A G E N D A

600 NORTHEAST GRAND AVENUE | PORTLAND, OREGON 97232 2736
TEL 503 797 1542 | FAX 503 797 1793

METRO

Agenda

MEETING:	METRO COUNCIL WORK SESSION MEETING
DATE:	June 10, 2003
DAY:	Tuesday
TIME:	2:00 PM
PLACE:	Metro Council Chamber

CALL TO ORDER AND ROLL CALL

2:00 p.m.	1.	**PERS BRIEFING**	Short/Gardiner
2:30 p.m.	**2.**	**SALEM LEGISLATIVE REPORT**	Cooper
2:45 p.m.	**3.**	**DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING, JUNE 12, 2003**	
3:00 p.m.	**4.**	**MS & MC EFFICIENCY THRESHOLDS**	Hoglund
3:30 p.m.	**5.**	**INFORMAL DISCUSSIONS WITH METRO AUDITOR/ IDENTIFYING MATTERS OF INTEREST TO COUNCILORS**	Dow
3:45 p.m.	**6.**	**PERIODIC REVIEW UPDATE**	Neill
4:15 p.m.	**7.**	**CITIZEN COMMUNICATION**	
4:30 p.m.	**8.**	**COUNCILOR COMMUNICATION**	

ADJOURN

060003c-01

A G E N D A

600 NORTHEAST GRAND AVENUE | PORTLAND, OREGON 97232 2736
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METRO

Agenda

MEETING:	METRO COUNCIL REGULAR MEETING
DATE:	June 12, 2003
DAY:	Thursday
TIME:	2:00 PM
PLACE:	Metro Council Chamber

CALL TO ORDER AND ROLL CALL

1. INTRODUCTIONS

2. CITIZEN COMMUNICATIONS

3. CONSENT AGENDA

3.1 Consideration of Minutes for the June 5, 2003 Metro Council Regular Meeting.

4. ORDINANCES - FIRST READING

4.1 **Ordinance No. 03-1011,** For the Purpose of Amending the Metro Jurisdictional Boundary for Annexation Case AN-03-1: Jones

5. ORDINANCES - SECOND READING

5.1 **Ordinance No 03-1001B,** For the Purpose of Adopting the Annual Budget for Fiscal Year 2003-04, Making Appropriations, and Levying Ad Valorem Taxes, and Declaring an Emergency. — Park

5.2 **Ordinance No. 03-1010,** An Ordinance Confirming the Annual Readoption of Metro Code Chapter 7.03 (Investment Policy). — McLain

6. RESOLUTIONS

6.1 **Resolution No. 03-3331,** For the purpose of Making Appointments to the Highway 217 Policy Advisory Committee. — Burkholder

7. COUNCILOR COMMUNICATION

ADJOURN

Cable Schedule for Week of June 12, 2003 (PCA)

	Sunday (6/15)	Monday (6/16)	Tuesday (6/17)	Wednesday (6/18)	Thursday (6/12)	Friday (6/13)	Saturday (6/14)
CHANNEL 11 **(Community Access Network)** (most of Portland area)						2:00 PM (previous meeting)	
CHANNEL 30 **(TVTV)** (Washington County, Lake Oswego)	12:00 PM (previous meeting)			11:00 PM (previous meeting)		6:30 AM 7:00 PM 11:00 PM (previous meeting)	3:30 PM (previous meeting)
CHANNEL 30 **(CityNet 30)** (most of City of Portland)		2:00 PM					
CHANNEL 30 **Willamette Falls Television** (West Linn, Rivergrove, Lake Oswego)	5:30 AM 2:30 PM	12:30 AM 3:30 PM 10:31 PM		12:30 AM 3:00 PM 10:30 PM		12:30 AM 3:30 PM 10:31 PM	5:30 AM 2:30 PM
CHANNEL 23/18 **Willamette Falls Television** (23- Oregon City, West Linn, Gladstone; 18- Clear Creek)							
CHANNEL 23 **Milwaukie Public Television** (Milwaukie)			10:00 AM 9:00 PM				

PLEASE NOTE THAT ALL SHOWING TIMES ARE TENTATIVE BASED ON THE INDIVIDUAL CABLE COMPANIES' SCHEDULES. PLEASE CALL THEM OR CHECK THEIR WEB SITES TO CONFIRM SHOWING TIMES.

Portland Cable Access	www.pcatv.org	***(503) 288-1515***
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Willamette Falls Television	www.wftvaccess.com	***(503) 650-0275***
Milwaukie Public Television		***(503) 652-4408***

Agenda items may not be considered in the exact order. For questions about the agenda, call Clerk of the Council, Chris Billington, 797-1542. Public Hearings are held on all ordinances second read and on resolutions upon request of the public. Documents for the record must be submitted to the Clerk of the Council to be considered included in the decision record. Documents can be submitted by email, fax or mail or in person to the Clerk of the Council. For assistance per the American Disabilities Act (ADA), dial TDD 797-1804 or 797-1540 (Council Office).

061003c-02

[Distributed by DAS April 2003]

PERS UPDATE
General Information
Frequently Asked Questions

THE PROBLEM

The current PERS system is unsustainable. The system has an unfunded liability of about $16 billion and, without reform, this liability will cause increasing instability and consequences. In order to pay future benefits in the current system, the state, schools, and local governments would be required to contribute at least 25% of payroll for twenty years, plus the employee "pick-up." Factoring in the pick-up, we would be faced with payments that could equal one-third of the payroll for PERS. Without reform , the entire system is threatened financially, the ongoing ability to pay benefits is threatened and public service jobs are put at risk.

How Did This Happen?

Tier 1 members all have a "regular" account and some Tier 1 members have a "variable" account. Regular accounts have been credited annually with a minimum "assumed" rate, historically that rate has been set at 8%. Variable accounts earn interest at the market rate.

During certain recent years, when the markets were high, regular accounts were credited with interest over the then assumed rate of 8%. These credits were in lieu of allocating amounts in established reserve accounts. A recent Circuit Court decision found that the PERS Board did not sufficiently justify the amounts credited to beneficiaries over the then assumed rate. These amounts, or "overcredits" increase a member's account against which future interest and ultimately in most cases the member's benefit is calculated and thus the problem is compounded over time. The end result is a system that is producing retirement benefit levels beyond what the Legislature ever intended or what beneficiaries expected when they joined PERS. Under its current structure the system is creating benefits beyond what it can reasonably fund. The sharp three year decline in the financial markets has made the structural flaws in this system visible.

Since 1996, interest credited to Tier 1 member's regular accounts has been:

	Market Earnings	Credited to Tier 1
1996	24%	21%
1997	20%	18.7%
1998	15.6%	14.1%
1999	24.9%	20.0%
2000	0.6%	8.0%
2001	-7.02%	8.0%

2002	-8.9%	8.0%

When reserves were not sufficient to credit the 8%, a deficit was created. That deficit is now estimated at $1.9 billion.

KEY POINTS

The proposed changes do not reduce any member's accrued and vested benefit. No money is removed from a member's accounts. Existing retirees' current pensions are not retroactively reduced. All proposed changes are prospective and affect future benefits.

THE REFORMS

1. New mortality tables
   PERS has been using "actuarial factors" relying on life expectancies from 1978 to calculate members' pension benefits. People are living longer, and the annual annuity of retirees should reflect their actual life expectancy.

   On July 1, 2003, modern mortality tables will be used to calculate the pension annuity. **However, there is a "look back" provision. This provision is intended discourage a premature rush to the retirement door. That is, no pension is intended to be less due to the implementation of the new actuarial factors than it would have been had the person retired on June 30, 2003. In short, current members are protected from the implementation of the new factors containing accurate mortality projections. Thus, there is no gain by retiring early to "beat" the mortality tables.**

2. Shift the members 6% contribution to a companion account.
   The 6% contribution which is "picked up" by the state and many other employers will be transferred to a separate investment account at PERS for each member. It will no longer be considered part of a member's regular account under the current PERS system. **The amounts transferred into this separate account plus accumulated market investment returns will be available at retirement or separation from service. These amounts will not be used to determine a member's "money match" calculation at retirement, to the extent the money match applies to such member's account.**

   By transferring the 6% contribution, current account growth should be slowed to a point at which we can manage the impact of the money match over time. Currently 90% of employees retire on money match. In 1990, only 30% retired on money match. Money match is not eliminated by these reforms, but over time it will be superceded by the Full Formula method which will produce a reasonable and sustainable benefit for the member.

The 6% contribution provision applies to both Tier 1 and Tier 2 members.

3. Restructure the Mechanism for Crediting Interest Earnings
HB 2003 restructures the mechanism so that zero interest will be credited to Tier 1 member accounts if there is a deficit in the system stemming from crediting the assumed rate to these accounts in the past despite insufficient earnings to fund that crediting. Market rates will be credited at other times, up to and possibly in excess of 8%, as allowed under statutory reserve requirements.

HB 2003 also provides that, at the time of retirement, the Tier 1 member's regular account will be no less than if the assumed rate had been credited annually over the member's length of service as a PERS member. Thus, accounts will earn at least the assumed rate, compounded annually, over the life of the member's service.

There is a deficit to date of $1.9 billion in the fund caused by PERS past practice of crediting earnings at levels even when the fund earned less than the amounts credited. By applying the new statutory provisions that allow for crediting zero interest to Tier 1 accounts, and crediting any actual earnings to the deficit shortfall, our financial advisors estimate it likely will take about 3 years to erase that shortfall. Effectively, Tier 1 accounts will be frozen for 3 or more years to erase the deficit. Thereafter, Tier 1 accounts will grow according to the performance of the financial markets, the growth of reserves at PERS and crediting decisions based on the amended PERS statute.

4. Retirees Cost-of Living Adjustments
The reforms also provide that each retiree who benefited from the over-crediting of contribute to the solution. **Members retiring between April 1, 2000 and April 1, 2004, will have future cost-of-living increases suspended until each retiree's benefit equals the amount that would currently be paid had the over-crediting from 1999 not taken place. This prospective change was preferable to reaching back into the accounts of retiree's for amounts already paid to retirees.**

In 1999, accounts should have been credited 11.3% interest, with the rest going to reserves. Instead Tier 1 members received 20%. **PERS will calculate the difference for each retiree and suspend the 2% COLA until the member's benefit is at the same level it would have been had the appropriate 11.3% crediting taken place in 1999.**

No member will be affected by both the zero crediting of Tier 1 accounts and the COLA suspension. It will be one or the other, dependent on a member's date of retirement.

If a Tier 1 member retires before April 1, 2004, they are subject to the suspension of the COLA. Those who retire on or after that date will be affected by one or more years of zero crediting.

IMPACTS OF THE REFORMS

- Based on projections from our financial consultants, members near retirement should face relatively small effects. But Tier 1 regular accounts will not grow for a few years, making any money match calculation lower than it would have been had earnings continued to be credited. However, it is intended that all members receive the amounts to be transferred to a member's separate account established to accept the 6% contribution.

- The reforms are also intended to reduce benefits for mid-career Tier 1 members, 10 to 15 years from retirement. Again, a member's future account growth will be slowed; accordingly, the Money Match based retirement allowance will also be reduced. Over time, members will be far more likely to retire under the Full Formula plus the separate 6% accounts and the investment earnings those accounts each generate. For most members still far from retirement, PERS will become a Full Formula plus "side account" system.

- The "replacement ratio" - - replacement of member's final average salary - - should return to around 60 to 70 percent before social security, for long term members.

- PERS gives 3 examples as follows:

  52-Year-Old Worker, with 22 years in PERS, earns $55,581, has pension account of $163,882: Was on track to retire in 2009 with $4,835 per month, or 81 percent of their final salary. Under HB 2003, would retire at $3,507 per month, or 59 percent of the final salary, plus the value associated with the payout of the new transition accounts.

  51-Year-Old Worker, with 25 years in PERS, earns $64,601 and has a regular PERS account of $218,249: Was on track to retire in 2010 with $6,951 per month, or 100 percent of final salary. Under HB 2003, would retire at $4,987 per month, or 78 percent of the final salary, plus the payout from their transition or "side" account.

  35-Year-Old Worker, with seven years in PERS, earns $19,930 and has $38,391 in PERS account: Was on track to retire in 2026 with $5,707 per month, or 68 percent of final salary. Under HB 2003, would retire at $5,057 per month, or 61 percent of the final salary, plus the payout from their transition or "side" account.

FREQUENTLY ASKED QUESTIONS:

Q: How will these reforms affect my Oregon Savings Growth Plan (deferred compensation) account?
A: These reforms should have no impact whatsoever on a member's Oregon Savings Growth Plan account.

Q: Will these reforms reduce what is already accrued in my PERS account?
A: No, a member will retain what is accrued and vested in his or her account. These changes are intended to be applied prospectively.

Q: Does this mean I can't do money match anymore?
A: No, under the current structure, money-match remains available; however, over time, it will have less impact on a member's retirement benefit as the full formula benefit takes affect.

Q: I'm not sure I want to retire, but with all of these changes, shouldn't I retire by July 1, 2003?
A: Everyone's situation is different, and only you can make this decision, but you might consider the following points as you decide:

- The new actuarial factors containing accurate mortality tables will not, themselves, lower your retirement benefit because of the protection afforded by the "lookback" calculation. Your accrued and vested benefits may not increase much over the next year due to their implementation, but they will not decline solely as a result of adopting factors containing accurate mortality tables. Over time, the elimination of employee contributions for all members and the period of zero crediting to Tier 1 member accounts will have an effect on retirement allowances versus the current system, including in some cases, effects beyond those associated with the adoption of modern mortality assumptions. However, under these reforms, members will also receive the proceeds from the separate 6% "side account"—an account that increases as contributions and investment earnings add to its value.
- You should also consider the cost of health insurance once you retire. Unless you have other coverage, this is a cost you will bear upon retirement.
- And, of course, if you continue to work, you will also continue to earn your salary.

NOTE:
Nothing in this communication is either a legal reference or a complete statement of the laws or PERS administrative rules. In any conflict between this information and Oregon laws or administrative rules, the laws and administrative rules shall prevail. Members affected by the reforms discussed in this update and FAQ's should treat this as general information only and act accordingly.

M E M O R A N D U M

061003c-03

METRO

OFFICE OF THE AUDITOR

To: Metro Councilors

From: Metro Auditor – Alexis Dow, CPA

Date: June 10, 2003

Re: Questions relating to Auditing at Metro

To help me better understand your audit expectations and provide assistance to you, I would appreciate your taking the time to consider and answer the following questions. I hope these questions and your answers will form the basis of the ongoing dialog between us as we work together in our unique capacities to fulfill the expectations of the citizens who elected us to serve the best interests of the Metro region. Thank you.

1. What is the Metro Auditor's role?
2. How does the Metro Charter define the Auditor's role?
3. From your perspective, what is expected of the auditor?
   a. Citizen expectations?
   b. Council expectations?
   c. MERC Commission expectations?
   d. Metro COO expectations?
   e. Metro department heads' expectations?
4. To whom is the Metro Auditor primarily accountable?
5. The Charter requires the Auditor to be an auditing professional and hold an active CPA or certified internal auditor professional certification.
   a. Are you aware of what steps are involved in obtaining professional certification? How is it maintained?
   b. Are you familiar with professional auditing standards and how they help shape the Auditor's role? For example:
      i. What are the guiding principles of professional auditing?

ii. How do they regulate what work is undertaken and how it is performed?

iii. What is the purpose of peer review?

iv. What is the purpose of continuing professional education (CPE)? How much and what kind of CPE is required?

6. How does the Auditor fulfill the role as defined by Charter, professional standards and expectations?
   a. What type of work is done? How do the 3 Es of performance auditing – economy, efficiency and effectiveness – come into play? How does COSO, as the recognized structure for control systems, come into play?
   b. How is the work program selected?
   c. How is the work performed?
   d. How is the work reported?

7. In regard to audit reports:
   a. What kinds of audit reports do you as Metro Councilor see as being of value?
   b. What kinds of audit reports do you see as not being of value?
   c. Do you think the Metro Auditor should prepare a report when the subject of the audit is generally being managed well?
   d. Do you think all audits should be directed primarily at saving money?
   e. Do you believe there are times when the Metro Auditor may have to issue a report that is not viewed as favorable by the Metro Council or individual Councilors?
   f. Do you believe the Metro Auditor's Office has a responsibility to question the appropriateness of policy established by the Metro Council or MERC Commission when the policy relates to the subject of an audit?

8. How can the Metro Auditor's Office better serve your interests and needs?

061003c-09

M E M O R A N D U M

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(tel) 503-797-1700 | (fax) 503-797-1797

METRO

Date: June 9, 2003

To: David Bragdon, Metro Council President

From: Lydia Neill, Principal Regional Planner

Subject: Industrial Land Locational and Siting Criteria- ***DRAFT***

Purpose:
Periodic Review of the Urban Growth Boundary (UGB) has identified a shortfall of 2,707 gross acres of industrial land. Development of locational and siting criteria is essential for evaluating lands studied in the 2002 and 2003 Alternatives Analysis for suitability for industrial purposes. The locational and siting criteria developed for warehouse/distribution, general industrial and tech flex will be applied to all Alternatives Analysis lands (2002 and 2003 study areas). This memo provides information regarding the needs of specific industries and outlines how to assess the suitability of land for industrial purposes. A series of interviews were conducted to provide an understanding of why industries prefer to locate in specific areas of the region.

Background:
The Governor has declared the importance of stimulating the economy and providing Oregon with the necessary tools and a sufficient land supply to be poised for economic recovery. An executive order has been issued that is aimed at providing more shovel ready land for industrial users through streamlining of regulations and development of a process to certify land for development.

Our region is uniquely positioned for industries associated with the movement of goods and services due to port access for ocean going shipping and inland barging, location of two transcontinental railroads lines and an international airport. Consequently, 60% of all jobs in our region are related to the movement of freight. Portland is the third largest tonnage port on the west coast, the second largest wheat exporter in the US and is also the 2nd largest grain export area in the world. The Portland International Airport ranks 26th in the nation in air cargo shipments. These activities generate economic activity on their own but they also act to support industries that manufacture products that are exported from our region. A key component of the regions economic growth is based on supply chain management and productivity gains realized through transportation investments. Today, industrial competitiveness is focused on logistics rather than obtaining gains through manufacturing innovation or pure sales growth of products.

The Port of Portland has developed a presentation to highlight the tenets of Smart Industrial Growth. Smart industrial growth centers depend upon the preservation of access to transportation and efficient development of land for both residential and employment purposes. Transportation is a key tenet of the new economy because transportation costs often represent 20% of the cost of a product. Residential and non-residential development often compete for the same access to transportation facilities making land use decisions crucial to preserving capacity.

One of the keys to economic success is the maintenance of a vibrant urban core that contributes to a high quality of life and reinforces branding of the region. One of the advantages that the region has is a perception that the UGB is carefully managed to preserve the region's livability. This also serves as an attractor of intellectual talent for companies located both inside the core of the region and employment areas on the edge.

Keys to Smart Industrial Growth:

- Develop in areas to maximize use of existing or planned transportation investments
- Maintain an adequate supply of quality industrial land that is located close-in to the central core rather than located at the edge of the region
- Provide multiple modes of transportation to move products efficiently to maintain a competitive edge for the region
- Cluster industry for supplier access, access to transportation improvements and taking advantage of the synergy of like firms located in key areas

One of the challenges in providing land for industrial purposes is to resist the temptation of allowing land to be used for the highest but not necessarily the most strategic use for job generation. Commercial development can bid up price of land but often offers a lower wage potential, less opportunities to provide export opportunities or value added manufacture that has spin off effects. Commercial activity has a need to locate near population centers because of the services that they provide. The need for commercial space must be balanced against the requirements for industry. Industrial users have more location specific and access dependent requirements than either residential or commercial users and this must be factored into discussions regarding satisfying the demand for industrial land.

Determining potential locations for industrial lands needs to be focused on evaluation of lands based around existing locations of industrial employment. A four-step approach has been outlined to determine which land to study to fulfill the industrial land shortfall. This research approach should focus on defining key employment areas, clusters of economic activity, location and accessibility to land from existing transportation investments, parcel size and locational constraints for key industrial sectors.

New Global Economy

The new global economy relies on regions to define the unit of competitiveness. Knowledge and logistics are the currency that purchases economic viability in competing regions. Successful companies generate new ideas that have economic value and fine tune their logistics costs to increase profitability. The traditional model for economic success was predicated on access to raw materials and production efficiencies, which will continue to be less important in the global economy. This accounts for a decline in manufacturing jobs nationally and an export of low skilled manufacturing and assembly jobs overseas. The traditional model for economic success is now predicated on gains in logistics. As a result, access to transportation has become vital to most companies as they manage and/or are dependent upon global supply chains.

Even though we have made technological advances in the exchange of information, place and the physical exchange of information still matters. Regions have become more important than states for massing companies and institutions that encourage entrepreneurship and innovation. Attracting and retaining talent is fostered by maintenance of a high quality of life and a vibrant urban core because of the mobility of the age cohort that is driving the economy.

Concept of Clusters

The concept of clustering like employers in different parts of the region results from geographic advantages, location of suppliers that are attracted to these companies, complimentary firms that produce related products and the base of intellectual talent necessary to continue to innovate. They tend to flourish is close proximity to each other. Although many of these companies are classified as manufacturers they are unlike the manufacturers of decades past that relied on business advantages gained from access to raw materials, cheaper shipping or labor for increased

profitability. Different parts of the region will play different roles in the regional economy based on natural features, infrastructure investments and location of existing industries.

Washington County Clusters

Examination of existing industries and economic activity clearly points to specific geographic areas of the region that specialize in the high tech industry, warehouse and distribution and traditional heavy manufacturing activities. The Westside economy that is dominated by hi tech accounts for one fourth of all economic activity in the Oregon portion of the Portland region. The high tech cluster has reached a critical mass, primarily located in the western portion of the region.[1] Intel, Oregon's largest private employer located in Hillsboro is estimated to have 6.1 billion dollars effect on the Washington County economy (includes trickle down effects).[2] The high tech industry is a knowledge-based industry that is clustered in a crescent shaped area that extends from the Hillsboro airport, southeast along Sunset highway, along Highway 217 and I-5 to Wilsonville. More than 70% of Intel's employees live in this crescent.[3] The growth trend within the high tech industry in these areas is to export the lowered skilled manufacturing jobs offshore and keep the research-intensive jobs in our region. One example is that the number of patents that are filed by Intel from its Oregon campus exceeds the rest of its US operations combined. Intel uses an exact copy manufacturing process that is developed in Oregon and then replicated in other manufacturing facilities both in the US and around the world.

Four key west-side industry clusters have been identified:[4]

- Hi-tech
- Apparel/Sporting goods
- Nursery products
- Metals, some of which support the hi-tech industry

This crescent of activity was propelled by Intel and Tektronics and has produced a number of spin-offs, suppliers and related activity to serve this growing segment of the economy. The high tech industry is a knowledge-based industry that requires constant innovation because of short product lifecycles. Processes and products are often outdated in a very short period of time requiring constant re-tooling of facilities and changes in manufacturing processes. Spin-off activity has spurred growth within this industry through software development, instrumentation and development of specialized production equipment. Spin-offs were fed from venture capital investment of over one billion dollars in 2000[5].

Besides the concentration of high tech located primarily on the west side is beginning to cultivate a sporting goods and apparel presence due to the location of Nike, Columbia Sportswear, Addidas, Soloflex and other equipment manufacturers. Like the high tech cluster these industries rely on changes in design and innovation to stay at the top of their industry and continue to generate increased sales of their products. The bulk of the actual manufacturing of athletics products occurs offshore although these manufacturers design prototypes here and manufacture key components in this region. These jobs are typically high wage jobs in a fast growing industry segment. Many of these firms in addition to their manufacturing and headquarter functions also operate distribution facilities in the region.

The nursery industry needs access to transportation for shipping products and fulfills some local market demand within the UGB. There is a substantial cluster of nursery producers located on the east side of the region located both inside of the UGB and outside of the UGB (both on Exclusive

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[1] A cluster is defined as a geographic concentration of competing, complementary or interdependent firms with common needs for talent, technical support and infrastructure.
[2] Oregonian, February 27, 2003
[3] Westside Economic Study Final Report, June 2002
[4] Source: Westside Economic Study Final Report, June 2002
[5] Source: Westside Economic Study Final Report, June 2002

Farm Use (EFU) and exception land). The nursery industry is the fastest growing component of agriculture on the Westside with a 3.6% growth rate.

The metals industry is made up of a variety of firms that in part serve the hi-tech industry by manufacturing specialized machinery and specializing in fabrication. There are other industries that may be emerging as clusters in the future due to economic development efforts and changes in the make up of our economy.

Eastside and Centrally located Clusters
The east side also several industry clusters that focus on the nursery industry and freight and distribution. Freight and distribution are based around infrastructure advantages rather than intellectual talent that powers the hi tech industry. The warehouse and distribution cluster is concentrated around Port facilities providing access to the Willamette and Columbia Rivers, rail yards, Portland International Airport and along I-84, I-5 and I-205. Convenient access within three miles of a freeway interchange is essential to access national markets and international ports. Trends in this industry have required larger sites to accommodate larger trucks and containers for shipping and taller one-story buildings which has caused some shifts in the way that some centrally located industrial areas are being used.

Eastern Multnomah and Clackamas County have a thriving nursery cluster that takes advantage of transportation facilities located in the region to ship products.

How Do We Assess the Utility of Land for Industrial Purposes?

Identify Key Employment Areas
By examining available census, building permit and MetroScope data we can assess which employment areas are generating the highest demand for land. Industrial growth is concentrated in five main locations within the region. These areas include: 1) Portland, 2) Sunrise, 3) South Metro 4) Westside and 5) East Metro (Attachment A). These locations are clearly indicated by MetroScope data shown in Attachment B that indicates industrial investment gains from 1997 through 2002.[6] This data was obtained from building permit activity from the most recent five-year period. Firms make location choices based on the ability to maximize revenues either from growth or a minimization of costs if the demand for goods is held constant. Each of these areas has comparative advantages based on accessibility to transportation facilities that are key to business, location of intellectual talent, access to specialized suppliers and existing locations of similar firms.

These areas also correspond with concentrations of industrial lands that have been identified for protection in Title 4 (see Title 4 map). The objective of Title 4 is to direct commercial development to centers, preserve key interchange capacity for industrial uses by limiting intervening non-employment uses, not permit big box commercial style development in industrial zoned areas and preserve larger lots for industrial uses in areas recently included in the UGB.

Assess Site Characteristics of Industrial Sectors
The following industrial sectors have specific site characteristics based on the requirements of the businesses that locate in building types for warehouse and distribution, general industrial and tech-flex. These industry types were identified in the adopted Regional Economic and Population Forecast and the Employment Urban Growth Report for the period from 2000-2022.

In order to identify the characteristics that allow land to be suitable for warehouse and distribution, general industrial, tech flex a number of interviews were conducted with industry professionals that specialize in land acquisition, site development and facility management (Attachment C).

Warehouse and Distribution: Access is king to the warehouse and distribution industry. Warehouse and distribution needs freeway access via an arterial or collector street system. Since

[6] Source: Base Case MetroScope study.

transportation of goods is the primary purpose of these businesses ease of access and the ability to move goods on-site is of primary concern. Businesses relying on freight movement choose I-5, I-84 and I-205 locations to maximize the movement of goods. The value or premium that a business places on access is somewhat dependent upon whether the movement of goods is in bulk or results from primary manufacturing. Bulk suppliers and users tend to locate close to Port facilities that utilize rail, barge and container operators. Local distributors place a higher premium on sites that are centrally located and as a result are willing to trade off congestion for a location that can reach a number of places in the region. Manufacturers that manufacture precision products that are small in nature may require access to the airport for shipping rather than utilizing ship or truck modes. In terms of airfreight shipments in the region the top five companies are Tektronix, Hewlett Packard, Intel, Nike and Sun Micro Systems.[7] The majority of these companies are located in the western and southern portions of the region.

The region is served by several transportation corridors that provide relative advantages for the movement of goods. I-5 is key for inter- and intra-state travel and the movement of containers to and from Terminal 6. I-84 provides access to the eastern portion of the region and to airport facilities. Highway 26 provides access to the western portion of the region but is not a desirable location for distribution businesses unless they are servicing the industries that are already located in this corridor. Time is a greater determinant than actual distance for these types of businesses. Congestion and intervening non-compatible land uses impede the ability of these businesses to distribute products. Ideally, access to a freeway interchange would not occur through a residential or commercial area. Some firms stagger trips to avoid peak travel times when congestion is heaviest to avoid some of the negative consequences of congestion.

Typically warehouse and distribution buildings are single story, concrete tilt up structures that are located on relatively flat sites accessed by trucks. Buildings can range from 100,000 to 200,000 square feet and typically have lot coverage of 35%. The sites need to be large enough to accommodate staging, truck turning, backing and loading. Over the past ten years the industry has changed to include larger vehicles (width and length) and a trend in building design to provide greater clearstory heights for staging material. This industry has some of the lowest job densities that are somewhat offset by companies that run multiple shifts. Some of these sites handle container traffic that requires large outdoor storage areas. Sites suitable for warehouse and distribution use should contain the following site characteristics:

- Freeway access within 3-5 miles an interchange via an arterial street, no intermediate conflicting uses such as residential, schools and high traffic generating commercial uses
- Development of new warehouse/distribution locations need to provide enough area for a number of uses not just one single site
- Slopes of less than 5%, larger buildings are more difficult to accommodate greater slopes
- Highway routes are key: I-5, I-84, I-205
- Highway 26 on the west-side is not desirable due to congestion unless a firm serves the local market, including the hi-tech cluster

General Industrial: General industrial building types can accommodate light to heavy manufacturing activities and encompass a wide range of activities that range from research, development and manufacturing and fabrication. Buildings can be as large as 400,000 square feet in size. The buildings range from custom build projects for single user company operations to more general spaces that are built on spec. Heavy manufacturing activities that require bulk materials locate adjacent to rail and port facilities to take advantage of cost savings from these types of transportation facilities. General industrial sites need the following site characteristics:

- Freeway access within 3 miles of an interchange via an arterial street
- Net parcel sizes: varies between 1-5 acres and 10-20 acres, depending upon the shape and constraints
- Location near other firms to provide access to a labor pool
- Stable soils, flat sites to reduce required site work

[7] Source: Port of Portland

- Manufacturing sites greater than 20 acres, must have slopes less than 2 to 3%, the larger the building the less likely a project can accommodate slopes greater than 3%
- Manufacturing sites between 1-5 acres, slopes no more than 5 to 10%

Tech Flex: As the name implies these buildings are constructed to be flexible in nature and be easily configured to meet different space requirements. They can accommodate light assembly, product or material storage, research activities and may contain a limited office use component. Buildings used for high-tech use require stable soils to reduce vibration and specialized public facilities like specialty gases, triple redundant power, high volume water and fire/emergency response units. High-tech firms are knowledge based industries tend to rely on agglomeration as a resource for intellectual talent, supplies and supportive technology available from like firms. These buildings may not be constructed to meet the specialized needs of a single firm. They fulfill a space need for smaller firms, start-ups and growing companies. Generally, the site requirements are not as restrictive as the requirements of warehouse and distribution or general industrial sites. A site that is developed for tech flex use can tolerate greater variations in slope by utilizing multiple buildings to accommodate topographic constraints or rolling topography. Tech flex users have the following site needs:

- Congestion is not as great an issue for tech flex when compared to warehouse and distribution, although shipments must reach PDX on time during the PM peak in order to meet carriers" nationwide schedules
- Net parcel size greater than 10 acres
- Ideal parcel size depends upon the type of use, can vary from 10 to 20 acres
- Availability of specialized utilities such as specialty gases, triple redundant power, abundant water, dedicated fire and emergency response services
- Stable soils
- Located within close proximity of existing high tech companies and suppliers
- Must have access to airport, no more than 45 minute mid-day travel time for passenger purposes
- Can tolerate some rolling topography within a site sloped no more than 5%, as slopes approach 5% meeting ADA requirements will be difficult

Accessibility

Accessibility is a key component for most businesses because it allows access to customers, suppliers and other modes of transportation to move goods. Approximately 60% of all commodities shipped to, from and within our region use the regional road system. Delay has direct impacts on regional competitiveness. Different types of firms places different values on moving people and goods. An analysis of potential lands for industrial purposes needs to assess the accessibility to key systems within the region. Peak and non-peak travel times for areas under consideration need to be compared as one measure of the suitability of areas for industrial purposes. This work is anticipated to be completed as part of the Alternative Analysis.

How will this information be used to complete Periodic Review?

Apply to Lands Studied in the 2002 and the 2003 Alternatives Analysis

The 2002 Alternatives Analysis evaluated approximately 80,000 acres of land for possible inclusion into the urban growth boundary. Of these lands that were studied approximately 8,800 acres were evaluated for industrial uses. After the expansion of the UGB in December 2002 approximately 3,500 acres of land that were studied for industrial purposes are left for further evaluation and possible inclusion in the UGB. In all likelihood a small percent of the remaining lands studied will be suitable for industrial purposes due to the unique needs of industry. The parcel size demand information and locational siting criteria must be applied to the remaining study area lands (2002 Alternatives Analysis) as well as to lands studied in supplemental work to be conducted in 2003. The following are steps to be completed to assess the suitability for industrial purposes:

- Re-evaluate lands in remaining study areas (2002 Alternatives Analysis) to assess whether they could be converted from a commercial or residential use to meet industrial demand

- Apply criteria to areas identified for study in the 2003 supplement to the 2002 Alternative Analysis
- Re-evaluate lands recently added to the UGB to determine if they fit the criteria

Conclusions

A number of common themes resulted from the interviews and subsequent analysis.

- Industrial sites need land that is sloped no more than 5% (3-5% is preferable).
- Access is a critical component for warehouse and distribution industries although it is also important for general industrial and tech flex where access is more focused on the movement of people rather than on the movement of goods.
- Mid-day access to the airport within 45 minutes is important for general industrial and tech flex mainly for the movement of people. The Portland International Airport and to a certain to degree the Hillsboro Airport satisfies some of the passenger traffic demand. This Hillsboro Airport is currently limited to smaller aircraft due to runway limitations. The master plan for the Hillsboro Airport is being updated during which future improvements and its function will be re-evaluated.
- It is clear that industries desire to be located near similar uses due to underlying common site characteristics, the need for access to suppliers and access to a workforce.

Next Steps

- Complete a literature review pertaining to information on locational characteristics for industry
- Incorporate elements of a Regional Economic Strategy
- Develop an Aggregation Strategy to evaluate the potential in study areas and assess lands studied in the 2002 Alternatives for aggregation of highly parcelized areas to meet the need for larger industrial users
- Model accessibility from existing and proposed industrial areas to interchange locations, inter-state highways and port facilities (Portland and Hillsboro airports, rail yards and shipping terminals)
- Assess the short term supply of industrial land available by updating the RILS data and also be applying a similar method to 2002 UGB additions
- Organize/Schedule the Agricultural Symposium to provide added information on the needs of the agricultural industry

Attachment A- Industrial Concentrations
Attachment B- MetroScope: Industrial Investment- 1997 to 2002
Attachment C- Matrix of Interview Comments

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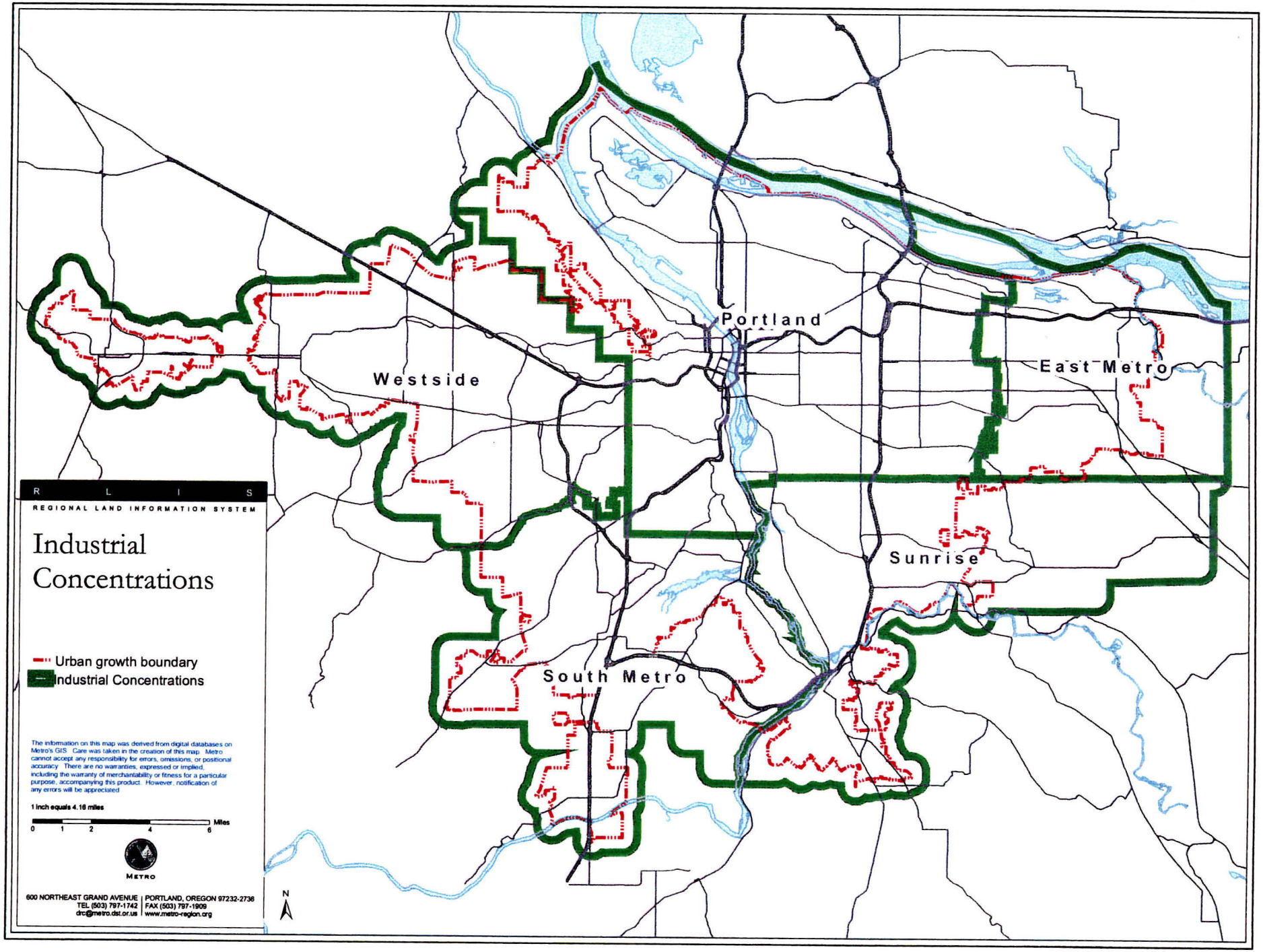

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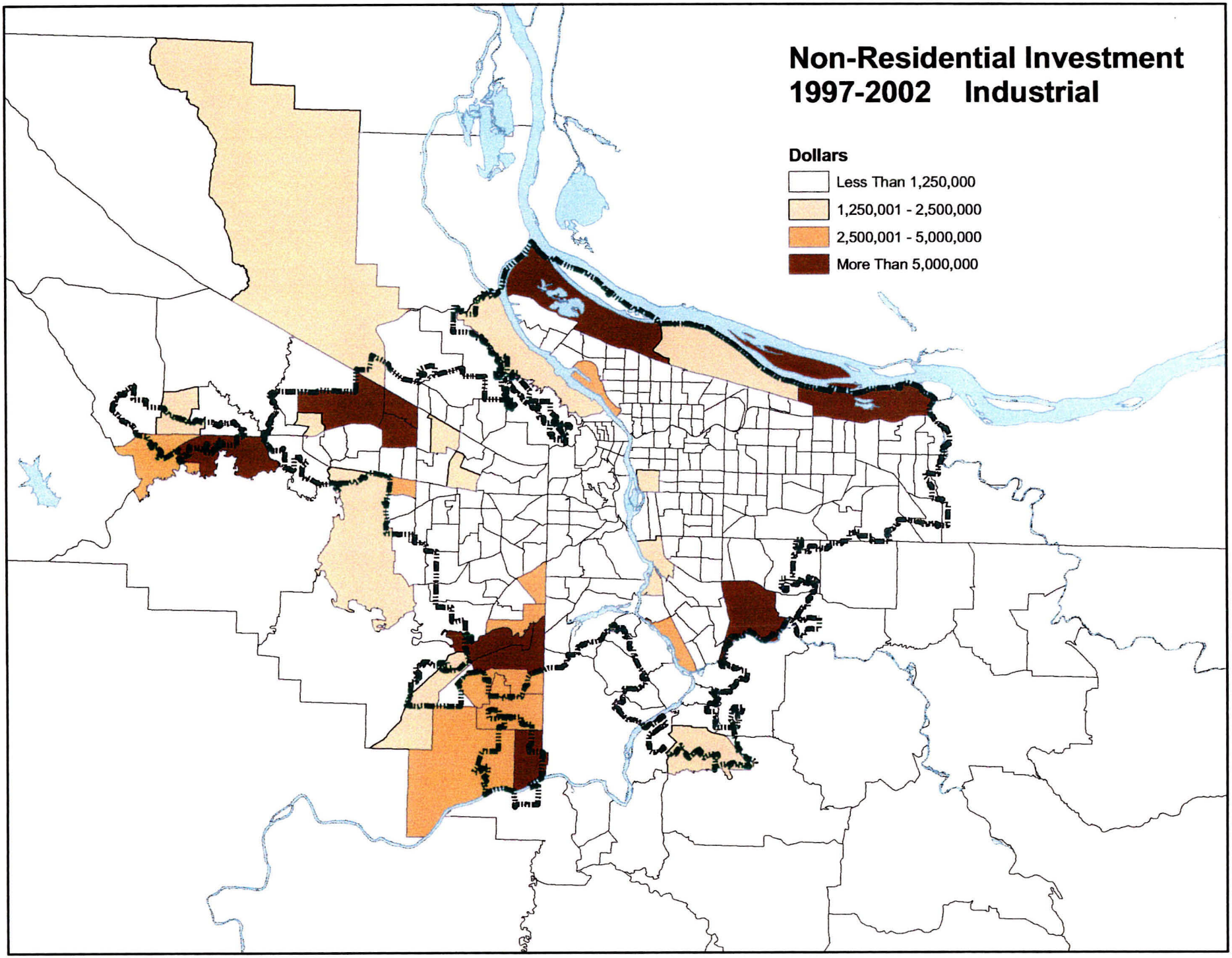

Non-Residential Investment
1997-2002 Industrial
Dollars
Less Than 1,250,000
1,250,001 - 2,500,000
2,500,001 - 5,000,000
More Than 5,000,000

SUMMARY OF INDUSTRIAL INTERVIEWS									
SITE CHARACTERISTIC ISSUE	**INTERNATIONAL DESIGN & CONSTRUCTION**	**GROUP MACKENZIE**	**GRUBB & ELLIS**	**PORT OF PORTLAND**	**PACTRUST**	**COLLIERS**	**GERDING/EDLEN**	**CUSHMAN WAKEFIELD**	**SUMMARY NOTES**
Location-distance/time of travel	45 minutes from PDX, depends on future of Hillsboro airport. Drive time not distance is the defining factor. Key site criteria is access to freeways and interchanges. Congestion will kill a site.	Time and route is very important for distribution facilities. They tend to like to be near the I-5, I-205, I-84 corridors and be centrally located. Distribution follows the just in time delivery concept.	Distribution facilities need to be near I-5, & I-84, they are not flexible on congestion. The real issue is getting north/south on I-5 and east on I-84. Tend to locate near the edges of the region. For tech/flex congestion is not as critical of an issue.	A 1-3 mile distance from a major highway is acceptable for distribution. Distance depends if it is a single or multi-user site and if it is contiguous to the highway or separated by commercial and residential areas.	Forty-five minutes to the airport is a fair assessment of time/distance access that a company prefers. Flex market-distance is more of an issue than threat of congestion. For warehouse uses, congestion is the issue. Rivergate is successful for other reasons. Warehouse prefers I-5 access.	Highway 26 is a difficult sell, the window to show sites is 9:30-2:30 due to traffic congestion. Precision manufacturing on the westside and bulk/primary manufacturing needs to be located along I-5-more for distribution. Need distribution on I-84 for east coast products	The demand is strong along the I-5 corridor and a portion of I-84.	Warehouse/distribution facilities should be no more than 3-5 miles from an interchange. Access to an interchange by 4 lane arterial is preferred. Drive time is crucial, over the road costs either make or break a location. Congestion not as big issue for tech flex because they need to be close to labor base and housing to meet needs of employees.	Warehousing needs to be as close to I-5 interchanges as possible. Local distribution wants to be near I-5 and be centrally located. For movement of people tech flex want to be within 45 minutes of PDX. Congestion is not as big of an issue for tech flex.
Physical site attributes	Small projects need land with slopes of no more than 5-10% and large projects can have slopes of 3% max. Larger sites needed to allow for expansion by phasing development.	Manufacturing sites 1-5 acres can be 3-5% sloped. Sites 20 acres or greater 2-3% sloped. Existing infrastructure is important. Rail is not important for	Expand where the infrastructure is in place first. Large manufacturing and distribution sites need to be flat but campus style	The Port used 5% slope cut-off as part of their study of lands suitable for warehouse/distrib. facilities. Market factors must be deeply embedded into the criteria used to identify industrial land. There is a	20 acres is a good size for masterplan/phasing because it allows control of surroundings. Companies like larger sites but in Portland they will make do with a 9-10 acres site. Slopes can be 5% max. ADA Single large buildings may entail 30% more site work than multiple buildings located on same site. Site work drives up development costs.	Pockets of wetlands can make development challenging if they form a swiss cheese pattern that limits efficient development. Requirements on mitigation in the area code. Landscaping requirements are good for aesthetic reasons.	Focus on infrastructure first and put industry where infrastructure is located. The movement of industrial dependent	Warehouse /distribution and high tech require flat land. W/D have approximately a 35% footprint coverage- a large site is 10 acres. Large distributors need 15-20 acre sites. Rail	Warehouse and distribution need sites with slopes of 2-3% max. Larger sites with multiple buildings can have slopes of 5% max. Small projects can have slopes of no greater than 10%. Expand where infrastructure is in footprint of a building. Landscape requirements are good for aesthetic reasons.
Other	Intel is an anomaly- one of a kind manufacturer. They do business differently than other companies.		The vacancy rate along Hwy 26 is 30% and along Hwy 217 is 14%. Of the approximately 5 million sq. ft. of Class A flex space (single story) that is built out, there is a 28% vacancy rate.	The Hillsboro Airport master plan update is expected to be complete in 18 months. The plan will look at the potential future for passengers and product movement. Intel currently moves 80,000-100,000 passengers per year through the Hillsboro airport. The centralization of cargo at PDX limits the ability of Hillsboro to expand. The Port is committed to Troutdale airport for the next 5-7 years.	In the last 6 years land prices have risen 15% while rental rates have only risen 5%. Still an opportunity to get a large distributor but Portland is competing with rest of west coast. If you know what to expect through environ. regulation you can work with it to achieve the development you want.	Any restrictions for environmental issues on land brought into UGB doesn't change the value, as the land will always be more valuable in terms of dollars than farmland.	Why are we looking at industrial land now- demand is not there nor will it be for quite awhile. We don't plan well enough with what we already have. It is not easy enough to do what you want to do in the critical areas. Its not industrial vs. commercial its new vs. established. UGB should be simple line - good infrastructure on inside.	Ground leasing land will slow growth, as most businesses prefer to own their land and building. Ridgefield, WA will benefit because the drive time difference is not significant.	Intel is an anomaly. Hillsboro Airport MP done in 18 mos. Will look at potential for future passenger service. Intel has a large amount of passengers go through Hillsboro on corporate jets. Cargo is centralized at PDX and will stay there. High vacancy rate for Class A flex space. Companies prefer to own land and buildings not lease.

06/10/03c-05

Council Work Session
June 10, 2003

Transfer Station
Cost-Efficiency Study

Today's Objectives

- Introduction to the research
- Identify issues & decisions
- Get your input

Tonnage Flow and Metro's Contracts

Tons Delivered To	Affects Metro's
Metro Transfer Stations	Operational cost / ton
Waste Management landfills	Disposal cost / ton
	90% Flow Guarantee

Decision Relationships Next 18 Months

Wet Waste NSLs
(expire December 2003)

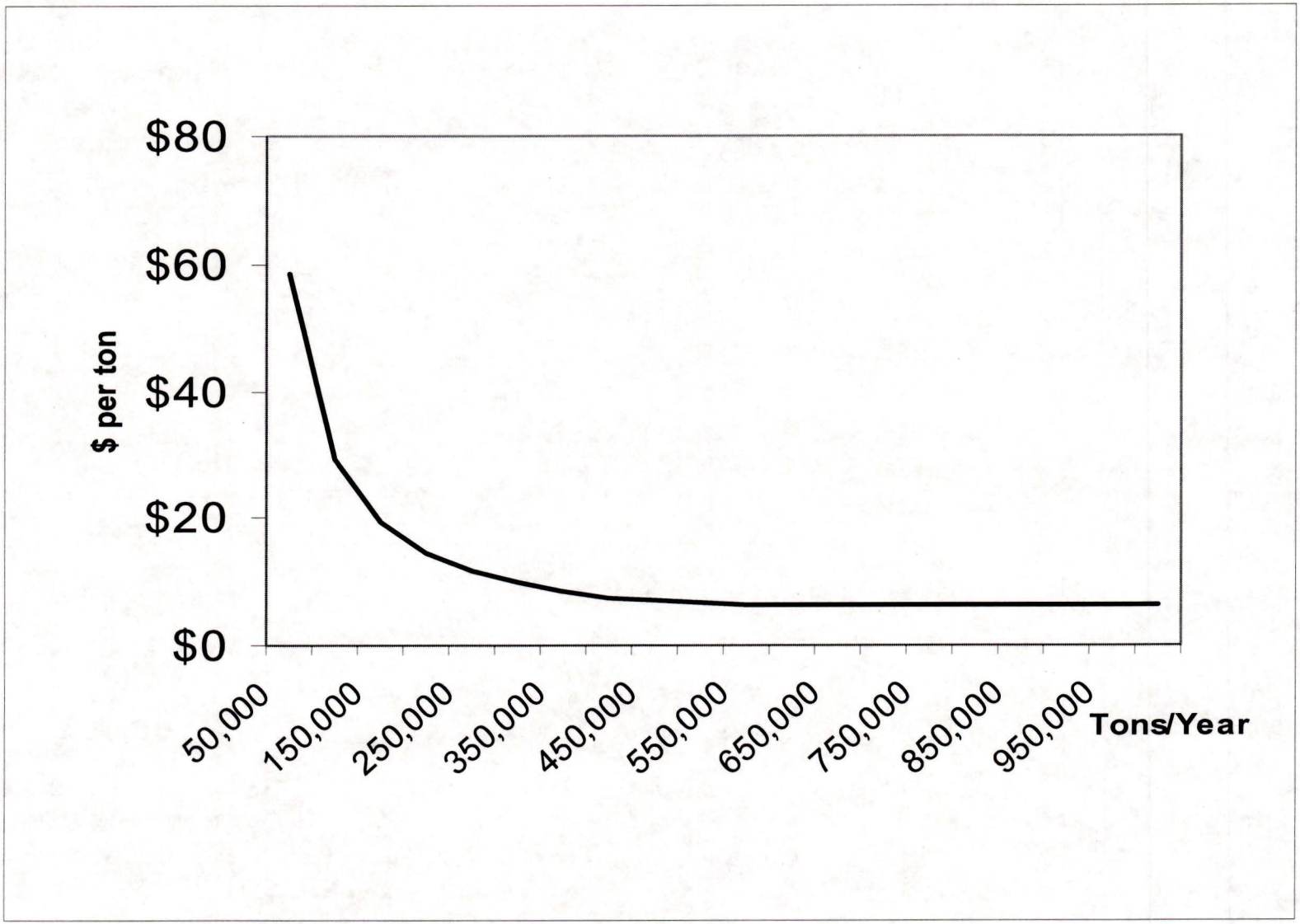
Wet Waste Caps
(up for renewal December 2003)

Tonnage to Metro / Operations Costs

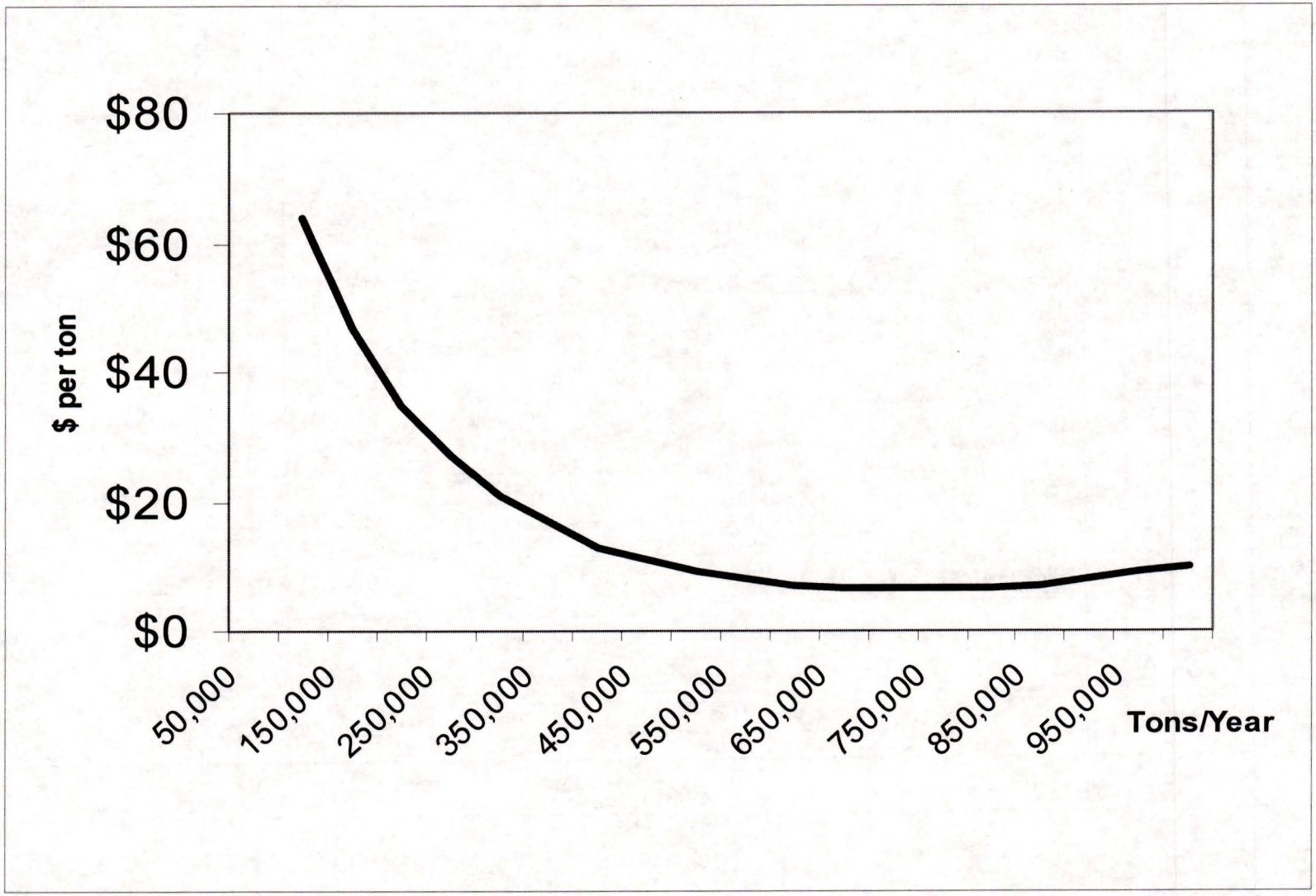
Operations Contract RFB
(begin work late summer 2003)

New Transfer Station?
(application October 2003)

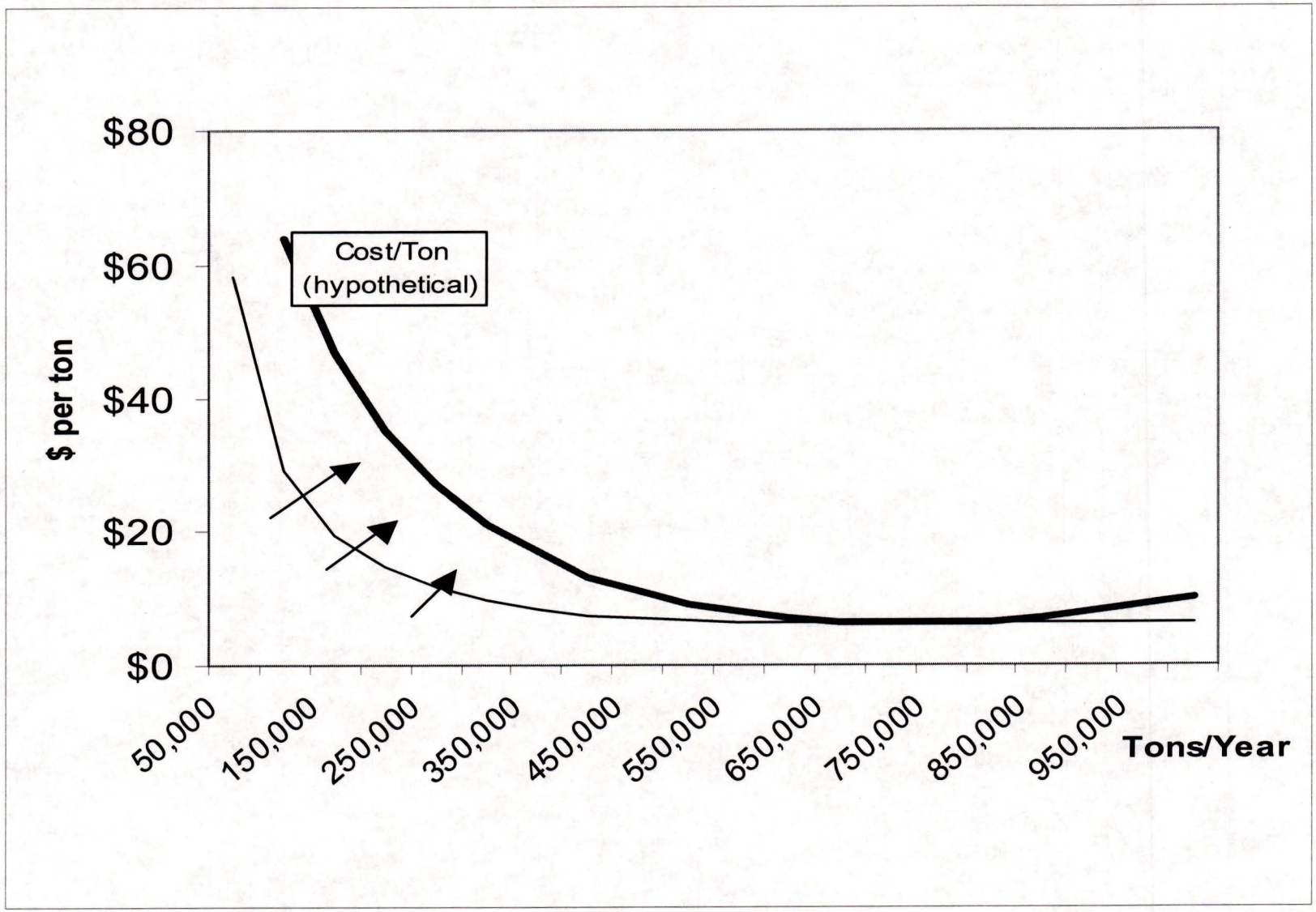
Operations Contract Prices



Costs Per Ton (presumed)



Contract Prices & Costs / Ton



Why a Cost Study?

- Managing public costs
  - → Manage toward efficient range?
  - → vs. minimum threshold.
- Licensing decisions this Fall
- Improve Operations RFBs
  - → Better information
  - → Reduce uncertainty

Basic Elements of the Cost-Efficiency Study

Primary Product

Model of the operation of transfer stations

Primary Purpose

Evaluate effect of scenarios on costs

Scenarios (examples)

Change types of customers

Efficient tonnage range

Basic Output

Cost per ton of the scenario

Other Uses for Study: 1
Value of the Transfer Stations

- Tonnage, cost vs. capitalized value.
- Guarantee tonnage flow? How much?
- Strategic value to a private company:
  - → What price premium can be expected?
  - → Profiting by strategic value acceptable?
  - → Costs to regulate away strategic value?
- Value based on alternative uses.

Other Uses for Study: 2
Metro's Market Influence

- Market share vs. market influence

  (transfer station ownership)

- What is minimum market share?

  → Influence private tip fees

  → Influence other solid waste activities

Purposes of Presentation

- Described cost research
- Identified related issues
- Input?