Comment on Carl Abbott's "The Portland Region: Where City and Suburbs Talk to Each Other—and Often Agree"

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Abstract

In Oregon, Portland's urban growth boundary (UGB) has produced a compact and livable region while preserving farmland and protecting the environment. The UGB has not slowed Portland's economic development, nor is it responsible for the region's current affordable housing problems. In fact, Oregon's UGBs are progrowth since they allow builders to intensely develop land within the boundary, free from the NIMBY ("not in my backyard") obstacles they often face elsewhere. Contrary to what Carl Abbott argues, the regional planning lessons learned in Portland, especially regarding the use of a UGB, may be applied throughout the nation.

Keywords: Growth management; Land use/zoning; Urban planning; Affordability

Introduction

Carl Abbott's article on regional government and regional planning in Portland, OR, emphasizes talking. It concludes that progress on key land use issues in Portland and Oregon is "less about growth management than about democracy" and that "the organization and character of the public realm are the key variables that make Portland different." Abbott's main assumption is as follows:

> The growth management process in Portland in the late 1990s reflects a political culture that values coalition building over electoral confrontation and balances the brokering of economic and political interests with a serious regard for rational argument. Portland's ethos also assumes that it is possible to find common goals and goods (if not necessarily a unitary public interest).

Abbott buttresses this view by quoting a leading suburban mayor as saying, "In Oregon we have a tradition of being able to set aside our individual interest for the broader good of the community." Another "prominent economic and civic leader" is quoted as urging a Portland audience to hold fast to a "moral obligation of the idea of Oregon."

To Abbott, I respond, enough, please, of all the self-congratulatory moral mist and civic braggadocio. It trivializes Portland's accomplishments to claim that its success is due to some unique moral vision, where people really do "all get along." It is not the political or moral ethos or anything in the water that explains what has gone right. Rather, Portland's success results from tough policy choices—choices that have won and maintained strong majority support on the basis of economic self-interest.

If Oregon's citizens and its interest groups are so rational and uncompromisingly virtuous, why did Oregon's Ku Klux Klan elect a governor in 1920? Why did the Oregon legislature outlaw Catholic schools in the 1920s? Why is Oregon near the bottom among the states in funding higher education? Why is Oregon 49th in support of the arts? If the state is striving so self-sacrificingly for the common good, why has it let a century-in-the-making state park system rapidly deteriorate in the past decade? Why have the voters just approved two crippling Proposition 13–type tax limitations?

Despite all the talk, the state's history is not one of unbroken progressive political successes. Like any state, Oregon maintains a complex mix of political and economic interests. To that extent, it is far more like the rest of the nation than it is distinct. If Oregon can enact rational land use reform, then any state can. Abbott's misreading of Oregon's unexceptional nature constitutes the biggest flaw in his otherwise worthy article; it leads him to conclusions about the replicability of the Oregon model that are similarly off target.

Abbott properly cites the political leadership of Portland's former mayor Neil Goldschmidt as key to establishing good planning practice throughout the region. The convergence of Goldschmidt as mayor and Tom McCall as governor and the quiet, behind-the-scenes leadership of Glenn L. Jackson, a widely respected business and civic leader, was extremely important. The three got along very well. They worked together often. And of course they made a difference. But their impact was not due to some special willingness to "set aside … individual interest for the broader good of the community." Rather, they were effective in reforming Portland's planning process because of the tough choices they made, the public investments they brought about, and the state-level and citywide policy frameworks they helped establish.

But of greatest importance was why, unlike many policy proposals on other important public issues, Oregon's land use policies have attracted and sustained majority public support over two decades. The answer is that Oregon's and the Portland region's land use practices provide significant economic benefits to many powerful political interests. Yes, much of the debate has been couched in planner themes like "compactness," as Abbott notes, and more recently in environmental buzzwords like "sustainability." But talk does not have a lot of political traction. The truth is that the program has worked operationally and politically because it does so many good things for the region and for the state economically. The balance of this comment looks at state and regional policies that provide the framework for Portland's land use successes. More important, the comment describes the political process or formula whereby mutual self-interest among diverse players was built into the region's planning process.

Urban growth boundaries

The Portland region's most fundamental strategy is the use of urban growth boundaries (UGBs). UGBs strike some around the country as radical. However, they address the national phenomenon of rapidly outward-expanding development that often produces jobless inner cities and unstable blue-collar inner suburbs, disinvestment in core infrastructure, and the needless consumption of natural resources and open space.

The Oregon legislature requires every city to have a UGB (*Oregon Revised Statutes* 197.175). The Portland region contains 24 municipalities and parts of 3 counties within its UGB. The purpose of UGBs is not to stop growth or even to slow it down. Portland's economy is booming. On the contrary, UGBs are prodevelopment. UGBs are also promarket. I realize these assertions may be somewhat counterintuitive or surprising. Let me explain.

A UGB addresses two key questions: "Where are we going to do a good job of being an urban community?" and "How big an area can we afford to be to make the investments we need to make in order to be a functioning, healthy, fair, and sound community?" The UGB makes the critical "where-we-will-be-urban" cut—the type of community decision most industrial societies insist that local governments make. Travelers to England or France or Scandinavia see a stark distinction between the urban and the rural. That is not happenstance. Rather, it is because the governments all have drawn lines on maps. Those societies call such lines different things. But all the lines indicate which areas will be urban and which will be rural. That is how a UGB functions. Portland's was put in place in 1979. All of Oregon's 241 cities now have them. They were controversial when first proposed, but today nearly everybody loves them, or at least accepts them.

Contrary to conventional wisdom, Oregon's UGBs are prodevelopment, because they signal where development is encouraged. Development inside the line has the blessing and the affirmation of public policy. It is formally declared to be in the public interest. Because of that affirmation, and because of specific proresidential and proindustrial land use policies that apply inside the UGB, Oregon's residential and commercial developers have come to accept UGBs.

Oregon's UGBs are also promarket. Suburban residential developments, office parks, and shopping malls often push their costs off onto others. Recent analysis has documented the types and amounts of these "externalized" costs—costs somebody else has to pay, whether it be taxpayers, another business, a nearby property owner, or commuters in traffic jams. By pushing off external costs, development can be sold at a price below its actual cost. With the advantage of below-full-cost pricing, projects attract capital that might otherwise go elsewhere. In addition, not only can urban investment not externalize costs, but it must often internalize costs that were externalized long ago, such as brownfields or deferred maintenance of crumbling infrastructure. Suburban investment thus has a two-pronged comptetitive advantage over urban investment. The result is a very unlevel playing field for private investment across metropolitan areas.

This kind of market failure misallocates resources while it causes sprawl. To protect the market's allocation function, economists from Milton Friedman to Lester Thurow argue, externalized costs should in theory be internalized in some fashion. Yet in practice, in the area of land use, it is hard to internalize costs because of the nation's chaotic land use patterns. Thousands of people are externalizing costs out there, in region after region, day in, day out. Economists note that where there are "pervasive and unknowable" externalities, some kind of systemic policy intervention is needed to allow markets to perform their vital function of efficiently allocating society's scarce economic resources. UGBs can at least contain the geographic area where the phenomenon of cost externalization occurs, thus partially restoring the market to its role of efficiently allocating resources. In this sense, UGBs are compatible with mainstream economic thinking.

Affordable housing

In the 1970s, the Portland region was experiencing a national trend in which residential zoning was out of sync with economic and demographic reality. As was the case nationally, household size in Portland was shrinking because of later marriages, fewer children, more seniors, and more people living alone for various reasons. At the same time, inflation-adjusted incomes were flat or falling for 50 to 60 percent of households.

Despite these changes, suburbs used zoning that prescribed increasingly larger houses, mainly by requiring oversized single-family lots. In addition to large lots for single-family homes, the Portland region zoned too little land for multifamily units. Even though half the housing demand was for multifamily housing, only 7 percent of the vacant, residentially zoned land in the region was zoned for multifamily use, while 93 percent was zoned for single-family use (Ketcham and Siegel 1991).

The Oregon land use program forced several key questions: "Is this what people need and want?" "Is this where the market is?" "How does our zoning stack up, in terms of what people can afford for housing, to what builders want to build, and to what banks want to finance?" The state's land use program helped the Portland region put zoning for housing back in touch with the demands of the marketplace. The average size of a built single-family lot in Portland in 1978 was 5,700 square feet, but the average size of a vacant lot in the region had increased to 13,000 square feet. The state's affordable housing land use policy required all the municipalities in the Portland metropolitan area to revise their zoning to better reflect economic and demographic reality. Thus, over four years, the average single-family lot size in the region was reduced to about 8,500 square feet. In addition, the amount of land zoned for multifamily housing quadrupled. On the same residential land base, 305,000 housing units potentially could be built in 1983, compared with 129,000 in 1978 (Ketcham and Siegel 1991).

Thus, the second reason Portland's UGB remains a prodevelopment concept is that it made possible a nationally unprecedented, metropolitanwide deregulation of the housing market. The higher-density zoning that resulted from Oregon's state-mandated relaxation of zoning restrictions on residential development benefited many interests. The new, more market-sensitive zoning increased affordability for consumers. It increased profitability for developers. It also reduced development pressure on the urban fringe. Because the Portland region has a UGB, and because vast amounts of land outside it are zoned for forest and farm use, Oregon builders and home buyers have the political and operational opportunity to develop a prohousing, inside-the-UGB policy.

Oregon's UGB program is also pro–affordable housing. Much of this is accomplished by allowing developers to meet the market demand for low-cost multifamily and attached single-family housing. Metropolitan Portland, for instance, enacted a housing rule requiring each of the region's 3 counties and its 24 cities to develop comprehensive plans that allow for a new construction mix that includes 50 percent multifamily or attached single-family units (Ketcham and Siegel 1991).

Housing affordability must be a key component of any land use reform policy given that the issue now affects so many Americans. The U.S. Department of Housing and Urban Development (HUD) defines households as having an affordability problem when they spend more than 30 percent of their gross income for housing. HUD finds there are 5 million American households currently spending more than half their income for housing—a figure that now stands at an all-time high (DeParle 1996).

Governments at all levels have responded to the challenge of promoting more affordable housing. One of the nation's most successful inclusionary housing programs can be found in Montgomery County, MD. Since 1970, any housing project in Montgomery County with more than 50 units is required to make 15 percent of those units affordable (Cisneros 1995). As of 1994, 8,840 units had been created under the program. Of those, two-thirds were sold, and one-third were rented. The average sale price from 1980 to 1991 for one of these affordable units was $69,900, compared with the county average of $208,000 (Cisneros 1995). More than 60 percent of the buyers of affordable units were minority group members, whose annual household incomes were $26,400, compared with the county average of $62,000 (Cisneros 1995). Montgomery remains one of the wealthiest counties in the United States, demonstrating that high property values and affordable housing are reconcilable, at least at the county level.

The beauty of the Montgomery policy is that the county did not assign quotas, but instead set up a builder-driven process. Builders get a density bonus that allows them to build about 20 percent more units if 15 percent of the total project is set aside for low- and moderate-income families. Montgomery County pursues a win-win approach to affordable housing where developers have a financial stake in building affordable housing.

Having a UGB in place that promotes growth inside the boundary can also speed the processing of building permits. That certainly has been the case in Oregon. In 1983, the state legislature imposed a 120-day limit on getting a yes or no answer to a completed development application. By resolving the debate about where development should go, Oregon has created the nation's fastest, most predictable development process.

By having a UGB, communities also are in a position to rationally designate and support those sites with infrastructure. The UGB requires localities to compare notes on their industrial inventories and their infrastructure plans. The state's industrial land use policy requires local governments to set economic development goals and to reconcile those goals with how they have zoned land. With these tools, a region can accelerate the modernization of its industrial land base.

In the 1970s, Oregon's industrial land base was dominated by old-style heavy industry located next to railroad tracks. That is not the kind of infrastructure needed by high-tech companies—the companies the Oregon legislature was targeting to diversify the state's economy. With the new planning system, the state was able to increase its industrial land base by 79 percent within the UGBs of its 10 largest cities. The increased supply provided the campuslike sites electronics and other high-tech companies often demand. More important, the state expedited the process of getting infrastructure to those sites. Today Oregon has $13 billion worth of electronics and high-technology plants planned or under construction. Clearly, UGBs have assisted the state's transition to a high-tech economy by providing a regulatory framework for siting such industry.

Top leaders in Oregon's electronics industry credit the state's land use system for making facilities' investment decisions quick and predictable. That, and the low relative cost of housing, ensured in part by Oregon's housing affordability strategy, created a huge economic development draw. Housing in Portland costs half what it does in California's Silicon Valley. By being an efficient producer of lots, Portland also maintains lower housing costs than Denver, a region that is booming in much the same manner as Portland but without a UGB. According to Harvard University's Joint Center for Housing Studies (1996), the median house in Denver cost $102,273 in 1995, while Portland's cost $101,675 (both figures are reported in 1989 inflation-adjusted dollars). Denver is also sprawling, while Portland remains compact, demonstrating that land use regulation need not drive up housing costs. In the years since the UGB's enactment, Portland's median house price has edged up just 7 percent in inflation-adjusted dollars, from $94,964 in 1980 (Joint Center for Housing Studies 1996).

Abbott's focus on income as the cause of Oregon's current housing affordability problem is clearly on point. The National Association of Home Builders "affordability index" looks at price, property taxes, and income. But to understand what is going on, each factor must be viewed in isolation. Oregon has high property taxes and low income compared with other states. Even though housing prices are low relative to other Western U.S. cities (Joint Center for Housing Studies 1996), the state still has an affordability problem. But income, and not the UGB, lies at the heart of the problem.

Preserving farm and forest land

Agriculture is big business in Oregon, as it is in many states. The Oregon legislature decided to preserve farming by restricting development on the state's most productive agricultural soils. The resulting farmland preservation legislation relies on Soil Conservation Service soil types to define the land to be restricted to farm use. Some good farmland has been lost inside the UGB, but this is a small price to pay for the vast amounts of growing soil and green space that are preserved outside the boundary. Better still, Oregon farmers are now free to concentrate on farming because of stable land uses and land prices.

In Oregon, where good soils exist in "large blocks" outside UGBs, the legislature requires counties to zone such soils for exclusive farm use. Oregon contains some 60 million total acres of land. About half is owned by the federal government, primarily in the form of national forests and Bureau of Land Management holdings, and about 30 million acres remains as private property. Pursuant to the state's land use laws, 26.5 million acres of farmland and forest were rezoned for exclusive farm or forest use.

That area is just slightly larger than all of Ohio and four times the size of New Jersey. This was done county by county, and area by area within each county; it took 10 years. To change the farm designations created by this process requires a review by the state. The results have been dramatic. There has not been a residential subdivision or shopping center outside the UGBs since cities adopted them in the late 1970s.

The Oregon Farm Bureau was a little unsure at first about the state's farmland policies, but now it solidly favors them. Indeed, in recent years the bureau has pushed for legislation to further tighten state restrictions on development outside UGBs. Oregon farmers support the program for many reasons. For one, they do not want new urban neighbors. But basic economic reasons are more important. Land is the biggest capital input in farming, and farmers who want to expand their profitable operations cannot afford to buy agricultural land if "anything goes" zoning allows development-value land prices to radiate out from cities over areas far larger than will ever be needed for future growth.

The forest products industry is another dominant political interest in Oregon. The industry also strongly supports UGBs and rural land conservation. Some freshman legislators are surprised when farmers and timber managers show up to testify in support of restrictions on land they own.

Thus two of Oregon's biggest economic players favor policies protecting the stability of the rural land. These policies also protect Oregon's vast open space, which enhances the quality of life for all state residents. Saving rural land deflects investment and demand for new development back inside the UGBs. Regions must build their way out of sprawl. The UGB and the farmland zoning outside the boundary together help this process by channeling development into well-defined urban areas. Like all the strategies discussed here as part of Oregon's comprehensive land use system, farmland preservation generates many benefits both inside and outside the UGBs.

Connecting land use and transportation

Oregon's land use plan also contains a transportation component, called "transit shed planning." Transit shed planning assumes the existence of a UGB, where the built environment has the possibility of achieving density sufficient for public transit. In the mid-1980s, Portland faced a situation where only 16 percent of the future development inside the UGB was going to be within walking distance of existing or planned bus or rail service. This meant that even with a UGB Portland was not going to reap any access or mobility benefit from higher built density. The density increases made to accommodate the UGB were theoretically high enough to justify transportation investments. The problem was that future development inside the UGB—higher density or not—was not planned for the right locations. Like saving farmland, the UGB is a critical start, but just a start nonetheless. Policies to achieve transit objectives are needed inside the UGB, just as policies for farmland are needed outside.

In response to this dilemma, 1000 Friends of Oregon (a land-reform advocacy group) sponsored a transit shed analysis. The question was this: "Where would additional transportation investments make sense if future development happened differently?" Without increasing densities, an alternative land use pattern was configured so that 65 percent of new residential development and 78 percent of new jobs would be located near transit or where, if land uses were shifted, transportation investments would become feasible. The alternative land use pattern allowed money to be spent on a different form of transportation capacity that could produce more mobility, less congestion, less energy consumption, and less air pollution than spending that same money on a freeway would. As a result, a freeway that had been proposed outside the UGB was scrapped, freeing up money to improve arterials in close-in suburbs and invest in improved bus service and light rail instead. A $1 billion, 17-mile light-rail system west of Portland now stands half built. This complements the 15-mile rail system built east of town in the early 1980s, which was also funded with money originally budgeted for a freeway.

Over time, the transit shed concept shifted from being an analysis conducted by 1000 Friends of Oregon to stop a freeway to being a land use strategy that maximizes the return on regional transportation investments. The alternative made transit-oriented development feasible. Cities are now changing their zoning to facilitate this new form of development, which allows for intensive land use around rail stops. The transit-oriented development plan won support because it was based not on some planner's idea of what was desirable but on market analysis keyed to household incomes, consumer preferences, and housing absorption rates. Similar market analysis has prompted the electronics industry in Silicon Valley to ask municipal governments for new zoning that will allow the industry and its employees to achieve their transit feasibility and housing affordability goals.

Freeing the land reform debate of myths

By going forward with policies described here, Oregon has slain four conceptual dragons that have stymied the national land use debate for 30 years. The first is the widely assumed, and mistaken, notion that land use policy reform is at odds with free economic markets. Planners and legislators need not fight market forces to enact Oregon-style land use reform. The strategies are compatible with the market. But Portland's position is stronger than that. Most of its strategies amount to peeling back interference in real estate markets caused by local policies, bolstered by NIMBYism. Those policies distort the free working of markets. They either require low-density development as a matter of law or send people signals that induce them to make personal or business investments that produce sprawl.

Second, land use reform does not mean having a fight with local governments. More and more local governments, particularly small suburban jurisdictions, recognize they are not masters of their own fate. They see they are increasingly being buffeted by forces beyond their control. State policies providing regional frameworks for tax base sharing, for fair-share affordable housing, or for rural land conservation stabilize local governments by insulating them from these forces. Suburban jurisdictions in the Portland region are now the strongest supporters of the UGB. Most were hostile to it in 1975, when it was first proposed. Done right, land use reforms can strengthen local control and local tax bases. That should be an explicit goal of reform.

Third, reform is less and less seen as being at odds with property rights. Portland broadened the previously very narrow notion of property rights, at least the way the idea played out for so long in the land use debate. Some people wince when they hear that Oregon does not allow subdivisions outside UGBs. They ask, "What about those poor folks who own all that land out there?" It turns out there are not that many of them. The more important point is there is a much larger group of people whose property values also are at stake in the debate over regional land use patterns: the people who own real property inside the UGB in the center of the region and in the established suburbs. What about their balance sheets? What about their house values? What about the sale value of their businesses when the owner is ready to retire? The pattern of sprawl not only creates an opportunity for speculation for a tiny handful of landowners at the urban fringe, it can also depress the residential and commercial values of a much larger group of property owners in the interior of the region. This is particularly true for regions like Chicago or

Cleveland where population growth is slow or declining in absolute terms, but the urbanized area nonetheless continues to rapidly expand.

So, yes, the land use reform movement is maturing. It is becoming concerned about property rights in a positive way. This concern, however, applies to all residents of the region, not just the privileged few who will benefit from continued sprawl.

Finally, "greedy developers" are not the big problem. Developers basically play the policy hand they have been dealt. The fact is, development is the *solution* to land use problems—not the cause, as is often thought.

Regulation will be needed to locate development—to identify *where* needed urban infrastructure and development will go, and to separate urban and suburban areas from rural areas.

But such regulation, by itself, is not the key to progress. Alone, it cannot remedy either the disinvestment in the city or the auto-only development fabric of suburbia. Only new development—operating on level urban-suburban playing fields—can do those things. For that reason, the rationale for land use policy reform must emphasize and affirm development—encouraging it and harnessing its power and community value—not regulation.

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