

# Notes UGB-RAC

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**Meeting: July 15, 2015**

In attendance:

**Rule Advisory Committee:** Erin Doyle; Mary Kyle McCurdy; Stephan Lashbrook; Gil Kelley; Terry Moore; Jon Chandler; Peggy Lynch; Shaun Jillions; Nick Lelack; Pamela Barlow-Lind; Damian Syrnyk; Catherine Morrow (LCDC Liaison); Richard Whitman (GNRO); Gail Krumenauer (OED); Jim Johnson (ODA); Jevra Brown (DSL); Kim Travis (OHCS); Eric Havig (ODOT).

**Invited presenters:** Bob Parker (UO); Rebecca Lewis (UO)

**Audience:** Brandon Reich (Marion Co), Mia Nelson (1000 F); Jim Hendryx (Woodburn);; L. Milliman (unidentified phone)

**Staff:** Carrie MacLaren; Bob Rindy; Gordon Howard; Robert Mansolillo; Rob Halliburton; Jim Rue; Matt Spangler; Casaria Taylor

**Handouts:** The **packet** provided to the RAC in advance included:

- Employment Path – 6 Questions for RAC
- Draft 3: Proposed Employment Land Need Path
- BLS Standard for Sector Aggregation Titles for NAICS
- Employment Department Regions Maps (delivered under separate cover)
- Considerations for a Path to Determine Employment Land Need
- Analysis of Development on Rural Residential Lands – University of Oregon (UO)
- Analysis of Mixed-Use Development and Redevelopment in Oregon Cities (UO)
- White Paper on Market Trends – ECO Northwest (Terry Moore)

## Item 1: Introduction

Carrie welcomed the group, indicating that she will chair today. She then expressed her and the department's gratitude for the continued work, tenacity and ongoing interest in the project by volunteers to this RAC.

Carrie explained to the RAC that Marilyn Worrix has asked for leave to no longer chair the group. Marilyn has worked with this project since its inception, even as she has retired from LCDC and related work with the land use program. She is devoting more and more time to her business and art and does not feel that she can continue to maintain the high level of time and effort that she would expect in order to continue with this effort, especially as chair of the committee. Carrie indicated that Marilyn has a very high regard for the work that the RAC members have been doing on this project and looks forward to seeing a final product. Carrie also mentioned that Catherine Morrow is continuing as the LCDC liaison to this group.

Carrie indicated the schedule for this work, and that staff intends to have a draft rule ready for our next meeting. Overall, the intent is to have two LCDC hearings, one in September and the final hearing in December. For those who are concerned as we approach the deadline Carrie indicated that the department intends to keep pushing to reach a conclusion. She understands that there continues to be a lot of material. Peggy asked about the possibility of an extension of the adoption of the rules regardless of the date the statute says the rule must be effective. Carrie said that she remains hopeful that we can meet our deadline and an extension is not something that has not been explored by staff.

Mary Kyle indicated that 1000 Friends sent a letter last night with concerns about the draft paths. They are recommending that there be a working subgroup of people to work through the employment path to get it right enough. She doesn't think anything they have raised requires new research, just time to work on the details. Carrie indicated indeed we think we are done with the research, she would ask people to consider whether they agree with that. Second, Carrie asked people to differentiate between structural concerns and the actual numerics that have been included in draft products. It would be helpful to staff if people indicate whether their concerns are with regard to the structural concepts or the detailed numbers included in the paths.

## **Item 2: Employment Land “Path”**

Bob Rindy introduced this topic (power point slide show). He mentioned that, while the mail out last week was very large, most of it was the UO or Terry Moore research; this portion of today's meeting is to focus on the about six pages that comprise the draft housing path. Bob indicated that he will mostly be presenting the structure, the bare bones of the path, and wants to make sure we discuss this structure first. He indicated the proposal includes several “details”, important details, but many of them are there as place holders recognizing we will need to discussion about what numbers to fill in. For today we don't want to get too hung up on these details before we make sure the basic structure is sound and agreeable.

The path is divided into five steps or “tasks”, Bob outlined these. Task 1 is the long term job forecast, task 2 is translating the jobs forecast into a land forecast, task 3 is the buildable land inventory (BLI) and task 4 is to adjust the inventory to account for constrained lands. Finally, task 5 is to compare the forecasted land needs with available land in the UGB, and some ideas for how to deal with surplus land.

Bob walked through the method using a slide show. It first begins with the PSU population forecast. At the outset, note that there are two options described here, one for a population method and one for an employment forecast method. For the population method: determine current city population. PSU estimates center will give cities this population but will not provide UGB population currently. Next step is “jobs”, Oregon Employment Department (OED) has recent (2013 now; 2014 soon) jobs for each city. The city will sort them into two categories, commercial and industrial, more on that later. Next the city will determine the current jobs to population ratio for the city. Then, knowing the long term population and assuming that the ratio will stay the same (an assumption we need to discuss), we can determine the long term jobs in the city. Next, we need to know the density of jobs so we can convert the job need

to land need. We have research from UO on typical density for commercial and industrial jobs, so using those numbers we can simply predict long term employment land need.

Question – does the city compute jobs in the city? Gail K indicated OED will provide jobs but they don't define "commercial" or "industrial". Bob clarified that the department would hope to provide an attachment to the rule that would list every city and current jobs – a look up table. DLCD is in discussion with OED to do that.

Next, Bob presented the employment forecast option. This method would start with a ratio of commercial to industrial jobs in the city, but allow that ratio to change over the long term in proportion to the OED forecasted ratio for the region, rather than holding it fixed as in the population method. However, the number of commercial jobs forecast by the population method would be the same as in the population method – what would be allowed to change is the industrial jobs. This involves some math, which is displayed on the slide. (Discussed the math). In the end, the city would know the long term industrial based on the OED forecast, and could choose a range of industrial jobs, either that amount forecast by the population method or this OED method. The method would respond to the fact that UO found about 20% of jobs occur on land other than commercial or industrial. Bob proposed this be divided equally between commercial and industrial. Erin Doyle noted that this is erroneous in the path, we should not have said 10% but rather 20%. Agreed.

Both methods converge at this point, there would be only one way to convert jobs to land, using density data from UO. Went through those densities on the slides.

Bob noted that UO found that converting net land need to gross involves a 25% factor. The department suggests that this should instead be 15% because there is not a need for park and school land. Bob suggested rules of thumb to account for how we inventory buildable land. He noted that might need to be an adjustment for redevelopment and infill. UO couldn't find a number, so we didn't make one up to insert here. Next, the method would reduce buildable land based on constraints, such as floodplain, tsunamis. RW asks why not allow local governments to reduce floodplain development more than 50% if they want to. CM indicated we are discussing that with federal partners, hope to conclude soon.

The method would discount land for slope: 5% for industrial, 25% for commercial. These are starting point numbers, obviously there should be more discussion. Finally, the method would include rules of thumb for how cities treat various surpluses, for example, if they have a surplus of industrial land but need commercial land, should they have to rezone the surplus?

Bob indicated he put six questions in the packet and would like to deal with those one at a time. Gil, back to densities, is large cities defined as 10,000? A. Yes. GK thinks the ranges seem low to him, there should be some way that we look further at those density numbers. His sense was that UO didn't look at some things like vacant industrial. BR, CM noted indicated we will explore this.

**Questions:** The RAC worked through six questions sent in advance. BR indicated these are basic issues that we need to make sure we are on the right track before we get into the weeds on numbers.

### **Q1: Sorting into two categories**

What does the RAC think about the notion that the method would sort all the retail, office, industrial etc. categories into two buckets: commercial and industrial? Peggy Lynch: Thought she heard that the workgroup suggested sorted into four categories; why did we end up with only two? Also asserted that most small cities have a large percentage of jobs oriented around schools. BR explained that many small cities have only these two categories of zoning. Even where there are more categories, there tends to be quite a varied mix of uses allowed in each category so there are no bright lines between the categories. Also, our data from the U of O study sorts employment land into these two categories. By the way, the Employment Dept has indicated they could sort data into these categories, or other ways if we want. BR noted that one of our main goals is to simplify and this seems a good way to do that.

Gil supported going with two categories but warned we need to be thoughtful in sorting job categories into the two buckets. MKM suggested our rule of thumb regarding sorting could possibly use some sort of weighting. CM: Of course we could do something different for large cities if they indicate problems with this. At the end of the process the method needs to make sure applied zoning is roughly proportional to the determined need, so we need to make sure this works with that goal. That's what the subgroup should be working on between now and the next meeting. BR indicated we should ask large cities whether they are ok with this.

### **Q 2: Having the two suggested employment forecast options**

The department believes there needs to be two options for employment forecasting, both a population based method and a method based on the OED forecast. BR noted that the suggested method for the OED forecast does not "extend" the long range OED forecast (ten years currently) to 14 years – it simply would use the published long range forecast as if it were 14 years. The Employment department strongly recommends we should not straight-line or otherwise try to extend the projection in order to make it 14 years. Also, the method proposed by the department uses the forecasted mix, not the forecasted job numbers.

Discussion about whether cities will simply work thru them both if they are available. Terry noted that indeed if we provide two methods if he were working for a city he would pick the method that would be more beneficial toward the outcome they prefer. BR: he believes the law provides that we must provide both. MKM doesn't believe the department has to assume there will be two methods available.

Gail K. noted that if we use the OED forecast we must determine individual city's employment from a regional forecast. Those regions are broad, for example, the forecast is the same for Bend, Prineville and Klamath Falls because of the way the regions/local workforce areas (regions) have been established. The department will try to compare regions used by employment department, U of O, others.

### **Q 3: Redesignating Surplus Employment lands**

CM suggested we combine questions 3 and 6 because they essentially deal with the same issue about rezoning land surplus from one category or another in order to meet a need shortage.

MKM asserted that Goal 14 makes it a requirement that cities must rezone such surplus, for all uses not just residential. Under Goal 14 it has to be demonstrated that the needs “cannot” be accommodated – not just “considered.”

#### **Q 4: Distributing 20% of jobs not on employment zoned land**

BR summarized that the question regards how we distribute the 20% of jobs that UO found do not occur on employment land. Both methods presume that trend would continue for the 14-year period. We have proposed that the 20% be equally distributed among commercial and industrial jobs. Terry suggested what kind of density you are getting is what matters; he isn’t concerned about the equal distribution of 20% but agrees we could look into it. Gil agrees with the even split but also that a test wouldn’t hurt. Erin said she would like to see some tests just to be sure but is preliminarily ok with this.

#### **Q5: Converting net to gross -15% rather than 25%**

BR noted we had discussed this quite a bit in the residential need path. There is an allowance for this in DLCD rules currently that allows this 25% but it only applies to residential. U of O’s research found 25% of all lands equals about 25%. DLCD suggests there is no need for additions of land to account for future parks or schools when dealing with employment land and therefore recommends reducing this number to 15%.

#### **Other policy topics**

CM jotted down topics in the “parking lot” that came up in the discussion and need to be revisited, but also asked if there are other questions not discussed so far.

- Jim Johnson: He is concerned about the constrained lands presumption that industrial land over 5% slope is not buildable – believes this is too low a number
- Terry Moore: re slope constraints = pay attention to average slope verses slope at a particular spot; need to define slope for this purpose.
- Erin Doyle: concerned re floodplain and “lack of clarity” from FEMA about it (ESA/NFIP consultation re floodplains still under consideration). We might need to propose something for our rule deadlines but recognize we may need to come back and reevaluate after we get clarity on the issue. Also she would like us to include something in the rule about the wetland mitigation issues. Re partially vacant parcels, in the BLI, she is concerned that the footnote states aerial surveys may be needed – that is a problem for small cities.
- Peggy Lynch: will there be legal issues from M49 re redesignating excess land?
- MKM: mentioned that 1000 F submitted comments and concerns electronically the day before, and rather than run through them, she requested the topics be inserted into the notes. The following topics of concern from the 1000 Friends comments are:
  - [insert from memo]

#### **Conclusion**

Bob Rindy will reconvene and may expand the small group on the employment path.

Noted that RAC Members may submit written comments even if they are not part of a particular group and those comments will be provided to the RAC. If there are additional comments, email them to Casaria so she can then send out to the entire group and hold as a public record.

### **Item 3: U of O Research**

#### **Mixed-use and Redevelopment**

Bob Parker summarized the report's findings. Mixed-use residential and residential redevelopment is not occurring in any significant amount in smaller cities in Oregon (under 10,000 population) and is occurring in cities larger than 10,000 population, with the highest rates in the state's largest non-Portland metro cities such as Eugene, Corvallis, and Salem. Rates in these cities seem to approach a maximum about 10% of total new residences. However, there currently is no available systematically-collected or systematically-available data to measure the actual amount of residential development and residential mixed-use development occurring in the state's cities.

Gil Kelley stated: Two key points in arriving at our policy come from this presentation: 1) there is no science that gives us a good way of predicting the rate of redevelopment and 2) policies and attitudes are key/important in encouraging this trend/land efficiency. Our setting of a reasonable aspiration for redevelopment is an important part of influencing this trend going forward. Agree with Carrie that we should revisit the rate in 5 years but we should also set a healthy target rate now (otherwise we won't have anything new to measure).

The report was "accepted" by the RAC with regard to the information that it provides.

#### **Development on Exceptions Lands**

CM noted that DLCDC did not include this in the initial mail out of materials and as such the RAC did not see the document until it was sent on July 14. Recognizing there has not been enough time to review the results, she indicated it will be on the agenda for the August meeting with the hope that we can "accept" the report and its conclusions.

Rebecca Lewis summarized. UO surveyed cities in addition to other data collection. The study was able to use similar tax-lot databases from six counties around the state to measure the amount of land divisions that have occurred on lands brought into the urban growth boundary. This information is needed for the purpose of applying, if necessary, a "discount" factor for parcelized rural residential lands that are brought into an urban growth boundary as part of the streamlined UGB process. The most relevant portion of the study looked at lands historically zoned rural residential that were annexed into cities between 1996 and 2012, because annexation of such parcels is likely a precursor to development at urban residential densities. The results showed that rural residential lots of one acre or less have not been further divided, lots between one and two acres have seen a very minor amount of land division activity, and lots greater than two acres in size are developed at densities with no significant difference to other recently developed parcels within urban growth boundaries.

## Item 4: White Paper on Market Trends

Terry Moore summarized information he found in his research regarding the changes in markets. He provided an overview of the report. It starts with a framework on how we think about land markets. First, regarding supply and development capacity long term, try to reach conclusions that pertain to the work of this RAC. First, with respect to vacant land in UGBs: there is plenty, on average. With respect to potentially buildable land in UGBs: many times annual conversion of vacant (unimproved) land to developed (improved) land so there is plenty. How much is readily available buildable land at reasonable prices: It depends, that is a more complicated question but there is some information.

The main point is, what is the conclusion that LCDC needs to consider? First, there is nothing exceptional occurring on the supply side of the market not already considered through current UGB practices or the simplified practices being considered by DLCD and this RAC, already. Second, re Population or employment growth: there is no need for special adjustments to be made to the proposed methods to account for market conditions. PSU is already considering lots of these things in their forecasting. One can speculate about for example client refugees. PL indicates that she has asked PSU and they are not considering refugees.

Regarding Housing price and affordability – there are a couple pages on this. National housing markets and Oregon land-use policy are shifting in same direction: toward an increased share of new housing that is multifamily and small-lot single family. That's a market direction. Other info on affordability in the paper.

Finally, concerning regional differences: there is no need for special adjustments to the methodology to account for market conditions; it is hard to find regional differences and he doesn't find anything compelling. In fact, not only is it not needed, but it may be counterproductive and not a good idea.

No case for special adjustment on the supply side and on the employment side. Terry suggested sharing this information with PSU to tighten up the entire packet. Regarding push toward increasing density, there could be more debate. Notes that these trends are best considered by the RAC as a onetime deal, rather than subsequent consideration by LCDC. If that have to go thru it again in the future this would need to be redone at that time.

CM suggested that the point here has to identify if there was something we have not considered on the horizon. We want to make sure anything we see is embedded in the proposed rules that we consider. TM suggested that we conclude: We considered this requirement (for long term trends research) and it is embedded in the methodology we proposed, rather than have LCDC try and add this consideration at the end.

Discussion as to whether PSU is adequately considering trends in migration. [note: DLCD will confer with PSU and provide a response to the RAC] TM summarized that Washington Co study underway on this, Metro is responding that we considered that it would be part of our baseline forecast. TM suspects PSU would come to the same conclusion. Discussion of cohort survival, would be much more complicated if there was more in migration. PL mentioned decline in homeowner rate, owners v renters. TM response

is there is discussion about residential markets in the report; the literature is split on this question. The answer is probably somewhere in between. This is mostly accounted for in the methods we have been designing concerning housing types.

ED question as to whether we are adequately considering future density. TM: feels confident in the direction; the trends are pushing toward density. The question becomes how much, he thinks we are already in agreement we are not staying with past trends. We are pushing for a little more (push not a shove). In other words we are accounting for this so far in the RAC. TM suggests we circle back with PSU on this research and make sure they are thinking about it. Richard suggested having a similar circle back with the employment department.

The research was “accepted” by the RAC.

## **Item 5: Serviceability**

Carrie introduced noting that we did not send out materials because we didn’t feel they were quite ready for viewing before today. We want to walk through where we are today.

Rob Halliburton presented power point slides to walk the group through the issues we are considering regarding “serviceability.” He noted that some of this came up when we were considering the study area and also as we talked about periodic review replacement. We then asked another small group to work on this, we are still getting feedback but will show you today some of the thinking on this.

The assumption has been that the law intends two different standards, a higher standard for the first 7 years and a somewhat different standard for years 8 thru 14. The first problem is the law requires that a city shall demonstrate sufficient serviceable land for 7 years and land that “can be serviceable” for 14 years. He noted that the definition of serviceable seems to make it applicable to both definitions, that is the puzzle we have. CM clarified that what we assume is the intent is that the 7 years really can be brought on line with services. The remaining period would require showing that services could be provided.

SJ responded that he thought this element grew out of Damascus. RH indicated that we are trending toward four discrete categories of capacity that fulfill the requirement for necessary service capacity: (1) Capacity that is available; (2) Capacity that can be provided, (3) Capacity that can be made subject to committed financing; or (4) Capacity for which committed financing can be in place.

CM indicated we can send a paper with the outline of what the department is thinking about or can make the PowerPoint presentation available to everyone. Conclusion: the PowerPoint and draft memo will be sent to the group but with a request that it not be distributed by RAC members, except for purposes of soliciting input (this is because the draft memo is being circulated as “work in progress”).

## Closing

- Thanks to everyone for your week and especially the work coming in the next few months.  
Schedule: Draft Rules to LCDC in September, Adoption in December
- DLCD will try to increase the amount of time you have to review materials
- Peggy said the deadlines are unrealistic and would like the department to ask what options there are to extend the deadlines