needs and available funding. Increased public funding for transportation is uncertain, and one likely outcome is that traffic congestion will worsen. Households and businesses will adapt to higher levels of congestion by changing travel behavior, and over time, making locational decisions that reduce the amount of driving they need to do to avoid traffic congestion.<sup>12</sup> A preferred scenario that emphasizes compact mixed use development and transportation options rather than roadway expansion is likely to provide more opportunities for households and businesses to avoid congestion.**

*Cost of other public facilities.* A preferred scenario is also likely to change spending for other public facilities (sewer, water, schools, fire, parks) to support infill, redevelopment and higher density, mixed use development. These costs should be lower than those that would be needed to serve a lower density, auto-oriented development pattern spread over a larger area. Available studies show that compact development patterns – which are likely to be a key element of the preferred scenario – have lower per capita costs for public facilities than lower density, auto-oriented development patterns:

Overall, the various studies described above indicate that smart growth typically provides direct savings in publicly-borne development costs (roadways and utility lines) ranging from \$5,000 to as much as \$75,000 per unit, compared with the same quality of infrastructure provided to dispersed development one or more miles beyond the urban boundary. Annualized, typical savings range from \$270 to \$4,000 per unit per year. In addition, incremental operations, maintenance and service costs (maintaining longer roads and utility lines, increased pumping costs, higher delivery costs for public services, etc.) are probably at least as large, indicating that smart growth can provide public cost savings ranging from \$500 to nearly \$10,000 annually per unit.<sup>13</sup>

## **b. Effects on General Public**

The proposed rule will affect the public when Metro and local governments implement the preferred scenario.

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<sup>12</sup> Metro’s Urban Growth Report notes: “Worsening congestion could potentially cause individuals to reassess the tradeoffs of more time spent in traffic, the costs of gasoline, the convenience of an automobile and the ability to own a larger house on a larger lot. This reassessment could result in a shift in housing preferences towards more central locations with mixed uses and access to transit.” (Urban Growth Report, Residential Analysis, page 95)

<sup>13</sup> Todd Litman, Understanding Smart Growth Savings, Victoria Transport Policy Institute, February 2011, page 9.

As described above, a preferred scenario is likely to include a combination of policies and actions that provide a land use pattern and transportation system that enable metropolitan households to meet daily needs (commuting, shopping, recreation, etc.) with less driving (fewer and shorter automobile trips) and increased use of alternative modes (more travel by walking, cycling, transit, carsharing, and ridesharing). The preferred scenario will accomplish this by expanding the location and travel choices available to metropolitan area households. Households will respond to these changes by making different locational and travel decisions that reduce amount of vehicle travel. **Households, on average, will likely own fewer vehicles, the vehicles they do own will be more fuel-efficient, and they will drive fewer miles than they otherwise would.**

In general, households should be better off as a result of these policies. Effects will vary, but overall, the result of proposed rule should be a preferred scenario that reduces total amount of vehicle travel per capita by roughly 20% below 2005 levels.<sup>14</sup> This should result in a reduction in household spending on transportation – mostly from reduced household spending on fuel and other expenses related to motor vehicle use. **There is some concern that the anticipated shift to low-emission vehicles would require extensive adoption of electric vehicles and that this would increase household transportation costs – because of the high costs associated with such vehicles. The department believes this impact will be modest because electric vehicles and plug in hybrid vehicles (EVs/PHEVs) are expected to make up a small portion of the vehicle fleet in 2035.**<sup>15</sup> These savings will be offset, in part, by increased spending on other modes of travel or for more convenient “transportation efficient” locations.

Reductions in vehicle travel that are accomplished through a preferred scenario that promotes walkable, compact development and increased use of other modes should result in a number of benefits to households and general public. Analysis conducted by ODOT in preparing the Statewide Transportation Strategy<sup>16</sup> supports this conclusion. ODOTs analysis of the draft strategy, which recommends many of the elements likely to be included in the preferred scenario, identifies the following benefits likely to result from implementing the strategy:

- **Reduced household costs** from reduced vehicle travel per capita and lower household vehicle ownership rates.
  - **Economic efficiencies** due to reduced dependence on petroleum fuel.
  - **Increased public safety** for the traveling public due to bike and pedestrian improvements and reduced vehicle travel.
- Enhanced public health** resulting from to expanded opportunities for “active transportation” (walking and cycling) and improved air quality from reductions in vehicle traffic.

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<sup>14</sup> The department estimates that the 20% reduction in greenhouse gas emissions from light vehicle travel required by the target rule will be met largely through a corresponding reduction in vehicle miles travelled (VMT) per capita.

<sup>15</sup> **The Agencies Technical Report used to set targets to guide scenario planning estimates that in the 2035 model year 8% of new cars and 2% of light trucks will be either electric vehicles or plug-in hybrids.**

<sup>16</sup> The full version of the draft strategy is available on ODOT’s website at: <http://www.oregon.gov/ODOT/TD/OSTI/docs/PC/16Mar12/Report.pdf> (This is the March 2012 draft. A revised public review draft is expected to be available in May.)

- **Improved transportation system performance.** Reducing per capita passenger travel will reduce demand on the transportation system and will help reduce traffic congestion, improve transportation system operation, including freight mobility.
- **Reduced energy consumption** from reduced vehicle travel.

Excerpts from the draft strategy which describe expected benefits in more detail are provided in Attachment A.

### **Impacts on Businesses, Compliance Costs for Small Businesses**

As indicated above the department is required to evaluate whether the proposed rules would have “any significant economic effect of that action on businesses”, including “... cost of compliance effect on small businesses affected ...” by the proposed rule.

As described below, the department estimates that the proposed rule will have some impacts on businesses and not create any compliance costs for small businesses.

The proposed rule should have limited direct effects on businesses because (1) it is directed primarily to Metro and local governments; and (2) it is directed at reducing emissions from light vehicle travel, which are primarily passenger vehicles. Most business-related transportation involves heavier vehicles which are not subject to the proposed rulemaking. **Businesses would be affected by programs to reduce light vehicle travel by customers and employees of businesses. These effects are addressed in more detail below.**

Businesses will likely be affected by elements of the preferred scenario that affect development patterns, or that involve employer or business programs to reduce vehicle travel. Since details of the proposed scenario are not known, the department can provide only a general estimate of likely effects on businesses. In general, the proposed rules and preferred scenario should have the following impacts on businesses:

- Changes in travel patterns resulting from implementation of the preferred scenario will likely tend to favor businesses and locations that are highly accessible to customers and employees. (Favor businesses that are more centrally located, or located near customers and employees, and accessible by multiple modes of transportation (walking, transit)). The effects of these changes on businesses are difficult to estimate because businesses are constantly adapting and adjusting business practices to fit changing markets and consumer preferences. Since the preferred scenario will be implemented over a long period of time (the next 5 to 20 years) it is likely that businesses will change practices in a number of ways that adapt to changes resulting from other factors – such as increasing fuel prices and changing consumer preferences - as well as the preferred scenario.
- It is unclear whether the expected changes in travel patterns will affect total amount of business activity in the region. There should be an increase in overall economic activity due to reduced spending on gasoline, because savings will likely be spent on

- other goods and services that create more economic activity, income and jobs for Oregon businesses.
- Reductions in vehicle travel are likely to result in a less spending for automobile related businesses than would otherwise occur.
  - There may be additional costs to businesses to provide programs or incentives to encourage travel or commuting by other modes (such as cash out employee parking) However, while these programs may involve some costs for businesses and employers, it is unclear if these will be significant.<sup>17</sup>
  - The proposed rule and preferred scenario are most likely to affect businesses that have large numbers of customers or employees that access the business by automobile (i.e. retail, office, commercial and commercial businesses and institutions.) Impacts to affected businesses are likely to be mixed: changes in planned development patterns - from auto-oriented, single use development (low rise buildings with extensive surface parking) to walkable, mixed use development (multistory buildings, with less land devoted to parking) may result in increased costs, but these costs may be offset by increased sales, improved access to customers or workers and savings due to reductions in off-street parking requirements, or programs or development patterns that reduce need for employee or visitor parking.
  - The proposed rules and preferred scenario are likely to have little effect on land extensive uses such as warehousing.

#### Compliance Costs for Small Businesses

The proposed rules would not establish any direct requirements on small businesses. Therefore, the department finds there are no compliance costs to small business from these rules.

While the proposed rules do not apply directly to small businesses, there are likely to be indirect effects on small businesses from plans, programs or actions that Metro and local governments adopt to carry out the preferred scenario. The effects are likely to be a combination of positive and negative effects – i.e. some which increase costs to local businesses, and others that reduce costs. The extent of these effects cannot be estimated at this time and depend on extent particular strategies, actions and programs that Metro and local governments select to achieve greenhouse gas reduction targets.

#### **ODOT and DLCD Impacts**

ODOT and DLCD are required to provide funding to Metro and local governments to conduct scenario planning required by HB 2001.

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<sup>17</sup> For example, one likely element of a preferred scenario is employer provided transportation options or incentives. Federal law provides tax relief for businesses that provide such programs that may offset their cost to the business.

The proposed rules will involve additional work for DLCD to review proposed framework plan and functional plan amendments, and to provide assistance to Metro and local governments as they conduct scenario planning and amend plans to implement the preferred alternative. The proposed rule will also involve additional work for DLCD to monitor and review efforts to implement the preferred alternative.

**The proposed rules may also involve some additional work and expense for ODOT. The proposed rule calls for Metro to consult with ODOT as it develops and evaluates alternative strategies. This would include coordinating with ODOT about modeling and analysis methods and assumptions and relevant provisions of the Statewide Transportation Strategy.**

## **HOUSING COST IMPACT**

### ***Requirement***

Statutes require “[a]n estimate of the effect of a proposed rule or ordinance on the cost of development of a 6,000 square foot parcel and the construction of a 1,200 square foot detached single family dwelling on that parcel.”

### ***Proposed Response***

The department does not anticipate that the proposed rules would establish any new or additional requirements that would directly affect the development or construction of a 1,200 square foot detached single family dwelling on a 6,000 square foot parcel.

In preparing the greenhouse gas emission reduction targets rule in 2011, the department concluded that some of the possible actions that might be adopted to meet targets could increase housing development or construction costs, while others could reduce costs. For example, reducing off-street parking requirements would likely reduce the cost of developing and constructing housing, while other requirements, such as requiring electric vehicle charging infrastructure in some homes, would likely increase costs.

However, as noted above, the extent of this additional costs or savings is difficult to estimate because it depends upon the extent of reductions required and the particular set of strategies that the region adopts to reduce greenhouse gas emissions.

One possible effect of a preferred scenario may be to reduce the amount of land that is available for 6,000 square foot lots. This would occur because a preferred scenario is likely to call for more development of multifamily housing, construction on smaller lots, and increased infill and redevelopment. Whether this increases the land cost associated with developing single family dwellings on larger lots depends on future market demand compared to the available supply. The department concludes that there is not enough information available to conclude whether this likely reduction in supply would affect land costs. The housing market is changing significantly due to long-term demographic changes which will reduce demand for single family

homes. Some experts believe that future demand for single family housing may be met by existing supply. (Nelson)

### Information Sources

A number of studies have been done which analyze the potential economic and fiscal benefits that may result from adoption of plans and programs that achieve emission reductions through a strategy that promotes compact development patterns and expanded transportation options. The following documents compile information relevant to this analysis:

- Growing Wealthier: Smart Growth, Climate Change and American Prosperity  
Chuck Kooshian and Steve Winkelman for the Center for Clean Air Policy, January 2011. <http://www.growingwealthier.info/index.aspx>
- Understanding Smart Growth Savings, Todd Litman, Victoria Transportation Policy Institute, February 2012. [http://www.vtpi.org/sg\\_save.pdf](http://www.vtpi.org/sg_save.pdf)
- Strategy Toolbox for the Portland Metropolitan Region, Climate Smart Communities: Scenarios Project, Metro, October, 2011.  
<http://rim.oregonmetro.gov/webdrawer/rec/230836/view/Planning%20and%20Development%20-%20Regional%20Transportation%20reduction%20strategies%20and%20the%20benefits%20they%20bring%20to%20the%20region%20-%20October%202011.PDF>
- “Portland’s Green Dividend”, Joe Cortright, CEOS for Cities, July 2007  
<http://www.ceosforcities.org/files/PGD%20FINAL.pdf>
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## **ATTACHMENT A - Excerpts from the draft Statewide Transportation Strategy**

The proposed rules and scenario planning by the Portland metropolitan area are part of a statewide effort to reduce greenhouse gas emissions. As part of the state-level effort, ODOT is developing a Statewide Transportation Strategy (STS) that outlines a broad comprehensive vision and recommendations for achieving state goals for reducing greenhouse gas emissions within the transportation sector.

The draft STS includes recommendations for reducing emissions from ground passenger transportation – including light vehicle travel.<sup>18</sup> While the STS is expected to be implemented over a longer period of time (2050) and addresses the entire transportation sector, many of the benefits identified by ODOT flow from strategies that are likely to be carried out in large part through a preferred scenario. In particular, these include reductions in light vehicle travel resulting from efforts to promote compact, walkable development and to expand transportation options in metropolitan areas.

### **Vision Benefits**

(From the Draft Statewide Transportation Strategy, ODOT, March 2012, pages 7-9)

The benefits of enacting the Statewide Transportation Strategy 2050 Vision extend far beyond the critical goal of limiting the adverse effects of climate change. In fact, bringing about these advancements will result in a broad array of positive impacts to society when compared to a “business as usual” future. Such benefits include:

- **Reduced household costs.** Lower vehicle miles traveled, lower household vehicle ownership rates, and the ability to enjoy amenities through mixed-use developments and access to transit, bicycling and walking, allow households to spend a lower percentage of their incomes on transportation. Lowered vehicle travel, improved fuel economy, and more transportation options help to protect households from dramatically increasing fuel costs. More densely populated communities reduce the costs associated with providing electricity, water and other amenities per resident, while improved public health has the added benefit of lowering health care costs for Oregonians.
- **Economic efficiencies.** Drastic reductions in petroleum fuel consumption will free up a substantial amount of money that can be spent locally and invested in the Oregon economy. Reducing dependence on petroleum will also help insulate Oregon's economy from shocks due to instability in world oil markets. Shorter travel distances and more travel options will enable households to reduce their transportation expenditures. Lower-income households will be able to affordably access more places and will increase their job opportunities. The labor pool for Oregon businesses will also grow as a result. Reduced delay and congestion will improve the reliability of travel, benefiting employers, employees,

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<sup>18</sup> The full version of the draft strategy is available on ODOT's website at: <http://www.oregon.gov/ODOT/TD/OSTI/docs/PC/16Mar12/Report.pdf> (This is the March 2012 draft. A revised public review draft is expected to be available in May)

and shippers. A more efficient transportation and land use system will enable the existing road system to accommodate a greater movement of goods and services as the economy grows. Finally, the increased share of walking and other forms of active transportation along with reduced pollution levels will contribute to making the health care system less expensive.

- **Increased public safety.** Bicycle and pedestrian improvements are designed to maximize visibility to motorists. On Oregon's roadways, an overall reduction in vehicle miles traveled and new intelligent transportation systems advancements significantly reduce crash rates.
- **Enhanced public health.** Mixed-use communities and increased transit and non-motorized transportation options lead to more active and healthy communities, including lower obesity rates. Improvements to air quality result in lower incidences of asthma and other related diseases.
- **Maximized transportation system performance.** Shorter travel distances, coupled with the option of traveling more conveniently via transit, bicycling, and walking result in significant improvements in the performance of the transportation system. Reductions in passenger vehicle miles traveled reduce congestion and free up capacity for freight and other commercial travel important to the state's economy. Delays are reduced by improved traffic management and reductions in the number of crashes.
- **Reduced energy consumption.** Improved efficiency and alternative fuels used in personal vehicles, heavy trucks and commercial aircraft, coupled with lower average vehicle miles traveled by households, result in a substantial reduction in the amount of fossil fuels consumed per capita. This reduces Oregon's dependency on imported oil and leads to personal and household cost savings. Instead of money spent on imported oil, households could spend their savings locally, resulting in investments in Oregon's local economy.
- **Improved environmental quality.** With freight, aircraft and private vehicles running on cleaner energy, per capita emissions from the burning of fossil fuels drop dramatically, resulting in cleaner air and fewer environmental impacts from the extraction, refining and transportation of fossil fuels.

## Other STS Impacts

(From the Draft Statewide Transportation Strategy, ODOT, March 2012, pages 19-21)

In addition to sizeable reductions in the GHG emissions produced by year 2050, the suite of actions contained in the STS are expected to result in a number of notable societal impacts, including:

- **Reduced fuel consumption and greater energy security:** The amount of petroleum fuels consumed would reduce drastically. For example petroleum use for light duty vehicle travel would reduce from almost 400 gallons per person in 2010 to about 50 gallons per person in 2050. This reduction in petroleum use would come from more efficient vehicles, greater use of electricity, shorter trip distances, and greater use of alternative transportation options. This would result in less money being spent on imported fuel and more money being available to purchase goods and services produced in Oregon. It

would also mean that Oregon's economy would be more insulated from disruptions to international oil markets.

- **Lower levels of vehicle delay:** Although metropolitan area populations are forecasted to grow by 60 percent and only minimal expansions are planned for the major roadway system, total vehicle delay on metropolitan roadways is expected to decline by about 10 percent. Despite a doubling of metropolitan truck VMT, truck delay would only increase by about 25 percent. This would occur as a result

of number of factors that reduce per capita light vehicle travel and increase roadway efficiency including compact mixed land use patterns which enable shorter vehicle trips and travel by other modes, provision of travel alternatives, efficient road use pricing, and deployment of intelligent transportation systems.

- **Accommodating increasing population and improving performance at lower cost:**

Accomplishing the vision will require a substantial change in funding priorities, but not in total funding. Metropolitan congestion and delay can be reduced with minimal expansion of the roadway system by reducing trip lengths, increasing travel by non-auto modes, and increasing the efficiency of roadway use. Achieving the same results by expanding the roadway system would require massive amounts of spending and the effects would not be long lived. The vision limits roadway expansion costs by providing alternative urban mobility options and improving overall management of urban transportation systems. *[Note: need to run scenarios to find out how much road capacity would be needed in order to achieve the same delay levels and what the estimated cost would be]*

- **Reduced proportion of overall household income costs going toward transportation:** A key element of the STS is for roadway prices to be efficient; that is the charges users pay to drive should reflect the full cost of the impacts of driving. This will increase the cost that drivers pay per mile from what they pay today, but only because drivers are not now required to compensate for damages such as the adverse health effects of pollution. The total cost to drive, however, depends on many things such as the price of fuel, the cost of vehicle ownership, and the number of miles driven. Household income is another key consideration because it significantly affects the number of miles driven. The STS assumes that average income will increase into the future, following the trend that has been exhibited many decades into the past. Although this will increase VMT in the absence of changes that dampen VMT growth, it also will increase the amount of money that households budget for transportation expenditures. With all of changes anticipated in the STS vision that contribute to changed travel behavior, the conclusion is that households will actually spend a smaller portion of their incomes on light vehicle travel than today, even though they will be paying the full cost of driving.

- **Improvements in public health:** Air pollution per mile of vehicle travel will decline substantially as vehicles and fuels become cleaner. Other changes such as compact community development, increased transportation options, and efficient pricing will prevent VMT growth from counteracting these gains. Just as importantly, the transportation and land use changes that will contribute to lower VMT growth will also contribute to more walking and bicycling by urban households. It will become practical for many more people to get the exercise they need to be healthy by simply carrying out their daily activities.

- **Other benefits:** Some elements of the STS, notably land use, are anticipated to produce several additional non-transportation benefits. The development of more compact urban areas will reduce resource land consumption, water use, public utility expenditures, and energy consumption.