



# Oregon

Theodore R. Kulongoski, Governor

## Department of Land Conservation and Development

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November 19, 2004

The Honorable Theodore Kulongoski  
160 State Capitol  
900 Court Street  
Salem, Oregon 97301-4047

Dear Governor Kulongoski:

Section 17 of HB 2011 (Ch. 800 OR Laws 2003) directed the Land Conservation and Development Commission, in conjunction with the Economic Revitalization Team, to establish a committee to study and report to the Governor "on the conversion of industrial land to nonindustrial land." I am pleased to inform you we have accomplished this task. At our November 5, 2004, meeting the Commission unanimously approved the report, *Promoting Prosperity: Protecting Prime Industrial Land for Job Growth*, which is enclosed. A draft of this report was presented to the Economic Revitalization Team directors for comment at their October 19, 2004 meeting.

The Industrial Conversion Study Committee consisted of a group of 24 stakeholders reflecting a variety of private and public interests as well as the state's geographic and economic diversity. Land Conservation and Development Commission Vice Chair Margaret Kirkpatrick chaired the committee. The report concludes the state has an interest in preserving a supply of prime industrial land for long and short-term needs. In fact, the majority of the committee's fourteen recommendations speak to the supply of land.

The committee's recommendations are crafted to complement the Department's Goal 9 and 14 administrative rules updates, the Economic and Community Development Department's industrial certification program and the Economic Revitalization Team's industrial brownfield redevelopment strategy.

Very truly yours,

JOHN VANLANDINGHAM  
Chair, Land Conservation and Development Commission

MARGARET KIRKPATRICK  
Vice Chair, Land Conservation and Development Commission  
Chair, Industrial Conversion Study Committee

cc: Lane Shetterly

Enc: *Promoting Prosperity: Protecting Prime Industrial Land for Job Growth* report

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# **Promoting Prosperity: Protecting Prime Industrial Land for Job Growth**

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A Report to  
Governor Kulongoski

Prepared by the  
Industrial Conversion Study Committee &  
Department of Land Conservation and Development  
in conjunction with the Economic Revitalization Team

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**November 2004**

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[http://www.oregon.gov/LCD/econdev.shtml#Industrial\\_Conversion\\_Study\\_Committee](http://www.oregon.gov/LCD/econdev.shtml#Industrial_Conversion_Study_Committee)



# Acknowledgements

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The Department of Land Conservation and Development would like to give special thanks to Linda Ludwig and the League of Oregon Cities.

The department would also like to acknowledge the following individuals for their participation in the Industrial Conversion Study Committee:

Lynn Beaton - Economic and Community Development Department

Constance Beaumont - Department of Land Conservation and Development

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# Executive Summary

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Governor Kulongoski, through Executive Order 03-02, established the Industrial Lands Task Force (task force) in February 2003 to address a widely held perception that many of the fastest growing areas critical to Oregon's economy have not maintained an adequate supply of industrial lands to meet the needs of a growing and prosperous state. The task force concluded that there is a significant lack of specific types of 'project-ready' industrial land in certain areas of the state. Causes include lack of short-range land supply, lack of infrastructure, and land being available but in a location far from markets. The task force heard much testimony on the loss of industrial land through conversion to other land uses but concluded in their final report, *Positioning Oregon for Prosperity*, that additional work is needed to determine whether conversion is a problem the state must address.

In addition to the work of the Governor's task force, the Oregon Legislature in the 2003 session, through HB 2011, required the Land Conservation and Development Commission (the Commission or LCDC) to "in conjunction with the Economic Revitalization Team, establish a committee to study and report to the governor on the conversion of industrial land to non-industrial land."

The Commission appointed a 24-member committee in April 2004 to assist the Department of Land Conservation and Development (the department or DLCD) in this study of the conversion of industrial lands to non-industrial uses. Committee members represent retail and industrial developers; tribal, local and state government; land use consultants and the public. The committee met six times from April to October 2004. Staff also briefed members of the Economic Revitalization Team (ERT) in October.

The committee's charge was to determine if the state has a policy interest in ensuring the conversion of industrial lands to other uses does not result in an inadequate supply

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of land for job growth and, if conversion is an issue, to recommend solutions. The committee spent a great deal of time discussing the nature and extent of conversion. This assessment centered on several factors:

- What is industrial land? For what type of economic development is the state most concerned about providing developable land? Do the industries Oregon communities seek to attract have specific site needs?
- What is meant by conversion? What is the extent of conversion of industrial lands? What types of conversions are problems and affect the supply of industrial land?
- When is preventing the conversion of industrial land in the state's interest?

The committee agreed, in addition to a state interest in maintaining an adequate local supply of industrial land, there is an interest in preventing conversions of prime industrial land to non-industrial uses. Prime industrial land means, for a variety of reasons such as size, topography and infrastructure investment, the site is not easily replicated elsewhere. Prime industrial land also means the land is well-located and viable for industry within the market area. For land to remain viable as prime industrial land, a reasonable public investment or public subsidy to reduce holding or redevelopment costs may be required. There is also a state interest in encouraging conversion of industrial lands that no longer meet the demands of the market and in helping local jurisdictions ensure they have a realistic and adequate supply of all types of land to avoid pressure to convert Oregon's prime industrial land. Since agriculture is a specific type of industrial use found primarily outside of urban growth boundaries, conversion is an issue that exists both inside and outside urban growth boundaries.

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The following section summarizes the committee’s discussion on these issues, includes findings and makes recommendations for the state to address conversion and other industrial land supply issues.

### *What is Industrial Land?*

*The state’s interest is to provide an adequate supply of developable land for uses that generate:*

- *A significant capital investment*
- *Job creation*
- *Traded-sector activity*

The Governor’s Industrial Lands Task Force report stated, “...a lack of consistent and agreed upon definitions will hamper any debate and agreement about policy change” regarding industrial lands. The report went on to say, “The current behavior of the market reflects a melding or blurring of the boundaries between commercial, office and industrial use.”

The committee agreed with the task force that a working definition of industrial land is necessary to determine if the conversion of industrial lands to non-industrial uses is an issue of state concern. Committee members also agreed that the nature of industrial uses has changed dramatically since Oregon’s land use program was adopted more than thirty years ago.

The committee agreed the market does not value all industrially zoned land equally. Some land is more valuable for industry due to site-specific characteristics such as parcel size, shape and location relative to markets and infrastructure.

The committee concluded the state’s interest is to provide an adequate supply of developable land for industrial uses that generate:

*Prime industrial land means the land is well-located and viable for industry and is not easily replicable elsewhere*

- A significant capital investment;
- Job creation;
- Traded-sector activity.

The committee agreed certain lands are more valuable to traded-sector industries due to specific site characteristics

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and agreed the state has an interest in maintaining the supply of prime industrial lands.

The committee recognizes prime industrial land in one region or for one industry might not be prime for another. Even though there is no single definition of prime industrial land, the identification of sites or districts would consider the same elements found in the industry profiles of Oregon's Industrial Site Certification Program. Those elements include:

- Net, contiguous, developable acreage in large, flat and symmetrical configurations;
- Minimal or no development constraints present;
- Access to an available workforce for a specific industry type;
- Sufficient capacity in the local transportation system;
- Proximity to interstate highways, rail, marine ports and/or airports;
- Easy access to water, sewer, gas, electricity and telecommunications;
- Special considerations such as being free from encroachment of incompatible uses or needing high volumes of water and sewer or needing significant local transportation infrastructure;
- Proximity to suppliers, customers, markets and related uses;
- Location within a functioning industrial district;
- The land is viable for the targeted industrial use.

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*Conversion is the process and the associated impacts of changing from one land use to another.*

## ***What is Conversion and When is Conversion an Issue for the Industrial Land Supply?***

### **What is Conversion?**

Conversion is the process and the associated impacts of changing from one land use to another. Conversion reflects flexibility in Oregon's land use planning system to respond to changes in the market. Land uses change from one

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*Conversion reflects flexibility in Oregon's land use planning system to respond to changes in the market.*

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designation to another (e.g. from industrial to commercial or residential to industrial). Some conversions may be of concern, particularly in critical real estate markets, when they impact the short and/or long-term supply of industrial land. The concern is greatest when there is not suitable land to respond to immediate business development opportunities. Conversion occurs when:

- A local government changes a plan and/or zone designation from one land use type (e.g., industrial, residential, commercial or retail) to another. These conversions occur through local plan and/or zone amendments.
- Multiple use zones allow non-industrial uses (e.g., retail or institutional uses) along with industrial uses through the zoning code. In some cases, non-industrial uses are allowed by conditional use, which permit non-industrial uses subject to conditions and limitations. These conversions do not require a zone or plan change, but their cumulative impacts can result in major shifts in land use in an area and may ultimately reduce the supply of industrial land.
- Land uses adjacent to industrial zones are incompatible and/or compete for infrastructure capacity, making it difficult to maintain or expand industrial uses. For example, when residential development is adjacent to an industrial zone, associated industrial impacts (noise, dirt, truck traffic) often affect the residents' quality of life creating a vocal constituency opposed to the continued industrial uses in the area. Siting of a large retail or institutional facility can reduce capacity of the transportation network for nearby industrial users.

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## How Big an Issue is Conversion?

Conversions impact the ability of local governments to maintain prime industrial areas and an adequate land supply for all uses. Competition for institutional, retail, commercial or residential land uses may lead to undesirable conversions. Yet, very little empirical information is available to document the nature and extent of conversion.

The Department of Land Conservation and Development tracks local plan amendments, typically zone changes, when provided notice of amendments by local governments. The department's database only includes rezoning of properties and plan amendments. The department reviewed several hundred industrial land conversions from 1986 to the present but the data did not distinguish between conversion types nor did it provide any information as to the nature of the conversions.

The committee collected case studies from committee members and from local governments to document conversions. These case studies provided examples of a variety of conversions; some viewed as beneficial for the community and others viewed as negative for the community's overall economic health.

## Why Does Conversion Occur?

The committee concluded some conversions are a natural market response to changing social, political and economic conditions. Conversion is driven by factors including:

- Inadequate vacant or redevelopable land supply for other uses (retail, commercial, institutional, residential);
- Holding costs to private owners of industrially zoned land over the long-term;
- Unsuitability of land for designated uses.

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*The committee concluded some conversions are a natural market response to changing social, political and economic conditions.*

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*Conversion is driven by:*

- *Inadequate vacant or redevelopable land supplies*
- *Holding costs to private property owners of industrially zoned land*
- *Unsuitability of existing land for designated uses*

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Inadequate local industrial land supplies are the result of a variety of factors. For example, growth during the 1990s consumed many large, prime sites that have not been replaced. Also, land currently in many communities' inventories may be unsuitable for the type of development for which it is zoned. Communities may have competing priorities, such as finding inexpensive land for public facilities, responding to infrastructure investments or meeting environmental and open space goals. When the land supply is inadequate for other uses, pressure to convert large, prime sites increases, making it difficult for private property owners to bear the cost of holding industrial land for long periods.

*The state has an interest in discouraging conversions of prime industrial lands.*

### **What is the State's Interest?**

Committee members suggested the state has varying levels of interest in encouraging or discouraging different types of conversions.

- The state has an interest in discouraging conversions of prime industrial lands. For example, some sites can't be easily replicated due to site-specific characteristics (e.g., size of parcel and location relative to markets and service infrastructure) or where the state has made a large financial investment (e.g., for transportation).
- The state has varying levels of interest in conversions for public uses and needs. Industrial land sites have been converted for public facilities, such as prisons and schools, while others have been used to meet natural resource protection goals (e.g., wetlands or riparian area setbacks). The state may have a role in balancing competing public interests and ensuring institutional uses are factored into local land supply allocations.
- The state has an interest in reinvesting in viable industrial districts including those with brownfield sites.

*The state has an interest in providing an adequate supply of developable land for all uses.*

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- The state has an interest in encouraging the conversion and redevelopment of unsuitable industrial sites that no longer meet the needs of the market. When appropriate, the state may want to encourage redevelopment of brownfield sites for commercial, retail, institutional or residential use.
  - The state has an interest in ensuring an adequate supply of land for all uses.

### *Committee Recommendations*

The committee recognizes there are many existing tools designed to protect prime industrial land and is concerned additional requirements might burden local governments or have unintended consequences. With this in mind, the committee recommends the state focus its industrial lands policy on the following three goals:

#### **1. Maintain an adequate supply of prime industrial land to support traded-sector uses.**

##### **Recommendations:**

- A. The state should provide technical assistance and guidelines for identifying prime industrial land and designating industrial districts;*
- B. The Land Conservation and Development Commission should update the Goal 9 administrative rule to incorporate the conclusions and findings of this report and more effectively promote, review and acknowledge local implementation of Goal 9;*
- C. The state should capitalize the Brownfields Redevelopment Fund to reinvest in existing industrial districts;*
- D. The state should allocate additional funding for the Special Public Works Fund to address development issues for sites participating in Oregon's Industrial Site Certification Program;*
- E. The state should continue support for the Industrial Site Certification Program.*

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## **2. Reduce the pressure to convert prime industrial land.**

### **Recommendations:**

- A. *Local governments, with state assistance, should update their economic development strategies, demand forecasts and maintain buildable land inventories for all types of land;*
- B. *The state should encourage and remove barriers to regional approaches for economic opportunity analysis, land inventories and other tasks under Goal 9 and Goal 14;*
- C. *The Department of Land Conservation and Development, the Economic and Community Development Department, Department of Transportation, the Economic Revitalization Team and other state agencies, as appropriate, should more effectively coordinate solutions to critical land use issues;*
- D. *The state should assist local governments to develop and maintain inventories in a geo-database and use this system to monitor the cumulative effects of conversion on industrial land supply and to respond to business development opportunities;*
- E. *The state should protect critical infrastructure investments in support of the state economic development strategy;*
- F. *The Land Conservation and Development Commission should review the urban reserve rule as part of its evaluation of Goals 9 and 14;*
- G. *The state should reexamine the statutory hierarchy for adding lands to urban growth boundaries as part of the land use program's proposed 30-year review.*

## **3. Ensure the long-term availability of prime industrial land through public ownership and incentives for private property owners.**

### **Recommendations:**

- A. *The state should fund acquisition of prime industrial land by ports, development corporations, urban renewal agencies, special districts or other public entities;*
- B. *The state should provide state tax incentives or other state assistance to private owners of prime industrial land to hold property for traded-sector job growth.*

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Additional descriptions of these recommendations can be found in the body of this report on page 38.

## ***Introduction***

The Oregon Legislative Assembly through House Bill 2011 (Ch. 800 OR Laws 2003) directed the Land Conservation and Development Commission to “in conjunction with the Economic Revitalization Team, establish a committee to study and report to the governor on the conversion of industrial land to non-industrial land.”

*The issue of conversion of industrial lands is linked directly to the goal of providing an adequate supply of industrial and other employment land for a variety of economic activities.*

### **Why Study Conversion of Industrial Lands?**

Statewide Planning Goal 9 requires local governments, “To provide adequate opportunities throughout the state for a variety of economic activities vital to the health, welfare, and prosperity of Oregon’s citizens.” The issue of conversion of industrial lands is linked directly to the goal of providing an adequate supply of industrial and other employment land for a variety of economic activities. Untimely or undesirable conversion of industrial lands, particularly conversion of strategic sites with unique market features, can interfere with accomplishing the goal of providing adequate land development opportunities for economic growth and job creation.

### **Committee Structure & Approach**

The Industrial Conversion Study Committee consists of a group of 24 stakeholders recommended by the department’s Economic Development Planning Team and approved by the Director of the Department of Land Conservation and Development in consultation with the Land Conservation and Development Commission.

Committee members were chosen to reflect a variety of private and public interests and to represent the state’s geographic and economic diversity. Committee members

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represent retail and industrial developers; tribal, local and state government; land use consultants and the public. A list of committee members is available at the front of this report and their biographies are available online at [http://www.oregon.gov/LCD/econdev.shtml#Industrial\\_Conversion\\_Study\\_Committee](http://www.oregon.gov/LCD/econdev.shtml#Industrial_Conversion_Study_Committee). The committee met six times from April to October 2004.

Members were encouraged to share committee discussions with their respective constituencies and return with feedback from their stakeholder groups. Their comments are the basis for the findings and recommendations contained in this report.

The committee approved a Roles and Responsibilities statement (Appendix 1) and agreed to focus on the following tasks:

- Define key policy terms including: employment lands, industrial uses, prime industrial land, and conversion;
- Determine the extent to which conversion of industrial land to other uses occurs and under what circumstances;
- Examine options for preserving prime industrial land;
- Coordinate efforts and share findings with the department's Economic Development Planning Advisory Committee; and
- Assist in compiling a report to present to the Commission and to the Governor.

The committee chose to focus on the conversion and loss of prime industrial lands with unique market features that are difficult to replace. The committee also chose to examine the connection between conversion and the land supply.

Committee members and staff identified additional experts, reports, studies and other reading materials to help frame the issues related to conversion. Experts provided testimony to the committee on topics ranging from industrial site selection to economics to tax incentives.

*Untimely or undesirable conversion of industrial lands, particularly conversion of strategic sites with unique market features, can interfere with providing adequate land development opportunities for economic growth and job creation.*

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A list of studies and reports used in the creation of this report is available in Appendix 2.

To ensure geographic representation from rural areas and outside the Willamette Valley and to broaden the perspectives gathered for the report, staff met with economic development professionals, community leaders and local planners in Pendleton, Medford and coastal communities. In addition, the public was invited to attend meetings through the department’s website and an interested party list and given opportunity to provide comment at every committee meeting.

The department’s Economic Development Planning Team provided staff and logistical support to the committee. The team is responsible for reporting the committee’s findings and for assisting with the committee’s presentation to the Commission and to the Governor.

## ***Background***

The following summarizes the relationship of Oregon’s land use system to the land supply for economic activities and recent reports on the adequacy of Oregon’s industrial land supply.

### **Goal 9 Administrative Rule**

*Goal 9 requires local governments to identify sites needed for industrial and commercial development to meet both long and short-term land supply needs.*

Statewide Planning Goal 9 requires planning for adequate opportunities throughout the state for a variety of economic activities. The current Goal 9 administrative rule (OAR 660-009) requires local governments to identify sites needed for industrial and commercial development to meet both long and short-term land supply needs.

The Goal 9 rule requires local governments to apply the goal for plan amendments that involve conversions:<sup>1</sup>

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<sup>1</sup> Oregon Administrative Rule, Chapter 660, Division 9, Section 0010

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- (4) ...a jurisdiction which changes its plan designations of lands in excess of two acres to or from commercial or industrial use, pursuant to OAR 660, division 18 (a post acknowledgment plan amendment), must address all applicable planning requirements; and:
- (a) Demonstrate that the proposed amendment is consistent with the parts of its acknowledged comprehensive plan which address the requirements of this division; or
  - (b) Amend its comprehensive plan to explain the proposed amendment, pursuant to OAR 660-009-0015 through 660-009-0025; or
  - (c) Adopt a combination of the above, consistent with the requirements of this division.

The above section of the rule requires local jurisdictions to make sure conversions of more than two acres do not create supply deficits, are consistent with the local comprehensive plan and are supported by an economic opportunity analysis. These requirements are not always completed by local jurisdictions.

The Goal 9 rule further relates to the conversion issue with regard to sites for uses with special siting requirements:<sup>2</sup>

- (4) Sites for Uses with Special Siting Requirements.  
Jurisdictions which adopt objectives or policies to provide for specific uses with special site requirements shall adopt policies and land use regulations to provide for the needs of those uses.<sup>3</sup> Special site requirements include but need not be limited to large acreage sites, special site configurations, direct access to transportation facilities, or sensitivity to adjacent land uses, or coastal shoreland sites designated as especially suited for water-dependent use under Goal 17. Policies and land use regulations for these uses shall:
- (a) Identify sites suitable for the proposed use;
  - (b) Protect sites suitable for the proposed use by limiting land divisions and permissible uses and activities to

*Inherent in the committee's discussion on conversion is the recognition that traded-sector uses, have special siting requirements.*

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<sup>2</sup> Oregon Administrative Rule, Chapter 660, Division 9, Section 0025

<sup>3</sup> It should be noted that the administrative rule cited is not mandatory and only applies to jurisdictions that choose to adopt policies that address uses with special siting requirements.

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- those which would not interfere with development of the site for the intended use; and
- (c) Where necessary to protect a site for the intended industrial or commercial use include measures which either prevent or appropriately restrict incompatible uses on adjacent and nearby lands.

This section of the Goal 9 rule mentions protecting water-dependent uses, a specific land use defined by Goal 17. Water-dependent uses have unique market features that are not easily replicable and thus may require special protections to prevent them from converting to non-water-dependent uses. The same rationale can be applied to other types of industrial uses that depend on unique market features or development resources such as size, topography and proximity to major transportation facilities.

*Sites with unique market features that are not easily replicable may require special consideration to prevent them from converting.*

Inherent in the committee's discussion on conversion is the recognition that traded-sector uses, like water-dependent uses, have special siting requirements. Strategic sites suitable for traded-sector uses are scarce and not easy to replace when converted. Oregon statute defines traded-sector<sup>4</sup> to mean industries in which member firms sell their goods or services into markets for which national or international competition exists. Another way to define traded-sector is economic activities that sell goods or services outside a region and bring revenue into a region.

All Oregon communities have responded to Goal 9 by identifying sites suitable for industrial and commercial uses in their comprehensive plans. These plans have been acknowledged (approved) by the state. However, to the extent conversion has reduced the supply of industrial land, local comprehensive plans need to be updated to identify additional lands and reflect land uses, economic trends, and policy priorities. Additional technical and financial resources are needed to update local plans.

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<sup>4</sup> ORS 285A.010(9)

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## Governor's Industrial Lands Task Force

In February 2003, through Executive Order 03-02, Governor Kulongoski established the Industrial Lands Task Force (task force) to address a widely held perception that many of the fastest growing and economically critical areas of the state have not maintained an adequate supply of industrial lands to meet the needs of a growing and prosperous state.

The task force concluded that there is a significant lack of specific types of 'project-ready' industrial land in certain parts of the state. Causes for this shortage include a lack of short-term land supply, lack of infrastructure, and land being in the wrong location for product and labor markets. These conclusions are consistent with the findings of the *Regional Industrial Lands Study (RILS)*<sup>5</sup> and the "*Sufficiency of Commercial and Industrial Land in Oregon – Recommendations for Oregon Communities*" report.<sup>6</sup>

In addition, the task force made the following conclusions in its final report:<sup>7</sup>

- "...conversion is more an issue of perception than reality, and thus the issue is not a major one with respect to the overall industrial land issue. However, the issue may be very significant in certain jurisdictions, and it is a significant problem for ODOT, which faces tremendous traffic problems when land uses change unexpectedly."
- "...there may be a financial imperative to allow conversion in order to recoup the cost of restoration of brownfield sites."
- "Roadway infrastructure is designed based on certain assumption about future land use. Uses that generate more trips per acre of development, such as office and retail uses, will cause the transportation system to fail faster."

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<sup>5</sup> Regional Industrial Lands Study for the Portland – Vancouver Metropolitan Area, *Final Report*, October 31, 2001

<sup>6</sup> Advisory Committee on Commercial and Industrial Development, *Sufficiency of Commercial and Industrial Land in Oregon – Recommendations for Oregon Communities*, December 9, 2002

<sup>7</sup> Industrial Lands Task Force, *Positioning Oregon for Prosperity*, October 2003, page 22

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Though the task force listed conversion as a secondary issue it suggested the Commission has the authority to adopt rules if conversion is determined to be a problem. Task force recommendations regarding conversion include:<sup>8</sup>

- Adopt a “no net loss” of industrial lands policy. That is require that any conversion from industrial to another use be accompanied by an offsetting increase in industrial land (or substantiation that there is a least a 20-year supply of industrial land in the community);
- Require that Transportation System Plans be updated for the area before a zone change from industrial to another use can occur;
- Require that local governments adopt clearer definitions of industrial and commercial uses in their development codes to prevent non-industrial uses from encroaching on industrial uses.

The committee considered these recommendations and, at this time, does not recommend adopting a no net loss policy for industrial lands on a statewide basis. The committee did not discuss the issue of updates in transportation system plans in detail and is not making recommendations at this time. Finally, the department will work on definitions through updates to the Goal 9 administrative rule through its Economic Development Planning Advisory Committee.

### *Definitions*

The Governor’s Industrial Lands Task Force commented that “a lack of consistent and agreed upon definitions will hamper any debate and agreement about policy change” regarding industrial lands.<sup>9</sup>

To address whether or not the state has a policy interest in the conversion of industrial lands to other uses, the committee agreed on the definition of key terms. Experts have struggled with these terms for some time and the

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<sup>8</sup> Ibid, page 24

<sup>9</sup> Ibid, page 1

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committee recognizes no definition of a complex concept is without limitations. These terms include: employment land, industrial uses, prime industrial land, and conversion.

### **What is Employment Land?**

Committee members agreed with the task force's characterization that the nature of industrial uses has changed dramatically since Oregon's land use program was adopted more than thirty years ago. Oregon's economy is no longer centered on forest and food processing industries and heavy manufacturing. It has diversified to include more high-tech and office-based employment, much of which is traded-sector activity. Yet, many local governments have not updated their codes to reflect the types of uses and activities that make up today's economy.

*Many local governments have not updated their codes to reflect the types of uses and activities that make up today's economy.*

To better understand the concept of 'employment lands,' the committee examined the Phase I findings of the *Greater Metropolitan Employment Lands Study* (GMELS). The study is based on an assessment of the need for a broad category of employment lands within the greater Portland metropolitan region. Committee members concurred with a major finding of GMELS that the line between industrial and non-industrial use is becoming increasingly blurred in the new economy because many traded-sector and industrial activities are now carried out in office and tech-flex settings. The latter type of industrial uses is perfectly compatible with other employment activities and, thus, can be accommodated in mixed-use zoning districts that include retail, office, institutional and/or light industrial and even residential uses.

Employment lands accommodate a broader range of uses than are currently allowed under traditional Euclidian (exclusionary) zoning. According to the GMELS Phase I findings, the standard for employment lands should be based on development, design and performance standards rather than exclusive uses. This way, the evolving market can determine the nature and mix of uses at any given

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location as long as the resulting development looks and functions like other nearby development with the same underlying zoning designation. The state should incorporate the employment lands concept in the administrative rules and policy.

The GMELS' Phase 1 findings reinforce the committee's assertion that traditional industrial areas, including those featuring heavy manufacturing, warehouse/distribution, industrial service and waste management activities should be protected from encroachment by incompatible non-industrial uses by placing these areas in so-called industrial sanctuaries.

### **What are Industrial Uses?**

The definition of industrial use has been elusive because it has been traditionally defined in terms of some combination of uses and building types. As economic behavior and development trends evolve over time, any definition tied to such an approach will also be in a constant state of flux.

However, the GMELS' Phase I work identified four major types of industrial activity and summarized the market characteristics of each type. Those four types are:

1. Traditional, heavy industry that is transportation-dependent. These areas, if not protected from encroachment, will be affected adversely by non-industrial users, eventually driving up land values and competing for roadway and freight capacity. Industrial sanctuaries can effectively protect these areas if the areas are buffered from competing uses.
2. Warehouse and distribution centers. These generally need a great deal of land, have low employee density compared to traditional industry, and are multi-modal and/or freeway-dependent and location-specific. These uses can be located in existing industrial areas, as

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described above, or in new locations especially around major freeway interchanges. Since these sites are relatively rare, consideration should be given to reserving them for this specific use.

3. New and emerging industrial uses. These are high-tech, biotech, some manufacturing and research and development and are often located in office and tech-flex settings. They are most productive when adjacent to similar companies and their non-industrial suppliers, lenders and support systems. Suitable locations for these activities include many mixed-use zones, as long as their scale, design and operational characteristics are compatible with surrounding uses.
4. Vintage industrial areas. These areas contain aging businesses, buildings and infrastructure, which do not make them particularly attractive for industrial redevelopment. At the same time, because many vintage industrial areas are located in inner-city sites, they are attractive for redevelopment for other uses. If the underlying industrial zoning in these areas is left unchanged, these areas will likely continue to deteriorate and not be available for non-industrial redevelopment.

The four general industrial activity types listed above are very useful when determining local zone categories and local industrial development policies. However, for statewide policy purposes, committee members suggested it might be more helpful to consider how the uses function and perform relative to state and local economic development goals. Industrial site selection expert, Dick Sheehy, suggested the following three elements that the committee adopted as the policy definition.

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*Industrial uses generate:*

- *A significant capital investment*
- *Job creation*
- *Traded-sector activity*

Industrial uses generate:

- A significant capital investment; and
- Job creation; and
- Traded-sector activity.

These elements are not without limitations. For example, a facility on a site may not be directly involved in traded-sector activity, but that facility may be part of or provide critical support for traded-sector activities at an industry-wide level. State and local governments should remain flexible and maintain an industry sector-wide approach as well as accommodate critical support industries that are not traded-sector.

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*Agriculture is a specific type of industrial use found primarily outside of urban growth boundaries. Conversion is an issue that applies both inside and outside urban growth boundaries.*

It is important to note that on a statewide basis, Oregon's agriculture and forestry sectors meet this policy definition of industrial activity. Therefore the definition of prime industrial land and any policy discussions regarding its management and protection must include agriculture. Agriculture is a specific type of industrial use found primarily outside of urban growth boundaries. Conversion is an issue that applies both inside and outside urban growth boundaries.

### **What is Prime Industrial Land?**

Some lands are more valuable to traded-sector industries due to specific site characteristics, such as parcel size and location relative to markets and infrastructure. The committee labeled these properties prime industrial land and concluded the state has an interest in protecting or managing them in special ways.

The committee recognizes prime industrial land in one region or for one industry might not be prime for another. Even though there is no single definition of prime industrial land, the identification of sites or districts would consider the same elements found in the industry profiles of Oregon's Industrial Site Certification Program. Those elements include:

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- Net, contiguous, developable acreage in large, flat and symmetrical configurations;
  - Minimal or no development constraints present;
  - Access to an available workforce for a specific industry type;
  - Sufficient capacity in the local transportation system;
  - Proximity to interstate highways, rail, marine ports and/or airports;
  - Convenient access to water, sewer, gas, electricity and telecommunications;
  - Special considerations such as being free from encroachment of incompatible uses or needing high volumes of water and sewer or needing significant local transportation infrastructure;
  - Proximity to suppliers, customers, markets and related uses;
  - Location within a functioning industrial district;
  - The land is viable for the targeted industrial use.

*Prime industrial means the land is well located and viable for industry and is not easily replicable.*

The committee suggested the following approach to identifying prime industrial lands at the local or regional level:

- Identify the target industries or clusters most suitable to the community or the region through an economic opportunity analysis;
- Identify any special or use-specific land needs of a desired industrial user such as those described in Oregon's certification program;
- Inventory and assemble districts with the site-specific characteristics of the desired industry, or with the ability to attain those characteristics within a reasonable period of time.

This approach, though basic, is complicated because:

- Conducting an economic opportunity analysis is very technical and can be expensive for most jurisdictions;

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- Specific land and infrastructure needs differ among industrial users;
  - There is a tendency to focus on single sites rather than districts and to focus on local inventories rather than regional inventories;
  - The land requirements for a particular industrial user can be rigid. If those needs cannot be met, an industry is unlikely to locate even if the market will otherwise support it;
  - Holding costs, particularly for private property owners, can make it difficult to maintain a ready inventory for long periods of time;
  - Prime industrial land can exist both inside and outside urban growth boundaries.

Committee members generally agreed that state and local governments do not necessarily have the same interest in ensuring an available supply of industrial lands. While local governments may be most concerned about the short-term supply of employment lands, the state interest is to preserve sites that can't be easily replicated in the future.

### **What is Conversion?**

The term conversion is typically used as shorthand to mean a zoning and/or comprehensive plan map change from one general designation (industrial) to another (commercial, retail or residential).

Conversion is the process and the associated impacts of changing from one land use to another. Conversion reflects flexibility in Oregon's land use planning system to respond to changes in the market. Land uses change from one designation to another (e.g. from industrial to commercial or residential to industrial). Some conversions may be of concern, particularly in critical real estate markets, when they impact the short and/or long-term supply of industrial land. The concern is greatest when there is not suitable land to respond to immediate business development opportunities. Conversion occurs when:

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*Conversion reflects flexibility in Oregon's land use planning system to respond to changes in the market.*

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- A local government changes a plan and/or zone designation from one land use type (e.g., industrial, residential, commercial or retail) to another. These conversions occur through local plan and/or zone amendments.
  - Multiple use zones allow non-industrial uses (e.g., retail or institutional uses) along with industrial uses through the zoning code. In some cases, non-industrial uses are allowed by conditional use, which permit non-industrial uses subject to conditions and limitations. These conversions do not require a zone or plan change, but their cumulative impacts can result in major shifts in the type of land use in an area and may ultimately reduce the supply of industrial land.
  - Land uses adjacent to industrial zones are incompatible and/or compete for infrastructure capacity, making it difficult to maintain or expand industrial uses. For example, when residential development is adjacent to an industrial zone, associated industrial impacts (noise, dirt, truck traffic) often affect the residents' quality of life creating a vocal constituency opposed to the continued industrial uses in the area. Siting of a large retail or institutional facility can reduce the capacity of the transportation network for nearby industrial users.

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*Conversions occur over time and the cumulative effect is an erosion of local or regional industrial land supplies.*

Conversions occur over time and the cumulative effect is an erosion of local or regional industrial land supplies.

The committee agreed, in addition to a state interest in maintaining an adequate local supply of industrial land, there is an interest in preventing conversions of prime industrial land to non-industrial uses. Prime industrial land means, for a variety of reasons such as size, topography and infrastructure investment, the site is not easily replicated elsewhere. Prime industrial land also means the land is well located and viable for industry within the market area and that the preservation will provide needed supply. For land to be viable as *prime*

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industrial land, a reasonable public investment or public subsidy to reduce holding or redevelopment costs may be required. There is also a state interest in encouraging conversion of industrial lands that no longer meet the demands of the market and in helping local jurisdictions ensure they have a realistic and adequate supply of all types of land to avoid pressure to convert Oregon's *prime* industrial land.

### ***How Big an Issue is Conversion?***

*Very little data is available to document the nature and extent of industrial conversion.*

Very little data is available to document the nature and extent of industrial conversion. The Department of Land Conservation and Development tracks local plan amendments when local governments provide notice of such amendments. The department's database is incomplete and only includes rezoning of properties and plan amendments. The information on conversions is also limited because the database provides no benchmark to determine if a particular conversion resulted in the loss of a large or small percentage of a community's base of industrial land. The department reviewed several hundred industrial land conversions from 1986 to the present. The data did not distinguish among conversion types nor did it provide any information on the nature of the conversions.

The department collected case studies from committee members and from local governments to assess the nature and extent of conversions. These case studies provided examples of a variety of conversions; some viewed as beneficial for the community and others viewed as negative for the community's overall economic health. Many of the case studies are from the Portland metropolitan area and along the I-5 corridor, where there is the highest competition for land.

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## Case Studies

### *Survey of Cities – Conversion of Industrial Land*

The department, with the assistance of the League of Oregon Cities, surveyed cities regarding their experience with the conversion of industrial lands to other uses. Cities were asked to provide the following information:

- A description of the type of conversion (e.g., from industrial to commercial or residential);
- An estimate of the acreage involved;
- A description of the location of the converted acreage (e.g., adjacent to existing or planned residential areas; distance to freeway or other transportation facility etc.);
- A description of the outcome of the conversion (e.g., the re-use of a former mill site for commercial development);
- An assessment of whether or not the conversion benefited the community.

The department received five responses from cities around the state with populations less than 5,000 to populations more than 100,000. A summary of the responses follows:

- One jurisdiction reported it has seen limited conversion of industrial land for commercial uses and that conversion does erode the city's industrial land base. However, the city has an adequate supply of industrial land so the conversions to date haven't been a problem.
- A second jurisdiction reported the conversion of industrial land for a 'community use.' In this case, a church was built on industrial land. The city suggested the cost of providing services could not be offset because of the tax-exempt use of the property. The conversion deprived the community of tax revenues.
- A third jurisdiction reported several conversions of industrial land: One from industrial to residential and

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commercial, one from an aggregate site to light industrial, one for parks and open space and another back from open space to campus industrial. According to the city, the results of these conversions have generally been positive. In several cases, community growth had surrounded these industrial sites making it less attractive to continue industrial activities. The city expects it will need to add additional lands to its inventory, but expects that land will be zoned to accommodate more mixed uses.

- A fourth jurisdiction reported that it only had one conversion of industrial land involving rezoning of 198 acres from industrial to residential uses. The area was rezoned because the industrial designation was incompatible with existing residential development. The majority of the acreage was outside city limits and subject to county zoning that precludes urban level development. No sewer or water services were available to the county land, making it undesirable for industrial users.
- One jurisdiction reported a controversial conversion of land from industrial to commercial that resulted in development of a big box retailer. While some members of the community supported expansion of the city's retail base, others were concerned about the impact on small, local businesses and the loss of available industrial land.
- Two jurisdictions reported they made policy decisions to allow limited commercial uses in industrial areas. In one case, the jurisdiction promoted this type of mixed use to reduce vehicle miles traveled to comply with the department's Transportation Planning Rule (OAR 660-012). Another jurisdiction felt that mixed-use zoning helps attract industrial developers whose employees demanded access to commercial and service providers.

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## *Other Conversion Case Studies*

- The committee discussed a proposal in Albany to rezone 23 acres, including a former plywood mill site, for commercial development (in this case, for a Wal-Mart super-center). The site is a vintage industrial site and may not be economically attractive for other types of industrial users. Although the commercial use would create jobs, conversion of the site will result in significant traffic impacts and make certain traffic infrastructure unavailable for industrial users.

Department staff interviewed several committee members to gain further insights into the conversion issue. The following is a summary of those interviews:

### *Metro*

Metro's planning staff provided several examples of conversions. One example was the conversion of warehousing land for offices and retail along Highway 224, which resulted in impacts to freight movement.

Another example is the conversion of industrial land along Airport Way, east of I-205, where commercial uses out-competed industrial uses for highway access.

An example of conversions that had positive effects for the region include the shift from industrial to office space in the OMSI/KPTV vicinity in Portland and the conversion of the railroad yards and warehouses near the Union Station to the Pearl District. The OMSI/KPTV conversion is part of a long-term vision to intensify and diversify the industrial and employment base to include residential and retail in the appropriate locations.

## ***Why Does Conversion Occur?***

The committee concluded some conversions are a natural market response to changing social, political and economic conditions. Conversion is driven by factors including:

*Conversion is driven by:*

- *Inadequate vacant or redevelopable land supplies*
- *Holding costs to private property owners of industrially zoned land*
- *Unsuitability of existing land for designated uses*

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- Inadequate vacant or redevelopable land supply for other uses (retail, commercial, institutional, residential);
  - Holding costs to private owners of industrially zoned land over the long-term;
  - Unsuitability of land for designated uses.

Inadequate local industrial land supplies are the result of a variety of factors. For example, growth during the 1990s consumed many large, prime sites that have not been replaced. Also, land currently in many communities' inventories may be unsuitable for the type of development for which it is zoned. Communities may have competing priorities, such as finding inexpensive land for public facilities, responding to infrastructure investments or meeting environmental and open space goals. When the land supply is inadequate for other uses, pressure to convert large, prime sites increases, making it difficult for private property owners to bear the cost of holding industrial land for long periods.

### *What is the State's Interest in Conversion?*

Committee members suggested the state has varying levels of interest in encouraging or discouraging different types of conversions.

*The state has an interest in discouraging conversion of prime industrial lands.*

- The state has an interest in discouraging conversions of prime industrial lands. For example, some sites can't be easily replicated due to site-specific characteristics (e.g., size of parcel and location relative to markets and service infrastructure) or where the state has made a large financial investment (e.g., for transportation).
- The state has varying levels of interest in conversions for public uses and needs. Industrial land sites have been converted for public facilities, such as prisons and schools, while others have been used to meet natural resource protection goals (e.g., riparian area setbacks). The state may have a role in balancing competing public

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interests and ensuring institutional uses are factored into local land supply allocations.

- The state has an interest in reinvesting in viable industrial districts including those with brownfield sites.
- The state has an interest in encouraging the conversion and redevelopment of unsuitable industrial sites that no longer meet the needs of the market. When appropriate, the state may want to encourage redevelopment of brownfield sites for commercial, retail, institutional or residential use.
- The state has an interest in ensuring an adequate supply of land for all uses.

*The state has an interest in encouraging the conversion and redevelopment of unsuitable industrial sites that no longer meet market needs.*

## ***Existing Approaches Protecting Prime Industrial Land***

The committee evaluated existing approaches used to prevent conversion of and/or protect prime industrial lands. While most approaches limit some uses, others allow for flexibility while preserving large sites for economic opportunities. Local approaches evaluated include:

- Hillsboro's approach to industrial zones;
- Portland's and Metro's approach to industrial sanctuaries;
- Port ownership;
- Financial incentives for private owners;
- Reinvesting in existing industrial districts through urban renewal areas and brownfield cleanup.

### **Hillsboro Approach**

Hillsboro's approach to industrial land provides flexibility to accommodate a range of industrial uses. According to the city, industrial conversion is not a major issue in its

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community. One reason conversions are not an issue in Hillsboro is the city allows for a variety of industrial uses (e.g., the allowance of call centers in light industrial zones and as part of flex zones). The light industrial zone allows buildings that can be used by a variety of employers providing flexibility to respond to changes in the business economy. Hillsboro sets lot size minimums to preserve large sites. This approach also allows support businesses to locate near the primary business users and allows a fairly extensive list of commercial uses that includes finance, insurance and real estate offices.

Hillsboro's approach has resulted in one of the most successful industrial areas including Intel, the state's largest industrial employer. This approach has allowed Hillsboro to maintain higher than average lot sizes and a commercial intrusion rate below 3.5 percent.

### **Industrial Sanctuaries**

Industrial sanctuaries are a management tool for protecting prime industrial land at the industrial district or regional level. Zoning codes for industrial sanctuaries limit outright and conditional uses, as well as limit commercial uses to those that support the function and workforce of the industrial district.

Industrial sanctuaries can be created both inside and outside urban growth boundaries to accommodate a range of traded-sector uses from high-tech manufacturing to agriculture.

#### *City of Portland*

Portland has addressed conversion by limiting uses to those which would not interfere with development of the site for industrial uses and/or by preventing or restricting incompatible uses on adjacent or nearby lands.

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Portland protects its industrial areas by zoning them as industrial sanctuaries. The city allows six different categories of uses outright in sanctuaries. These are: industrial service, manufacturing and production, railroad yards, warehouse and freight movement, waste-related and wholesale sales. For each use allowed outright, certain accessory uses are allowed. Portland also allows as conditional uses: retail sales and service, office, commercial parking facilities, community service and daycare uses when these uses “are supportive of the industrial area or not detrimental to the character of the industrial area.” The conditional uses are subject to four approval criteria. These conditions are:

- The proposed use will not have significant adverse effects on nearby industrial firms and on truck and freight movement;
- The transportation system is capable of supporting the proposed use in addition to the existing uses in the area.
- The proposed use will not significantly alter the overall industrial character of the area, based on the existing proportion of industrial and non-industrial uses and the effects of incremental changes;
- The proposed use needs to be located in an industrial area or building because industrial firms or their employees constitute the primary market of the proposed use.

Through sanctuaries and the above approval criteria, Portland has been able to protect and preserve entire industrial districts and associated transportation infrastructure. This approach also allows limited levels of retail development to serve the industrial firms and their employees.

#### *Metro Title 4*

Title 4 of the Metro Code was designed to preserve industrial and other employment areas. Metro began the

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Title 4 process because they were concerned industrial land was disappearing from their base inventory. Initially, they thought conversion was causing the shrinkage and therefore it should not be allowed. They even thought it might be illegal. Yet, when they took a closer look, they found conversion is legal under current zoning provisions and from a public policy perspective, at times good. For example, allowing small-scale retail for use by employees who work in industrial zones can benefit industries and be an efficient use of transportation infrastructure. They also saw a wider range of industrial types that did not fit the traditional mold, particularly high-tech industries, and they realized some older industrial areas were no longer successful and were deteriorating because the economy had changed. They realized if public policy did not permit non-industrial uses in those older areas, they would continue to deteriorate and in-fill opportunities would be lost.

In 2002, Metro expanded its urban growth boundary (UGB) and determined that land within the UGB should be used more efficiently before further expansion would occur. The conversion issue gained attention because it was believed that within industrial zones a significant amount of land was used for other purposes. Metro amended Title 4 to make a distinction between regionally significant and other industrial areas, to limit retail uses in industrial areas, and to allow limited non-industrial office development in the regionally significant areas.

Those changes addressed the concern that some land uses are not appropriate for industrial areas, most retail needs to be in regional centers due to higher transportation capacities and the function of freight transportation facilities needs protection.

Since adopting Title 4 in 1996, Metro has concluded:

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- Not all conversion is bad.
  - The amount of conversion may have been overestimated and it is not the same in all areas.
  - The nature of industrial development can change rapidly and dramatically.

Metro acknowledged the focus was on building types when determining need for industrial land yet, increasingly; industrial workers are working in offices more than warehouses and factories. Efforts to exclude offices from industrial areas might be counterproductive and contrary to current industrial trends.

The latest version of Title 4 was adopted June 24, 2004, and is presently undergoing further review by LCDC. Objections have been filed and there is at least one Land Use Board of Appeals case pending.

### **Port Ownership**

The committee discussed a number of options for public ownership and generally agreed with the view expressed by John Russell, a Portland area developer and member of the Oregon Transportation Commission, in a May 24, 2004, guest editorial in *The Oregonian* (quoted right).

The committee determined if public ownership were to be one of the tools for preserving prime industrial land, the most promising option is to follow the approach used by port districts throughout the state. Oregon statute gives ports significant authority to develop land; buy, lease and sell property; levy taxes; issue bonds and other powers.<sup>10</sup> Both the Port of Newport and the Port of Portland provided testimony to the committee.

Ports are uniquely positioned to acquire and hold prime industrial land. Ports are structured to promote trade and typically operate multimodal distribution facilities such as airports, marine terminals and rail facilities. Port

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*Public bodies that hold industrial land can afford to be relatively patient and can wait for the right prospects that accomplish the greatest public good, whereas private landholders are necessarily impatient. They may need to capitalize on any prospect that will pay their price. In some cases, private interests may diverge from public good. In these instances the public may see greater benefit in waiting for the right buyer, but in a transaction between two private parties, the greater social benefit may be ignored and thereby squander a scarce and valuable commodity, rather than wait for a prospect that provides the highest and best use for the community.”*  
-John Russell,  
Developer - Guest  
Editorial, *The Oregonian*, May 24,  
2004.

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<sup>10</sup> ORS Chapters 777 and 778.

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management of industrial lands can also help protect state investments in major transportation and other infrastructures.

Ports also have the ability to make long-term investments in industrial land. The pending acquisition of the former Alcoa site in Troutdale by the Port of Portland is one example.

One limitation to this approach is that many areas of the state are not located within a port district.

### **Financial Incentives For Private Owners**

As an alternative to public ownership of prime industrial lands, the committee evaluated options to provide incentives for private property owners to retain lands for industrial use. The committee examined Oregon's tax system for farm and forestlands. The approach is a mixture of regulations and incentives and is accompanied by a strong policy statement justifying the limitations it places on the use of farm and forestland (resource lands). Local planning and zoning limit conflicting uses in areas designated as resource lands. Productive farm and forestland is strictly limited to full scale farming and forest related activities. Not all farm and forestland has the same value or needs the same protection, so certain compatible uses are allowed by statute or administrative rule.

Certain criteria must be met to qualify for the lower property tax assessment, but if the land does qualify, the lower property tax assessment is intended to provide an incentive for property owners to hold land and keep it in agricultural or forest production. When a property converts from a farm or forest use, there is a requirement to recapture some of the tax benefit.

When considering a similar tax system for industrial land, local governments expressed concerns about providing tax

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incentives that effectively reduce local property tax revenue.

## **Reinvesting in Existing Industrial Districts**

### *Urban Renewal Areas*

The committee evaluated urban renewal areas as one approach to maintaining existing industrial districts. This approach was examined because some aging industrial districts contain contaminated sites and are vacant or under-utilized even though they are in strategic locations relative to infrastructure. In addition, maintaining the viability of existing industrial districts is necessary for jurisdictions that are constrained from adding additional land to an urban growth boundary.

In urban renewal areas, development generates additional tax revenues to finance bonds for revitalization projects. Bond revenue finances improvements in roads, sewers and other public improvements stimulating private investment and an increase in property values. The rise in property tax revenues, referred to as tax increment, is used to pay the urban renewal bonds.

This approach can result in attracting new employers, encouraging existing employers to stay, expanding the supply of serviced, developable land and the assessment and cleanup of contaminated properties.

### *Brownfields Cleanup*

The Economic Revitalization Team adopted an Industrial Brownfield Redevelopment Strategy in April 2004. The committee examined this strategy as an approach to reinvesting in and maintaining existing industrial districts.

Under this strategy landowners, local partners and state agencies seek to identify, clean up and market brownfield sites for industrial or traded-sector uses. Incomplete

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knowledge about previously used industrial lands and concerns about actual or perceived contamination can cause these sites to be overlooked in favor of undeveloped greenfield sites often outside urban growth boundaries. The challenge is to make brownfields economically viable for industrial reuse and equal to or more attractive than greenfields as sites for new business development.

The reuse of brownfield sites has the following advantages:

- Lower investment costs due to existing infrastructure;
- Community acceptance of existing industrial designation of the property;
- Conservation of greenfield sites;
- Increased local tax revenue;
- Liability relief to property owners;
- Reducing human and environmental health risks.

## Conclusion

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In addition to a state interest in maintaining an adequate local supply of industrial land, there is an interest in preventing conversions of prime industrial land to non-industrial uses. Prime industrial land means, for a variety of reasons such as size, topography and infrastructure investment, the site is not easily replicated elsewhere. Prime industrial land also means the land is well-located and viable for industry within the market area. For land to remain viable as prime industrial land, a reasonable public investment or public subsidy to reduce holding or redevelopment costs may be required. There is also a state interest in encouraging conversion of industrial lands that no longer meet the demands of the market and in helping local jurisdictions ensure they have a realistic and adequate supply of all types of land to avoid pressure to convert Oregon's prime industrial land. Since agriculture is a specific type of industrial use found primarily outside of urban growth boundaries, conversion is an issue that exists both inside and outside urban growth boundaries.

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The committee recognizes there are many existing tools to help protect prime industrial land and is concerned additional requirements might burden local governments or have unintended consequences. With this in mind, the committee recommends the state focus its industrial lands policy on the following three goals:

**1. Maintain an adequate supply of prime industrial land to support traded-sector uses.**

**Recommendations:**

A. The state should provide technical assistance and guidelines for identifying prime industrial land and designating industrial districts:

The Department of Land Conservation and Development is currently developing a Goal 9 guidebook for use by local governments. The department should complete this work and develop similar resources as soon as possible. In its next session, the Legislative Assembly should allocate funding to the department to conduct training for local governments.

B. The Land Conservation and Development Commission should update the Goal 9 administrative rule to incorporate the conclusions and findings of this report and more effectively promote, review and acknowledge local implementation of Goal 9:

The Land Conservation and Development Commission (LCDC) is currently considering amending the existing rule for Goal 9. The committee recommends that LCDC commence rulemaking right away to clarify and update key terms, place greater emphasis on short-term supply to respond to immediate business development opportunities and

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provide safe harbors. In addition, the Department of Land Conservation and Development should more effectively ensure post acknowledgement plan amendments involving conversion comply with Goal 9.

C. The state should capitalize the Brownfields Redevelopment Fund to reinvest in existing industrial districts:

In its next session, the Legislative Assembly should fund OECDD's policy option package to capitalize the Brownfields Redevelopment Fund (ORS 285A.188) to not only reinvest in existing industrial districts, but to promote redevelopment opportunities and relieve pressure on vacant prime industrial sites.

D. The state should allocate additional funding for the Special Public Works Fund to address development issues for sites participating in Oregon's Industrial Site Certification Program:

The certification program requires significant amounts of detailed information to meet the demands of the site selection market. In its next session, the Legislative Assembly should allocate capitol funds to the Special Public Works Fund managed by OECDD specifically to gather data for sites participating in the Industrial Site Certification Program.

E. The state should continue support for the Industrial Site Certification Program:

Certification is the leading trend nationwide in industrial site selection. To achieve and maintain a competitive advantage, state agencies, through the regional Economic Revitalization Team process, should continue to invest staff, technical and financial

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resources in the Industrial Site Certification Program as a priority throughout the next biennium.

## 2. Reduce the pressure to convert prime industrial land.

### Recommendations:

- A. Local governments, with state assistance, should update their economic development strategies, demand forecasts and maintain buildable land inventories for all types of land:

The Department of Land Conservation and Development should continue to give priority for funding projects related to economic development. At the earliest opportunity, local governments should update or reexamine their local buildable lands inventories to ensure adequate inventories are maintained, particularly for immediate business development opportunities. Local governments should also review their local zoning codes and amend them as needed to ensure that permitted and conditional uses do not lead to the conversion or loss of prime industrial lands. Economic Revitalization Team agencies should identify programs and resources to provide both technical and financial assistance to local governments to accomplish these tasks. This should begin right away and continue throughout the next biennium.

- B. The state should encourage and remove barriers to regional approaches for economic opportunity analysis, land inventories and other tasks under Goal 9 and Goal 14:

For ready and willing governments, the Department of Land Conservation and Development through rule or other guidance should encourage local governments to conduct economic opportunity analysis and designate and manage land inventories

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on a county-wide or area-wide basis. The department can begin to remove barriers right away.

- C. The Department of Land Conservation and Development, the Economic and Community Development Department, Department of Transportation, the Economic Revitalization Team, the Oregon Economic and Community Development Department and other state agencies, as appropriate, should more effectively coordinate solutions to critical land use issues:

Key Economic Revitalization Team agencies should develop formal protocols to coordinate solutions to critical land use issues. For example ORS 197.717 requires the Oregon Economic and Community Development Department to provide state and national trend information to local governments as well as other services. No formal protocol exists for performing this function and providing these services. State agencies, through the Economic Revitalization Team process, should develop formal protocols as soon as possible.

- D. The state should assist local governments to develop and maintain inventories in a geo-database and use this system to monitor the cumulative effects of conversion on industrial land supply and to respond to business development opportunities:

Geo-database technology is an effective tool for managing land inventories. Though funding may not be available right away, utilizing this technology should be part of a long-term land supply and management strategy. In addition, the state, through the Economic and Community Development Department, should continue to promote the use of [www.oregonprospector.com](http://www.oregonprospector.com) by local governments.

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E. The state should protect critical infrastructure investments in support of the state economic development strategy:

State investments in critical infrastructure such as interchanges can be impacted adversely by unexpected shifts in land use patterns. Therefore, the state, through the Economic Revitalization Team process, should take steps to ensure state investments are protected in support of the state economic development strategy.

F. The Land Conservation and Development Commission should review the urban reserve rule as part of its evaluation of Goals 9 and 14:

The urban reserve rule is an under utilized planning tool that has potential to assist in the protection of prime industrial land and ensure adequate land supplies. The Land Conservation and Development Commission should evaluate the urban reserve rule as soon as possible as part of its rulemaking efforts under Goals 9 and 14.

G. The state should reexamine the statutory hierarchy for adding lands to urban growth boundaries as part of the land use program's proposed 30-year review:

The statutory hierarchy (ORS 197.298) has been identified by some as a major impediment for adding lands to urban growth boundaries that are most suitable for industrial development. This issue should be identified as a priority item as part of the land use program's proposed 30-year review. In its next session, the Legislative Assembly should authorize and fund the 30-year review.

**3. Ensure the long-term availability of prime industrial land through public ownership and incentives for private property owners.**

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## Recommendations:

- A. The state should fund acquisition of prime industrial land by ports, development corporations, urban renewal agencies, special districts or other public entities:

In some areas of the state there is an over reliance on private property owners to maintain the supply of prime industrial land. Increasing the diversity of ownership patterns will increase the diversity of choices in the market place for business development. Recently, the Economic and Community Development Department assisted the Port of Portland with the acquisition of a prime industrial site in Troutdale. The state should continue and expand this trend. In addition the state should examine the potential of state acquisition and ownership via the Department of State Lands.

- B. The state should provide state tax incentives or other state assistance to private owners of prime industrial land to hold property for traded-sector job growth.

The state has successfully reduced development pressure on farm and forestlands through preferential property tax assessments. During the next session, the Legislative Assembly should examine the potential of utilizing similar incentives at the state level to encourage private property owners to hold strategic sites for the long-term.

## **Summary**

House Bill 2011, adopted by the legislature in 2003, requires the Department to “in conjunction with the Economic Revitalization Team, establish a committee to study and report to the governor on the conversion of industrial land to non-industrial land.” This committee will consist of a group of stakeholders selected and recommended by the Economic Development Planning Team (team) and approved by the director in consultation with the Land Conservation and Development Commission (commission). The director, the commission and the team will be responsible for all final decisions on the committee’s goals, objectives, time line and tasks.

## **Roles and Responsibilities**

### Industrial Conversion Study Committee

- Provide subject matter expertise and share information reflecting your broadest constituency
- Critique existing documents, studies and data
- Define, at a minimum: conversion, industrial land, industrial use, employment land, adequate supply, available land, buildable land, market ready, land of state wide significance, markets, encroachment, noxious impacts, no net loss, industrial sanctuaries, agriculture sanctuaries
- Consider how much commercial use should be allowed on industrial land
- Examine options for preserving industrial land
- Determine the extent to which conversion of industrial land to other uses occurs and under what circumstances
- Coordinate efforts and share findings with the Department’s Economic Development Planning Advisory Committee
- Assist in compiling a report to present to the commission and to the Governor
- Attend all meetings as scheduled by the committee (tentatively, 3 or 4 between April and November 2004)
- Determine committee structure(s) and operating protocols at initial meeting(s).

### DLCD Economic Development Planning Team

- Provide staff and logistical support to the committee including background materials, meetings, schedules, agendas and minutes
- Assemble history, data, documents, studies and real world examples for the committee’s review
- Carry out goals, objectives and tasks for the team’s work plan
- Compile a report of the committee’s findings including majority and minority opinions and assist the committee’s presentation to the commission and to the Governor.

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Phase 3: Regional Industrial Land Study, for the Portland – Vancouver Metropolitan Area,  
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Positioning Oregon for Prosperity, Report of the Industrial Lands Task Force, October  
2003; Industrial Lands Task Force

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December 1, 1999; Otak, Hammer Siler George Associates, Golder Associates

Sufficiency of Commercial and Industrial Land in Oregon: Recommendations for Oregon  
Communities, December 2002; Otak, ECONorthwest