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METRO

Agenda

MEETING: METRO COUNCIL WORK SESSION
DATE: September 19, 2007
DAY: Wednesday
TIME: 2:00 PM
PLACE: Blue Lake Park Lake House

CALL TO ORDER AND ROLL CALL

I. **Policy Direction on Metro's Infrastructure and Public Investment Analysis (60** minutes)

Objectives:

- Council understands purpose of study, phases of analysis, and points of engagement
- Council input on what type of infrastructure to include in assessment

Content:

- Overview – Mike Jordan
- Consultant report on trends and creative approaches
- Consultant/staff/advisory committee recommendation on range of infrastructure to consider
- Council discussion and direction

II. **Discuss Transit-Oriented Development (TOD) Program's Proposal to Amend TOD Work Plan to Fund Urban Living Infrastructure and "Focus Centers"** (40 minutes)

Objectives:

- Council develops understanding of Urban Living Infrastructure and Focus Centers program elements
- Council provided an opportunity to discuss proposal prior to decision hearing scheduled for October 18, 2007

Content:

- Introduction – Phil Whitmore (5 minutes)
- Consultant presentation of "Urban Living Infrastructure: An Assessment of the Marginal Impact of Urban Amenities on Residential Pricing" (15 minutes) – Jerry Johnson, Johnson Gardner
- Facilitated discussion and direction to staff (20 minutes) – Mike Jordan

III. **Policy Direction on Performance Based Growth Management Initiative** (30 minutes)

Objectives:

- Council direction on performance measurement categories
- Council agreement on proposed phases/outcomes

Content:

- Introduction – Councilor Hosticka
- Discussion and direction

IV. **Introduce Proposal to Integrate Region 2040 Compliance With Performance Measures** (20 minutes)

Objectives:

- Initial reaction and direction to staff

Content:

- Overview (attachment) – Mike Jordan/Sherry Oeser

V. **Updates** (15 minutes)

- Regional Discussions on Reserves – Councilor Harrington/President Bragdon
- Region Roundtable – Ken Ray

VI. **Transition Issues Associated with Councilor Newman's Departure** (15 minutes) – President Bragdon

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M E M O R A N D U M

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DATE: September 12, 2007

TO: Metro Council & Staff

FROM: Phil Whitmore, TOD Program Manager

SUBJECT: TOD Program Presentation at September 19th Metro Council Worksession

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The TOD Steering Committee and staff have engaged key stakeholders in reviewing the performance of the TOD & Urban Centers Implementation Program, prepared a draft annual report, conducted research, and met with the Metro Council several times during the past two years to discuss program direction and strategic priorities. At one point the Metro Council asked TOD staff to explore alternative strategies by considering: "Would a different set of investments yield results faster?"

Jerry Johnson and Bill Reid, principals of JohnsonGardner LLC, one of the region's leading real estate and urban economics consulting firms, were commissioned to examine the real estate market impacts of urban living infrastructure. The resulting report, "An Assessment of the Marginal Impact of Urban Amenities on Residential Pricing," is groundbreaking research that adds new knowledge about the market dynamics of urban development. This research promises to be of great interest nationally as well as locally; journal articles and conference presentations are anticipated. Johnson & Reid presented the research methodology, findings and conclusions to the TOD Steering Committee on August 6, 2007, and will repeat that presentation for the Metro Council during the September 19th Worksession.

The TOD Steering Committee took action at the last meeting to recommend the Metro Council approve the proposed TOD Work Plan amendments in order to: initiate an "Urban Living Infrastructure" program activity to foster local businesses that will make those centers more vibrant and livable; authorize a new program strategy of designated "Focus Centers"; and make technical changes. These TOD Work Plan amendments will be brought before the Metro Council for approval on October 18, 2007.

Urban Living Infrastructure

The ability of 2040 centers in Portland to transition to higher density development patterns over time is a function of their ability to provide an "urban experience" that delivers sought-after services and amenities ("urban living infrastructure") within a comfortable walking distance. Traditionally, governments assist placemaking through investment in sidewalks, parks and other public area improvements. Anecdotal evidence has revealed that where emerging restaurants, specialty grocery stores, cafes, bookstores, and other services have clustered, mixed use housing projects occur more quickly. These commercial services are defined as "urban living infrastructure" because they are seen as essential services to support living in a higher density urban environment.

The JohnsonGardner research provides empirical evidence that when urban living infrastructure is present, mixed-use housing development becomes financially feasible, more quickly. Buyers are willing to pay more for housing in vibrant places with distinctive character and urban living infrastructure because services are within walking distance and there is a quality urban environment. When more people are willing to live and invest in the area, a virtuous economic cycle is created wherein additional housing units support more retail services, which in turn increase housing demand, and so on. Together, residential population growth and urban living infrastructure can influence the market so that mid-rise mixed use housing projects become more financially feasible.

The Urban Living Infrastructure program is designed as a site specific, project-based implementation program to makes targeted public investments to foster the creation of urban living infrastructure by private, locally owned businesses. Because of modest funding of $600,000, the program will initially be limited to the designated Focus Centers discussed in the next paragraph.

Focus Centers

Designation of "Focus Centers" is a new strategy to concentrate limited program resources in a smaller number of urban centers. A variety and critical mass of new investment or redevelopment needs to occur in a center before that new market momentum is visible enough to catalyze other real estate and business investments, creating the condition referred to as "market lift off." During the joint Metro council and TOD Steering Committee in December 2006, it was concluded that the TOD/Centers Program should focus on doing a better job in fewer centers and that repeated investments in placemaking could lead to lift-off sooner. A broader set of implementation support services and strategies will be provided in Focus Centers by collaborating with other Metro programs, including New Look and Nature in Neighborhoods. The intention is to have a stronger and more holistic approach by Metro, but also help set in motion additional public resources from local government.

The TOD Program currently owns property in the Beaverton Regional Center, the Gresham Regional Center, the Hillsboro Regional Center, and the Milwaukie Town Center, and is actively partnering with the local jurisdictions to redevelop those properties. Our immediate emphasis for Focus Centers will be in these areas. As local market conditions improve and investment activity levels increase, we will review to decide if the program focus should be shifted to other centers.

In the future, the TOD Steering Committee may consider proposals and take action to designate new Focus Centers subject to a 7-day notice to the Metro Council.

Technical Changes

Technical amendments clarify language for purchase of TOD easements, which the program regularly does. The current Work Plan includes easements as a tool, but does not provide much information. There are also technical amendments regarding the process for dealing with the Federal Transit Administration , something the Program rarely does. The amendments also provide for a method of formally terminating projects that are no longer active. This last amendment is a result of Council suggestion during an earlier review of the program and the program began formal termination of projects several months ago.

EXECUTIVE SUMMARY

Urban Living Infrastructure

JUNE 2007

INTRODUCTION

JOHNSON GARDNER was retained by METRO to document the pricing effects of urban living infrastructure. The objectives of the work were as follows:

Document current trends and development patterns in Districts where robust urban amenities exist and appear to have facilitated private mixed-use development. Determine extent, if any, that urban amenities have on housing prices and the extent to which the urban amenity mix influences pricing.

Determine if government can cost-effectively stimulate pricing effects that will allow for mixed use development by investing in enhancements to the urban living infrastructure.

METRO

Metro's web site
www.metro-region.org

Transit Oriented Development PROGRAM OVERVIEW

Metro's growth management plan, The 2040 Growth Concept, calls for the region to grow up rather than out, away from farm and forest land by limiting expansion and focusing growth around the region's 44-mile MAX Light Rail Transit (LRT) line, along frequent bus corridors and in mixed-use urban centers. The TOD Program pursues the Growth Concept by providing public investments to developers to build more intensely and with higher attention to creating a walkable environment than the market would complete on it's own. A TOD will result in a higher share of travel from transit, walking and biking and a lower percent by an automobile.

Executive Summary

An entire industry has arisen dedicated to the concept of "Placemaking", which recognizes that an agglomeration of activities and amenities is a critical aspect of an urban experience. Placemaking is a term that began to be used in the 1970s by architects and planners to describe the process of creating squares, plazas, parks, streets, and waterfronts that will attract people because they are pleasurable or interesting. While widely discussed with anecdotal evidence, to date there has been little if any substantive analysis of the marginal impact of the amenities associated with an urban experience on achievable pricing. This study addresses the missing substantive evidence of the relationship between a range of urban amenities and pricing.

Successful urban environments represent a marketable amenity, the value of which is reflected in higher effective pricing for residential units. This higher pricing is necessary to support the intensive and costly development forms associated with more urbanized areas. As achievable pricing is one of the key impediments to realizing higher density residential development, increasing the supply of urban amenities in a district can be an effective strategy to encourage targeted development forms.

Development of a greater number of residential units within walking distance of a commercial concentration increases the viability of that concentration, attracting a superior tenant mix that then increases the premium for residential uses. This virtuous cycle of investment and reinvestment has been seen in many of Portland's successful commercial districts. The benefit of this type of development pattern accrues not just to new construction, but to the broader neighborhood as a whole.

Hedonic statistical modeling of 2006 home transactions proximate to various urban amenities revealed a range of price premium estimates for recent home sales, all else equal. In general, we would consider the tenant types classified and evaluated in this study to represent desirable neighborhood amenities, and would expect them all to have a positive impact on values. The results of the study did not confirm this relationship for all categories of tenants surveyed, which may be explained by the limited range of the study. Calculations of price premiums at the extreme ends of the amenity range expressed above are likely not robust and likely are sensitive to statistical specification. For a number of amenity types the sample size was limited, reducing the reliability of the indicated results.

The results also varied depending upon the type of residential product. The relationship between the tenant types identified was almost universally positive for condominium units, which offer a greater degree of separation from some of the negative externalities associated with these types of uses. It must be noted, however, that the sample of attached home sales in the study was not large (148 transactions) and estimated values of urban amenities (model coefficients) were rarely statistically significant.

Even so, attached projects tend to address their parking needs on-site, and have a greater degree of security and separation from street-level activity. As marginal new development activity in urban areas is likely to take the form of condominiums, the relationship between urban infrastructure and condominium pricing is probably more important from a policy perspective than the more general impact on residential pricing.

The results of the study indicate that the proximate availability of a range of urban amenities have a substantive impact on achievable residential pricing. Financial viability has been consistently identified as the primary obstacle to achieving higher density urban development forms in many markets. As achievable pricing is directly related to project viability, this study indicates that a strategy to support and expand the urban amenity base in an area is supportive of realizing more urban residential development patterns.

The primary benefit of urban amenities is related to convenience, often expressed in savings in time and travel cost. The ability to reach a number of amenities within a pedestrian range is of particular value. The aggregation of theses services provides an urban experience, allowing for residents to increase their “dwell time” in the area. While our analysis indicates that a priority should be placed on major amenities such as a cinema and specialty grocer, these amenities require a minimum threshold of market depth not found in all locations. An alternative strategy to attracting a tenant such as a specialty grocer is to attract a smaller-scale tenant providing a similar range of services. A specialty grocer may provide for grocery, butcher, bakery, card shop and florist services. An aggregation of tenants providing similar services can provide a comparable amenity base.

While amenities can add value, it should be noted that some tenant types can reduce values. Some of this is related to configuration, as parking conflicts appeared to impact residential values in areas with limited parking availability. As noted previously, this appears to primarily impact single family homes more than condominiums. A similar split impact is seen with bars and nightclubs, which can add a disamenity to single family residences within close proximity.

A range of urban amenities is a critical component of an “urban experience”, which adds value to an area that can be realized in higher achievable pricing for residential development. Our study identifies a substantive impact on achievable pricing associated with a range of tenant types. If it is public policy to encourage more urban residential development forms, encouragement of an urban amenity base is directly supportive of this policy. Developing a more marketable urban experience assists both new development, as well as providing significant marginal value to existing residents.

Integrating Compliance and Performance Measures with the New Look

Introduction and Background

In the mid-1990s, as this region developed the "2040 Growth Concept" and the Regional Framework Plan, local governments in the region were concerned that opportunities for using land more efficiently were being lost because there were no standards. As a result, "early implementation" measures were adopted and those measures evolved into the Urban Growth Management Functional Plan (UGMFP or Functional Plan).

While some Functional Plan titles have been revised recently, others are outdated. With improvements in technology, Metro now has more sophisticated methods for gathering and analyzing data, thus relieving local governments of spending their limited resources on such efforts. Local jurisdictions are requesting information on whether they need to provide information, what information they need to provide, and on which Functional Plan titles. With certain deadlines approaching, they are also asking questions about requirements that need consistent interpretation.

With the New Look at Regional Choices project, the Planning Department's Strategic Planning efforts and the agency's Performance Measurement Project underway, now is an appropriate time to revisit how Metro approaches compliance. This discussion is especially critical for the Investing and Performance-based Growth Management New Look tracks because the approach to compliance could help inform how the region approaches aspirations, recalibrating capacity, and performance criteria. Recent changes to Title 7 (Housing) and adoption of Title 13 (Nature in Neighborhoods) mark a change from requiring local jurisdictions to simply report activities to one that better evaluates results.

In addition, 13 local governments within Metro's boundaries will begin periodic review of local comprehensive plans and land use regulations to insure compliance with statewide planning goals during the next four years. It is important that the state and regional governments coordinate review of state and regional planning requirements.

Implementing the 2040 Growth Concept is not just about the numbers -- it's about making great communities where people live, work, and play.

Desired Outcomes of Integrating Compliance and Performance Measures

A new approach tying compliance and performance measures could achieve these outcomes:

- Metro, in partnership with local governments, develops and uses performance standards to evaluate progress in implementing the 2040 Growth Concept.
- A community quality index measures neighborhood characteristics to gauge and inspire cities to be great communities.
- Additional financing and other implementation tools are in place to help local governments achieve regional goals and improve community quality.
- A system of incentives promotes efficiencies.

Recommendations for Functional Plan Changes

1) Eliminate certain reporting requirements while increasing the level of technical assistance to local governments
2) Revise titles as needed
3) Maintain current requirements
4) Change annual compliance report

Questions for Council:

- Do you agree with the general recommendation of changing the compliance regime and doing it as part of the New Look and performance measures efforts?
- Can staff suspend compliance deadlines and reporting requirements through the completion of the New Look with the assurance that 1) staff will continue to monitor local actions and bring to the Council those issues that may need Council attention and 2) staff will bring back proposals for Council consideration as the New Look efforts warrant?

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