

TASK 5:

Employment Land Site Readiness Toolkit Executive Summary



Consultant team:



EXECUTIVE SUMMARY

Several site readiness challenges have long hindered the development of key employment lands in the Portland metro region. Meanwhile, employment space and site needs have increased over the last decade as the region's economy has expanded and the population has increased. Solving these difficult issues is a key priority of leadership at the local, regional and state level.

The Employment Land Site Readiness Toolkit project was designed to help find tools to move challenged industrial and commercial employment sites within the Metro urban growth boundary to development-readiness to accommodate projected population growth. The project is a follow-up from the Regional Industrial Site Readiness Lands inventories completed in 2011, 2014 and 2017 that tiered industrial sites based on time to market and highlighted seven key site readiness challenges limiting market development of these sites.

Key Site Readiness Challenges:

- infrastructure
- natural resource mitigation
- brownfield remediation
- local entitlements
- land assembly
- gravel pit remediation
- redevelopment

The project was funded by a Metro 2040 Planning and Development Grant with matching funds from 19 regional partners (2 counties, 13 cities and 4 regional entities). The Port of Portland, Greater Portland Inc and Metro managed the project, working with a consultant team lead by Cascadia Partners.

This Employment Land Site Readiness Toolkit contains **four separate reports** that provide new ideas and important refinements to existing tools that, if implemented and funded, can give local leaders greater ability to ready employment lands for the development and job growth needed to support the economy of the Portland region. This set of reports also provides some preliminary considerations for how to incorporate issues of equity into both the approach and tools deployed to address employment land readiness. Equity has not traditionally been considered within the context of employment land policy and this report is intended to serve as an initial guide for how to meaningfully consider equity in such projects.

The **Task 1 Report** identifies national best practices and innovative tools for addressing key employment land readiness challenges and equitable development. The **Task 2 Report** details two new real estate and finance tools that could make a significant impact on site readiness. The **Task 3 Report** summarizes recommended modifications to existing economic development tools in Oregon. The **Task 4 Report** outlines site readiness roadmaps for three sites in the region and tests several of these tools to help demonstrate the impact of individual tools and the layering of tools needed to achieve financial feasibility for each of these sites. This set of Reports should serve as a resource for local practitioners as well as a source of potential legislative ideas for local and state leaders focused on improving employment site readiness.

TASK 1 REPORT:

National Best Practices Research

OVERVIEW:

Many states and localities have encountered the seven key site readiness challenges that are the focus of this project and developed unique tools not currently or widely available in Oregon. The Task 1 Report provides a summary of 28 of these innovative tools. At least three tools were identified for each of the seven site development challenges. Each tool was ranked in terms of its relative effort and level of impact, and whether implementation action is needed at the local, regional, or state level. In addition, the Report includes three equitable impact assessment models that jurisdictions can use to apply an equity lens to employment land policies, programs and projects to help better understand community impacts and incorporate community benefits in design and decision-making.

KEY FINDINGS:

Financing is a Fundamental Challenge

Oregon has fewer and more limited sources of revenue for economic development than other states. The lack of available low-cost financing is a major challenge to several employment land readiness tools. There are potential financing tools that could provide large-scale, low-cost, long-term financing to projects to overcome major cost hurdles, such as off-site transportation improvements. These tools include new financing districts and enhanced redevelopment authorities. They would require state legislative action and a source of seed capital to be most effective.

Opportunities Now

About half of the tools identified can be deployed on a short timeline. These tools are focused on reducing regulatory and process barriers to capture market strength in places where the market is strong. However, these tools generally have a more narrow or limited impact than the financing tools because many of the region's employment sites face challenges beyond regulation and process.

Integrate Equity into the Development Process

Equity can and should be integrated into the planning, funding and development process. Any assessments or tools should provide a framework for considering equitable outcomes in development projects. Considering issues of equity early in the process of establishing employment land policy and prioritizing investments is important. Meaningful representation and empowerment of underrepresented groups within the decision-making itself is critical.

TASK 2 REPORT:

New Real Estate and Finance Tools

OVERVIEW:

The Task 2 Report details two new tools that could help jurisdictions overcome some of the most intractable employment land site readiness challenges: assembling land with multiple owners and paying for new infrastructure costs. A **Horizontal Development Agreement (HDA)** is a vehicle for packaging multiple development incentives and community benefits into a legal contract that can entice multiple property owners to work together with a local jurisdiction on a common site development vision and timeline. A **Regional Employment Land Investment Fund (RELIF)** would enable public and private parties to pool resources and prioritize spending on site readiness and development. In addition to the potential benefits of pooled capital, the fund participants would also realize any gains associated with development projects, much like a traditional investment fund.

KEY FINDINGS:

HDA: Timing is Important for Maximum Leverage

When crafting a HDA, a jurisdiction's leverage is the greatest when it has incentives to offer. The earlier in the planning-annexation-zoning-funding process a city can step in to negotiate an HDA, the more potential incentives and leverage a city has to compel cooperation and other community benefits. The bundle of incentives a city can offer includes pre-development funding, annexation, zoning and other development entitlements, and infrastructure planning and construction. Access to city incentives can be predicated on all or a majority of property owners cooperating and participating in the agreement.

RELIF: Diversified Investment Risk and Shared Upside

RELIF is a pooled investment fund that mingles dollars from public and private partners. The principal benefits are similar to a traditional investment fund: diversification of project types and locations helps mitigate risk and even small investors can benefit from the upside on large projects. In addition, the pooling of funds and targeting of those funds on the region's most well-positioned properties and projects brings large, meaningful dollar amounts to these projects and positions the fund for maximum potential upside. The current model of individual jurisdictions working independently to finance site development limits access to financial resources and may delay site readiness particularly for larger sites and sites in communities with fewer resources.

TASK 3 REPORT:

Modifications to Existing Development Tools

OVERVIEW:

While new tools offer innovative solutions to the land readiness challenge, modifications to existing economic development tools can be faster and less costly, especially because the legal framework, program staff and procedures are already in place. Task 3 explores changes to the following tools that could expand their effectiveness:

- Land bank authorities (LBAs)
- Advanced wetland mitigation planning
- Tax increment / urban renewal financing
- Local improvement districts (LID)
- Oregon cleanup funds
- System development charge (SDC) financing
- Conversion of gravel pits
- Regionally Significant Industrial Site Readiness program

These changes include: expanding the classification of properties that LBAs have authority over beyond brownfields, expanding the scope of power and capital sources for urban renewal, providing state revolving loan and grant funding to support several programs, removing barriers to LID formations, and explicitly allowing second position SDC loans.

The goal of these proposed changes is to unlock the economic potential of the region's employment lands, many of which have been stuck in the site readiness pipeline for years. If successful, the additional tax revenue and job growth from expanded employment land development should help compensate for increases in funding and staff resources required to make these changes. The proposed modifications to existing tools included in Task 3 require a mix of strategies. Some require state statutory and/or administrative changes; others require local administrative changes; some require a mix of statutory and regional/local administrative changes; and some require program funding.



KEY FINDINGS:

Existing Tools Limited

By themselves, existing tools are inadequate for providing a robust supply of regional employment land. To overcome some of the most significant challenges, such as off-site transportation and other infrastructure costs, and to yield the greatest regional impacts, state action is required to enhance implementation of existing economic development tools and secure needed funding.

TASK 4 REPORT:

Development Roadmaps

OVERVIEW:

The Task 4 Report provides local practitioners with a development roadmap for three employment land sites in the region and an understanding of how specific tools could impact site readiness and financial feasibility of these sites. In addition, the report provides a framework for cities to explore how equity can be considered in employment land development. These assessments include: demographic data, equity and economic data, community assets and needs, key equity considerations and potential equity actions.



KEY FINDINGS:

Not All Sites are Created Equal - Small Differences Have a Big Impact

Each site has a different assumed use mix and small changes have the potential to yield big differences in the financial performance of the site. Several economic factors can have big impacts including: small changes in rent (especially for larger projects with large square footage), changing zoning to allow for greater buildable area, and a greater share of uses that are strong in today's market, such as logistics and warehousing.

Big Tools Needed for Big Results

Public infrastructure is the single most significant cost barrier facing employment lands in the region and access to capital is the single largest local government barrier to their being able to help solve this issue. Some tools are too small to make a difference. Even with the possibility of integrating more effective tools, individual tools are seldom able to achieve market feasibility alone. However, modeling what happens when several tools are layered together has demonstrated the potential for a stronger level of market feasibility.

Large Sites Represent Major Equitable Development Opportunities

All three roadmap site cities are in the early stages of identifying and incorporating equitable development outcomes in their city planning processes. Most cities have local organizations identified to support potential equity initiatives and some larger citywide affordable housing and economic development initiatives are underway, but equity has not been incorporated into their employment land site development policies and practices. The scale of site readiness projects associated with these roadmap sites represent major opportunities for the three cities to advance equity outcomes in the planning, development, and operations for these sites.

CONCLUSIONS

CHAMPIONING STATE ACTION THROUGH ADVOCACY

Many of the most effective strategies for unlocking employment lands require changes to existing tools or legislation to create new tools and funding sources. Making headway requires local and state level champions to identify legislative priorities for the short term and long term and sustain advocacy on an ongoing basis. Coalition building with stakeholders statewide will be critical to turning these ideas into reality.

LOCAL ACTION ON EMPLOYMENT LANDS

Moving the region's employment lands to development-ready status requires the focus of local and regional interests. Many of these sites face significant site readiness challenges and will require creative approaches to bring them to market. Integrating equitable development outcomes in employment land planning and development is vital.



Recommendations for Local and State Action

1. Secure greater flexibility and funding for existing tools
2. Secure administrative and legislative support for a prioritized set of new tools
3. Develop a plan of action and next steps for 3 city roadmap sites
4. Explore ways to secure equitable development outcomes in employment land policies, programs and projects