

Daydream Believers

Portland Plans for North Macadam

By John Charles

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In 1988, the City of Portland released a planning document that described the North Macadam district in South Portland as the best opportunity for urban re-development in Portland. The 142-acre site, long a center of shipbuilding, was characterized by a hodgepodge of gravel roads, industrial facilities, and fenced-off vacant land. With more than a mile of prime riverfront property on the Willamette, it offered tremendous potential for a vibrant urban neighborhood.

Fourteen years later, it looks much the same as it did then, and is still described by planners as the best opportunity for re-development in Portland.

To the casual observer, this might seem like a case of “market failure,” requiring government intervention to get the region built-out to its full potential. But in fact, the lack of economic activity in North Macadam is primarily the result of “government failure.” The two largest property owners put forward a development concept in 1993 that would have produced millions of dollars of investment with no public subsidy required. But Portland planners, convinced that the district needed to be developed at Manhattan-style density, rejected the plan as too suburban.

Desperate to move some dirt, the Portland City Council designated the area an Urban Renewal District in 1999. This authorized a development process by which the Council would identify desired types of development, sell urban renewal bonds to subsidize politically favored projects, and re-pay the bonds with the rise in property tax revenues (called the “tax increment”).

But in December 2001 their plans were derailed by an Oregon Supreme Court decision that will severely limit the amount of tax money available through urban renewal. In a case filed by Shilo Inn hotel chain owner Mark Hemstreet, the court held that the city had improperly calculated the tax rate under Oregon’s complex property tax limits. This will reduce the revenue generated by tax-increment financing (TIF).

In May 2002, financial consultant Steven Siegel reported to the Portland Development Commission (PDC) that the agency’s plan for subsidizing condos, office buildings, streetcars and an aerial tram to Marquam Hill would be at least 107 percent over budget for the amount of revenue that would actually be received through urban renewal. In addition, there will be timing problems associated with certain projects that will cause severe “cash flow shortages.”

For example, PDC has a wish list of projects for 2003 that will cost more than \$14.9 million, but they expect to actually have only \$600,000 to \$700,000 in TIF funds.

Given this bleak state of affairs, one might think that city officials would be interested in dusting off that 1993 proposal to have the district developed with no public subsidy, on the theory that low-density development is better than no development. But that

assumption would be wrong. Portland politicians, steeped in a culture of government activism, have no intention of allowing landowners to control their own destiny.

In fact, looking at the fancy, full-colored map of the city's proposed development plan released in April, one could easily conclude that there are no private property owners in North Macadam. The map shows an amazingly detailed series of high-rises, streetcar alignments, and a greenway along the riverfront, with no apparent relation to the land as it actually exists today.

For example, on the city's map, the shipbuilding yard of Zidell Corporation—the district's largest landowner—is replaced by a park. There is no discussion of what Zidell might actually want for the property. The map is drawn as if North Macadam is simply a blank canvas upon which omniscient planners get to paint.

The Portland City Council has even designated North Macadam part of a new Science and Technology Quarter. How they know that biotechnology research will emerge in this precise area of Portland—or anywhere in Portland—is a mystery, but they are prepared to spend more than \$162 million of public funds on their dream.

THE NORTH MACADAM PLAN

The North Macadam district is an area bounded by I-5 to the north and west, the Willamette River to the east, and John's Landing to the south. The area totals approximately 142 acres, and very little is in public ownership. Under the plan released by Portland in April, there will only be about 70-75 buildable acres, with a proposed Willamette River greenway of 17-23 acres and new parks totaling eight acres. The rest of the area will be needed for infrastructure such as roads, sewers and a new streetcar line.

Although the district is highly inaccessible by car, with only two main entrances off Macadam Avenue, there are few plans to improve the roadway system. Instead, the city wants to build a streetcar, light-rail line, and an aerial tram up to the top of Marquam Hill to service the expected expansion of Oregon Health and Science University (OHSU). With OHSU as the hoped-for anchor tenant, planners expect the district to accommodate 10,000 new jobs and 5,000 new residences by 2019.

The city's proposal is incredibly detailed. The most obvious feature is the wide greenway along the Willamette River. For riverfront property owners, there is a minimum setback of 100 feet from the top of the riverbank, which may translate into an actual setback of 120 feet or more, depending on the slope of the bank.

Within that greenway, ecological, trail and transition areas must be provided in specific sub-areas, at landowner expense. The area closest to the river (the riparian zone) must be left in its natural state. The next zone is for landscaped vegetation, and the property owner is required to choose plants off of a specific list and meet a minimum amount of landscaped area. The final zone, the one furthest from the water, requires separate bicycle and pedestrian paths that are 12 ft. wide, with landscaping in between the two.

Other features of the proposed code are equally prescriptive. For example:

- Certain property owners along the waterfront must provide “major public viewpoints.” These facilities must include benches, lighting and landscaping in conformance with specific Bureau of Parks regulations.

- Locker rooms are required in any building with over 100,000 sq. ft. of non-residential floor area, in order to encourage bicycling.
- The code identifies a specific required residential area. Projects will be required to include one dwelling unit for every 500 square feet of net site area, a density of more than 80 units per acre.
- Surface parking will be prohibited within 200 feet of the streetcar.
- Retail outlets larger than 40,000 square feet are generally prohibited, with exceptions allowed up to a cap of 60,000 square feet. This will prevent any larger retailers such as Costco or Fred Meyer from building in the district, as their stores typically require 120,000 square feet or more.

PROPERTY OWNERS SKEPTICAL

The two largest property owners in the district, Schnitzer Investment Corporation and Zidell Company, have participated in the public planning process for over a decade. Ann Gardner, property manager at Schnitzer, jokes that she's been to so many meetings that "sometimes I feel like I'm in the movie *Groundhog Day*," the 1980s comedy where Bill Murray wakes up each morning destined to repeat the previous day over and over again.

Unfortunately, despite the numerous meetings, Schnitzer has no current plans to develop their property. "We spent a million dollars participating in the city's planning process and tried to meet the public goals," says Gardner, "but ultimately the plan the city settled on is uneconomic."

As a result, Schnitzer is in a wait-and-see mode. Gardner notes, "We've had the property for a very long time and we can afford to wait longer for a good opportunity."

This is a marked change from the early 1990s, when the company actively looked at redeveloping its property. In 1993, Ken Novack, President of the company, along with Jay Zidell and Steve Shain of Zidell Company, met with city representatives to lay out a plan that would have developed their properties—more than half the district—without the need for any public subsidies. The plan featured long cul-de-sacs and suburban-type densities. It was rejected by the city.

In a follow-up letter, Bob Stacey, then-director of the Portland Planning Bureau, wrote, "the development intensity shown in the concept is considerably less than the Central City Plan envisioned for the North Macadam area. However, Mr. Martin's [David Martin, an advisor to Schnitzer and Zidell] objective was to picture a market-driven residential development, built without public investment or subsidy. His advice to you has been that greater densities will require greater cost than the housing market presently will support."

A significant concern for the city was that the lower density would eliminate any rationale for extending the Portland Streetcar (which didn't even exist at the time) into the district, and that was an important element of the high-density dream of city planners. As Stacey noted, "it would probably be unwise to extend rail service into North Macadam in the foreseeable future to serve these densities."

Though clearly disappointed, city officials did not reject the plan outright. They simply suggested that the design might have to be tweaked a bit during the regulatory review process. Specifically, Stacey wrote, "City staff will be happy to assist you with the land use reviews you need to begin development of the Martin concept. With the exception of

the street pattern, we see no significant problems in obtaining approval.”(emphasis added)

To the uninitiated, this sounds reassuring. One can imagine a few short meetings with helpful city planners, the issuance of necessary permits, and a celebratory groundbreaking ceremony.

For seasoned developers, however, it was like hearing the Trail Blazers tell a prospect, “Except for the fact that you’re only 6’2” and we need someone to guard Shaq, you’re well qualified to play center for us and we look forward to seeing you in camp.”

Anticipating the gauntlet of reviews that hostile city bureaucrats would impose, and facing redesign of the street pattern that would totally change the market viability, Schnitzer and Zidell withdrew the proposal.

Today, Steve Shane of Zidell judges the city’s current plan as “overly prescriptive and not especially creative. It adds little value to what we’re trying to accomplish.” He also views it as a major barrier to economic development. “The city says that they want to attract jobs and lower regulation,” says Shane, “but what they’re doing here is just the opposite. Incentives that exist elsewhere in the Central City in terms of bonuses are required in North Macadam.”

Discussing the planning process, Shane says, “The outrageous hubris of planners is that they sit in offices and plan for property that they’ve never walked.” He claims that some Portland planners have never even been to his site (at 35 acres, it represents one-fourth of the entire district), so they are poorly qualified to tell his company how to develop it.

TAKING A GAMBLE

Not all property owners within the district share this view. The most notable exception is Homer Williams, who has assembled land in the middle of the district and is working with Oregon Health and Science University (OHSU) to bring a planned expansion of OSHU to North Macadam. However, Williams is different from Schnitzer and Zidell in several important ways.

First, he shares the city council’s preference for dense, mixed-use development.

Second, he firmly believes that the city must spend public resources to make things happen and is happy to cut deals with PDC to get subsidies.

And third, he hates cars. He says, “The automobile is the bane of our existence. I haven’t owned a car in three years. I live and work downtown. If we limit parking and bring the streetcar, this will be a wonderful neighborhood.”

While other developers in the city also say nice things about the streetcar or light rail, most believe that accommodating the needs of motorists is essential to any successful project. Williams believes that city planners are correct in manipulating the development code to try and force people out of cars.

THE GRIDLOCKING OF NORTH MACADAM

While there is something admittedly appealing about the notion of people traveling around by streetcar and tram, there is no evidence that large numbers of Portlanders are prepared to actually live that way. The transportation studies that have been done for the city predict major overloads of the road system under the high-density plan. As PDC noted in 1999, “The Bancroft, Macadam and Hood intersection will be significantly congested during the a.m. and p.m. peak travel hours. Conflicts will increase from increased traffic weaving on Macadam as a result of additional right turns into the district.”

This is intensely frustrating for nearby residents of existing neighborhoods. Marty Slepekis is one resident who has invested enormous amounts of personal time into the planning process, representing the Corbett-Terwilliger-Lair Hill neighborhoods in city planning exercises. He says, “Everyone in the CTLH neighborhood is concerned about the major traffic impacts of this proposal.”

Slepekis says that the traffic problems in North Macadam will be far worse than in other urban renewal areas, due to the inadequate road system. “I’ve counted the access points in other urban renewal districts and they range from 18-117 for an expanding grid street system. We only have two here.”

Nonetheless, the city is planning to spend most of the infrastructure budget on fixed guideway transit, including some \$44 million on a streetcar extension and \$16 million on the aerial guideway (though no one actually knows what the tram will cost). The city is also planning to spend at least \$3 million on a transit hub linking these two projects together.

In comparison, planners are only budgeting \$7.6 million for a new, two-lane road in the district called the River Parkway, \$4.6 million for an upgrade to Moody Street, and \$4.25 million for improvements to Bond Street, despite the fact that road systems carry far more people (as well as freight) than a streetcar or tram ever will.

When asked about this imbalance, PDC senior development manager Cheryl Twete said, “We know we have an area that is transportation constrained. It’s physically impossible to build more roads. The goal is to build a local street system, bus, streetcar and tram so that people have multiple options for entering and leaving the district. Our consultant concluded that more housing would help alleviate the traffic problems as higher densities result in higher transit ridership.”

The “high density reduces traffic” argument has been the mantra for Portland planners for over a decade, but has no basis in fact. The places in the country that have the highest densities, such as New York and San Francisco, also have nightmarish traffic problems, despite operating world-class transit systems.

The problem is that when density is increased, transit ridership does tend to rise, but not nearly enough to offset the huge increase in automobile traffic caused by that same density.

The city tries to minimize this effect by artificially constraining the amount of parking allowed for new development. In the proposed zoning code for North Macadam, for example, the parking ratios for new retail and office development will initially be 3.4

parking spaces per 1000 square feet of net building area. Starting in 2008, the ratios drop to 2.9, then 2.4 in 2014, and finally 2.0 in 2020.

Portland planners assume that as the streetcar system gets built out, the district will need fewer parking spaces. But that assumption is a fantasy, and building a business plan around it is going to set off a chain reaction of unintended consequences.

First, lenders will not finance projects with excessively low parking ratios, even when fixed-rail transit is right next-door. On the Westside MAX line, for example, one six-acre parcel at the Beaverton Creek station has remained undeveloped for over five years due to improper parking ratios. According to Todd Schaeffer of Specht Properties, the owner, “The zoning ratio for that site is 2.7 parking spaces per thousand; the market rate is four. We think light rail is an amenity but it doesn’t take the place of parking. Lenders aren’t going to go for a project like that.”

A second problem is that unrealistic parking controls simply externalize the parking shortage to nearby neighborhoods. Commuters in particular are very savvy about finding on-street parking in residential neighborhoods, taking up space designed for use by those who live there. The Corbett-Terwilliger-Lair Hill neighborhood already suffers from this problem, and has for decades.

A major analytical problem with the City’s strategy is that there is no way to link parking ratios with driver behavior. John Liljegren, a Portland lawyer who worked for years in the office development business, served on a Department of Environmental Quality task force on parking ratios in the early 1990s and still becomes incensed when the subject is broached. He says, “The advocates of parking limits haven’t thought through a single question. They have no way to measure the actual impacts of their proposed rules and they have no intent of doing so.”

He asks rhetorically, “What is the purpose of parking limits? Are they trying to reduce auto trips? If so, by how much? Just because you reduce parking spaces by 10 percent or 20 percent doesn’t mean you reduce trips by that number. There are at least 11 possible actions a person could take when encountering a retail location that doesn’t have enough parking. How can the powers that be measure the frequency of each of these alternatives to decide how well the parking maximum is doing at reducing trips? Of course, they cannot.”

Even if planners relented on parking ratios, however, the North Macadam district is simply in a bad location for high density. It is hemmed in by the Willamette River to the east and I-5 to the west. There is no way to build out a better street grid. Jerry Foy, with Westwood Development Company, worked in the district for many years. He says, “Between 4:00 p.m. and 6:00 p.m., Macadam routinely backed up all the way to John’s Landing. I could not think of a worse location to put all that density.”

OHSU DOES NOT NEED NORTH MACADAM

Although the popular press accounts of this debate describe the North Macadam district as essential to OHSU’s need for 2.2 million square feet of new space, what is not generally known is that OHSU actually has room for that expansion right on land they already own up on the hill. Such expansion would give Portland the jobs it wants, while

eliminating the rationale for a controversial and expensive tram. It would also allow North Macadam to develop at lower densities, minimizing local traffic.

At first blush this scenario seems implausible, because Marquam Hill has had enough traffic problems of its own. But this could be alleviated by building a new, two-lane road to OHSU from Barbur Boulevard. That concept was analyzed by David Evans and Associates in 1992, as part of an OHSU master planning exercise, and found to be feasible. The road, which became known as the South Access Road, could be built on public land, with minor effects on five property owners. It would go down the south side of the hill, tunnel under Terwilliger Boulevard, and connect with Barbur Boulevard near Hamilton Street. This option would take care of OHSU's transportation needs for any future expansion on the hill for the next 30 years.

However, the plan was dropped from consideration in the early 1990's for "political and environmental" reasons, according to OHSU consultant Carl Buttke.

More recently, the City's Peer Review Panel for analyzing the transportation problems associated with Marquam Hill—a group of five consultants appointed by the City—noted that "the Peer Review Panel recognizes the significant transportation system advantages associated with the South Access Road. However, the cost and environmental constraints have been determined to be fatal, and therefore the Panel did not give further consideration to this alternative."

However, if one goes back and actually reads the original David Evans report, it's clear that the "fatal flaw" argument is bogus. The environmental issues associated with the South Access Road are minor. The public lands right-of-way consists of cutover forestland. There are no wetlands on the site, no threatened or endangered species, no major waterways, no effects on the 40-mile Loop Trail, and no trees older than 100 years. Evans found that "Portions of the site are overrun with such invasive species as English ivy, traveler's joy, and blackberry...the main effect of establishment of exotics is to reduce species diversity and homogenize wildlife habitat across the landscape."

The total cost of construction in 1992 dollars would have been \$5.5 million, including construction, right-of-way, engineering, environmental mitigation and contingencies.

The analysis showed that the road would take traffic off of local neighborhood streets and Terwilliger Boulevard, thereby reducing congestion for motorists and improving livability for residents. The road would also include six-foot shoulders and five-foot sidewalks on both sides, making it potentially another scenic route for joggers and cyclists to use.

There is really only one problem with this option: it's a road. And the City Council hates roads. For the past decade, they've been busy cannibalizing our existing roadway system with under-used light-rail lines, streetcars and bikeways, while dreaming of bigger things such as removing I-5 on the east side.

Cheryl Twete at PDC recalls that the South Access Road was discussed in the context of North Macadam planning but "it was never given serious consideration. It would run through an environmental overlay zone and be very expensive. PDOT was never very interested in that concept."

Ken Dueker, a retired Portland State University professor who lives near Marquam Hill, recalls running into Earl Blumenauer when Blumenauer was a member of the Portland City Council and asking him about the road option. He said that Blumenauer told him it was no longer on the table as the city didn't want to encourage auto access to the hill.

Dueker, who formerly ran the Transportation Research Center at Portland State, believes that building a road would still make sense and would solve one of the major problems associated with the proposed aerial tram: parking. "The tram is designed mostly to serve internal trips to the hill," says Dueker. "If you want to get a lot of commuters to use it, you need a big parking structure in North Macadam, but that isn't planned, and even if it was, it would still aggravate traffic problems down on Macadam."

SAVING THE RIVERFRONT FROM PEOPLE

Although the OHSU expansion is the supposed economic rationale for the City's North Macadam plan, the environmental showpiece is a greenway along the bank of the Willamette. The existing code calls for a 25' setback, but Portland planners have a much more grandiose concept in mind. The proposed code calls for a minimum 100' setback, and a strong preference for 150'.

While this is seen as cutting edge thinking in some quarters, Barbara Walker has a more critical view. "I hope the real greenway turns out to be different than the plan. I don't want a strip of riparian area, then a strip of trees, followed by a strip of sidewalks. We need more variety."

Walker, who lives in Southwest Portland, is more than a novice on the subject. She is a highly respected parks and open space advocate who has been active on these issues for decades. She believes that the plan should be less prescriptive and allow more flexibility. She also believes that expanding the greenway to a minimum of 100' is a mistake.

"There is a fairness issue here," she says. "I have no problem with the current 25' setback. We could require property owners to build a trail as they would a sidewalk in a more traditional neighborhood, and I don't think they'd object. But when you get out to 75 or 100', who is going to pay for that? In order to avoid this requirement, the riverfront owners will be the last to develop in the district, and that's wrong."

The greenway as envisioned by the city has bike and pedestrian paths well away from the water. Depending on how the mandated vegetation grows, over time people may not even be able to see the river from the footpaths. If that's the case, they will start creating their own paths to get closer to the water, as they do in Tom McCall Waterfront Park in the "bowl" by the Portland Marriott. In that area, the sidewalk circles away from the water, so people have voted with their feet to make a new trail near the water.

Walker is troubled by the heavy-handedness of the North Macadam plan in the way it treats property owners. "We need to find incentives to make the greenway workable. I don't think having to come up with a plan to buy all the land is sensible. I've worked on the 40-mile loop for over 20 years, and there are a phenomenal number of landowners who are willing to donate land for a good cause as long as something totally uneconomical isn't jammed down their throats. There's a lot of good will out there; this is how we've created green spaces in Portland for a very long time."

ANOTHER PLANNING TRAIN WRECK

Portland officials continue to cling to their dream of high-density, transit-oriented development in North Macadam. But the city's plan is so prescriptive that the two largest property owners have essentially bailed out, and even Homer Williams told the Planning Commission recently that much of his project with OHSU will not be allowable under the proposed code. Williams wants a variety of building heights and shapes; following the proposed code would lead to the same result as in the Pearl District, where most of the new buildings all look alike.

The tram, which will be a postcard attraction rather than a serious transportation investment, is being fast-tracked like few projects ever have in the history of the city, and promises to create a major bloodbath with existing homeowners living below the proposed alignment on Southwest Gibbs Street.

And finally, the entire idea of the City Council designating the area a "Science and Technology Quarter" is ludicrous. If politicians could make profitable economic clusters happen simply by issuing a press release and subsidizing a few buildings, the economy of Cuba would be flourishing and the Soviet Union would still exist.

Venture capitalist Ralph Shaw, in a March speech to the Commercial Association of Realtors, blasted the city's economic planners for their wishful thinking. "Having watched the failure of economic development policies focusing on dotcoms and telecommunication hotels, our economic development planners are now succumbing to the irresistible, lemming-like, urge of looking to biotechnology as our long-term economic savior. This in spite of the huge capital requirements incumbent in achieving success in that highly risky business, and the absence of any commercial evidence that our state has something unique to offer."

The history of Oregon's Silicon Forest should demonstrate the folly of trying to "plan" any kind of economic cluster. While the high-tech concentration in Washington County has become the economic engine of the state, its development involved thousands of seemingly random events, decisions and investments over 50-some years. Though each connection is understandable in retrospect, none could ever have been predicted.

A DESIRE NAMED STREETCAR

If anything symbolizes the daydreaming associated with North Macadam planning, it's the streetcar. Everyone seems to want it, yet almost no one actually rides it. At the peak commute period in the morning, fewer than 100 people per hour ride it into the central city from northwest Portland.

The streetcar only collected about \$69,000 in fares and passes during its first year of operation, while operating expenses were \$2.4 million. Most passengers rode for free.

Zidell's Steve Shane, a strong advocate of the streetcar, spoke for rail fans everywhere when he said, "Actually, I've never been on the streetcar myself. It doesn't take me to where I want to go, and it's too slow."

At the conclusion of our interview, he said he had to leave for an appointment. We both went outside and got in our cars.

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SIDEBAR:

A city council hearing date is currently set for October 9, at Council Chambers, 1221 SW 4th Avenue, Portland. The schedule of hearings is maintained at http://www.planning.ci.portland.or.us/cp_nmac_event.html,. Check that website for more details in September. Also, the “recommended” North Macadam plan is due to be released on September 10; it will be available online at http://www.planning.ci.portland.or.us/cp_nmac_over.html.